

NEW MONEY ISSUE - BOOK-ENTRY-ONLY

In the opinion of Hinckley, Allen & Snyder LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX EXEMPTION” herein.



THE COMMONWEALTH OF MASSACHUSETTS

\$200,000,000

**General Obligation Bonds
Consolidated Loan of 2021, Series A**

\$400,000,000

**General Obligation Bonds
Consolidated Loan of 2021, Series B**

Dated: Date of Delivery

Due: As shown on the inside cover hereof

The Commonwealth of Massachusetts General Obligation Bonds, Consolidated Loan of 2021, Series A (the “Series 2021A Bonds”) and General Obligation Bonds, Consolidated Loan of 2021, Series B (the “Series 2021B Bonds”) and together with the Series 2021A Bonds, the “Bonds”) will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Series 2021A Bonds will bear interest from their date of delivery and interest will be payable on September 1, 2021 and semiannually thereafter on March 1 and September 1 and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The Series 2021B Bonds will bear interest from their date of delivery and interest will be payable on October 1, 2021 and semiannually thereafter on April 1 and October 1 and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as more fully described herein.

The Bonds 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 Bonds. However, for information regarding the statutory limit on state tax revenue growth, see “SECURITY FOR THE BONDS” (herein) and the Information Statement (described herein) under the heading “COMMONWEALTH REVENUES – LIMITATIONS ON TAX REVENUES.”

The Bonds are offered when, as and if issued and received by the original purchasers, and subject to the unqualified approving opinion as to legality of Hinckley, Allen & Snyder LLP, 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. Acacia Financial Group, Inc. is acting as municipal advisor to the Commonwealth in connection with the issuance of the Bonds. Settlement of the issue is expected at DTC in New York, New York, on or about May 18, 2021.

May 4, 2021

THE COMMONWEALTH OF MASSACHUSETTS

\$200,000,000 General Obligation Bonds Consolidated Loan of 2021, Series A

Dated: Date of Delivery

Due: March 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2035	\$25,000,000	3.000%	1.510% ^C	57582RM60
2036	25,000,000	3.000	1.550 ^C	57582RM78
2037	25,000,000	2.000	1.820 ^C	57582RM86
2038	25,000,000	2.000	1.880 ^C	57582RM94
2039	25,000,000	2.000	1.940 ^C	57582RN28
2040	25,000,000	2.000	2.000	57582RN36
2041	25,000,000	2.000	2.050	57582RN44
2042	25,000,000	2.000	2.089	57582RN51

\$400,000,000 General Obligation Bonds Consolidated Loan of 2021, Series B

Dated: Date of Delivery

Due: April 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2047	\$50,000,000	3.000%	2.130% ^{CC}	57582RN69
2048	75,000,000	3.000	2.140 ^{CC}	57582RN77
2049	75,000,000	3.000	2.150 ^{CC}	57582RN85
2050	100,000,000	2.000	2.280	57582RN93
2051	100,000,000	2.125	2.290	57582RP26

^C Priced at stated yield to the first optional redemption date of March 1, 2031 at a redemption price of 100%. See "THE BONDS – Redemption" herein.

^{CC} Priced at stated yield to the first optional redemption date of April 1, 2031 at a redemption price of 100%. See "THE BONDS – Redemption" herein.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are 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 the Bonds 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.

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No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts or the original purchasers of the Bonds 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 Bonds 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 original purchasers of the Bonds 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 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
Ronald Mariano Speaker of the House

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

\$200,000,000
General Obligation Bonds
Consolidated Loan of 2021, Series A

\$400,000,000
General Obligation Bonds
Consolidated Loan of 2021, Series B

INTRODUCTION

This Official Statement (including the cover page and Appendices A through E attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the “Commonwealth”) of its \$200,000,000 aggregate principal amount of General Obligation Bonds, Consolidated Loan of 2021, Series A (the “Series 2021A Bonds”) and its \$400,000,000 aggregate principal amount of General Obligation Bonds, Consolidated Loan of 2021, Series B (the “Series 2021B Bonds” and together with the Series 2021A Bonds, the “Bonds”). The Bonds 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 Bonds. However, for information regarding the statutory limit on state tax revenue growth, see “SECURITY FOR THE BONDS” and the Information Statement (described below) under the heading “COMMONWEALTH REVENUES – LIMITATIONS ON TAX REVENUES.”

The Bonds are being issued to finance certain authorized capital projects of the Commonwealth. See “THE BONDS – Application of Proceeds.”

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through E. 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 April 12, 2021 (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 Bonds, 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, 2020, 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, 2020, 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 <https://www.macomptroller.org> by clicking on the “Reports” link. 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 each series of Bonds. Appendix C attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the successful bidder(s) of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix D attached hereto contains the Official Notices of Sale with respect to the Bonds. Appendix E contains a form of issue price certificate.

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 April 12, 2021 – “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

THE BONDS

General

The Bonds will mature on the dates and in the aggregate principal amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months), as set forth on the inside cover page of this Official Statement. The Bonds will be dated their date of delivery and will bear interest from such date. Interest on the Series 2021A Bonds will be payable semiannually on March 1 and September 1 of each year, and at maturity, commencing September 1, 2021, until the principal amount is paid. Interest on the Series 2021B Bonds will be payable semiannually on April 1 and October 1 of each year, and at maturity, commencing October 1, 2021, until the principal amount is paid. The record date for the Bonds will be the 15th day of the month immediately preceding each interest payment date. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with one bond certificate for each series and maturity 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 Bonds 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 Bonds will be paid in federal funds to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds 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

Optional Redemption.

The Series 2021A Bonds will be subject to redemption prior to their stated maturity dates on and after March 1, 2031 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

The Series 2021B Bonds will be subject to redemption prior to their stated maturity dates on and after April 1, 2031 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the Bonds of a series not less than 30 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for such Bonds, notices of redemption will be sent by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

The redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption, in a separate account established by the Commonwealth for such purpose no later than the redemption date, or that the Commonwealth may rescind such notice at any time prior to the scheduled redemption date if the Treasurer and Receiver-General delivers a notice thereof to the registered owner of the Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the Commonwealth to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and the amount necessary to effect the redemption having been so deposited, the Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such Bonds shall cease to bear interest.

Selection for Redemption. In the event that less than all of any maturity of Bonds is to be redeemed, and so long as the book-entry-only system remains in effect for such Bonds, the particular Bonds or portion of any such Bonds of a particular maturity to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Bonds, selection for redemption of less than all of any one maturity will be made by the Commonwealth by lot in such manner as in its discretion it shall deem appropriate and fair. For purposes of selection by lot within a maturity, each \$5,000 of principal amount of a Bond will be considered a separate Bond.

Application of Proceeds

The Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and specific bond authorizations enacted by the Massachusetts Legislature. The net proceeds of the sale of the Bonds, including any premium received by the Commonwealth upon original delivery of the Bonds, will be applied by the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer") to the various purposes for which the issuance of bonds has been authorized pursuant to such bond authorizations or to reimburse the Commonwealth's treasury for expenditures previously made pursuant to such laws. Any remaining premium received by the Commonwealth upon original delivery of the Bonds and not applied to the various purposes for which

bonds have been authorized will be applied to the costs of issuance thereof. The purposes for which the Bonds will be issued have been authorized by the Legislature under various bond authorizations.

The proceeds of the Bonds will be used to finance or reimburse the Commonwealth for a variety of capital expenditures which are included within the capital investment plan maintained by the Executive Office for Administration and Finance. The plan, which is an administrative guideline and is subject to amendment at any time, sets forth capital spending allocations for various purposes and establishes annual capital spending limits for the Commonwealth. See the Information Statement under the heading “COMMONWEALTH CAPITAL INVESTMENT PLAN.”

SECURITY FOR THE BONDS

The Bonds 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 Bonds, 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 of interest on the Bonds 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 Bonds have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code. The Bonds 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 Bonds or in any way contesting or affecting the validity of the Bonds.

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 Attorney General’s knowledge, 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 Information Statement under the heading “LEGAL MATTERS.”

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each series and maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such series and maturity, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds 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 Bonds 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 BOND OWNER.

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a successor depository is not obtained, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner. Bond 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, Bond 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 Bonds have been assigned long-term ratings of "AA+" (stable outlook), "Aa1" (stable outlook) and "AA" (stable outlook) 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 Bonds.

COMPETITIVE SALE OF BONDS

After competitive electronic bidding on May 4, 2021, the Series 2021A Bonds were awarded by the Commonwealth to Morgan Stanley & Co. LLC, as purchaser. The purchaser of the Series 2021A Bonds has supplied the information as to the public reoffering yields of the Series 2021A Bonds set forth on the inside cover hereof. If all of the Series 2021A Bonds were resold to the public at such yields, the purchaser of the Series 2021A Bonds has informed the Commonwealth that its total compensation is expected to be approximately 0.440328% of the aggregate principal amount of the Series 2021A Bonds. The purchaser of the Series 2021A Bonds may change the public offering yields from time to time.

After competitive electronic bidding on May 4, 2021, the Series 2021B Bonds were awarded by the Commonwealth to Jefferies LLC, as purchaser. The purchaser of the Series 2021B Bonds has supplied the information as to the public reoffering yields of the Series 2021B Bonds set forth on the inside cover hereof. If all of the Series 2021B Bonds were resold to the public at such yields, the purchaser of the Series 2021B Bonds has informed the Commonwealth that its total compensation is expected to be approximately 0.758641% of the aggregate principal amount of the Series 2021B Bonds. The purchaser of the Series 2021B Bonds may change the public offering yields from time to time.

Certain of the purchasers have entered into distribution agreements with other broker-dealers (that have not been designated by the Commonwealth as purchasers). Such agreements generally provide that the relevant purchaser will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Commonwealth for which they received or will receive customary fees and expenses.

TAX EXEMPTION

In the opinion of Hinckley, Allen & Snyder LLP, Bond Counsel to the Commonwealth (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Commonwealth has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and that the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed forms of opinion of Bond Counsel with respect to the Bonds is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. In general, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public. The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the issue price established therefor.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such

Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

On December 22, 2017, H.R. 1 (Public Law 115-97), commonly referred to as the Tax Cuts and Jobs Act (the “2017 Tax Act”), was enacted into law. The 2017 Tax Act does not adversely affect the exclusion from gross income of interest on the Bonds. Among other things, however, Section 13532 of the 2017 Tax Act amends Section 149(d)(1) of the Code to provide that nothing in federal law shall be construed to provide an exemption from federal income tax for any bond issued after December 31, 2017 to advance refund another bond. The 2017 Tax Act also contains provisions lowering the income tax rates applicable to many corporations and individuals and repealing the alternative minimum tax on corporations for their tax years beginning after December 31, 2017.

Prospective Bondholders should be aware that from time to time legislation, apart from the 2017 Tax Act, is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

OPINION OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Hinckley, Allen & Snyder LLP, Boston, Massachusetts, Bond Counsel to the Commonwealth. The proposed forms of the opinion of Bond Counsel relating to the Bonds are attached hereto as Appendix B. Certain legal matters will also be passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, as Disclosure Counsel to the Commonwealth.

CONTINUING DISCLOSURE

In order to assist the successful bidder(s) in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix C 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

Acacia Financial Group, Inc. ("Acacia") has acted as independent financial advisor to the Commonwealth with respect to the Bonds. 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.

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial 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, x. 816, or 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 Official Statement and the Bonds should be directed to Jay Gonzalez, Hinckley, Allen & Snyder LLP, telephone (617) 378-4256.

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

May 4, 2021

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**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated April 12, 2021

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Charles D. BakerGovernor
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
Ronald Mariano Speaker of the House

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THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

April 12, 2021

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 January 7, 2021. 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, 2020 and the Commonwealth’s Comprehensive Annual Financial Report (reported in accordance with generally accepted accounting principles (GAAP)) for the year ended June 30, 2020.

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 businesses and organizations, have implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals, businesses and organizations 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 may continue to cause, severe disruptions in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. stock and bond markets.

In March 2020, Governor Baker declared a state of emergency in the Commonwealth, and over the following eight weeks Governor Baker’s administration undertook a number of mitigation measures in response to

COVID-19, including emergency orders closing certain education programs and non-essential businesses, a number of social distancing mandates, travel advisories, and eviction moratoriums, as well as tax relief measures postponing the collection of certain taxes due in fiscal 2020. All of these measures resulted in widespread economic disruption throughout the Commonwealth.

As the ongoing COVID-19 pandemic continues to evolve, Governor Baker's administration has curtailed certain measures while retaining flexibility to address future waves of the pandemic. In May 2020, the Governor announced a four-phase approach to reopening the Commonwealth, indicating that decisions and timing on all phases would be influenced by public health metrics. Between May and October 2020, as public health metrics improved, the phased reopening plan was implemented in steps, and certain mitigation measures were curtailed. By October 2020, the Commonwealth had proceeded to step 2 of Phase III of the plan.

In December 2020, the Commonwealth rolled back its reopening requirements and standards to step 1 of Phase III in response to an increase in new COVID-19 infections and hospitalizations following the Thanksgiving holiday. As a result, indoor capacity across a broad range of sectors was reduced, several workplace restrictions were tightened, and certain businesses were required to close, including indoor performance venues and certain high-contact indoor recreational businesses.

Following the rollback in the reopening plan in December 2020, public health measures have continued to trend in a positive direction, and the Commonwealth has experienced significant declines in average daily COVID-19 cases and hospitalizations, and increasing rates of vaccination within the Commonwealth. Accordingly, the Administration has taken steps to continue to implement the reopening plan, and on March 18, 2021 the Administration announced the transition to step 1 of the final phase of the plan, effective March 22, 2021. The Administration is continuing to monitor public health data relating to COVID-19 and expects that it will continue to adjust the reopening plan, as needed, to control the spread of COVID-19 within the Commonwealth.

The COVID-19 pandemic has adversely impacted the Commonwealth's economy in a number of ways. Many businesses have experienced and may continue to experience decreases in operations and revenues. Due to the temporary closure of non-essential business, indoor capacity restrictions and the stay-at-home advisory, there was a significant reduction in traffic volume, travel and tourism, and other commercial activity. These impacts to date have adversely impacted certain revenues of the Commonwealth. The extent of these and other impacts will depend on future developments, including the extent to which businesses that have completely or partially closed will reopen, travel and tourism activity, and the extent to which modifications in operations implemented by businesses and organizations during the pandemic, including allowing employees to work from home, will continue after the state of emergency in the Commonwealth is lifted. At this time, the Commonwealth cannot predict whether additional measures will be needed to control the spread of COVID-19 or the duration of any such measures. The continued and ultimate impact of the COVID-19 pandemic on the economy and the financial condition of the Commonwealth remains unknown and is dependent on numerous and highly uncertain factors, many of which are beyond the Commonwealth's control.

Fiscal Relief Received by the Commonwealth

The U.S. Congress has enacted six economic assistance and relief packages to date related to the COVID-19 pandemic. 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 Federal Emergency Management Agency Public Assistance program (FEMA PA) to reimburse the Commonwealth for the costs of eligible emergency protective measures taken to address the COVID-19 pandemic.

On December 27, 2020, federal legislation was signed into law providing \$900 billion in aid for, among other things, small business assistance through additional funding for forgivable Paycheck Protection Program loans, funding for Economic Injury Disaster Loans (EIDL) and Small Business Administration debt relief, a continuation of expanded and enhanced unemployment insurance, and funding to support education, public health, transportation, rental assistance, food security needs, and other items. While this federal legislation did not provide direct funding to state and local governments, its enactment provided the Commonwealth with additional financial flexibility by extending the deadline for spending funds available through the CARES Act Coronavirus Relief Fund to December 31, 2021.

On January 21, 2021, President Biden issued Executive Orders that increased the FEMA PA reimbursement rate from 75% to 100% for eligible costs incurred during the COVID-19 emergency and expanded the scope of eligible costs for certain items, such as school reopening costs. The Commonwealth expects these changes to increase the amount of FEMA PA available to offset COVID-related costs incurred by the Commonwealth. Approximately \$377 million in FEMA PA reimbursements to the Commonwealth have been approved and the Commonwealth expects to submit more applications for reimbursement in the coming weeks and months. Additionally, FEMA approved the Commonwealth's expedited application for approximately \$427 million related to COVID-19 vaccine distribution costs and provided an advance of \$213 million for these costs.

On March 11, 2021, the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (ARPA) was signed into law. The Commonwealth is in the process of analyzing the impact of the ARPA on the state's finances. Based on preliminary estimates published by the U.S. Congress in advance of the law's enactment, the Commonwealth expects to receive significant federal assistance to respond to the public health emergency caused by COVID-19, including additional funding for COVID-19 testing, contact tracing, vaccine distribution, housing assistance for renters and homeowners, support for the childcare sector, and other areas. Further, preliminary estimates, which are subject to change, indicate that the Commonwealth may receive \$4.5 billion and local governments in Massachusetts (counties and municipalities) may receive an additional \$3.4 billion in direct support pursuant to the ARPA.

Unemployment Insurance Claims and Trust Fund Solvency

As a result of the COVID-19 pandemic, the unemployment rate in Massachusetts increased significantly to its peak of 17.7% in June 2020, compared to 2.8% in March 2020. In February 2021 the unemployment rate had declined to 7.2%. A total of approximately 1.93 million initial claims for regular Unemployment Insurance (UI) have been filed from March 2020 through March 2021. For the week ending-March 27, 2021, there were approximately 535,000 continued claimants across regular UI, as well claimants under the federal UI relief programs, including Pandemic Emergency Unemployment Compensation (approximately 192,000 claimants), Extended Benefits (approximately 28,000 claimants) and Pandemic Unemployment Assistance (approximately 200,000 claimants). Under current law, these federal UI relief programs are available through September 6, 2021.

As a result of the 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. As of March 30, 2021, the Commonwealth has received \$2.24 billion in federal UI advances and has applied for up to \$1.34 billion in federal advances for the period covering April 1, 2021 through June 30,

2021. 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.

On April 1, 2021 Governor Baker signed into law legislation that provides UI rate relief to Commonwealth employers by maintaining the employer experience rate for calendar years 2021 and 2022 at rate schedule “E” and thereby slowing the annual employer UI contribution growth rate, which would have occurred due in part to the decrease in the solvency of the UI trust fund caused by the COVID-19 pandemic. Without this action, employer contribution rates would be based on the much higher rate schedule “G.” The legislation also authorizes the Commonwealth to issue special obligation bonds for the purposes of repaying the federal advances made to the Commonwealth from the federal unemployment account for fiscal years 2020 to 2025 and establishing positive trust fund solvency with which to pay benefits and other related expenses. Any such special obligation bonds issued would be secured by a special assessment on employers.

Other Actions

The legislation signed by Governor Baker on April 1, 2021 also created a number of tax relief measures, such as making the first \$10,200 in unemployment compensation received in each of tax years 2020 and 2021 exempt from income tax for taxpayers below 200% of the Federal Poverty Level, excluding federal Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loan (EIDL) advances from taxable income for individual taxpayers in tax year 2020, waiving penalties for failure to timely remit taxes on UI compensation received in tax year 2020, and extending the 2020 tax filing deadline for individual taxpayers from April 15, 2021 to May 17, 2021, consistent with the extension by the federal government of the deadline for filing individual federal tax returns. The measures are not expected to have a material impact on the Commonwealth’s budgets for fiscal years 2021 and 2022 as the tax benchmarks used for budgeting purposes did not assume tax revenue associated with federal relief programs, income from late fees, or a further extension of federal UI benefits.

As of April 1, 2021, there is legislation pending in the Commonwealth’s House of Representatives that would create a temporary COVID-19 Emergency Paid Sick Leave program which is estimated to cost the Commonwealth \$75 million in fiscal 2021. The Commonwealth expects that the costs of the program, if enacted into law, will be offset by, among other things, higher than expected tax revenue in fiscal 2021, together with the financial flexibility provided through the federal relief funding described above and other budget management efforts.

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; referred to herein as the Audited Financial Statements). The Statutory Basis Financial Report for the year ended June 30, 2020, attached hereto as Exhibit B, was reviewed, and the Comprehensive Annual Financial Report for the year ended June 30, 2020, 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 2020, 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 2020 Basic Financial Statements in the Audited Financial Statements, 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.

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.”

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 98.4% of the budgeted operating fund outflows in fiscal 2020 were made. The remaining approximately 1.6% 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 Marijuana Regulation Fund and the Behavioral Health Outreach, Access and Support Trust Fund. A number of budgeted funds were authorized by law but had no activity in fiscal 2020.

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, the Local Aid Stabilization Fund and the Behavioral Health Outreach, Access and Support Trust 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.

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 2021 AND FISCAL 2022 – 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 2021 AND FISCAL 2022 – 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, 2020; 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 2021 and fiscal 2022 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 57.1% of the Commonwealth’s budgeted operating revenues and other financing sources were derived from state taxes. In addition, the federal government provided approximately 26.5% of such revenues, with the remaining 16.4% 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 58.6% of total budgeted tax revenues in fiscal 2020, the sales and use tax, which accounted for approximately 23.0% 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 9.9% of total budgeted tax revenues in fiscal 2020. Other tax and excise sources accounted for the remaining 8.5% 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.

Major changes to the federal Internal Revenue Code became 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 had a flow-through effect on the Commonwealth’s tax system and revenues. Legislation adjusting the Commonwealth’s income tax laws and corporation tax laws in response to the changes to the federal Internal Revenue Code 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. Commencing 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. However, the fiscal 2021 budget signed by the Governor on December 11, 2020 includes a one-year delay in the reinstatement of this deduction. The Governor’s budget recommendation for fiscal 2022 proposes a delay of the charitable deduction until the tax year following a fiscal year in which no transfer is made from the Stabilization Fund to the General Fund. See “FISCAL 2021 AND FISCAL 2022 – Fiscal 2021” and “– Fiscal 2022.”

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. The estimated revenue loss impact due to the reinstatement of the state charitable deduction is approximately \$64 million for fiscal 2022 and approximately \$300 million annually in fiscal 2023 and thereafter.

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 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021(1)
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 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 \$1.08 billion for fiscal 2021 and \$1.1 billion for fiscal 2022.

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.

Commencing August 2019, legislation approved by the Governor established an annual two-day sales tax holiday in August of each year.

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 \$1.5 million in fiscal 2020 and projects the net revenue loss impact will be approximately \$109.5 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 27, 2021 appears below.

Fiscal 2022 Tax Expenditure Budget Summary (in millions)

<u>Tax Type</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>
Personal Income Tax	\$8,079.5	\$8,700.8	\$9,074.7	\$9,428.5	\$10,157.4
Corporate and Other Business Excise	1,911.0	2,051.0	2,090.0	2,194.6	2,299.3
Sales and Use Tax	<u>5,008.3</u>	<u>5,210.7</u>	<u>5,230.6</u>	<u>5,248.6</u>	<u>5,364.1</u>
Total	\$14,998.8	\$15,962.5	\$16,395.3	\$16,871.7	\$17,820.8

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, \$12.2 million in fiscal 2018, \$16.6 million in fiscal 2019 and \$16.9 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 forecasts for fiscal 2021 and 2022. 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	Fiscal 2020	Projected Fiscal 2021 (1)	Projected Fiscal 2022 (1)
Consensus forecast (2)	\$25,479	\$26,860	\$27,072	\$27,594	\$29,299 (5)	\$31,151	\$30,120
GAA assumption of tax-related settlements and judgments exceeding \$10 million	100	125	125	25	50	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)	<u>\$28,440</u> (8)	
October revision (2)	-	26,056	-	-	-	27,592	
January revision (2)	25,751	-	26,661	28,592 (4)	30,289 (7)	29,090	
Actual budgeted operating tax revenues (3)	<u>\$25,425</u>	<u>\$25,662</u>	<u>\$27,787</u>	<u>\$29,740</u>	<u>\$29,633</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%	98.3%		

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

- (1) The amounts for fiscal years 2021 and 2022 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) Per enacted budget for fiscal 2021 signed on December 11, 2020.

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.

On January 15, 2021, the Secretary of Administration and Finance certified a revised fiscal 2021 tax revenue estimate of \$29.090 billion.

Also on January 15, 2021, a fiscal 2022 consensus tax revenue estimate of \$30.120 billion was agreed upon by the Secretary and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2022 consensus tax revenue estimate represented revenue growth of 3.5% from the revised fiscal 2021 estimate of \$29.090 billion. The \$30.120 billion amount for fiscal 2022 includes transfers of \$3.415 billion for pension funding, \$1.174 billion in dedicated sales tax receipts for the MBTA, \$1.014 billion in dedicated sales tax receipts for the MSBA, and \$25 million for the Workforce Training Fund. The total amount of off-budget transfers is \$5.628 billion.

The Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means also agreed in January 2021 upon a PGSP estimate of 3.6% for calendar year 2021, which is identical to the PGSP figure that was adopted for calendar years 2016 through 2020. 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	4,826.8	1,642.4	51.6	96.7	83.3	4,646.8
Total (1)	<u>\$29,633.1</u>	<u>(\$108.4)</u>	<u>(0.4%)</u>	<u>\$1,077.3</u>	<u>\$917.3</u>	<u>\$27,638.5</u>

SOURCE: Executive Office for Administration and Finance.

(1) Totals may not add due to rounding.

The fiscal 2020 tax revenue decrease of approximately \$108.4 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 \$111.7 million, or 6.7%, 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 \$29.609 billion, \$680 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 nine 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)

<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 (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	2,089.1	62.1	3.1	98.6	85.3	1,905.2
November	2,127.1	34.1	1.6	95.3	82.0	1,949.8
December	2,857.0	245.1	9.4	95.4	82.0	2,679.6
January	3,347.6	381.0	12.8	113.9	100.6	3,133.2
February	1,873.9	358.9	23.7	93.3	80.0	1,700.6
March (2)	3,061.3	401.5	15.1	91.8	78.4	2,891.1
Total (3)	<u>\$22,621.2</u>	<u>\$1,533.5</u>	<u>7.3%</u>	<u>\$883.0</u>	<u>\$763.0</u>	<u>\$20,975.2</u>

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 \$1.534 billion through March 31, 2021 from the same period in fiscal 2020 is attributable to an increase of approximately \$120.0 million, or 7.2%, in income tax estimated payments, an increase of approximately \$647.8 million, or 6.2%, in withholding collections, an increase of approximately \$77.5 million, or 13.9%, in income tax payments with returns or bills, a decrease of approximately \$226.2 million, or 18.9%, in income tax cash refunds, an increase of approximately \$486.4 million, or 21.6%, in corporate and business tax collections, an increase of approximately \$100.8 million, or 1.9%, in sales and use tax collections, offset by a net decrease of approximately \$125.2 million, or 6.2%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$32.9 million, fiscal 2021 year-to-date tax collections through March 31, 2021 were approximately \$22.588 billion, \$1.524 billion more than the collections in the same period in fiscal 2020, and \$1.449 billion above the year-to-date benchmark associated with the revised fiscal 2021 tax revenue estimate of \$29.090 billion.

On April 1, 2021, the Commonwealth extended the state individual income tax filing and payment deadline from April 15, 2020 to May 17, 2021, consistent with the extension by the federal government of the federal individual income tax filing deadline. The Commonwealth does not expect the extension to have a material adverse impact on the fiscal 2021 budget.

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 \$12.795 billion in fiscal 2020 and are projected to be \$13.777 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 2020, budgeted fund departmental and other non-tax revenues were \$5.362 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2020 included \$1.219 billion in drug rebates, recoveries and other fees, \$827 million in reimbursements from cities, towns and non-state entities for retiree benefits, \$562 million for Registry of Motor Vehicles fees, fines and assessments, and \$258 million from filing, registration and other fees paid to the Secretary of State's office. Budgeted fund departmental and other non-tax revenues are projected to be \$5.115 billion in fiscal 2021. See "SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures."

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 table shows Lottery revenues and profits for the first eight months of fiscal 2021.

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	\$524,844	\$386,555	\$30,131	\$108,158	\$7,171	\$100,987
September	\$422,029	\$330,328	\$24,284	\$67,418	\$5,938	\$61,480
October	\$519,237	\$383,685	\$29,783	\$105,769	\$7,390	\$98,379
November	\$414,879	\$297,414	\$23,667	\$93,798	\$5,335	\$88,463
December	\$422,002	\$291,639	\$23,981	\$106,381	\$6,916	\$99,465
January	\$638,940	\$471,880	\$36,148	\$130,912	\$6,445	\$124,467
February	\$421,728	\$315,333	\$24,191	\$82,205	\$5,617	\$76,587
Total	\$3,745,596	\$2,773,572	\$214,192	\$757,832	\$46,893	\$710,939
YTD prize accrual (1)	-	(37,370)	-	37,370	-	37,370
Adjusted Totals (1)	\$3,745,596	\$2,736,202	\$214,192	\$795,202	\$46,893	\$748,309

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

(1) Preliminary and unaudited.

A five-year history of Lottery revenues and profits is shown in the following table, as well as 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)	\$5,335,100	\$1,096,518	\$985,492
2020 (2)	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 2021 figures are projected. Minor adjustments to Lottery revenues are reported several times a year based upon trends.
- (2) 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."

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).”

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 March 3, 2021, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received \$32.9 million in one-time settlement and judgment payments exceeding \$10 million

each (all of which were tax-related) during the first eight months of fiscal 2021. The next joint certification will be issued in May 2021.

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 following tables show gaming collections revenues for the first eight months of fiscal 2021. On March 14, 2020, the Gaming Commission voted unanimously to temporarily suspend the operations of both Category 1 facilities and the Category 2 facility to mitigate the expanding impact of the COVID-19 pandemic, and by March 16, 2020, all three gaming establishments had shut down operations in a timely and orderly fashion. In accordance with the Governor’s phased re-opening plan, the Commission authorized the reopening of the gaming establishments in accordance with its adopted health and safety guidelines as of July 6, 2020. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”

Fiscal 2021 Monthly Gaming Revenues (in thousands) (7)

Month	Category 1	Category 1	Category 2	Category 2	Category 2	Statewide	Statewide
	Gross Gaming	Total	Slot Gross	Total	Race	Gross	Budgetary
	Revenue (1)	Collected	Gaming	Collected	Horse	Gaming	Taxes & Race
		State	Revenue (1)	State	Assessments (4)	Revenue (5)	Horse
		Taxes (2)		Taxes (3)			Assessments (5)
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
October	58,643	14,660	10,087	4,034	907	68,730	19,601
November	37,851	9,462	7,595	3,038	683	45,446	13,183
December	40,657	10,164	9,173	3,669	825	49,830	14,658
January	47,813	11,953	9,792	3,916	881	57,605	16,750
February	57,887	14,471	9,554	3,821	859	67,441	19,151
Total(6)	\$401,975	\$100,388	\$74,057	\$29,620	\$6,661	\$476,032	\$136,669

Source: Massachusetts Gaming Commission, Revenue Reports through February 2021.

- (1) “Gross gaming revenue” is the total of all sums actually received from gaming operations, less the total of all sums paid out as winnings.
- (2) Each Category 1 licensee pays a tax of 25% of gross gaming revenues.
- (3) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (4) The Category 2 licensee pays an assessment of 9% of gross gaming revenue.
- (5) 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 its adopted health and safety guidelines as of July 6, 2020. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS.”
- (6) Totals may not sum due to rounding.
- (7) Amounts for fiscal 2021 are preliminary.

A five-year history of Gaming revenues is shown in the following table.

Annual Gaming Revenues
(in thousands)

<u>Fiscal Year</u>	<u>Category 1 Total Collected State Taxes (2)</u>	<u>Category 2 Slot Gross Gaming Revenue (3)</u>	<u>Category 2 Race Horse Assessments (4)</u>
2020 (1)	\$148,058	\$38,449	\$ 8,649
2019	62,304	67,470	15,181
2018	-	68,006	15,301
2017	-	63,370	14,244
2016	-	63,963	14,391

Source: Massachusetts Gaming Commission.

- (1) 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 its adopted health and safety guidelines as of July 6, 2020. See "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS."
- (2) The first Category 1 gaming facility in Massachusetts opened on August 24, 2018 and second the facility opened on June 23, 2019. Each Category 1 licensee pays a tax of 25% of gross gaming revenues.
- (3) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (4) The Category 2 licensee pays an assessment of 9% of gross gaming revenue.

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. Upon formal reconsideration in September 2019, the Gaming Commission voted to deny the request for reconsideration. Later in 2019, the Gaming Commission issued an RFI to elicit public input. The Gaming Commission is considering next steps related to Region C.

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. U.S. Department of the Interior*, the U.S. District Court for the District of Massachusetts 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. On the same day, the U.S. District Court for the District of Columbia issued an order prohibiting the Department of the Interior from taking any steps to alter the *status quo ante* with respect to the land in Mashpee and Taunton that was taken into trust for the benefit of the tribe. In August 2020, the Department of the Interior and intervenor-defendants filed notices of appeal to the U.S. Court of Appeals for the District of Columbia Circuit. On February 19, 2021 the Department of the Interior and intervenor-defendants moved to voluntarily dismiss their appeals, the motions were granted, and the appeals were dismissed.

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 was reported in the 116th United States Congress and the bill has not been reintroduced in the current 117th United States Congress. The Gaming Commission will continue to monitor this matter.

Various municipalities, three registered voters, and Mohegan Sun filed suit contesting certain aspects of the Gaming Commission’s issuance of the Region A Category 1 license. All but one of the claims have been dismissed, either voluntarily or by order of the Massachusetts Superior Court. The Gaming Commission is currently 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 that Mohegan Sun had standing to seek review of the license award and remanded the case to the Superior Court for further proceedings. Briefing on Mohegan Sun’s intervenor claim was completed in January 2018 and the case was scheduled for hearing in April 2018. In January 2018, the case was stayed pending the Commission’s decision regarding whether the Region A licensee remained suitable to hold the license. The Commission rendered its decision in April 2020 and thereafter Mohegan Sun amended its complaint to add a challenge to that determination. Briefing is ongoing and no date has been set for oral argument.

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 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. On February 12, 2021 the Commission filed a motion for summary judgment. No date has been set for argument.

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)</u> <u>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.

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COMMONWEALTH EXPENDITURES

This section contains a description of the major categories of Commonwealth expenditures. All amounts and percentages 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 fiscal 2021 budget 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 fiscal 2021 budget 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 fiscal 2021 budget 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), 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. 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 was 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 fiscal 2021 budget includes \$18.4 billion in funding for non-administrative spending for the MassHealth program. The \$18.4 billion includes \$17.8 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 \$18.4 billion also includes approximately \$598 million to support supplemental payments to providers. Fiscal 2020 estimated programmatic spending was \$17.0 billion.

During the COVID-19 pandemic, MassHealth has implemented many flexibilities for members and providers. MassHealth has submitted a number of Section 1135 waiver requests, all of which have been approved, withdrawn, or approved through other mechanisms such as blanket waivers. MassHealth also has submitted a Section 1115 emergency waiver request, which was approved by CMS on December 30, 2020, and three Appendix K requests to grant the Commonwealth certain flexibilities for the operation of Home and Community-Based Services (HCBS) waivers, which have been approved. In addition, MassHealth has submitted numerous Disaster State Plan Amendment requests, many of which have been approved, but a number of which remain pending. MassHealth has submitted requests to CMS for authority to permit MassHealth to direct its managed care entities to increase rates for certain services and implement other payment initiatives in response to the COVID-19 pandemic, many of which have been approved, but a number of which remain pending. MassHealth anticipates submitting additional Disaster State Plan Amendments and managed care directed payment requests and may also submit an additional Section 1115 Emergency waiver request.

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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>Fiscal 2020</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	\$17,804.4
Medicaid administrative expenses	\$93.0	\$97.3	\$98.3	\$103.4	\$112.4	\$113.5
Total expenditures (2)	\$14,944.0	\$15,349.0	\$15,842.8	\$16,623.9	\$17,135.0	\$17,917.9
Annual percentage growth in total expenditures	8.5%	2.7%	3.2%	4.9%	3.1%	4.6%
Enrollment (in average member months) (3)	1,861,298	1,892,365	1,856,134	1,799,493	1,803,047	1,988,314
Annual percentage growth in enrollment	(2.4%)	1.7%	(1.9%)	(3.0%)	0.2%	11.0%

SOURCE: Fiscal 2016-2020 (excluding Medicaid administrative expense and enrollment), Office of the Comptroller; fiscal 2016-2020 (Medicaid administrative expense and enrollment only); 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 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 2020 from the CCTF was \$361.5 million, an increase of \$22.1 million from fiscal 2019 gross spending of \$339.4 million. Fiscal 2020 spending for the Health Connector, net of federal revenue, was \$222.0 million, an increase of \$15.4 million compared to \$206.6 million in fiscal 2019.

The fiscal 2021 budget for the Health Connector reflects \$307.8 million in gross spending from the CCTF. Net of federal revenue, fiscal 2021 expenditures are estimated to be \$192.7 million, a decrease of \$29.3 million compared to fiscal 2020. The fiscal 2021 budget for the Health Connector is expected to be fully funded from dedicated revenues in the CCTF.

The fiscal 2022 budget submitted by the Health Connector reflects \$343.7 million in gross spending from the CCTF. Net of federal revenue, fiscal 2022 expenditures are estimated to be \$209.6 million, an increase of \$16.9

million compared to fiscal 2021. 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>Fiscal 2020</u>	<u>Projected Fiscal 2021 (5)</u>
Office of Health Services						
Department of Mental Health	\$712.5	\$739.2	\$749.1	\$831.7	\$884.0	\$929.2
Department of Public Health	<u>525.2</u>	<u>553.8</u>	<u>586.4</u>	<u>589.5</u>	<u>625.0</u>	<u>751.7</u>
Sub Total	\$1,237.7	\$1,293.0	\$1,335.5	\$1,421.2	\$1,509.0	\$1,680.9
Office of Children, Youth, and Family Services						
Department of Children and Families	\$920.0	\$958.9	\$974.2	\$1,006.8	\$1,035.3	\$1,063.2
Department of Transitional Assistance	630.2	608.1	593.7	614.9	681.5	711.5
Department of Youth Services	169.2	171.7	169.1	168.9	160.2	172.7
Office for Refugees and Immigrants	<u>1.1</u>	<u>1.3</u>	<u>1.1</u>	<u>1.4</u>	<u>2.2</u>	<u>1.7</u>
Sub Total	\$1,720.5	\$1,740.0	\$1,738.1	\$1,792.0	\$1,879.2	1,949.2
Office of Disabilities and Community Services						
Department of Developmental Services	\$1,735.4	\$1,813.5	\$1,858.3	\$1,939.5	\$2,106.3	\$2,221.1
Other (1)	<u>79.5</u>	<u>86.0</u>	<u>82.0</u>	<u>97.3</u>	<u>97.5</u>	<u>101.7</u>
Sub Total	\$1,814.9	\$1,899.5	\$1,940.4	\$2,036.8	\$2,203.8	\$2,322.8
Executive Office of Elder Affairs (2)						
Executive Office of Health and Human Services (3)	\$312.0	\$308.2	\$527.4	\$546.6	\$563.0	\$601.9
Department of Veterans' Services (4)	<u>283.5</u>	<u>295.2</u>	<u>323.7</u>	<u>344.6</u>	<u>394.4</u>	<u>360.3</u>
Sub Total	\$659.9	668.9	\$916.4	\$960.3	\$1,032.9	\$1,042.5
Budgeted Expenditures and Other Uses	\$5,433.0	\$5,601.4	\$5,930.5	\$6,210.3	\$6,624.9	\$6,995.4

SOURCES: Fiscal 2016-2020 Office of the Comptroller; fiscal 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.
- (5) Amounts 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 and the Pandemic EBT 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. Historically EEC has supported an average of approximately 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 approximately 400 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.

Fiscal 2021 GIC appropriations total \$1.810 billion, approximately \$595 million of which is offset by municipal revenue and \$217 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 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 2021 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 of Housing and Economic Development, the Executive Office of Labor and Workforce Development, the Executive Office of Technology Services and Security, and various other programs.

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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 2020. 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 2020, and projected revenues and expenditures for fiscal 2021. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS,” “COMMONWEALTH REVENUES – Tax Revenue Forecasting,” and “FISCAL 2021 AND FISCAL 2022 – 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>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	\$776.6
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>\$4,295.2</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	29.1
Cigarettes	505.6	490.3	471.2	439.8	416.3	299.7
Corporations	2,312.0	2,196.7	2,392.2	2,927.2	2,523.4	2,747.0
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	17,360.8	16,679.7
Inheritance and Estate	399.4	336.6	473.0	601.3	699.6	497.2
Insurance	429.6	421.9	430.9	470.6	495.9	528.1
Marijuana Excise	-	-	-	13.9	51.7	83.3
Motor Fuel	766.6	769.4	769.1	775.5	707.9	577.2
Public Utilities	(1.6)	(0.1)	(0.7)	-	(0.3)	-
Room Occupancy	162.2	156.7	158.7	168.8	146.6	114.8
Sales:						
Regular	4,156.9	4,226.1	4,433.2	4,688.3	4,905.1	5,490.3
Meals	1,063.8	1,132.5	1,154.4	1,216.0	1,077.3	827.2
Motor Vehicles	833.9	852.5	866.3	894.0	828.0	856.1
Sub-Total–Sales	6,054.6	6,211.1	6,453.9	6,798.3	6,810.4	7,173.6
Miscellaneous	13.6	12.9	11.5	10.5	9.1	7.8
Settlements and Judgments (2)	-	-	-	-	-	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>\$29,633.3</u>	<u>\$29,140.3</u>
MBTA Transfer	(986.2)	(992.2)	(1,007.9)	(1,053.2)	(1,077.3)	(1,175.4)
MSBA Transfer	(798.5)	(816.8)	(847.9)	(893.2)	(917.3)	(1,015.4)
Workforce Training Fund Transfer (3)	(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>\$27,613.0</u>	<u>\$26,924.5</u>
Federal Reimbursements Departmental and Other Revenues	10,642.7	10,857.8	11,376.9	11,771.9	12,794.7	13,776.5
Inter-fund Transfers from Non-budgeted Funds and other sources (4)	1,848.7	2,099.1	1,793.4	2,010.3	1,988.4	2,000.2
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>\$47,316.1</u>	<u>47,816.1</u>
Inter-fund Transfers	472.9	617.4	1,217.0	1,993.3	1,013.3	864.4
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>\$48,329.4</u>	<u>\$48,680.5</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	5,567.7	5,703.0	5,885.5	6,074.7	6,376.3	6,487.7
Medicaid	14,851.0	15,251.7	15,744.5	16,520.5	17,022.6	17,804.4
Other Health and Human Services	5,433.0	5,601.4	5,930.0	6,210.3	6,624.9	6,995.4
Group Insurance	1,629.7	1,662.5	1,634.0	1,644.2	1,662.0	1,733.0
Department of Elementary and Secondary Education	539.3	523.2	552.3	604.9	664.5	745.4
Higher Education	1,194.3	1,168.3	1,173.4	1,283.7	1,317.4	1,343.7
Department of Early Education and Care	547.6	540.0	564.3	607.5	712.2	1,017.9
Public Safety	1,065.6	1,059.6	1,102.0	1,168.1	1,478.6	1,336.9
Energy and Environmental Affairs	221.4	222.1	229.6	255.1	282.9	310.1
Debt Service (5)	2,174.3	2,284.7	2,323.4	2,327.1	2,410.2	2,372.2
Post -Employment Benefits (6)	2,503.4	2,659.7	2,891.5	3,110.2	3,305.0	3,641.3
Other Program Expenditures	3,240.7	3,235.0	3,316.0	3,562.5	3,724.8	4,362.2
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>\$45,581.4</u>	<u>\$48,150.3</u>

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Projected Fiscal 2021</u>
<u>Inter-fund Transfers to Non-budgeted Funds</u>						
Commonwealth Care Trust Fund	-	-	-	45.8	-	-
Medical Assistance Trust Fund	665.6	403.4	579.9	363.1	505.8	537.2
Massachusetts Transportation Trust Fund	566.8	484.7	634.7	643.2	588.2	605.0
Other	<u>253.8</u>	<u>402.3</u>	<u>319.2</u>	<u>389.0</u>	<u>304.7</u>	<u>128.1</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>\$1,398.7</u>	<u>\$1,270.3</u>
Budgeted Expenditures and Other Uses						
Inter-fund Transfers	472.9	617.4	1,217.0	1,993.3	1,013.3	864.4
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>\$47,993.4</u>	<u>\$50,285.1</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>\$336.0</u>	<u>(\$1,604.6)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (7)	126.0	117.4	371.5	521.3	776.6 (8)	266.5
Stabilization Fund	1,291.5	1,300.7	2,001.3	3,424.4	3,501.2	2,521.7
Undesignated	<u>64.5</u>	<u>29.7</u>	<u>13.9</u>	<u>13.5</u>	<u>17.4</u>	<u>(97.5)</u>
Total	<u>\$1,482.0</u>	<u>\$1,447.8</u>	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$2,690.8</u>

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

- (1) Totals may not add due to rounding.
- (2) 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."
- (3) The Workforce Training Fund is not subject to annual appropriation, and employer contributions are deposited directly in the Workforce Training Fund after their collection.
- (4) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, abandoned property proceeds and other inter-fund transfers.
- (5) 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.
- (6) 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)."
- (7) Consists largely of appropriations authorized to be expended in the following year.
- (8) Includes appropriations authorized in fiscal 2020 that are expected to be funded by federal funds in fiscal 2021.

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 years 2016 and 2020, 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.

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)

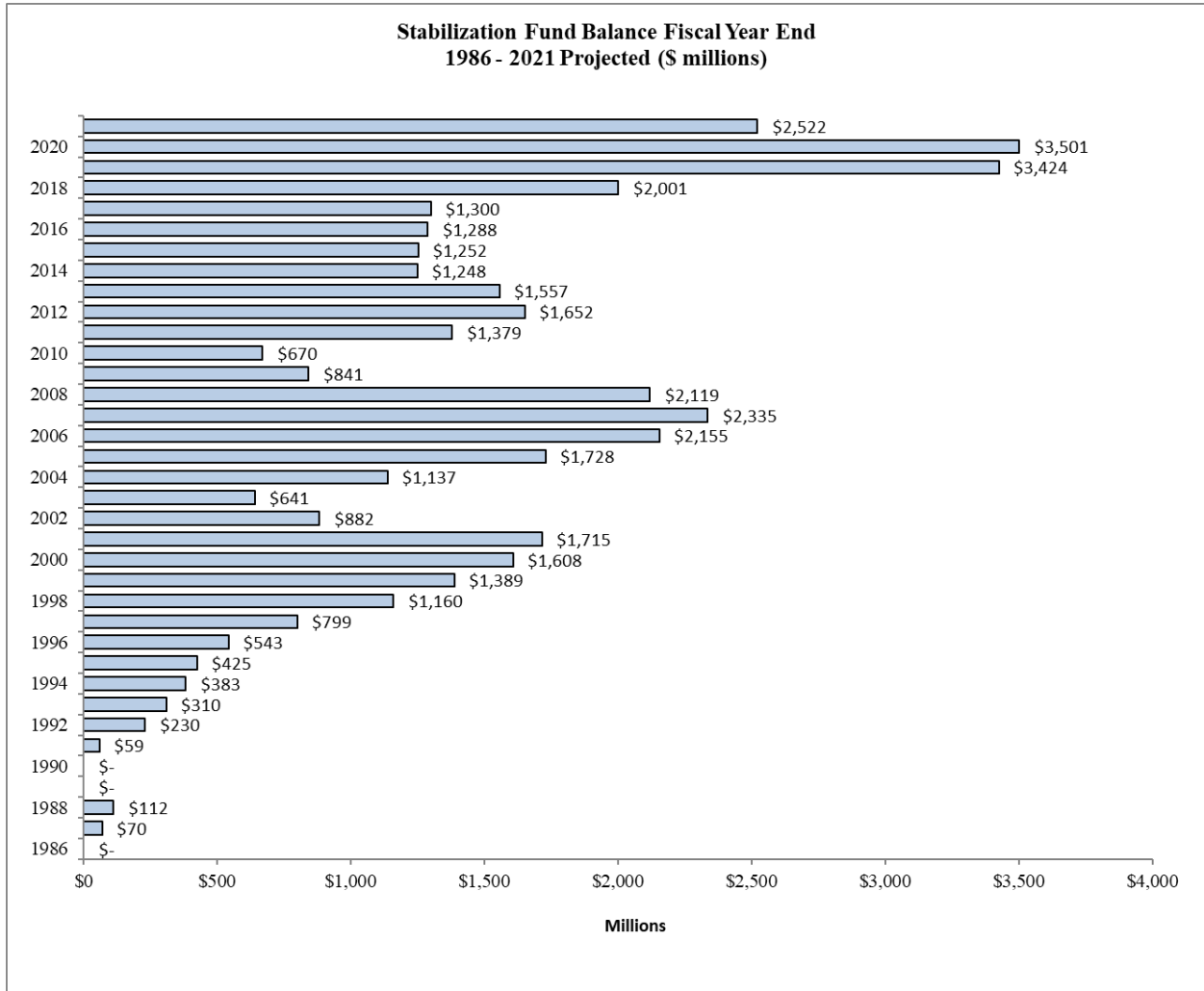
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Beginning Fund Balances	\$1,252,429	\$1,291,514	\$1,300,678	\$2,001,299	\$3,424,376
Revenues and Other Sources					
Deposit of the remaining consolidated net surplus	-	-	209,287	592,722	-
Deposits from growth in abandoned property receipts (1)	27,100	-	13,450	3,673	-
Deposits from gaming tax revenues	-	-	-	9,781 (2)	14,914
Capital gains tax transfers in excess of threshold (3)	-	-	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	61,529
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>76,805</u>
Total Expenditures and Other Uses	-	-	<u>51,390</u> (4)	<u>84,840</u> (4)	-
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>\$3,501,181</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>	<u>\$7,097,420</u>

SOURCE: Fiscal 2016-2020, Office of the Comptroller.

- (1) Represents transfer equal to 75% of the growth in abandoned property receipts from the prior fiscal year.
- (2) Represents transfers of gaming tax revenue (\$6,231) and gaming fines (\$3,550).
- (3) 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 and fiscal 2022 are approximately \$1.312 billion and \$1.352 billion, respectively.
- (4) Represents transfers of 5% capital gains tax revenue to the State Pension Fund and OPEB Trust Fund per statute.

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The following chart shows the Stabilization Fund balance from fiscal 1986 through fiscal 2020 (actual), and fiscal 2021 (projected). See “FISCAL 2021 AND FISCAL 2022 – Fiscal 2021.”



SOURCE: Fiscal 1986-fiscal 2020, Office of the Comptroller; 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, 2020, 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, 2020	
Budgeted Fund Balance	\$4,295.2
Non-budgeted special revenue fund balance	4,506.5
Capital Projects Fund Balance	<u>(762.1)</u>
Governmental Fund Balance-Statutory Basis, June 30, 2020	\$8,039.6
Plus: Expendable Trust and similar fund statutory balances that are considered governmental funds for GAAP reporting purposes	628.1
Less: Massachusetts Department of Transportation Funds	<u>(1,501.1)</u>
Adjusted Statutory Governmental Fund Balance	\$7,166.6
Reclassification of funds due to implementation of GASB Statement No. 84	61.7
Short term accruals, net of allowances and deferrals for increases/(decreases):	
Taxes, net of refunds and abatements	2,265.5
Tobacco settlement agreement receivable	125.7
Medicaid	<u>(232.2)</u>
Other short term accruals:	
Assessments and other receivables	902.6
Amounts due to authorities and municipalities, net	<u>(532.2)</u>
Claims, judgments and other risks	<u>(14.1)</u>
Amounts due to healthcare providers and insurers	<u>(23.1)</u>
Workers' compensation and group insurance	<u>(180.2)</u>
Other accruals, net	<u>(2,200.1)</u>
Net increase to governmental funds balances	\$173.6
Massachusetts School Building Authority fund balance	<u>1,717.3</u>
Total changes to governmental funds	\$1,890.9
Governmental fund balance (fund perspective)	9,057.5
Plus: Capital assets including infrastructure, net of accumulated depreciation	4,922.8
Deferred revenue, net of other eliminations	820.6
Long-term receivables	28.0
Long term accruals:	
Net pension liability	<u>(40,836.7)</u>
Net deferred (inflows)/outflows related to pensions	5,779.3
Net OPEB liability	<u>(15,972.2)</u>
Net deferred (inflows)/outflows of resources related to OPEB	<u>(1,370.0)</u>
Environmental remediation liability	<u>(560.4)</u>
Massachusetts School Building Authority debt and school construction payables	<u>(6,753.4)</u>
Long term debt, unmortized premiums and deferred losses on debt refundings	<u>(31,359.2)</u>
Compensated absences	<u>(688.3)</u>
Capital leases	<u>(17.1)</u>
Accrued interest on bonds	<u>(447.3)</u>
Other long-term liabilities	<u>(281.0)</u>
Total governmental net position/(deficit) (government-wide perspective)	<u>(\$77,677.4)</u>

SOURCE: Office of the Comptroller

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The deficit of \$77.677 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, 2020, the Commonwealth reported a net pension liability of approximately \$40.837 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, 2020, the Commonwealth reported a net OPEB liability of approximately \$15.972 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 2020, MassDOT held \$25.629 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 \$6.753 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)		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Government Wide</u>
Total net position/(deficit):			
Fiscal 2019, restated	(\$74,577,199)	\$5,596,284	(\$68,980,915)
Fiscal 2020	(77,677,365)	4,677,151	(73,000,214)
Change in net position/(deficit)	(\$3,100,166)	(\$919,133)	(\$4,019,299)

SOURCE: Office of the Comptroller

As of June 30, 2020, approximately \$202 million in restricted net position was set aside for unemployment benefits, approximately \$830 million is restricted for Paid Family and Medical Leave benefits and approximately \$987 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 2020.

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Comparison of Fiscal 2020 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	\$30,156	\$30,266	\$30,482
Federal Revenue	19,103	18,475	18,740
Departmental and Miscellaneous Revenue	<u>21,643</u>	<u>23,766</u>	<u>12,247</u>
Total	<u>\$70,902</u>	<u>\$72,507</u>	<u>\$61,469</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 2016 through fiscal 2020.

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

	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020 (1)</u>
Beginning fund balances	\$5,305.2	\$5,273.3	\$5,596.9	\$6,838.4	\$9,165.9
Revenues and Financing Sources	67,749.6	68,437.1	68,990.3	69,775.9	72,507.0
Expenditures and Financing Uses	67,781.5	68,113.5	67,749.0	67,503.0	72,615.4
Excess/(deficit)	<u>(31.9)</u>	<u>323.6</u>	<u>1,241.3</u>	<u>2,272.9</u>	<u>(108.4)</u>
Ending fund balances—GAAP fund perspective	<u>\$5,273.3</u>	<u>\$5,596.9</u>	<u>\$6,838.2</u>	<u>\$9,111.3</u>	<u>\$9,057.5</u>

SOURCE: Office of the Comptroller.

(1) Beginning fund balance was restated due to the early implementation of GASB Statement No. 84, *Fiduciary Activities* during fiscal 2020.

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 (Audited Financial Statements). The SBFR is usually published by the Comptroller on or before October 31 and the Audited Financial Statements are usually published by the Comptroller by the second Wednesday in January. Due to delays as a result of the COVID-19 pandemic, the fiscal 2020 SBFR was issued on December 18, 2020 and the Audited Financial Statements were issued on March 25, 2021.

The SBFR for the year ended June 30, 2020 and the Audited Financial Statements for the year ended June 30, 2020 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 2020 and the Audited Financial Statements for fiscal 1995 through fiscal 2020 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’s Audited Financial Statements, 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 2019 marked the 30th consecutive year that the Commonwealth has received this award. The Audited Financial Statements for fiscal 2020 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 2020 the independent auditors' opinions on the Audited Financial Statements 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, 2020 and the Audited Financial Statements for the year ended June 30, 2020, attention is called in particular to the portion of the Audited Financial Statements under the heading "Management's Discussion and Analysis."

Auditors' Report on Audited Financial Statements for Fiscal 2020

The basic financial statements included in the Audited Financial Statements of the Commonwealth for the year ended June 30, 2020 were audited by KPMG LLP (KPMG). The KPMG audit report dated March 25, 2021 on the general purpose financial statements included in the Audited Financial Statements for the year ended June 30, 2020 contained an unmodified opinion. A copy of the audit report of KPMG dated March 25, 2021 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 2021 AND FISCAL 2022

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. A third interim budget of \$5.40 billion was enacted by the Legislature and signed by Governor Baker on October 26, 2020, extending the interim budget through approximately November 30, 2020.

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.

The fiscal 2021 budget, as approved by the Governor on December 11, 2020, provides for approximately \$45.9 billion, after accounting for \$156.0 million in net line-item vetoes by the Governor and excluding transfers to the Medical Assistance Trust Fund, the pension liabilities fund, and other interfund transfers. The fiscal 2021 budget also includes \$107.4 million in supplemental appropriations for fiscal 2021 in a bill filed currently by the Governor

at the time of approving the fiscal 2021 budget. The fiscal 2021 budget is approximately \$2.0 billion, or 4.5%, greater than fiscal 2020 estimated spending levels as of the time of the Governor's approval. The fiscal 2021 budget is based on a \$27.592 billion tax revenue estimate. The budget assumes a withdrawal not to exceed \$1.7 billion from the \$3.5 billion Stabilization Fund.

Subsequently, the Legislature passed overrides to the Governor's vetoes with an aggregate net budgetary impact of \$156.0 million.

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."

Fiscal 2022

On January 15, 2021, a fiscal 2022 consensus tax revenue estimate of \$30.120 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 projected 3.5% tax revenue growth over the revised projected fiscal 2021 tax revenue amount of \$29.090 billion. The consensus revenue estimate for fiscal 2022 incorporates the reinstatement of the charitable deduction effective January 1, 2022.

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 \$24.327 billion would be the maximum amount of tax revenue available for the fiscal 2022 budget. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting."

On January 27, 2021, the Governor filed his fiscal 2022 budget recommendation, providing for a total of \$45.6 billion in state spending, excluding \$456.5 million in projected transfers to the Medical Assistance Trust Fund. The budget as filed represented a decrease of 0.7% from projected fiscal 2021 state spending. The budget as filed included a withdrawal of up to \$1.6 billion from the Stabilization Fund, which could be reduced if tax collections or new federal revenue exceed the assumptions included in the budget recommendation. Notably, the budget recommendation did not assume any resources from the ARPA. The Governor's budget recommendation also proposes a delay of the charitable deduction until the tax year following a fiscal year in which no transfer is made from the Stabilization Fund to the General Fund. See "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS – Fiscal Relief Received by the Commonwealth."

The Governor's budget recommendation has been filed with the Legislature for consideration in accordance with the Commonwealth's annual budgeting process. The House of Representatives generally approves its version of the budget in April, and the Senate generally approves its version in May. The differences between the two versions are then reconciled by a legislative conference committee during the month of June, so that a final version can be enacted by the Legislature and sent to the Governor for his approval prior to the start of the new fiscal year on July 1. It is not unusual for the budget process to extend slightly into the next fiscal year, with final enactment of the budget occurring in early or mid-July. Interim budgets are typically enacted to provide funding after the end of the fiscal year until the full budget can be enacted and approved by the Governor.

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 February 28, 2021, there was no 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. As of February 17, 2021, the line of credit was reduced to the amount of \$500 million. As of February 28, 2021, no amount was outstanding under the line of credit. The line of credit scheduled to expire on May 10, 2021, was renegotiated with the same syndicate of banks in the amount of \$500 million for a term of three years, expiring on March 30, 2024.

For cash flow needs for fiscal 2021, the State Treasurer issued \$1.5 billion in revenue anticipation notes (RANs) in December 2020 as set forth in cash flow tables below.

The budget for fiscal 2021, as approved by the Governor on December 11, 2020, includes a withdrawal of up to \$1.7 billion of the approximately \$3.5 billion Stabilization Fund balance, which could be reduced if tax collections or new federal revenue exceed the budget assumptions. 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 2021 AND FISCAL 2022 – 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 February 28, 2021, the Cash Portfolio holdings were made up of Asset Backed Commercial Paper 28.4%, Certificate of Deposit 22.3%, Financial Company Commercial Paper 15.4%, U.S. Government Agency Repurchase Agreement 12.1%, Non-Negotiable Time Deposit 11.2%, U.S. Treasury Debt 4.2%, Non-Financial Company Commercial Paper 4.2%, Tender Option Bond 1.5%, Variable Rate Demand Note 0.5%, Other Asset Backed Securities 0.2%. As of March 31, 2021, the Cash Portfolio’s monthly weighted average life was 57 days, and the monthly weighted average maturity was 53 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 February 28, 2021, the Short-Term Bond Fund holdings were made up of U.S. Treasury Securities 45.7%, Financial Inst. - Banking 6.1%, FNMA MBS 5.2%, Auto Receivables 4.9%, Utility - Electric 4.1%, Consumer Non-Cyclical Pharmaceuticals 3.0%, Consumer Non-Cyclical Food/Beverage 2.3%, Technology 2.2%, Financial Inst.- Insurance - Life 2.1%, Consumer Cyclical – Automotive 1.7%, Other 22.7%. 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 2021. The balances for fiscal 2021 from January through June 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</u>	<u>Fiscal 2021 (1)</u>
July	\$1,885.9	\$1,307.3	\$2,269.5	\$3,613.7	\$4,659.2
August	2,414.1	2,304.1	3,143.8	2,794.4	4,081.8
September	2,670.8	2,328.6	4,125.0	3,706.0	4,621.8
October	2,437.6	2,147.2	3,645.3	4,558.2	3,904.4
November	2,146.4	1,841.5	2,592.1	3,929.0	3,247.2
December	1,766.5	1,897.8	2,816.3	3,884.1	4,626.0
January	1,835.7	2,582.3	3,276.0	3,360.8	5,990.0
February	1,432.7	2,165.8	2,593.5	2,958.0	4,935.1
March	1,332.0	1,775.8	2,913.6	3,537.9	4,192.0
April	2,074.6	2,897.4	4,603.0	4,809.9	5,230.9
May	1,647.1	2,666.2	4,239.6	3,573.5	4,284.9
June	2,058.0	3,607.9	4,497.4	3,358.5	3,895.3

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2021 ending balances for January through June are projected.

The fiscal 2021 cash flow statement released on February 23, 2021 is 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>.

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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>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Dec-20</u>	<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)	<u>Total FY 2021</u> (3)
Opening Non-Segregated Operating Cash Balance	\$3,358.5	\$4,659.2	\$4,081.8	\$4,621.8	\$3,904.4	\$3,247.2	\$4,626.0	\$5,990.0	\$4,935.1	\$4,192.0	\$5,230.9	\$4,284.9	\$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	3,797.6	3,461.3	4,192.3	4,659.8	3,603.5	4,357.5	5,882.6	3,736.0	4,621.6	52,310.4
Total Budgetary Expenditures/Outflows	3,312.8	2,590.5	2,663.9	3,102.5	2,697.5	2,579.9	3,088.0	2,972.7	3,157.3	3,247.7	3,128.4	2,960.9	35,502.1
Net Budgetary Funds	\$1,489.0	\$267.4	\$989.0	(\$242.3)	(\$73.2)	\$678.7	\$711.5	(\$627.0)	\$50.3	\$1,532.7	(\$205.3)	\$904.4	\$5,474.9
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	1,242.9	1,046.8	684.0	1,266.0	957.0	839.4	1,986.5	895.0	888.5	942.1	924.9	1,054.8	12,728.0
Total Non Budgetary Expenditures/Outflows	1,422.4	1,346.2	1,061.4	1,566.0	1,575.9	1,758.8	1,153.3	1,230.4	1,351.7	1,157.5	1,301.3	1,586.3	16,511.2
Net Non Budgetary Funds	(179.5)	(299.5)	(377.4)	(300.1)	(618.9)	(919.4)	833.2	(335.4)	(463.1)	(215.4)	(376.4)	(531.4)	(3,783.2)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	2.5	3.4	3.0	4.1	2.6	4.9	2.0	2.0	2.0	2.0	2.0	2.0	32.6
Net Operating Activities	\$1,311.9	(\$28.7)	\$614.7	(\$538.2)	(\$689.5)	(\$235.8)	\$1,546.7	(\$960.4)	(\$410.9)	\$1,319.3	(\$579.7)	\$375.0	\$1,724.3
Federal Grants:													
Total Federal Grants Revenue/Inflows	240.6	180.3	190.1	158.4	263.8	296.1	198.1	205.5	220.8	187.0	216.3	268.4	2,625.5
Total Federal Grants Expenditures/Outflows	211.2	203.2	183.2	202.1	241.3	289.6	290.9	278.9	291.8	208.6	211.7	225.8	2,838.4
Net Federal Grants	\$29.4	(\$22.9)	\$6.9	(\$43.7)	\$22.5	\$6.5	(\$92.8)	(\$73.4)	(\$71.0)	(\$21.6)	\$4.6	\$42.6	(\$212.9)
Capital Funds:													
Total Capital Revenue/Inflows	298.0	345.2	195.6	187.1	304.6	423.5	209.9	207.4	278.2	500.2	412.1	382.1	3,743.8
Total Capital Expenditures/Outflows	338.7	371.0	277.2	322.5	294.9	315.3	299.7	228.5	539.4	255.5	382.6	588.5	4,213.8
Net Capital Funds	(\$40.7)	(\$25.8)	(\$81.6)	(\$135.5)	\$9.7	\$108.2	(\$89.8)	(\$21.1)	(\$261.2)	\$244.7	\$29.5	(\$206.4)	(\$470.0)
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	1,500.0	0.0	0.0	0.0	0.0	0.0	0.0	1,500.0
Total Cash Flow Financing Activities Inflows	0.0	0.0	0.0	0.0	0.0	1,500.0	0.0	0.0	0.0	0.0	0.0	0.0	1,500.0
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	503.5	400.4	600.8	1,504.6
Total Cash Flow Financing Activities Outflows	0.0	500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	503.5	400.4	600.8	2,004.6
Net Financing Activities	\$0.0	(\$500.0)	\$0.0	\$0.0	\$0.0	\$1,500.0	\$0.0	\$0.0	\$0.0	(\$503.5)	(\$400.4)	(\$600.8)	(\$504.6)
Ending Non-Segregated Operating Cash Balance	\$4,659.2	\$4,081.8	\$4,621.8	\$3,904.4	\$3,247.2	\$4,626.0	\$5,990.0	\$4,935.1	\$4,192.0	\$5,230.9	\$4,284.9	\$3,895.3	\$3,895.3

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.

(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</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.

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. Due to the impacts of the COVID-19 pandemic, the process for renegotiating expired collective bargaining agreements has been delayed, but such negotiations are ongoing, as noted below.

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. Negotiations for a new contract are expected to begin in the near future.

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. Negotiations for a new contract are expected to begin in the near future.

6. The contract with the State Police Association of Massachusetts (SPAM), representing Unit 5A, ran from January 1, 2018 through December 31, 2020, and provided 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 was \$26.3 million. This contract has expired and negotiations are ongoing.

7. The contract with the Massachusetts Nurses Association, representing Unit 7, ran from January 1, 2018 through December 31, 2020, and provided 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 was \$20.3 million. This contract has expired and negotiations are ongoing.

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, ran from January 1, 2018 through December 31, 2020, and provided 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 was \$0.3 million. This contract has expired and negotiations are ongoing.

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)

<u>Contract Unit</u>	<u>Bargaining Union</u>	<u>Type of Employee</u>	<u>FTEs</u>	<u>Contract Expiration Dates</u>
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 (2)
7	Massachusetts Nurses Association	Health professionals	1,604	12/31/20 (2)
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 (2)
		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% cost-of-living adjustment for fiscal 2021 for eligible participants of the MSERS and MTRS. 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):

MTRS (1)			
<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	<u>73,087</u>	<u>77.6</u>
Totals		<u>94,103</u>	<u>100.0%</u>

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	<u>830</u>	<u>0.9</u>
Totals		<u>87,969</u>	<u>100.0%</u>

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 did not perform 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 actuarial valuation, PERAC will be using a 7.0% investment return assumption. This change is expected to increase the total actuarial liability by approximately \$1.6 billion.

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 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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> (3)
Annual required contribution (ARC) (1)	\$3,060,000	\$3,292,000	\$3,500,000	\$3,800,000	\$4,125,000
Contributions made (2)	<u>\$2,198,093</u>	<u>\$2,394,000</u>	<u>\$2,608,000</u>	<u>\$2,841,525</u>	<u>\$3,115,164</u>
% of ARC funded for the fiscal year	72%	73%	75%	75%	76%

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 early retirement incentive program (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 ERIP.
- (3) Since a full actuarial valuation was not performed as of January 1, 2020, the ARC for 2021 was based on the estimated valuation results as of January 1, 2020. These valuation results reflect the investment return and mortality assumption changes discussed above.

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 Audited Financial Statements for fiscal 2014, establishes new standards for defined benefit pension plan accounting and reporting. GASB 67 also requires an analysis to determine the sensitivity of the net pension liability (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 Audited Financial Statements for fiscal 2020. See Exhibit C – Comprehensive Annual Financial Report for the year ended June 30, 2020. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective for the Commonwealth's Audited Financial Statements for fiscal 2015, requires changes to governments' reporting of and inclusion of pension assets and liabilities in their annual audited financial statements. 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 Audited Financial Statements for fiscal 2020. 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 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 2016 through 2020.

The tables subtitled "Pension Expense" shows pension expenses that, under GASB 68, are recognized in the Audited Financial Statements for fiscal 2020. Additional information regarding the inflows and outflows that under GASB 68 are recognized either in the Audited Financial Statements for fiscal 2020 or are deferred and projected to be recognized in the Audited Financial Statements for future fiscal years can be found in Note 9C to Basic Financial Statements to the Audited Financial Statements for fiscal 2020. See Exhibit C – Comprehensive Annual Financial Report for the year ended June 30, 2020.

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 audited financial statements, governments are permitted to use the prior year's NPL and other pension-related measures in the current year's audited financial statements. In conformance with GASB 68, the Commonwealth determined that for the Audited Financial Statements for fiscal 2020 it would use the pension valuation information as of June 30, 2019. The Commonwealth will use the June 30, 2020 pension information in its Audited Financial Statements for fiscal 2021.

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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 2020 through 2016
(in thousands, except for percentages)

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>
Total pension liability (as of July 1)	\$54,751,000	\$52,503,000	\$50,024,000	\$47,300,000	\$45,918,711
Service cost	1,019,331	949,262	901,234	891,760	843,800
Interest	3,927,724	3,762,191	3,633,027	3,505,761	3,402,525
Differences between expected and actual experience	495,599	50,910	92,317	47,046	(74,025)
Changes of assumptions (1), (2), (3), (4)	859,000	577,000	845,000	1,176,000	-
Benefit payments, including refunds of member contributions	<u>(3,189,813)</u>	<u>(3,092,363)</u>	<u>(2,992,578)</u>	<u>(2,896,567)</u>	<u>(2,791,011)</u>
Net change in total pension liability	<u>3,111,841</u>	<u>2,248,000</u>	<u>2,479,000</u>	<u>2,724,000</u>	<u>1,381,289</u>
Total pension liability (as of June 30)	<u>\$57,862,841</u>	<u>\$54,751,000</u>	<u>\$52,503,000</u>	<u>\$50,024,000</u>	<u>\$47,300,000</u>
Plan fiduciary net position (as of July 1)	\$29,536,980	\$28,791,711	\$27,138,609	\$24,942,072	\$25,429,068
Contributions:					
Non-employer - Commonwealth	1,553,433	1,443,710	1,314,783	1,235,515	1,124,583
Plan members	821,105	782,431	755,688	730,212	699,422
Other additions	<u>233,222</u>	<u>234,532</u>	<u>231,734</u>	<u>223,746</u>	<u>202,796</u>
Total contributions	2,607,760	2,460,673	2,302,205	2,189,473	2,026,801
Net investment income	581,648	1,584,770	2,542,576	3,100,352	441,363
Benefit payments, including refunds of plan member contributions	<u>(3,189,813)</u>	<u>(3,092,363)</u>	<u>(2,992,578)</u>	<u>(2,896,567)</u>	<u>(2,791,011)</u>
Administrative expense	<u>(22,391)</u>	<u>(18,324)</u>	<u>(19,528)</u>	<u>(24,053)</u>	<u>(24,220)</u>
Other changes	<u>(196,187)</u>	<u>(189,487)</u>	<u>(179,573)</u>	<u>(172,668)</u>	<u>(139,929)</u>
Net change in plan fiduciary net position	<u>(218,983)</u>	<u>745,269</u>	<u>1,653,102</u>	<u>2,196,537</u>	<u>(486,996)</u>
Plan fiduciary net position (as of June 30)	<u>\$29,317,997</u>	<u>\$29,536,980</u>	<u>\$28,791,711</u>	<u>\$27,138,609</u>	<u>\$24,942,072</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$28,544,844</u>	<u>\$25,214,020</u>	<u>\$23,711,289</u>	<u>\$22,885,391</u>	<u>\$22,357,928</u>
Plan fiduciary net position as a percentage of the total pension liability	50.7%	53.9%	54.8%	54.3%	52.7%
Covered employee payroll (5), (6)	<u>\$7,074,960</u>	<u>\$7,074,960</u>	<u>\$6,829,012</u>	<u>\$6,583,871</u>	<u>\$6,388,732</u>
Net pension liability/(asset) as a percentage of covered employee payroll	403.5%	356.4%	347.2%	347.6%	350.0%

SOURCE: Office of the Comptroller

- (1) The changes in assumptions in fiscal 2017 were due to improved future mortality.
- (2) The changes in assumptions in fiscal 2018 were due to a decrease in the discount rate to 7.35% from 7.50%.
- (3) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (4) The changes in assumptions in fiscal 2020 were due to a decrease in the discount rate to 7.15% from 7.25% along with changes in the mortality tables.
- (5) Reflects compensation in the January 1 actuarial valuation for each fiscal year.
- (6) The covered payroll for fiscal 2020 reflects the compensation in the January 1, 2019 actuarial valuation.

GASB 68 Information for the Massachusetts Teachers' Retirement System
Pension Expense for Fiscal 2020 (1)
(in thousands)

Service cost	\$949,262
Interest	3,763,191
Employee contributions	(782,431)
Projected earnings on plan investments	(2,039,456)
Recognized portion of difference between expected and actual experience	43,805
Recognized portion of difference in projected and actual earnings on investments	212,716
Recognized portion of plan benefit changes	-
Recognized portion of assumption changes	937,271
Transfers and reimbursements from other systems	(73,491)
Member make up, redeposit and payments from rollovers	(14,357)
Other reimbursements	(3,538)
Administrative expense	18,324
Other changes (net)	<u>46,342</u>
Pension expense	<u>\$3,057,638</u>

SOURCE: Office of the Comptroller

- (1) In conformance with GASB 68, pension valuation information as of June 30, 2019 is used in the Audited Financial Statements for fiscal 2020. Pension valuation information as of June 30, 2020 will be used in the Audited Financial Statements for fiscal 2021.

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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 2020 through 2016
(in thousands, except for percentages)

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>
Total pension liability (as of July 1)	\$43,398,000	\$41,225,000	\$39,107,000	\$37,760,000	\$35,425,414
Service cost	963,828	897,600	856,200	855,440	813,975
Interest	3,124,187	2,965,890	2,852,239	2,813,374	2,638,929
Changes in benefit terms (1)	-	-	-	10,000	400,000
Differences between expected and actual experience	336,183	303,066	102,008	(428,232)	589,009
Changes of assumptions (2), (3), (4), (5)	442,000	434,000	622,000	304,000	-
Benefit payments, including refunds of member contributions	<u>(2,539,198)</u>	<u>(2,427,556)</u>	<u>(2,314,447)</u>	<u>(2,207,582)</u>	<u>(2,107,327)</u>
Net change in total pension liability	<u>2,327,000</u>	<u>2,173,000</u>	<u>2,118,000</u>	<u>1,347,000</u>	<u>2,334,586</u>
Total pension liability (as of June 30)	<u>\$45,725,000</u>	<u>\$43,398,000</u>	<u>\$41,225,000</u>	<u>\$39,107,000</u>	<u>\$37,760,000</u>
Plan fiduciary net position (as of July 1)	\$28,763,796	\$27,995,021	\$26,282,232	\$23,971,156	\$24,042,585
Contributions:					
Employers – Commonwealth and MassDOT	1,003,828	919,545	840,990	716,266	660,818
Non-employer contributions – Commonwealth	38,381	37,359	35,184	28,455	21,830
Employers and non-employers – other	9,718	10,191	9,564	7,999	16,642
ERIP funding contribution - Commonwealth	28,724	28,724	28,724	29,093	29,093
Plan members	659,015	632,730	600,705	604,772	591,948
Other additions	<u>90,944</u>	<u>104,765</u>	<u>118,124</u>	<u>232,548</u>	<u>397,077</u>
Total contributions	<u>1,830,610</u>	<u>1,733,314</u>	<u>1,633,291</u>	<u>1,619,133</u>	<u>1,717,408</u>
Net investment income	567,319	1,543,398	2,460,748	2,987,632	422,938
Benefit payments, including refunds of plan member contributions	<u>(2,539,198)</u>	<u>(2,427,556)</u>	<u>(2,314,447)</u>	<u>(2,207,582)</u>	<u>(2,107,327)</u>
Administrative expense	<u>(18,089)</u>	<u>(15,853)</u>	<u>(16,369)</u>	<u>(30,030)</u>	<u>(20,624)</u>
Other changes	<u>(37,138)</u>	<u>(64,528)</u>	<u>(50,434)</u>	<u>(58,077)</u>	<u>(83,824)</u>
Net change in plan fiduciary net position	<u>(196,496)</u>	<u>768,775</u>	<u>1,712,789</u>	<u>2,311,076</u>	<u>(71,429)</u>
Plan fiduciary net position (as of June 30)	<u>\$28,567,300</u>	<u>\$28,763,796</u>	<u>\$27,995,021</u>	<u>\$26,282,232</u>	<u>\$23,971,156</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$17,157,700</u>	<u>\$14,634,204</u>	<u>\$13,229,979</u>	<u>\$12,284,768</u>	<u>\$13,788,844</u>
Plan fiduciary net position as a percentage of the total pension liability	62.5%	66.3%	67.9%	67.2%	63.5%
Covered employee payroll (6), (7)	<u>\$6,354,473</u>	<u>\$6,354,473</u>	<u>\$6,155,194</u>	<u>\$5,927,012</u>	<u>\$5,792,288</u>
Net pension liability/(asset) as a percentage of covered employee payroll	270.0%	230.3%	214.9%	216.4%	238.1%

SOURCE: Office of the Comptroller

- (1) 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 2017 were due to improved future mortality.
- (3) 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.
- (4) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (5) The changes in assumptions in fiscal 2020 were due to a decrease in the discount rate to 7.15% from 7.25%.
- (6) Reflects compensation in the January 1 actuarial valuation for each fiscal year.
- (7) The covered payroll for fiscal 2020 reflects the compensation in the January 1, 2019 actuarial valuation.

GASB 68 Information for the State Employees' Retirement System

Pension Expense for Fiscal 2020 (1)

(in thousands)

Service cost	\$897,600
Interest	2,965,890
Employee contributions	(632,730)
Projected earnings on plan investments	(1,983,854)
Recognized portion of difference between expected and actual experience	157,302
Recognized portion of difference in projected and actual earnings on investments	198,885
Recognized portion of assumption change	690,026
Change in benefit terms	-
Transfers and reimbursements from other systems	28,286
Member make up, redeposit and payments from rollovers	(56,056)
COLA reimbursements	(19,800)
Other reimbursements	(57,195)
Administrative expense	15,853
Other expenses that do not reduce the total pension liability	<u>64,527</u>
Pension expense	<u>\$2,268,734</u>

SOURCE: Office of the Comptroller

- (1) In conformance with GASB 68, pension valuation information as of June 30, 2019 is used in the Audited Financial Statements for fiscal 2020. Pension valuation information as of June 30, 2020 will be used in the Audited Financial Statements for fiscal 2021.

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 2025. Actuarial results reflect assumptions outlined in the January 1, 2019 actuarial valuation report, except as noted below. The fiscal 2021 assets are as of December 31, 2020. The 2019 actuarial valuation reflects a 7.25% investment return assumption. As discussed under "Actuarial Valuations" above, while a 2020 actuarial valuation was not conducted, it would have used a 7.15% investment return assumption and the mortality assumption for MTRS would have been revised. The 2021 actuarial valuation will use a 7.0% 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, 2020 was 94.9% of the market value of assets. The actuarial value of assets on January 1, 2021 was 93.1% of the market value of assets. The actuarial value of assets on January 1, 2022 is assumed to be 95.8% of the market value of assets. The actuarial value of assets on January 1, 2023 is assumed to be 96.8% of the market value of assets. The actuarial value of assets on January 1, 2024 is assumed to be 99.2% of the market value of assets. The actuarial value of assets on January 1, 2025 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, 2021 using standard methodology. Projections beyond January 1, 2021 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.

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. 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)

Fiscal Year	Actuarially Determined Contribution (ADC)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio(2)	ADC as a % of Total Budgeted Operating Funds Expenditures
<u>MSERS (3)</u>						
2020	\$1,084	\$28,335	\$44,661	\$16,326	63.4%	2.26%
2021	1,191	30,370	46,301	15,931	65.6	2.37
2022	1,306	32,559	48,153	15,594	67.6	2.49
2023	1,431	34,322	50,079	15,757	68.5	2.61
2024	1,569	36,733	52,082	15,349	70.5	2.74
2025	1,720	38,713	54,165	15,452	71.5	2.87
<u>MTRS (3)</u>						
2020	\$1,558	\$29,077	\$56,497	\$27,420	51.5%	3.25%
2021	1,717	31,171	58,372	27,201	53.4	3.42
2022	1,882	33,423	60,298	26,875	55.4	3.59
2023	2,064	35,238	62,288	27,050	56.6	3.77
2024	2,262	37,718	64,344	26,626	58.6	3.95
2025	2,480	39,756	66,467	26,711	59.8	4.14
<u>Boston Teachers (3)</u>						
2020	\$157	\$1,744	\$4,241	\$2,497	41.1%	0.33%
2021	163	1,866	4,359	2,493	42.8	0.32
2022	179	2,018	4,490	2,472	44.9	0.34
2023	196	2,144	4,624	2,480	46.4	0.36
2024	215	2,313	4,763	2,450	48.6	0.38
2025	235	2,457	4,906	2,449	50.1	0.39
<u>Aggregate Commonwealth Pension Obligations (4)</u>						
2020	\$2,842	\$59,156	\$105,521	\$46,365	56.1%	5.92%
2021	3,115	63,407	109,142	45,735	58.1	6.21
2022	3,415	68,000	113,041	45,041	60.2	6.51
2023	3,744	71,704	117,083	45,379	61.2	6.83
2024	4,105	76,765	121,272	44,507	63.3	7.17
2025	4,500	80,925	125,614	44,689	64.4	7.52

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, with revisions to the investment return and mortality assumptions as noted above. Fiscal 2021 assets are as of December 31, 2020.
- (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 7.0%, which matches the investment return assumption adopted by PERAC on March 10, 2021. 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 24, 2021.

PRIT Fund Asset Allocation

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</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	11.0 – 17.0
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	7.0 – 13.0

SOURCE: Pension Reserves Investment Management Board.

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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	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.

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, 2020, 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, 2020, the GIC had 133,322 state enrollees as of January 1, 2020. 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 Audited Financial Statements for fiscal 2015.

The GASB 74 actuarial valuation for fiscal year ended June 30, 2020, which was issued on March 12, 2021, is available at: <https://www.macomptroller.org/commonwealth-actuarial-valuations>. According to the report, the Commonwealth's unfunded OPEB liability, assuming no pre-funding and using a discount rate of 2.28%, was approximately \$20.691 billion as of June 30, 2020.

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. The fiscal 2021 budget provides for the continued transfer of 10% 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; however, legislation in fiscal 2020 suspended this requirement and all capital gains tax revenue was retained in the General Fund.

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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
2020⁽⁴⁾	23.0	-	-

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.
- (4) The supplemental appropriations bill filed by the Governor to close out fiscal 2020 included a suspension of the requirement to transfer capital gains taxes above the threshold to the Stabilization Fund and retain them in the General Fund.

The plan net position as of June 30, 2020 was approximately \$1.414 billion.

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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>
2020	\$1,414,312	\$22,105,511	\$20,691,199	6.4%	\$6,608,652	313.1%
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 Audited Financial Statements 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 is reported in the Audited Financial Statements 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 are reported in the Audited Financial Statements for fiscal 2020.

GASB 74 Information for the State Retirees' Benefit Trust
Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal Years 2020 through 2017
(in thousands, except for percentages)

	<u>Fiscal 2020</u>	<u>Fiscal 2019 (5)</u>	<u>Fiscal 2018 (5)</u>	<u>Fiscal 2017</u>
Total OPEB liability (as of July 1)	\$19,662,106	\$19,761,333	\$18,480,936	\$19,821,600
Service cost	785,689	806,023	792,135	950,800
Interest	732,808	796,880	691,630	591,900
Differences between expected and actual experience	(600,057)	715,192	218,891	(48,600)
Changes of assumptions (1), (2), (3), (4)	2,050,139	(1,935,139)	21,504	(2,393,700)
Benefit payments, including refunds of member contributions	<u>(525,174)</u>	<u>(482,183)</u>	<u>(443,763)</u>	<u>(441,064)</u>
Net change in total OPEB liability	<u>2,443,405</u>	<u>(99,227)</u>	<u>1,280,397</u>	<u>(1,340,664)</u>
Total OPEB liability, June 30	<u>\$22,105,511</u>	<u>\$19,662,106</u>	<u>\$19,761,333</u>	<u>\$18,480,936</u>
Plan fiduciary net position, July 1	\$1,368,548	\$1,187,569	\$996,407	\$866,043
Contributions:				
Employer	547,611	594,916	542,896	465,449
Other additions	<u>122</u>	<u>188</u>	<u>133</u>	<u>784</u>
Total contributions	<u>547,733</u>	<u>595,104</u>	<u>543,029</u>	<u>466,233</u>
Net investment income	<u>23,380</u>	<u>68,229</u>	<u>93,308</u>	<u>105,822</u>
Benefit payments, including refunds of plan member contributions	(525,174)	(482,183)	(443,763)	(441,064)
Administrative expense	(175)	(171)	(150)	(127)
Other changes	=	=	<u>(1,262)</u>	<u>(500)</u>
Net change in plan fiduciary net position	<u>45,764</u>	<u>180,979</u>	<u>191,162</u>	<u>130,364</u>
Plan fiduciary net position, June 30	<u>\$1,414,312</u>	<u>\$1,368,648</u>	<u>\$1,187,569</u>	<u>\$996,407</u>
Plan net OPEB liability - June 30	<u>\$20,691,199</u>	<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	6.4%	7.0%	6.0%	5.4%
Covered payroll (as of actuarial valuation date)	<u>\$6,608,652</u>	<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	313.1%	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) The change in assumptions in fiscal 2020 was due to (1) removal of the excise tax, (ii) an update of the medical trend rate based on the SOA-Getzen trend rate model version 2020_b, (iii) change in the salary scale to be consistent with that of SERS, (iv) a change in future retirees' plan participation rates, (v) a change in medical plan election rates and (vi) a decrease in the discount rate from 3.63% to 2.28%.
- (5) 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 Audited Financial Statements for fiscal 2020 pursuant to GASB 75, as well as the inflows and outflows that under GASB 75 are recognized either in the Audited Financial Statements for fiscal 2020 or are deferred and projected to be recognized in the Audited Financial Statements 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 Audited Financial Statements, governments are permitted to use the prior year's NOL and other OPEB-related measures in the Audited Financial Statements for the current year. In conformance with GASB 75, OPEB valuation information as of June 30, 2019 is used in the Audited Financial Statements for fiscal 2020. During the audit of the GASB 75 report as of the June 30, 2019 measurement date (which will be reported in the Audited Financial Statements 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 have been reported in the Audited Financial Statements for fiscal 2020. OPEB valuation information as of June 30, 2020 will be used in the Audited Financial Statements for fiscal 2021. Additional information regarding the inflows and outflows that under GASB 75 are recognized either in the Audited Financial Statements for fiscal 2020 or are deferred and projected to be recognized in the CAFRs for future fiscal years is in Note 10D to Basic Financial Statements to Audited Financial Statements for fiscal 2020. See Exhibit C – Comprehensive Annual Financial Report for the year ended June 30, 2020.

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 2020 (1)

Service cost	\$806,023
Interest on the total OPEB liability	796,880
Projected earnings on plan investments	(90,114)
Recognized portion of difference between expected and actual experience	154,224
Recognized portion of difference in projected and actual earnings on investments	(6,930)
Recognized portion of assumption change	(747,434)
Administrative expense	171
Other changes, net	<u>(188)</u>
OPEB Expense	<u>\$912,632</u>

SOURCE: Office of the Comptroller

(1) In conformance with GASB 75, OPEB valuation information as of June 30, 2019 is used in the Audited Financial Statements for fiscal 2020. OPEB valuation information as of June 30, 2020 will be used in the Audited Financial Statements for fiscal 2021.

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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. A new five-year capital investment plan for fiscal 2022 through fiscal 2026 is in the process of being developed.

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:	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>
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	2,030
Other	<u>215</u>	<u>269</u>	<u>280</u>	<u>294</u>	<u>211</u>
Total	<u>\$3,432</u>	<u>\$3,260</u>	<u>\$3,248</u>	<u>\$3,260</u>	<u>\$3,170</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.

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 8, 2020, 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 2022. The Committee determined that \$2.66 billion of general obligation debt may prudently be issued by the Commonwealth for fiscal 2022. This amount represents an increase of 4.9%, or \$125 million, over the Committee's recommended bond cap for fiscal 2021.

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 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</u>	<u>Fiscal 2021 (4)</u>
Total principal balance	\$26,445,665	\$27,360,819	\$27,739,221	\$28,098,890	\$28,333,692
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)	(703,690)	(657,340)	(608,565)	(559,545)	(534,935)
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)	(649,285)
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)	(847,790)
School Building Assistance (SBA)	(632,348)	(598,985)	(574,902)	(496,936)	(430,926)
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>\$22,946,634</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 February 28, 2021.

General Obligation Debt

As of February 28, 2021, the Commonwealth had \$24.2 billion in general obligation bonds outstanding, of which \$22.8 billion, or 94.4% was fixed rate debt and \$1.4 billion, or 5.6%, was variable rate debt. As of February 28, 2021, \$19.8 billion of the Commonwealth's general obligation debt was tax-exempt and \$4.4 billion, or 18.4%, 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 February 28, 2021, 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 \$602.8 million, or approximately 2.5% 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 \$750 million or approximately 3.1% of the total outstanding general obligation debt, is unhedged and, accordingly, floats with interest rates re-set on a periodic basis.

As of February 28, 2021, the Commonwealth had outstanding approximately \$155.0 million (\$81.2 million of original principal and including a discount equal to \$73.8 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 February 28, 2021, the Commonwealth had approximately \$1.5 billion of RANs outstanding.

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 February 28, 2021, 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.

In 2008, the Commonwealth was 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 February 28, 2021, 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 January 2021, Governor Baker signed a new transportation bond act authorizing approximately \$16.2 billion of total capital authorization to improve the Commonwealth’s transportation infrastructure. The act includes authorization for \$1.25 billion in borrowing backed by federal highway grant anticipation notes (GANs) to fund the Next Generation Bridge Program. The act also provides substantial flexibility for borrowing to be issued as either general obligation bonds or special obligation bonds, depending on market conditions and the most effective borrowing strategies for the Commonwealth. Specifically, of the \$16.2 billion in total authorization, \$5.1 billion is authorized to support the MBTA and is proposed as special obligation bonds backed by the CTF, although such

authorization also is eligible to be issued as general obligation bonds; \$1.25 billion is authorized for the Next Generation Bridge Program and eligible to be issued as GANs or special obligation bonds; \$4.4 billion is authorized for federally aided highway projects, with \$880 million eligible to be issued as either general obligation bonds or special obligation bonds, with \$3.52 billion to be reimbursed through federal highway funds; \$89 million is authorized for aeronautics projects and eligible to be issued only as general obligation bonds; and the remaining \$5.4 billion is authorized for highway, rail and transit, planning and multi-modal transportation, transportation IT, and grant programs and local projects, and is eligible to be issued as either general obligation bonds or special obligation bonds.

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 February 28, 2021, the balance of the trustee-held Convention Center Revenue Fund available for debt service was \$80.1 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 February 28, 2021, the balance of the Capital Reserve Fund was \$53.0 million. As of February 28, 2021, the retained earnings in the Convention Center Fund was \$307.4 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 February 28, 2021, there are no Series 2004 Bonds outstanding and approximately \$479.6 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

In 2008, the Commonwealth was authorized to issue \$1.1 billion of grant anticipation notes (GANs) secured by future federal funds to fund a portion of the ABP. 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. In February 2021, the Governor signed a new transportation bond bill, which authorizes the additional issuance of \$1.25 billion of additional federal highway GANs for highway purposes. As of February 28, 2021, \$649.3 million of GANs were 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 February 28, 2021, \$1.9 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 \$27.2 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</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.

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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</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.

Debt Service Requirements

The following tables sets forth, as of February 28, 2021, 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 February 28, 2021 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	\$ 60,120	\$ 707,563	\$ -	(\$ 5,093)	\$290,618	\$ 350,738	\$ 41,140	\$16,172	(\$235)	\$15,937	\$ 57,077
6/30/2022	1,184,640	1,023,424	4,436	(32,698)	990,725	2,179,802	82,375	29,977	(357)	29,620	111,995
6/30/2023	1,187,713	968,710	4,532	(31,412)	937,298	2,129,544	86,470	25,880	(122)	25,758	112,228
6/30/2024	1,105,560	905,906	4,606	(31,412)	874,494	1,984,660	89,510	21,965	-	21,965	111,475
6/30/2025	1,116,647	854,482	4,948	(31,177)	823,305	1,944,900	93,985	17,490	-	17,490	111,475
6/30/2026	1,052,485	804,613	5,396	(30,776)	773,837	1,831,718	122,185	12,790	-	12,790	134,975
6/30/2027	961,533	756,975	5,579	(30,203)	726,772	1,693,884	133,620	6,681	-	6,681	140,301
6/30/2028	949,265	713,864	5,874	(28,953)	684,910	1,640,050	-	-	-	-	-
6/30/2029	1,027,454	671,492	5,547	(26,687)	644,805	1,677,806	-	-	-	-	-
6/30/2030	1,036,298	625,033	5,285	(22,892)	602,141	1,643,725	-	-	-	-	-
6/30/2031	1,031,842	571,406	5,141	(16,808)	554,598	1,591,581	-	-	-	-	-
6/30/2032	956,375	529,670	5,102	(14,776)	514,894	1,476,370	-	-	-	-	-
6/30/2033	770,692	490,997	4,308	(12,440)	478,557	1,253,557	-	-	-	-	-
6/30/2034	744,878	457,519	3,577	(11,068)	446,451	1,194,905	-	-	-	-	-
6/30/2035	713,454	428,259	3,023	(9,647)	418,611	1,135,089	-	-	-	-	-
6/30/2036	754,512	398,789	2,342	(8,177)	390,612	1,147,465	-	-	-	-	-
6/30/2037	787,400	366,321	1,857	(6,654)	359,667	1,148,923	-	-	-	-	-
6/30/2038	796,856	332,320	1,234	(5,077)	327,242	1,125,333	-	-	-	-	-
6/30/2039	848,510	299,567	716	(3,445)	296,122	1,145,349	-	-	-	-	-
6/30/2040	793,125	265,772	265	(1,609)	264,163	1,057,554	-	-	-	-	-
6/30/2041	741,587	235,239	80	-	235,239	976,906	-	-	-	-	-
6/30/2042	777,265	209,150	-	-	209,150	986,415	-	-	-	-	-
6/30/2043	914,180	177,823	-	-	177,823	1,092,003	-	-	-	-	-
6/30/2044	809,510	146,382	-	-	146,382	955,892	-	-	-	-	-
6/30/2045	674,985	117,347	-	-	117,347	792,332	-	-	-	-	-
6/30/2046	675,820	87,456	-	-	87,456	763,276	-	-	-	-	-
6/30/2047	525,835	59,937	-	-	59,937	585,772	-	-	-	-	-
6/30/2048	339,835	40,087	-	-	40,087	379,922	-	-	-	-	-
6/30/2049	348,330	25,626	-	-	25,626	373,956	-	-	-	-	-
6/30/2050	405,000	10,763	-	-	10,763	415,763	-	-	-	-	-
6/30/2051	60,000	1,500	-	-	1,500	61,500	-	-	-	-	-
Totals (1)	\$24,151,706	\$12,872,139	\$73,851	(\$361,006)	\$12,511,133	\$36,736,690	\$649,285	\$130,954	(\$714)	\$130,240	\$779,525

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	\$ -	\$ -	\$ -	\$18,220	\$40,655	(\$ 6,157)	\$34,498	\$ 52,718
6/30/2022	25,970	26,380	52,350	21,760	80,399	(12,314)	68,085	89,845
6/30/2023	27,440	24,952	52,392	30,245	79,343	(12,314)	67,029	97,274
6/30/2024	28,990	23,443	52,433	39,870	77,843	(12,314)	65,528	105,398
6/30/2025	30,625	21,848	52,473	51,720	75,852	(11,937)	63,915	115,635
6/30/2026	32,360	20,164	52,524	54,340	73,227	(11,529)	61,698	116,038
6/30/2027	34,190	18,384	52,574	56,420	70,369	(11,065)	59,304	115,724
6/30/2028	36,125	16,504	52,629	51,520	67,391	(10,575)	56,816	108,336
6/30/2029	38,170	14,517	52,687	54,670	64,698	(10,058)	54,640	109,310
6/30/2030	40,330	12,418	52,748	54,600	62,065	(9,512)	52,553	107,153
6/30/2031	42,610	10,199	52,809	60,350	59,289	(8,935)	50,354	110,704
6/30/2032	45,020	7,856	52,876	63,445	56,046	(8,316)	47,730	111,175
6/30/2033	47,565	5,380	52,945	66,715	52,635	(7,661)	44,974	111,689
6/30/2034	50,250	2,764	53,014	70,000	49,219	(6,970)	42,250	112,250
6/30/2035	-	-	-	70,055	45,702	(6,239)	39,464	109,519
6/30/2036	-	-	-	73,595	42,177	(5,466)	36,711	110,306
6/30/2037	-	-	-	81,615	38,470	(4,650)	33,820	115,435
6/30/2038	-	-	-	81,180	34,401	(3,718)	30,683	111,863
6/30/2039	-	-	-	85,455	30,348	(2,546)	27,801	113,256
6/30/2040	-	-	-	89,835	25,955	(1,308)	24,647	114,482
6/30/2041	-	-	-	94,505	21,323	-	21,323	115,828
6/30/2042	-	-	-	99,385	17,332	-	17,332	116,717
6/30/2043	-	-	-	103,165	13,333	-	13,333	116,498
6/30/2044	-	-	-	114,415	8,556	-	8,556	117,971
6/30/2045	-	-	-	14,600	3,146	-	3,146	16,180
6/30/2046	-	-	-	61,670	2,554	-	2,554	64,224
Totals (1)	\$479,645	\$204,810	\$684,455	\$1,656,784	\$1,192,331	(\$163,586)	\$1,028,745	\$2,685,529

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	\$ 1,458	\$ 28,363	\$ 29,910	\$ 29,821	\$ 59,731
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	\$2,894	\$58,184	\$1,267,131	\$1,155,730	\$2,422,871

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 February 28, 2021, approximately \$631.2 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 2022 to 2033. The total notional value of approximately \$631.2 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 4.083% 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 February 28, 2021.

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 2007A (refunding)	348,380	LIBOR	4.083%	67% 3-Month LIBOR + 0.55%	10/8/2008	11/1/2025	(32,509,379)	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>(63,509,379)</u>	Barclays Bank PLC
Subtotal	<u>\$631,215</u>						<u>(\$95,972,638)</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>(374,839)</u>	Merrill Lynch Capital Services
Subtotal	<u>\$ 28,385</u>						<u>(374,839)</u>	
Total	<u>\$631,215</u>						<u>(\$95,972,638)</u>	

SOURCE: Office of the Treasurer and Receiver General.

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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 February 28, 2021.

<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 February 28, 2021, 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 February 28, 2021.

<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	4/01/2024
2016 Series C	200,000	4/01/2026
2018 Series A (Refunding) (1)	120,365	2/01/2021

SOURCE: Office of the Treasurer and Receiver General.

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 February 28, 2021, the Trust had approximately \$2.2 billion of bonds outstanding. Approximately 5.25% 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 February 28, 2021, total "I-Cubed" bonds were outstanding in the amount of approximately \$182.6 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 February 28, 2021, approximately \$22.0 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 2021 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>
2021	\$63,384	\$125,000	\$9,909	\$5,335	\$203,628
2022	39,014	125,000	10,586	800	175,400
2023	27,070	125,000	10,579	50	162,699
2024	18,675	125,000	10,579	-	154,254
2025	14,381	125,000	10,594	-	149,975
2026	11,881	125,000	12,601	-	149,482
2027 through 2050	<u>67,852</u> (1)	<u>1,900,000</u> (2)	<u>247,038</u>	-	2,214,890
Total (4)	<u>\$242,257</u>	<u>\$2,650,000</u>	<u>\$311,887</u>	<u>\$6,185</u>	<u>\$3,210,328</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, 2020 are set forth in the table below.

Long-Term Leases (in thousands)

<u>Fiscal Year</u>	<u>Leases (1)</u>
2021	\$233,301
2022	170,404
2023	153,903
2024	135,385
2025	109,692
2026	78,894
2027	67,838
2028	60,978
2029	49,199
2030 through 2051	201,786
Total	<u>\$1,261,380</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 February 28, 2021, 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 February 28, 2021, the Steamship Authority had approximately \$73.2 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 March 25, 2021, the Building Authority has no 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

SOURCE: Office of the Comptroller.

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.

In 2018, the Commonwealth filed a motion regarding its substantial compliance with the judgment and moved to terminate court monitoring. The plaintiffs simultaneously moved to modify the judgment to add new requirements related to standard outpatient behavioral health therapy services and to add certain "disengagement criteria" as explicit requirements of the judgment. In February 2019, the Court denied in part and granted in part the defendants' motion regarding substantial compliance and to terminate court monitoring. 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 May 4, 2020, the First Circuit Court of Appeals reversed, holding that the District Court erred when it denied MassHealth's motion to terminate monitoring and reporting requirements. The First Circuit remanded the case back to the District Court for further proceedings. The First Circuit's decision vacated District Court orders that had extended court monitoring beyond its original expiration date of December 31, 2018.

In November 2020, plaintiffs moved to reinstate court monitoring, which the Commonwealth opposed. A hearing on this motion occurred on February 4, 2021. On February 10, 2021, the District Court issued an order appointing the erstwhile Court Monitor as Technical Advisor with costs to be taxed equally to the parties but did not reinstate court monitoring.

In December 2020, the plaintiffs moved to modify the Judgment to add new requirements: (1) to adopt as a requirement of the judgment the timeframe within which eligible members must begin receiving Intensive Care Coordination, and (2) to expand the judgment to include requirements relative to outpatient behavioral health therapy. On February 1, 2021, the Commonwealth filed a consolidated opposition to the plaintiffs' motions to modify the Judgment. On February 17, 2021, the plaintiffs replied to the Commonwealth's consolidated opposition to their motions to modify the judgment.

On February 1, 2021, the Commonwealth also filed a motion to vacate the judgment based on the Commonwealth's substantial compliance with all terms of the Judgment. Plaintiffs are expected to file an opposition to the Commonwealth's motion to vacate the judgment on April 1, 2021. The District Court has indicated that it will schedule a joint hearing on the three pending motions. The Technical Advisor will remain in place until the date the District Court rules on the three pending motions.

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 childcare 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 childcare 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. EEC did not revise its fee chart in time to meet that self-imposed deadline. A reduction in the percentage of gross income parents are required to pay in fees could shift to EEC a considerable portion of the childcare 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 a motion for class certification in November 2020. EEC served oppositions to both motions. On February 4, 2021, Judge Roach of Suffolk Superior Court held a hearing on both motions, and took the matter under advisement. The judge requested a proposed order from the Plaintiffs, and EEC served its opposition to the Plaintiff's proposed order on March 17, 2021.

Additionally, EEC has taken significant steps to promulgate a new fee scale. In December 2020, the Legislature granted EEC emergency authorization to immediately implement a new fee scale, provided that it initiated a public hearing process for the fee scale within 30 days of implementation. On February 8, 2021, EEC did establish a new fee scale that results in 98% of families paying a fee that is 7% or less of their income, a model that was thoroughly discussed with Plaintiff's counsel during monthly meetings over the past year. Hearings on the fee scale have concluded, and the public notice-and-comment process will culminate in a new fee scale under Chapter 30A.

As a practical matter, EEC has been paying parent fees for all parents receiving income eligible child care subsidies since March 2020, due to the COVID-19 pandemic, and will continue to do so until at least June 30, 2021. 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 \$3.514 billion in surcharge payments between 1998 and the end of Health Safety Net fiscal year 2021.

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 oral argument occurred on October 15, 2020. A decision from DAB is currently pending. 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 would be appealable to the federal district court.

In the Matter of the Massachusetts Department of Elementary and Secondary Education. United States Department of Education Office of Administrative Law Judges. Under the federal Individuals with Disabilities Education Act (IDEA), a state is required to maintain a minimum amount of state financial support for special education and related services. On January 6, 2021, the United States Department of Education Office of Special Education and Rehabilitative Services (OSERS) issued a proposed final determination finding that the Massachusetts Department of Elementary and Secondary Education (DESE) failed to meet these minimum financial support requirements in fiscal years 2010 and 2011, and it also denied a waiver request of those requirements submitted by DESE. OSERS reissued the proposed final determination on January 15, 2021, making only technical formatting changes. The proposed final determination seeks a penalty against the Commonwealth by reducing the allocation of IDEA federal special education funds to the Commonwealth in the amount of \$114,023,641 (\$42,835,083 for fiscal 2010 and \$71,188,558 for fiscal 2011).

DESE timely appealed the proposed final determination on February 11, 2021. In March 2021, DESE moved to dismiss the proposed determination as time barred under the applicable five-year statute of limitations under the General Education Provisions Act (20 U.S.C. 1234a(k)), as well as the federal statute of limitations applicable to penalty proceedings (28 U.S.C. 2462). On March 16, 2021, DESE and OSERS jointly sought to stay the proceedings pending the outcome of DESE’s motion to dismiss, which stay the administrative law judge granted. The motion to dismiss is pending. At this time, the Commonwealth cannot predict the timing or outcome of this proceeding. If OSERS prevails on its claims, the Commonwealth could lose \$114,023,641 in federal special education funding.

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 facts on applications from various taxpayers for brownfields tax credits in amounts that often exceed \$1 million. 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 \$ 137.7 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 \$81.4 million, with four 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.

New Hampshire v. Massachusetts (Supreme Court of the United States). New Hampshire has sought leave to file a case against Massachusetts in the U.S. Supreme Court challenging Massachusetts' temporary regulation governing taxation of income earned by nonresidents who ordinarily commute into Massachusetts to work for Massachusetts employers (and who are taxed by Massachusetts on that income), but who have been telecommuting from their out-of-state homes due to the COVID-19 pandemic. In essence, the regulation continues the status quo -- whatever portion of the employee's income was taxed as Massachusetts income prior to the onset of the pandemic will, for the period of the state of emergency within the Commonwealth, be treated the same way. New Hampshire claims that Massachusetts' temporary regulation violates the dormant Commerce Clause and the Due Process Clause of the Fourteenth Amendment of the U.S. Constitution. Massachusetts opposed New Hampshire's motion for leave to file the complaint on various grounds, including that it does not meet the Supreme Court's criteria for the exercise of its discretionary original jurisdiction. On January 25, 2021, the Supreme Court called for the views of the U.S. Solicitor General on whether to grant New Hampshire's motion for leave to file a complaint against Massachusetts. The United States should file its invitation brief in the coming months. Following the filing of the U.S. Solicitor General's invitation brief and any party responses thereto, the Supreme Court will either deny New Hampshire's motion or will set the case for briefing and oral argument in fall 2021. At this time, the Commonwealth cannot predict the outcome of this matter or the timing of an ultimate decision, if the Supreme Court allows the matter to proceed.

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. 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 March 15, 2021 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. 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.

References to web site addresses in this Information Statement are for informational purposes only and may be in the form of a hyperlink for convenience. Unless otherwise specified, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Information Statement.

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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 Kaitlyn Connors, 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

April 12, 2021

EXHIBIT A

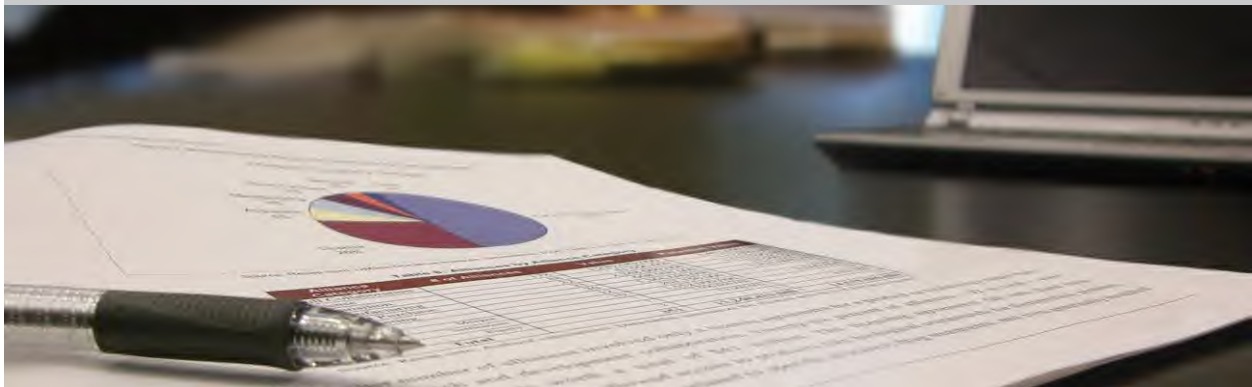
STATEMENT OF ECONOMIC INFORMATION AS OF JANUARY 7, 2021

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Massachusetts Economic Due Diligence

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

Second Quarter, FY 2021



UMASS DONAHUE INSTITUTE
Economic & Public
Policy Research

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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 January 7, 2021.** 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, 2019 (2019 Dollars)	\$74,187	\$56,490
Average Annual Pay, All Industries, 2019 (2019 Dollars)	\$75,404	\$59,209
Percent Change in CPI-U*, 2019-2020	1.1%	1.2%
Percent Change in CPI-U*, November 2010 - November 2020	0.4%	1.2%
Poverty Rate, 2019	9.4%	12.3%
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, November 2019 - November 2020 (not seasonally adjusted)	-9.1%	-6.0%
Unemployment Rate, 2019	2.9%	3.7%
Unemployment Rate, November 2020 (not seasonally adjusted)	6.7%	6.4%
 <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, 2019	45.0%	33.1%
 <u>Economic Base and Performance (p. A-30)</u>		
Percent Change in Gross Domestic Product, 2018-2019	2.4%	2.2%
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 6.7 percent. The national unemployment rate currently stands at 6.4 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

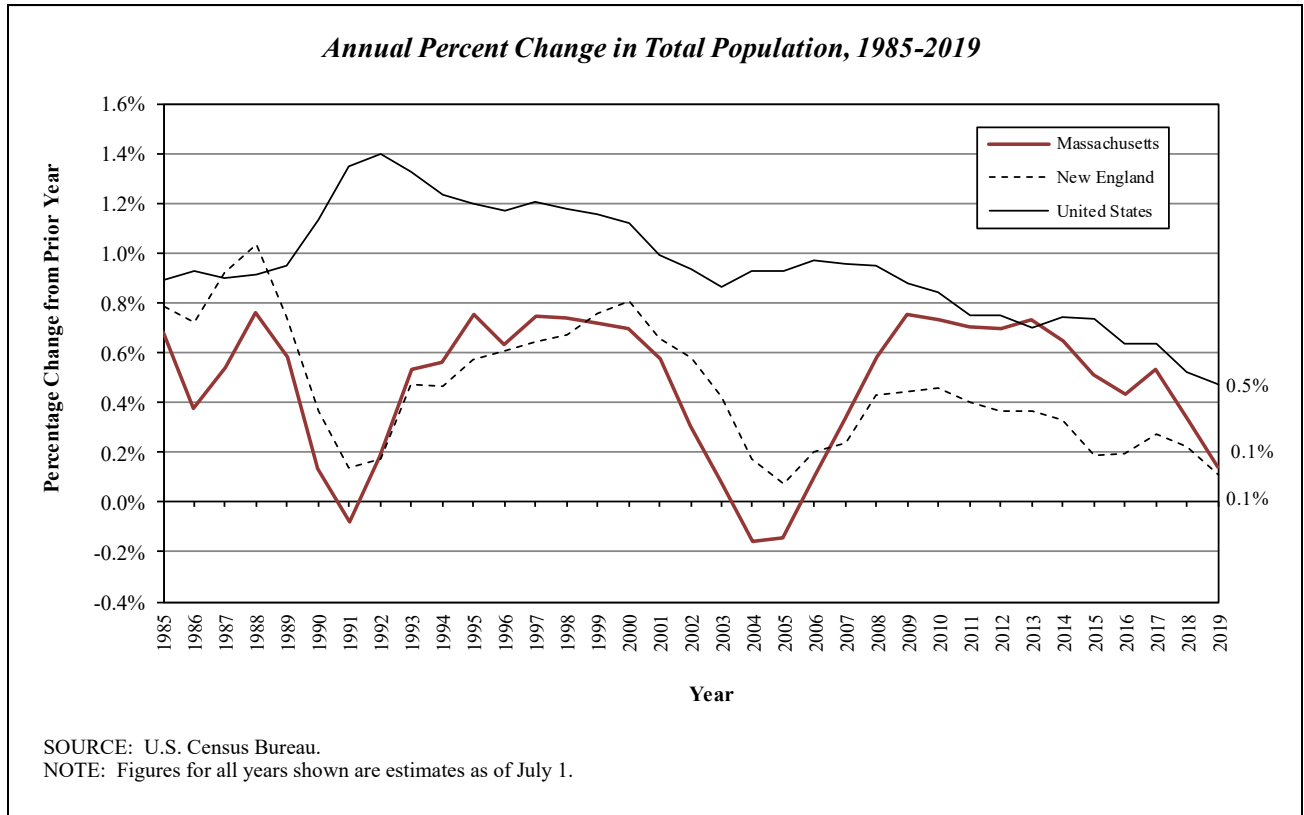
Massachusetts is a relatively slow growing but densely populated state with a comparatively large percentage of its residents living in metropolitan areas. The population density of Massachusetts was estimated as of July 1, 2019 to be 883.6 persons per square mile, as compared to 92.9 for the United 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, Rhode Island and Delaware, as well as Washington D.C. 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%

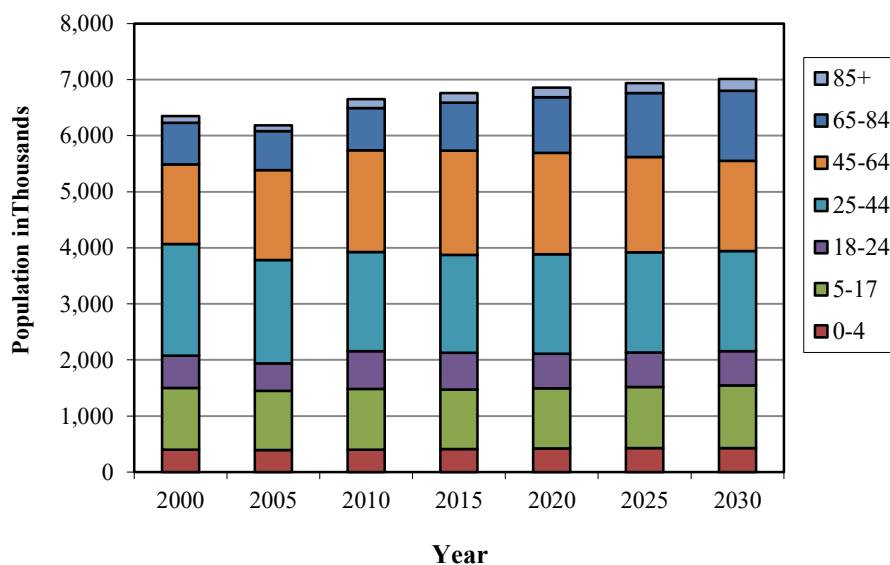
SOURCE: U.S. Department of Commerce, Census Bureau.

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*

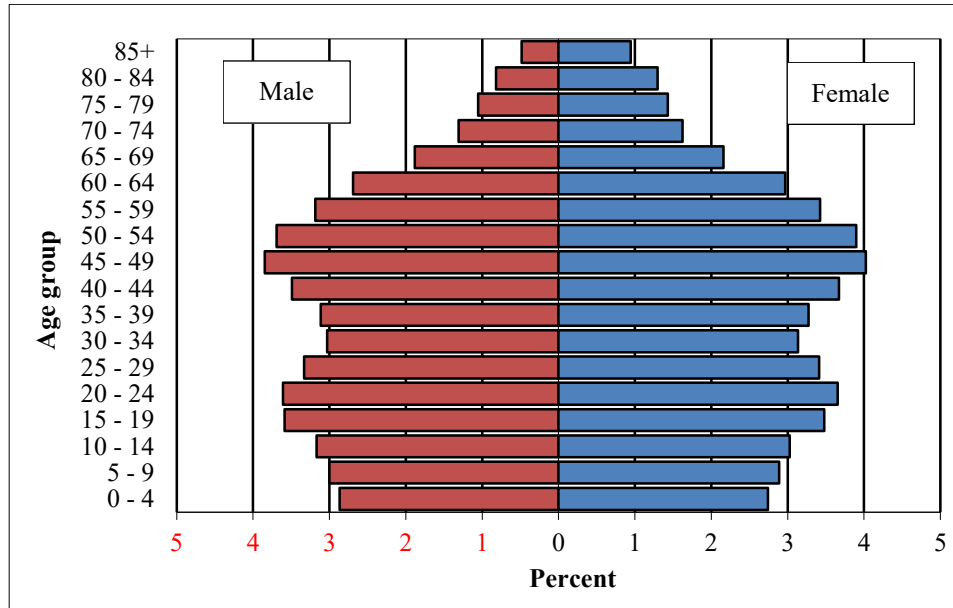


SOURCE: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005.
Internet Release Date: 04/21/05.

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.

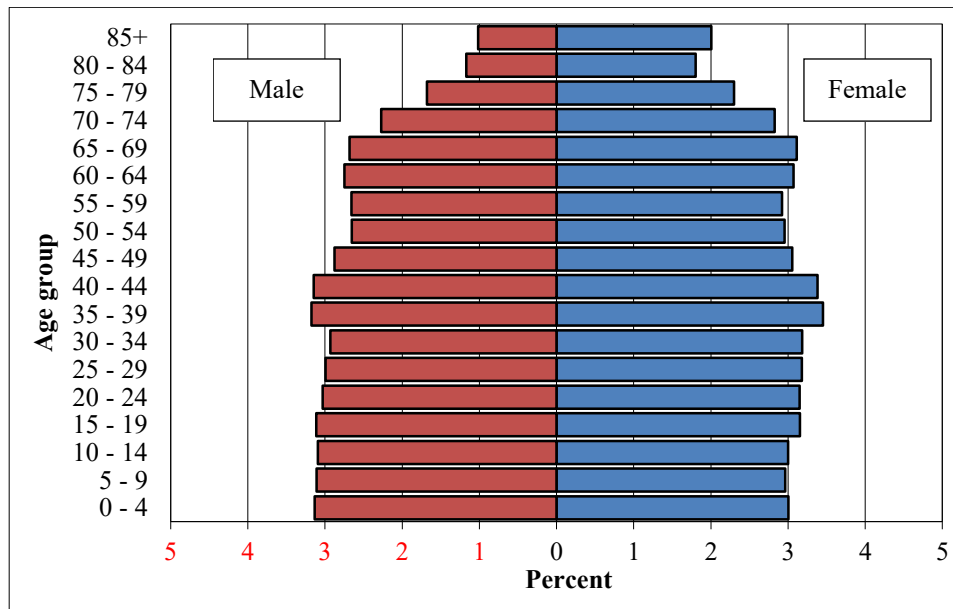
Population Pyramids of Massachusetts Percent of Total Population

2010



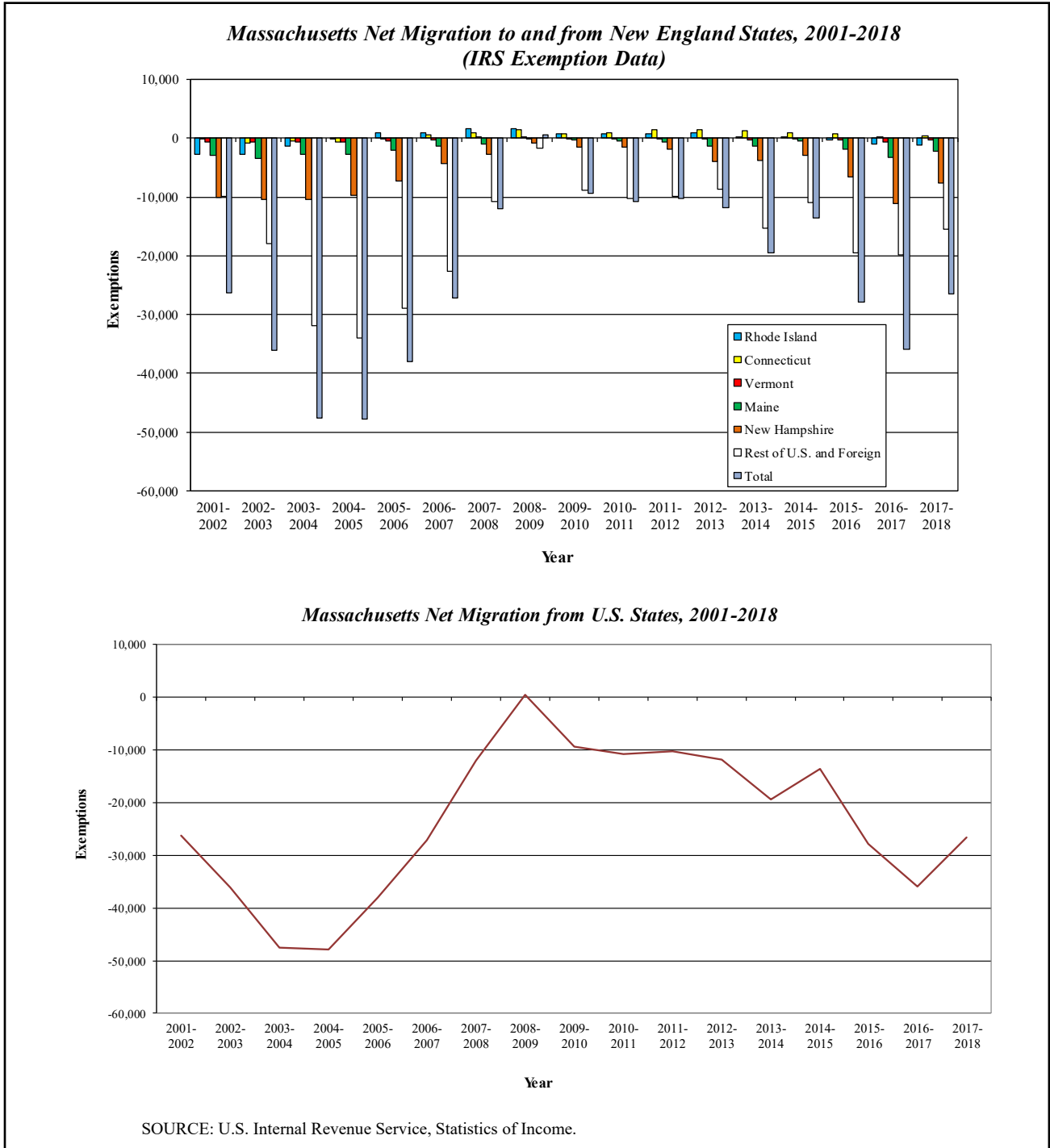
SOURCE: U.S. Census Bureau, 2010 Census.

2030



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

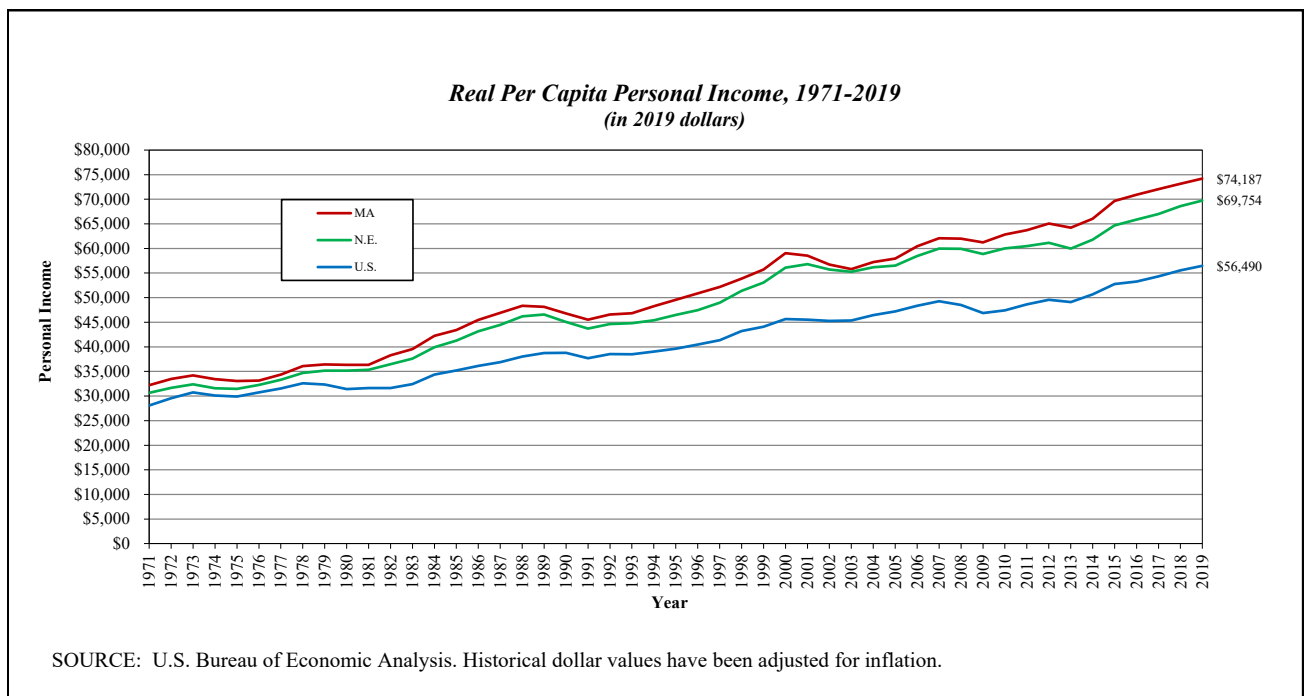
Migration. Migration is one of several components of annual population change in Massachusetts. The movement of people from place to place is often linked to economic opportunities or downturns. These data are derived from the filing addresses and number of exemptions submitted with federal tax returns. 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, New York, California, Texas, and Illinois while its largest net gains are from Foreign countries, South Carolina, Wisconsin, Utah and Minnesota. 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.



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 2.5 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 2019, 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 1971-2019.

<i>Per Capita Personal Income, 1971-2019</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	\$53,062	\$52,094	\$40,547	\$62,813	\$60,007	\$47,539	2.6%	1.9%	1.5%
2011	\$55,302	\$54,105	\$42,739	\$63,738	\$60,480	\$48,576	1.5%	0.8%	2.2%
2012	\$57,333	\$55,761	\$44,605	\$65,051	\$61,138	\$49,668	2.1%	1.1%	2.3%
2013	\$57,377	\$55,440	\$44,860	\$64,218	\$59,971	\$49,231	-1.3%	-1.9%	-0.9%
2014	\$59,963	\$57,892	\$47,071	\$66,048	\$61,774	\$50,833	2.9%	3.0%	3.3%
2015	\$63,618	\$60,563	\$49,019	\$69,657	\$64,695	\$52,874	5.5%	4.7%	4.0%
2016	\$65,725	\$62,293	\$50,015	\$70,919	\$65,848	\$53,276	1.8%	1.8%	0.8%
2017	\$68,442	\$64,549	\$52,118	\$72,043	\$67,000	\$54,358	1.6%	1.7%	2.0%
2018	\$71,801	\$67,507	\$54,606	\$73,172	\$68,590	\$55,595	1.6%	2.4%	2.3%
2019	\$74,187	\$69,754	\$56,490	\$74,187	\$69,754	\$56,490	1.4%	1.7%	1.6%

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.

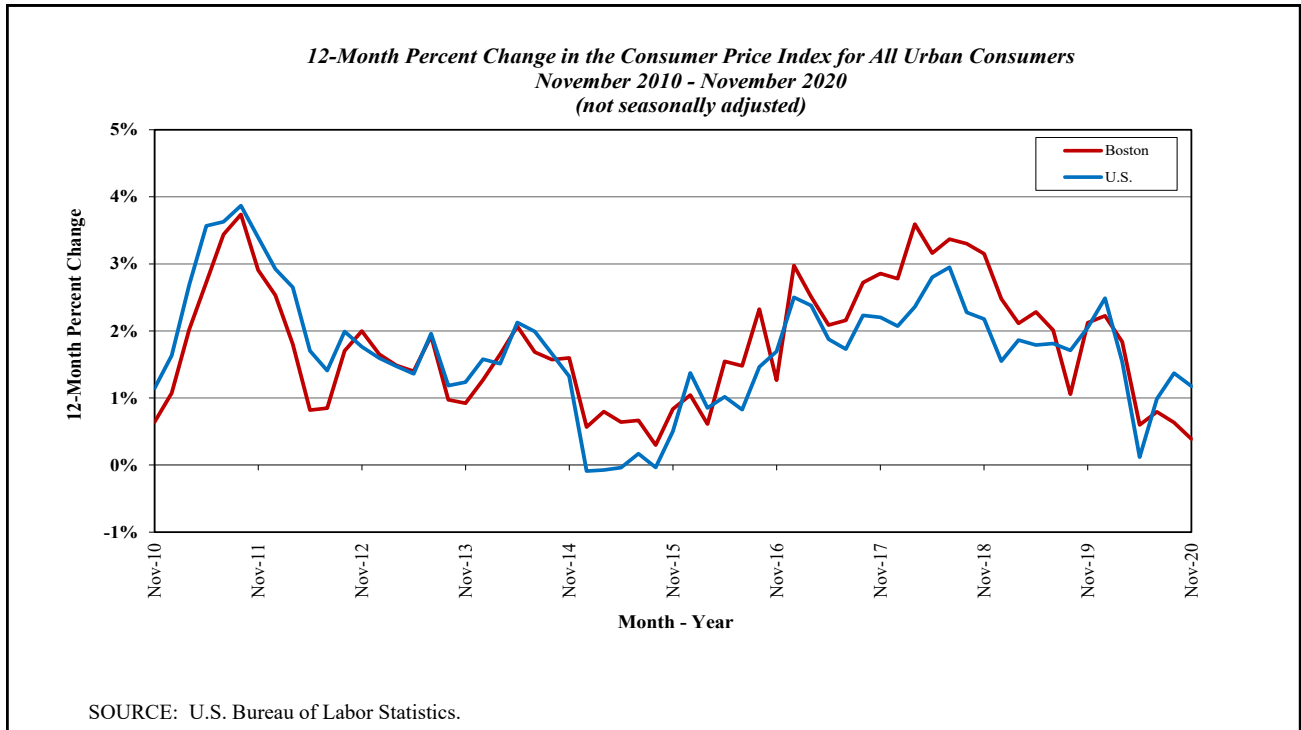
Average Annual Pay. Massachusetts saw steady growth in average annual pay for most of the past fifteen years, adjusted for inflation. It lost ground in 2009, but resumed growth in 2010, and dropped slightly again in 2016. Payroll data are reported to the Quarterly Census of Employment and Wages (QCEW) 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 1.0 percent, compared to 0.8 percent for the nation. The level of average annual pay in Massachusetts in 2019 was about 27 percent higher than the national average: \$75,404 compared to \$59,209.

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 54.3 and 3.0 percent respectively.

Annual Wage and Salary Disbursements, 1990-2019 (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	\$ 8,469	\$484	\$254	52.5%	3.0%
2016	\$ 8,608	\$490	\$259	52.8%	3.0%
2017	\$ 8,826	\$498	\$266	53.4%	3.0%
2018	\$ 9,046	\$506	\$273	53.9%	3.0%
2019	\$ 9,301	\$518	\$282	54.3%	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 November 2010 and November 2020. The latest available data for November 2020 show that the CPI-U for the Boston area increased at a rate of 0.4 percent over November 2019. The U.S. index increased at a rate of 1.2 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)
1970-2020**

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

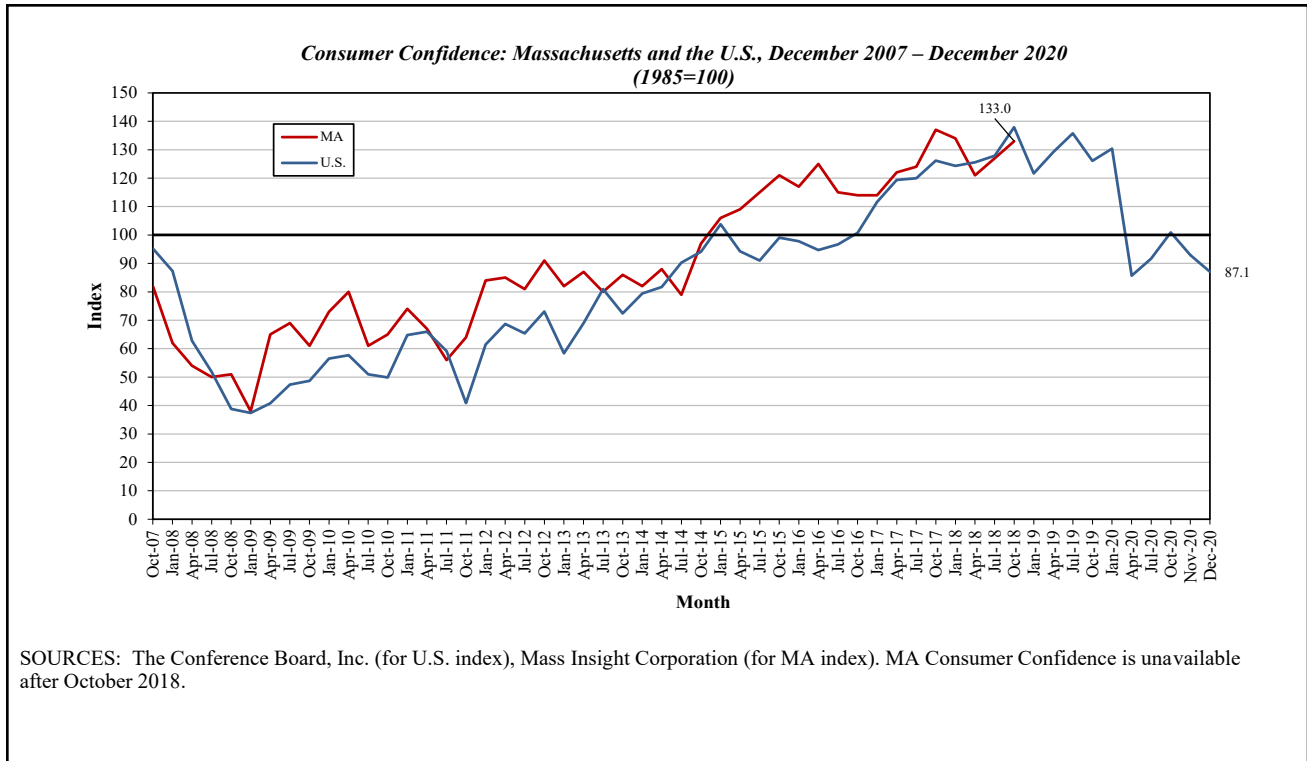
Year	Boston Metro Area		United States	
	CPI-U	Pct. Change	CPI-U	Pct. Change
1970	40.2		38.8	
1971	42.2	5.0%	40.5	4.4%
1972	43.7	3.6%	41.8	3.2%
1973	46.3	5.9%	44.4	6.2%
1974	51.2	10.6%	49.3	11.0%
1975	55.8	9.0%	53.8	9.1%
1976	60.0	7.5%	56.9	5.8%
1977	63.1	5.2%	60.6	6.5%
1978	66.4	5.2%	65.2	7.6%
1979	73.2	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%
2020	284.3	1.1%	258.8	1.2%

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 previous quarter for which consumer confidence was produced for the state. Due to the COVID-19 pandemic, the U.S. Consumer Confidence was less than 100 in April and July 2020. It currently stands at 87.1, which is above its pre-recessionary (2007) level in the same month. 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.**

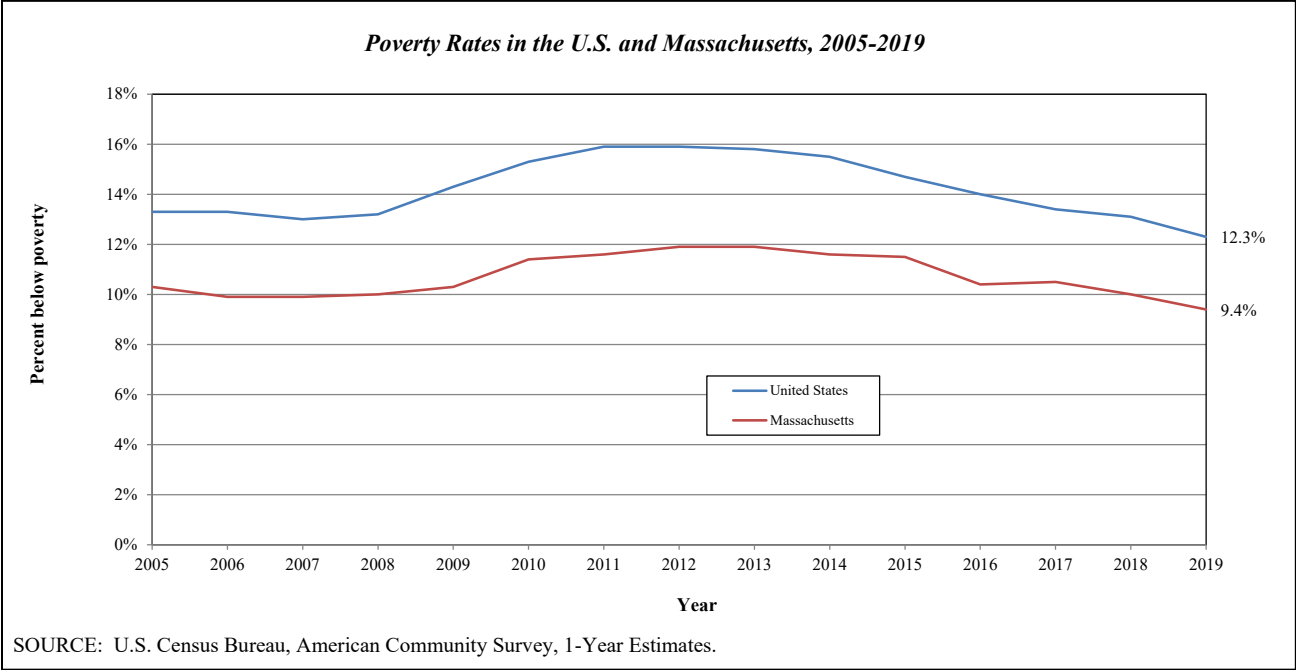


**Consumer Confidence, Present Situation, and Future
Expectations for Massachusetts and the U.S.
(1985=100)**

	Consumer Confidence		Present Situation		Future Expectations	
	MA	U.S.	MA	U.S.	MA	U.S.
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
Jul-20	N/A	91.7	N/A	94.2	N/A	91.5
Oct-20	N/A	100.9	N/A	104.6	N/A	98.4

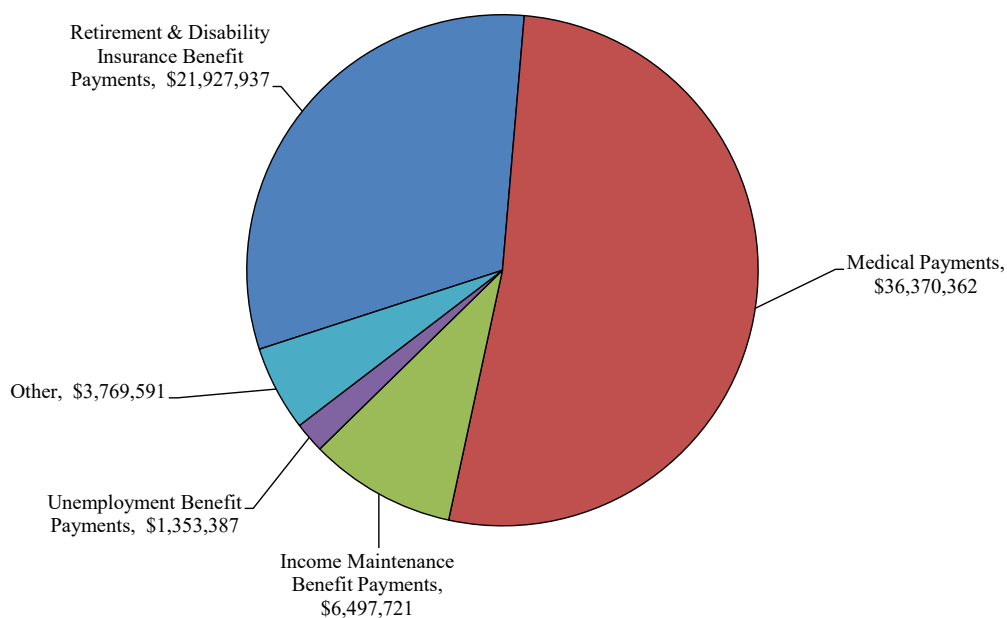
SOURCES: The Conference Board, Inc. (for U.S. measure, seasonally adjusted); Mass Insight Corporation (for MA measures, not seasonally adjusted). MA Consumer Confidence is unavailable after October 2018.

Poverty. Since 2005, the Massachusetts poverty rate, which was 9.4 percent in 2019, has been three to five percentage points lower than the national average, which was 12.3 percent in 2019. Massachusetts ranked 46th out of the 50 states and the District of Columbia in 2019, 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 2019, decreasing from 14.1 percent in 2018. 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 \$71.4 billion for 2019, adjusted for inflation. Almost 51 percent of government transfer payments to individuals were medical payments, down from nearly 52 percent in 2018.

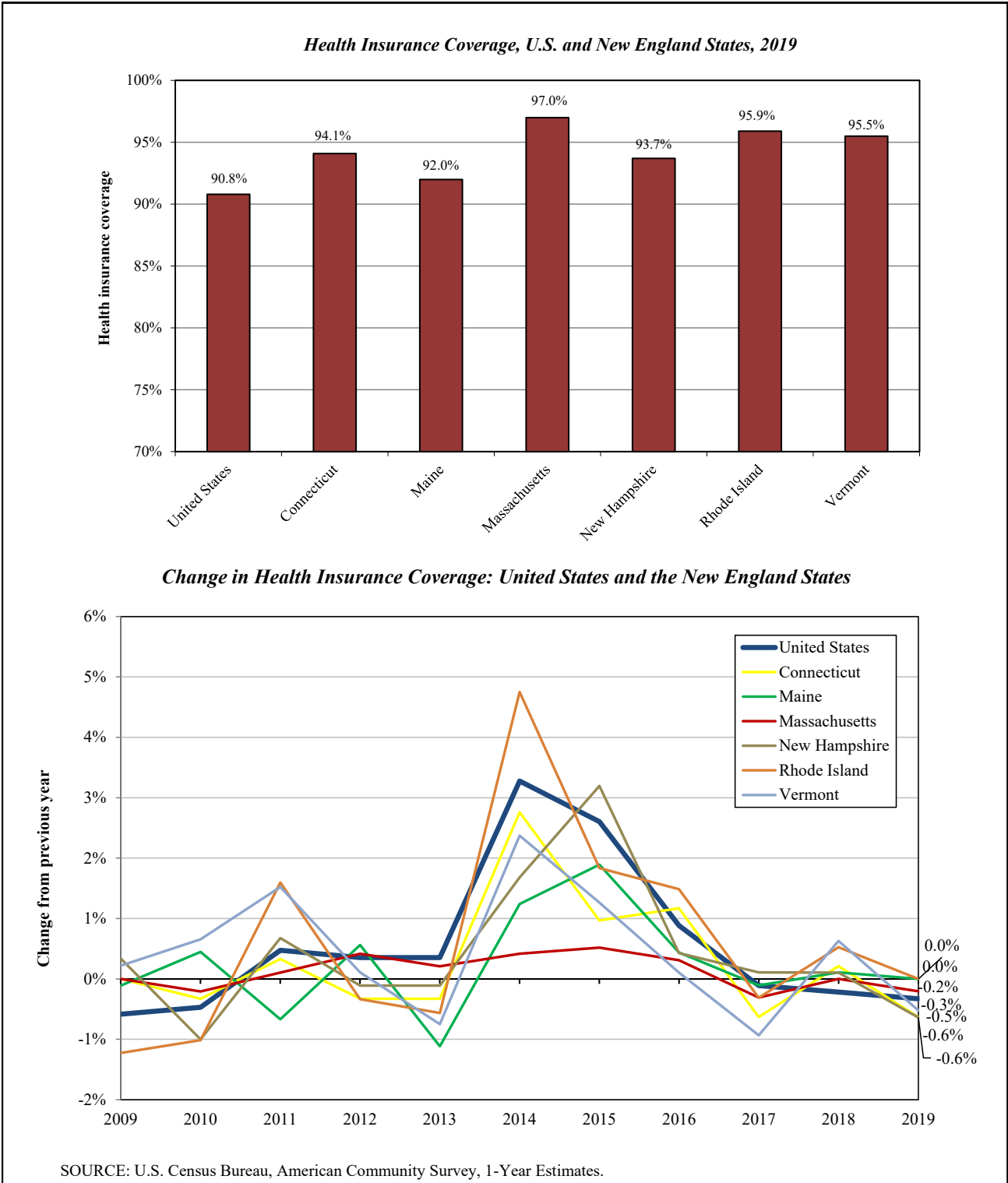
Transfer Payments from Governments to Individuals in Massachusetts in 2019
(From Annual State Personal Income Estimates)
(in thousands of 2019 dollars)



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 2019, 97.0 percent of the civilian non-institutionalized population was covered in the state by either private or public insurance, compared with 90.8 percent nationwide. Massachusetts also leads the other New England states in coverage, with Rhode Island as the next closest at 95.9 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.

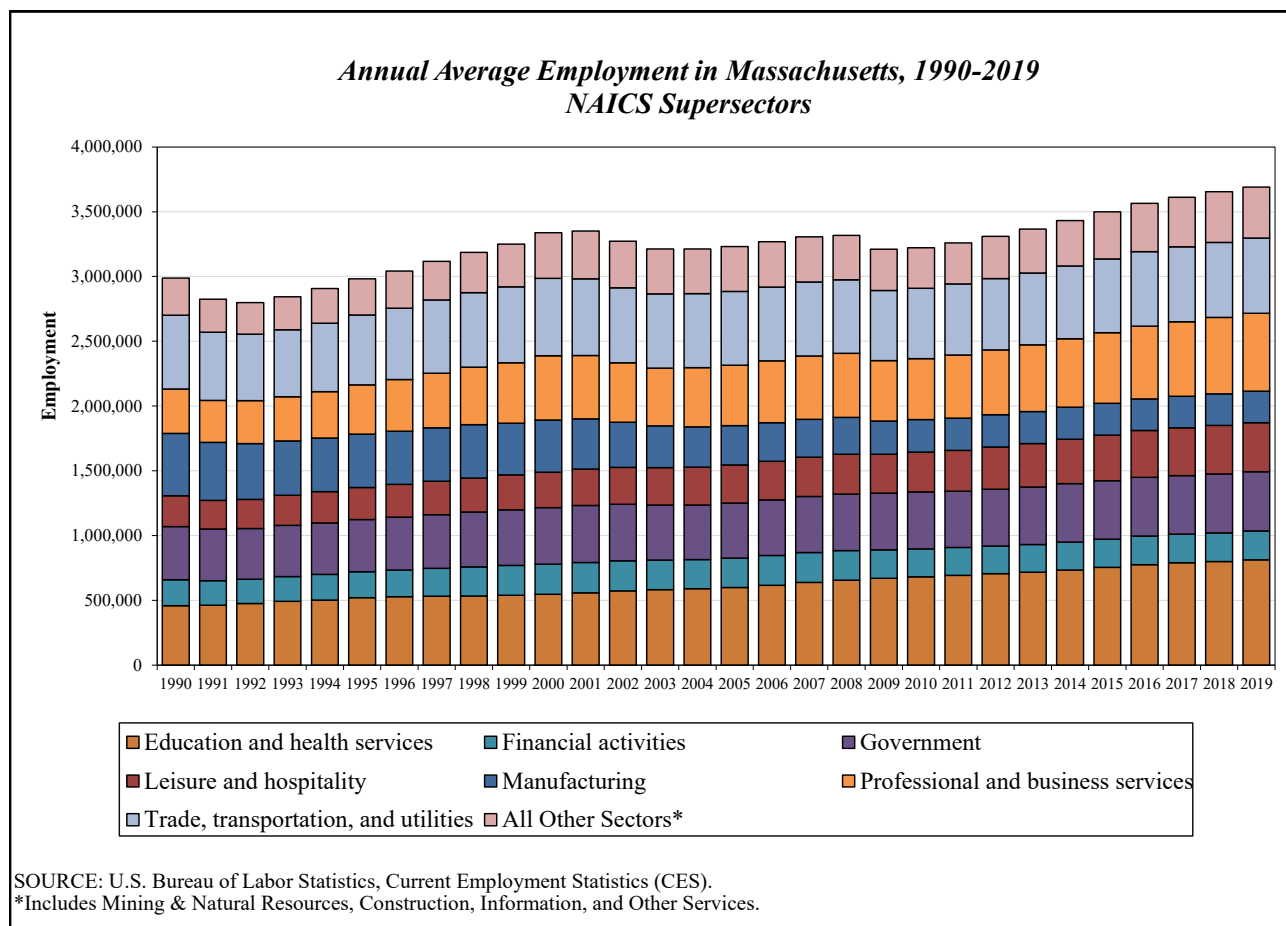


EMPLOYMENT

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.

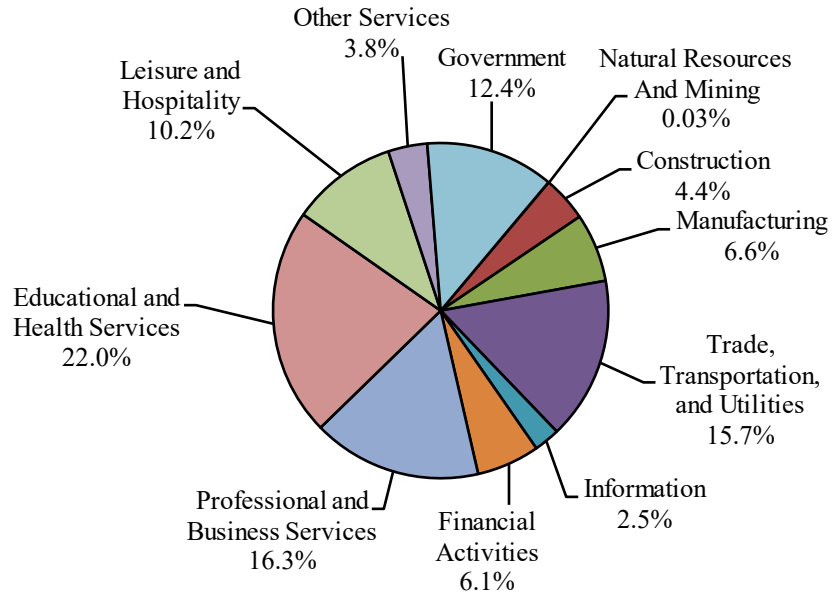
After substantial declines in 2009, total non-agricultural employment in Massachusetts eventually increased 14.6 percent and continued to grow steadily. In 2019, nonfarm employment increased by 1.0 percent compared to 2018. With an annual average at almost 3.7 million nonfarm employees, 2019 had the 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 (7.1 percent) before returning to a more moderate decline in 2004 (3.6 percent). After a steep drop of 9.7 percent in 2009, the decline returned to a less dramatic 2.5 percent in 2010. November 2020 saw manufacturing employment decrease by 3.6 percent since November 2019, as total employment shrunk by 9.1 percent. The annual manufacturing employment total in 2019 was slightly higher than in 2018 (243.8 thousand compared to 242.3).

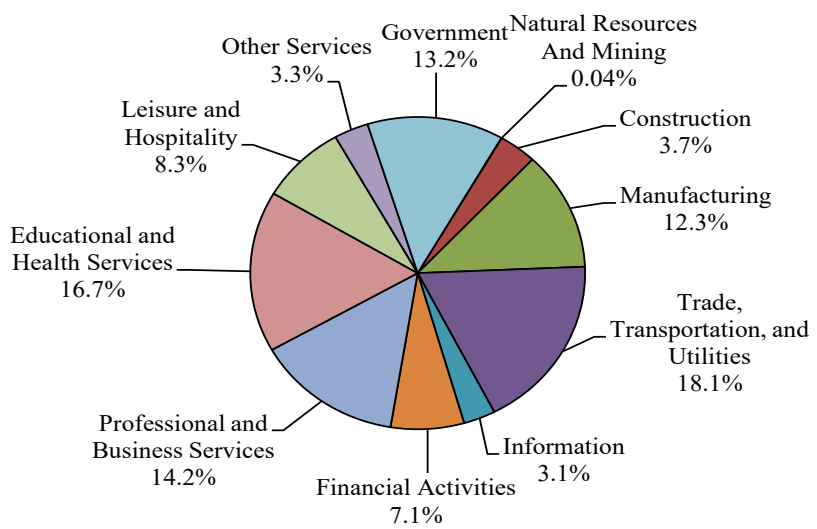


Massachusetts Nonfarm Payroll Employment (NAICS Industry Basis)

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 2018-9. 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	
<small>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.</small>	

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		Company (location)	Industry	2020 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 (Stock)	\$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 Equipment	\$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 October 31, 2020, the preliminary Massachusetts Unemployment Trust Fund had a balance of (\$1.823) billion. This balance is the sum of the private contributory account balance of (\$1.948) billion and the government contributory portion of \$125 million. This compares to the October 31, 2019 balance of \$1.880 billion with a private contributory portion of \$1.741 billion. The November 2020 Unemployment Insurance Trust Fund report indicated that the private contributory account balance was estimated to be (\$2.913) billion by the end of 2024, according to the Moody's-based outlook.

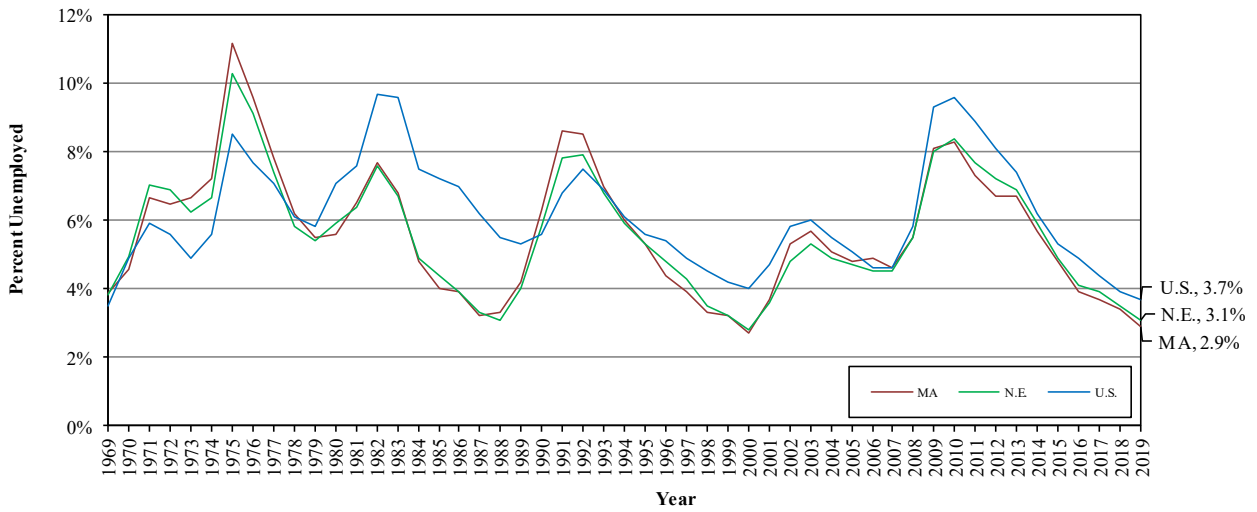
Unemployment. The unemployment rate in Massachusetts was consistently below or equal to the (not seasonally adjusted) national average from mid-1995 through September 2005, with similar patterns of gradual improvement after the mid-2003 peak. Prior to the pandemic, the statewide unemployment rate was 2.9 percent in 2019, the first time since 2000 that unemployment was below 3.0 percent. The Massachusetts unemployment rate went from 3.0 percent in March 2020 to 16.0 percent in the following month. For much of the summer of 2020, Massachusetts had one of the highest, if not the highest, unemployment rate in the country. At its peak, the state unemployment rate reached 17.8 percent in June 2020 while the U.S. rate peaked at 14.4 percent in April 2020. Statewide unemployment has been gradually decreasing since then; and in the most recent month, November 2020, the unemployment rate stands at 6.7 percent compared to 6.4 percent nationwide.

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%

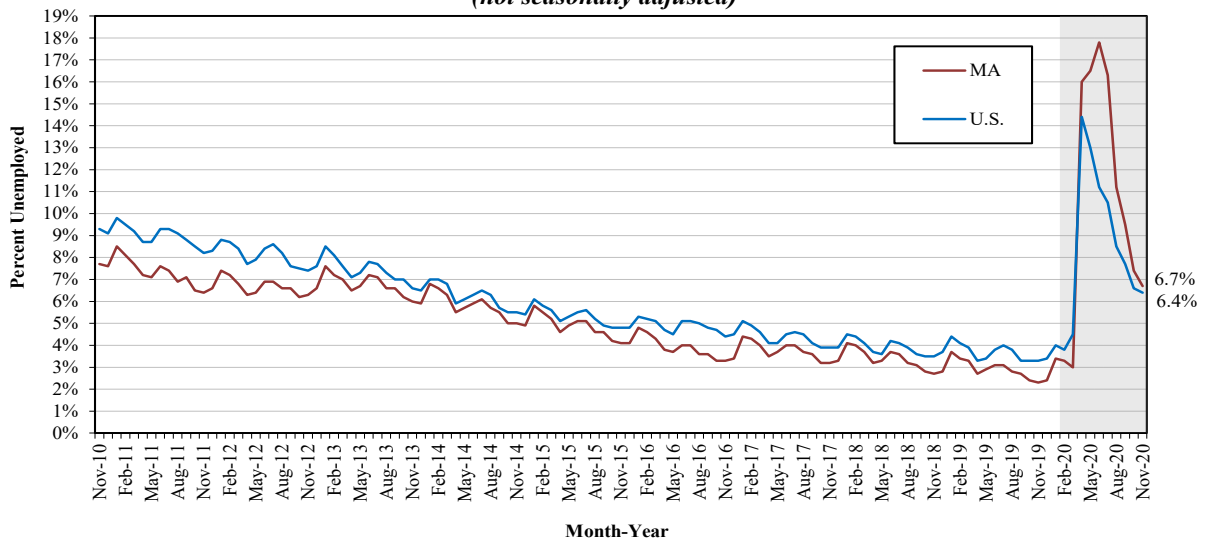
SOURCES: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics (LAUS) and Current Population Survey (CPS).

**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).

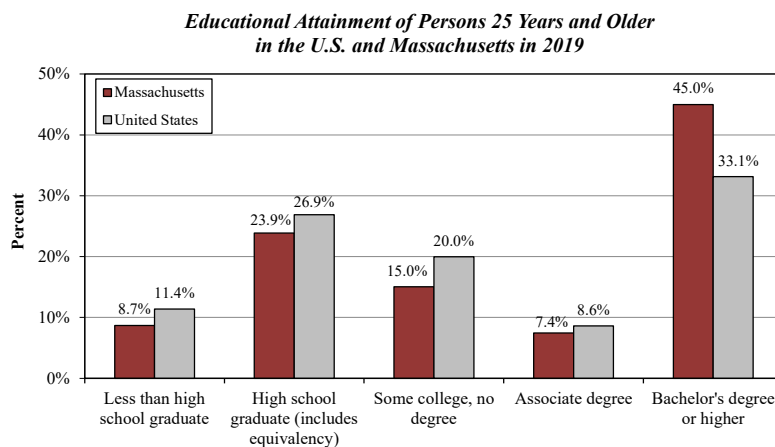
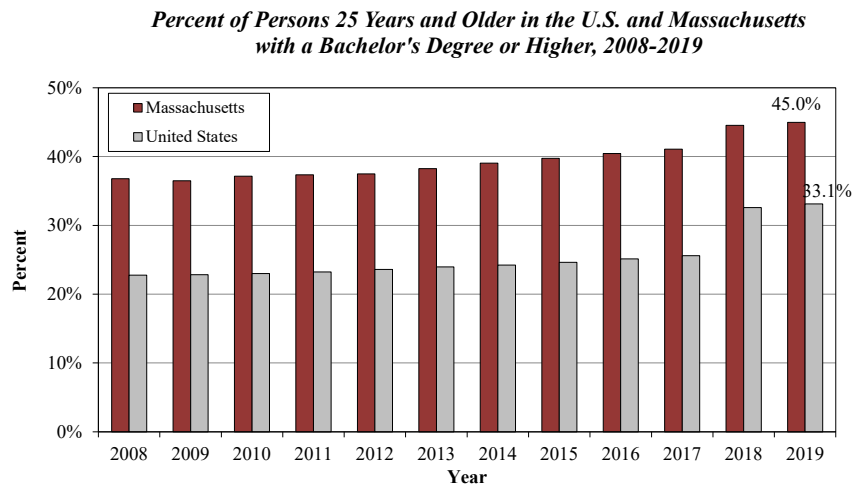
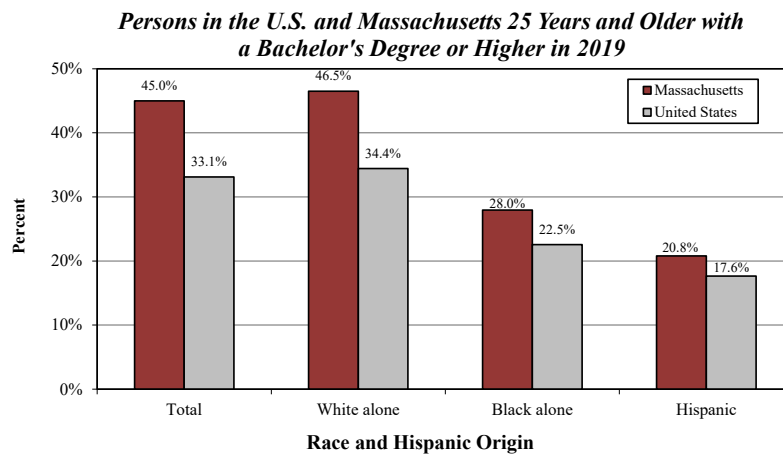
**Monthly Unemployment Rate, November 2010-November 2020
Massachusetts and the United States
(not seasonally adjusted)**



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 2019, according to the Census Bureau's American Community Survey (ACS). The Census also reported that Massachusetts ranked 30th in persons who had not completed high school, at 8.7 percent of the population age 25 or older, less than the national average of 11.4 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.



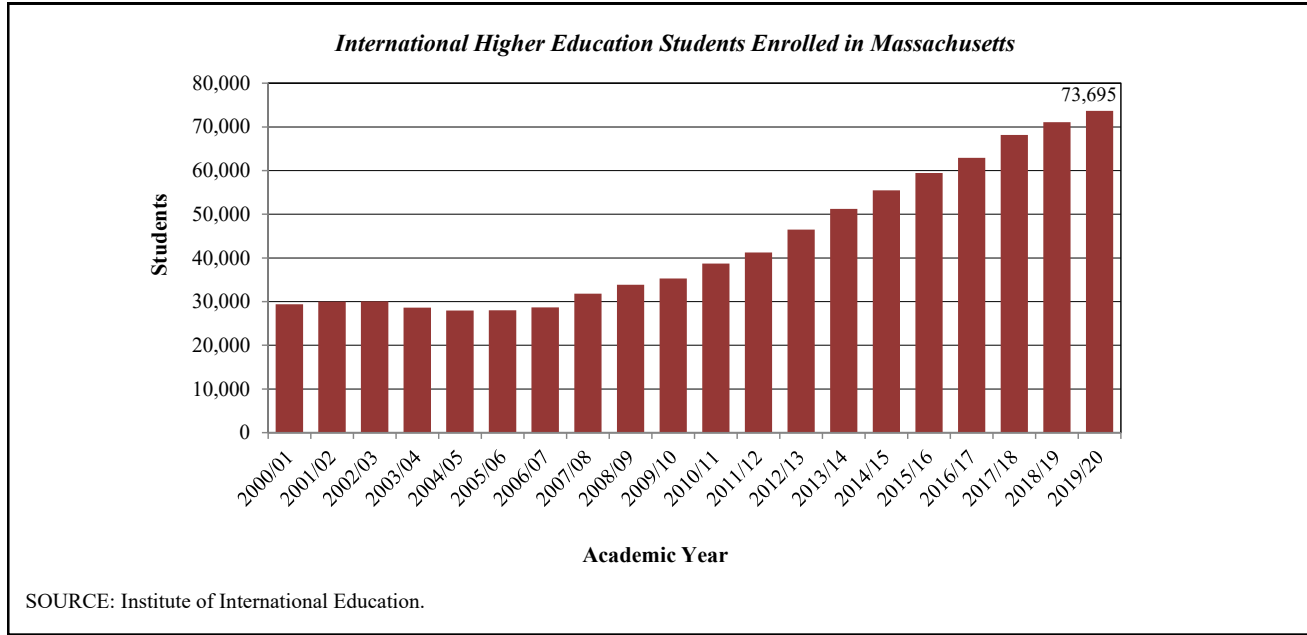
SOURCE: U.S. Census Bureau, American Community Survey, 1-Year Estimates

Higher Education Data. The table below compares Massachusetts residents' higher education enrollment by race and Hispanic origin to the U.S. There were 1.6 percent fewer people enrolled in college in the U.S. in 2019 compared to 2018. Total enrollment in Massachusetts decreased by 4.3 percent during the same period.

<i>Higher Education Enrollment by Race and Hispanic Origin in 2019</i>						
	Total	White alone	Black alone	Asian alone	All other races	Hispanic or Latino
United States	21,829,308	66.3%	14.7%	8.9%	10.2%	18.9%
Massachusetts	575,553	69.6%	10.0%	11.8%	8.6%	12.1%

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.

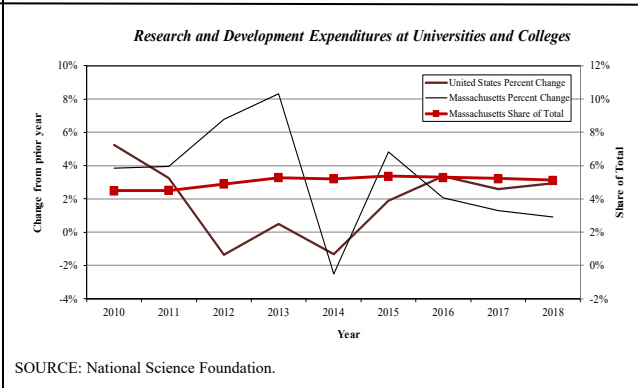
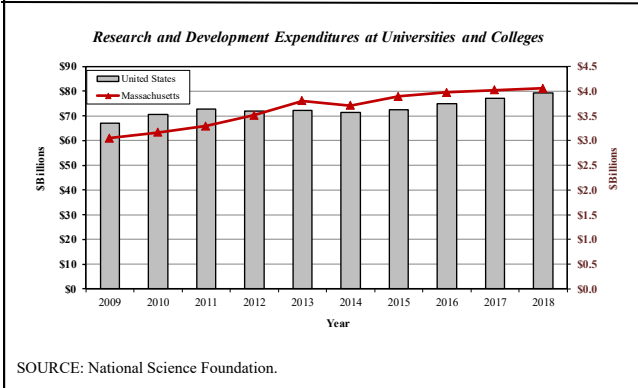
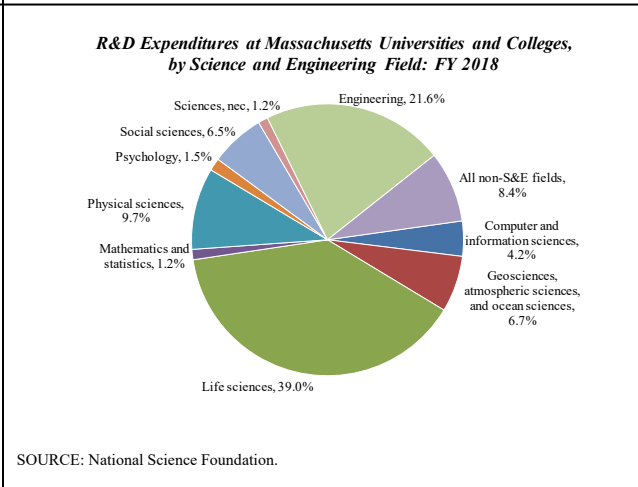
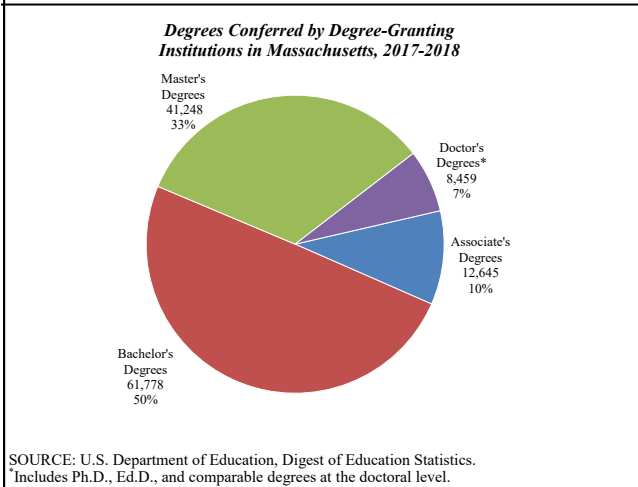
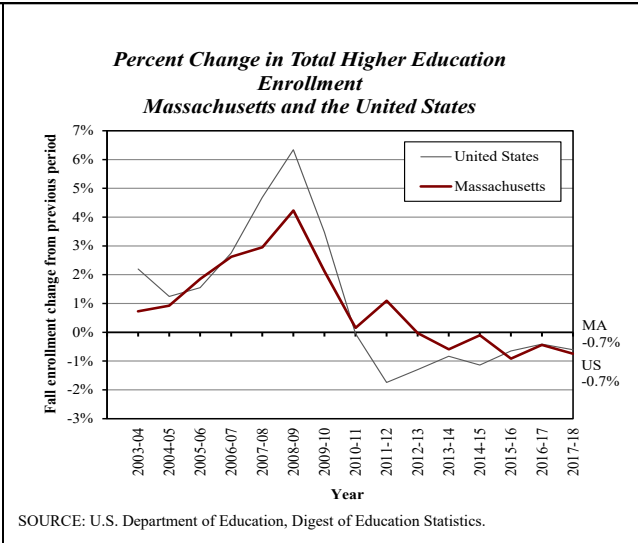
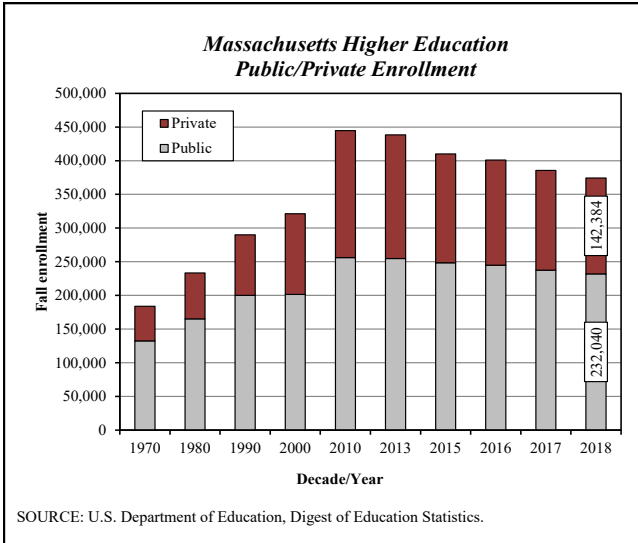
Survey data released by the Institute of International Education state that 73,695 foreign students were enrolled in Massachusetts colleges and universities in the 2019/2020 school year. This was an increase of 3.7 percent from the previous year. The national enrollment decreased 1.81 percent. Massachusetts 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 2017 to 2018, higher education enrollment decreased 0.3 percent in the United States and 3.9 percent at Massachusetts institutions. During the 2000-2017 period, enrollment in public higher education increased 24.0 percent in the United States and 17.8 percent at Massachusetts institutions. Enrollment in private institutions increased 46.3 percent in the United States and 23.5 percent at Massachusetts institutions.

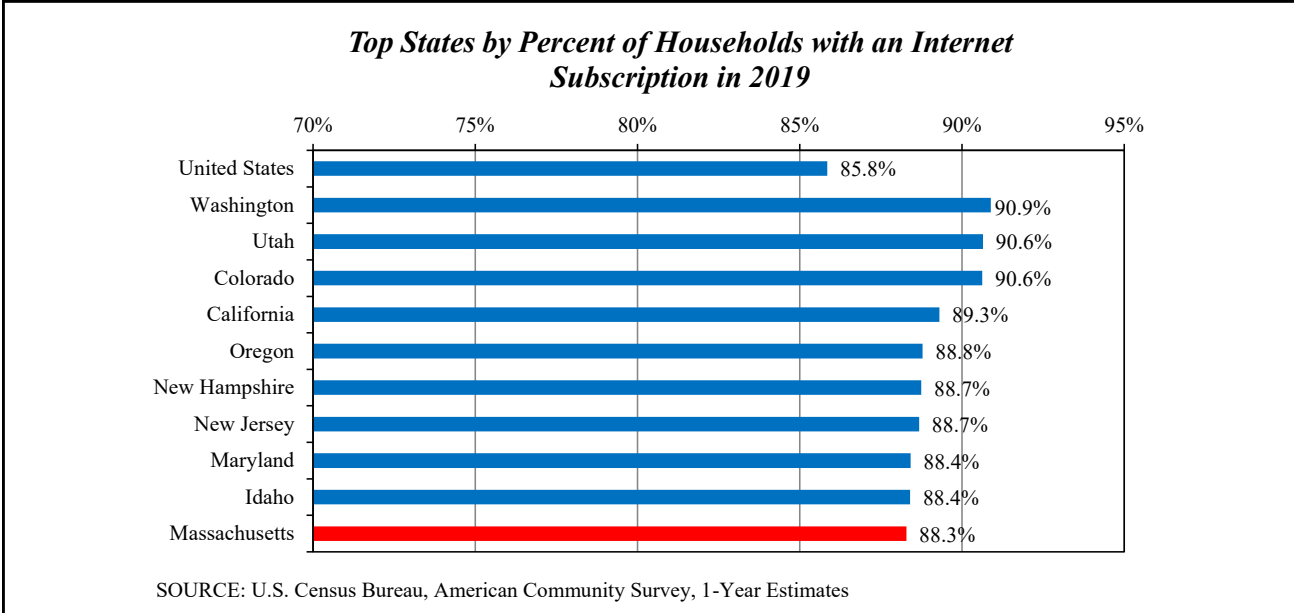
Research and development expenditures at universities and colleges increased 18 percent in the United States and 33 percent in Massachusetts between 2009 and 2018.



Current Massachusetts Higher Education Rank Among States and the District of Columbia					
Enrollment - 2018	MA Rank	Degrees Awarded - 2018	MA Rank	Research & Development\$ - FY 2018	MA Rank
Total	13	Total	8	Life sciences	7
Public	24	Associate's	26	Engineering	4
Private	4	Bachelor's	8	Physical sciences	3
		Master's	5	All non-S&E fields	3
		Professional/Doctorate	7	Geosciences, atmospheric sciences, and ocean sciences	2
				Social sciences	2
				Computer and information sciences	4
				Psychology	7
				Mathematics and statistics	4
				Sciences, nec	5

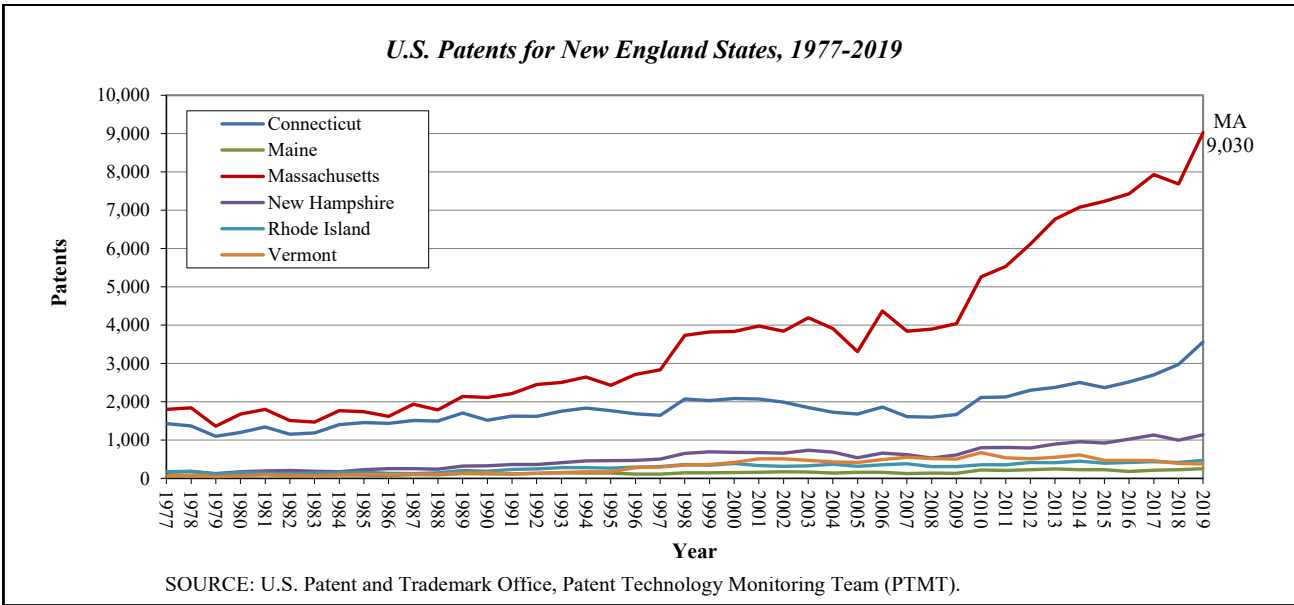
SOURCE: U.S. DOE Digest of Education Statistics. SOURCE: National Science Foundation

Internet Access. Massachusetts has the 10th highest household internet subscription rate in the U.S., according to the Census Bureau’s 2019 American Community Survey.



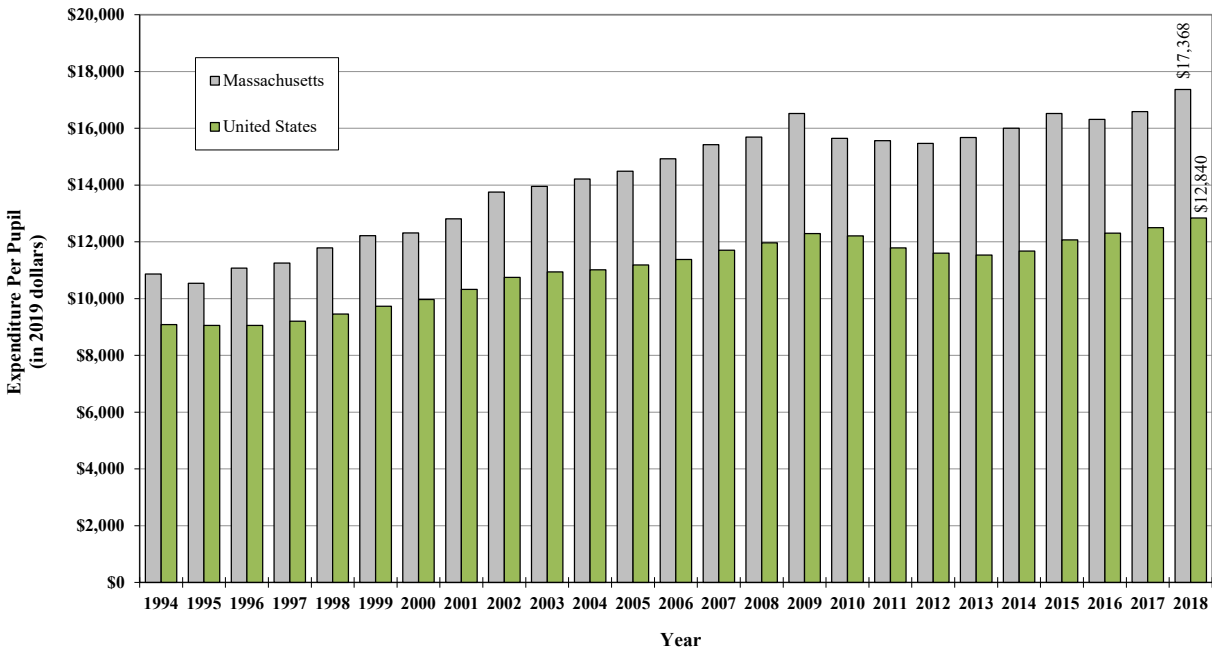
Patents. The U.S. Patent and Trademark Office notes: “This report shows the number of U.S. patent documents (i.e., utility patents, design patents, plant patents, reissue patents, defensive publications, and statutory invention registrations) granted since 1977, broken down by the state or country of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

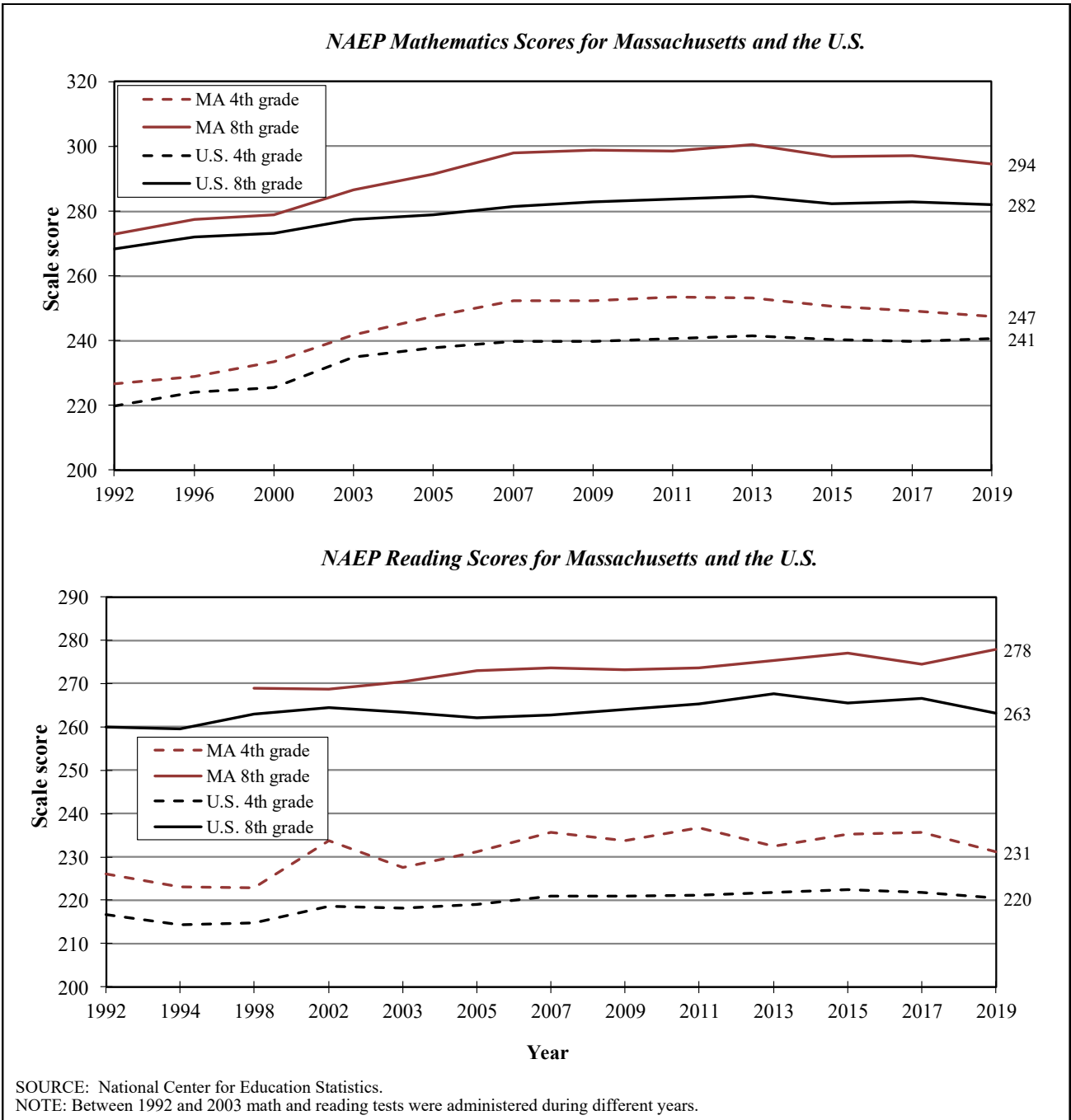
Per Pupil Expenditure in Public Elementary and Secondary Schools				
<i>(in 2019 adjusted dollars)</i>				
Fiscal Year	Massachusetts	United States	Ratio (MA/ U.S.)	MA change from previous year
1994	\$10,866	\$9,087	1.20	
1995	\$10,544	\$9,052	1.16	-3.0%
1996	\$11,073	\$9,052	1.22	5.0%
1997	\$11,249	\$9,203	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.



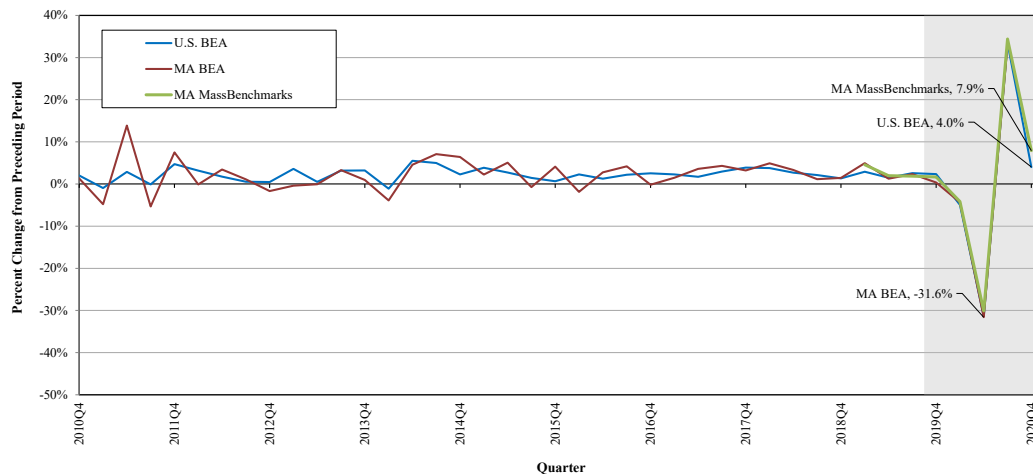
ECONOMIC BASE AND PERFORMANCE—STATE OVERVIEW

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> (billions of chained 2012 dollars)						
Year	Massachusetts		New England		United States	
	GDP	Annual change	GDP	Annual change	GDP	Annual change
2000	\$359		\$749		\$13,131	
2001	\$364	1.3%	\$760	1.5%	\$13,262	1.0%
2002	\$365	0.3%	\$767	0.8%	\$13,493	1.7%
2003	\$375	2.7%	\$785	2.4%	\$13,879	2.9%
2004	\$384	2.5%	\$816	3.9%	\$14,406	3.8%
2005	\$391	2.0%	\$831	1.9%	\$14,913	3.5%
2006	\$398	1.7%	\$851	2.4%	\$15,338	2.9%
2007	\$409	2.6%	\$868	2.0%	\$15,626	1.9%
2008	\$412	0.9%	\$868	0.0%	\$15,605	-0.1%
2009	\$408	-1.0%	\$851	-1.9%	\$15,209	-2.5%
2010	\$425	4.2%	\$873	2.5%	\$15,599	2.6%
2011	\$435	2.4%	\$877	0.6%	\$15,841	1.6%
2012	\$444	2.1%	\$890	1.4%	\$16,197	2.2%
2013	\$446	0.4%	\$885	-0.5%	\$16,495	1.8%
2014	\$454	1.7%	\$895	1.1%	\$16,912	2.5%
2015	\$472	4.0%	\$924	3.3%	\$17,432	3.1%
2016	\$479	1.5%	\$935	1.2%	\$17,731	1.7%
2017	\$491	2.4%	\$951	1.7%	\$18,144	2.3%
2018	\$508	3.4%	\$973	2.3%	\$18,688	3.0%
2019	\$520	2.4%	\$991	1.8%	\$19,092	2.2%

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.

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:

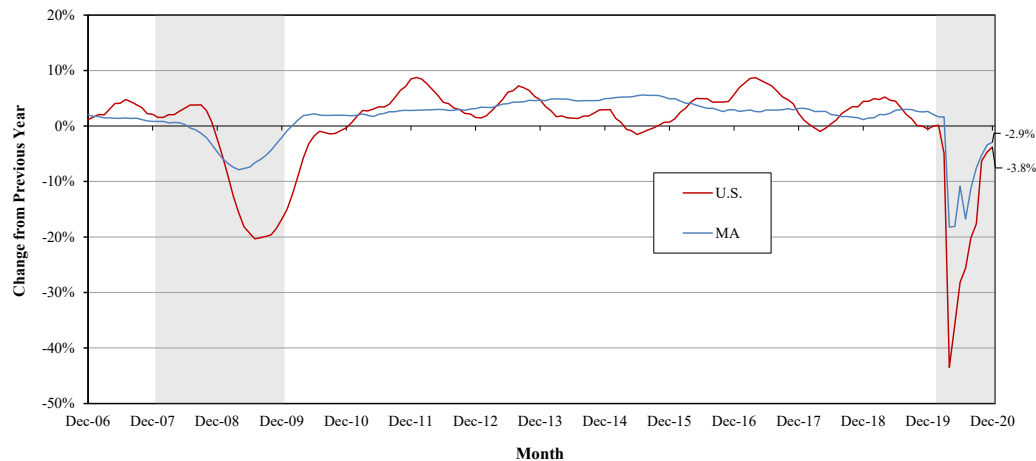
...produces a monthly coincident index for each of the 50 states. The indexes are released a few days after the Bureau of Labor Statistics (BLS) releases the employment data for the states.

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. In the latest period of data available, December 2020, the state’s Coincident Index decreased by 10.9 percent compared to December 2019.

<i>Comparing the U.S. and New England States Coincident Indexes</i>				
Area	December 2020	1-Month Change	3-Month Change	12-Month Change
U.S.	124.44	0.1%	1.2%	-4.4%
Massachusetts	129.00	-1.6%	10.9%	-10.9%
Connecticut	117.94	0.3%	0.1%	-8.6%
Maine	124.84	0.7%	5.1%	-2.9%
New Hampshire	145.38	0.0%	4.6%	-2.3%
Rhode Island	115.62	-1.8%	8.3%	-10.5%
Vermont	138.54	0.2%	5.6%	-0.2%

Comparing the U.S. and Massachusetts Coincident Indexes



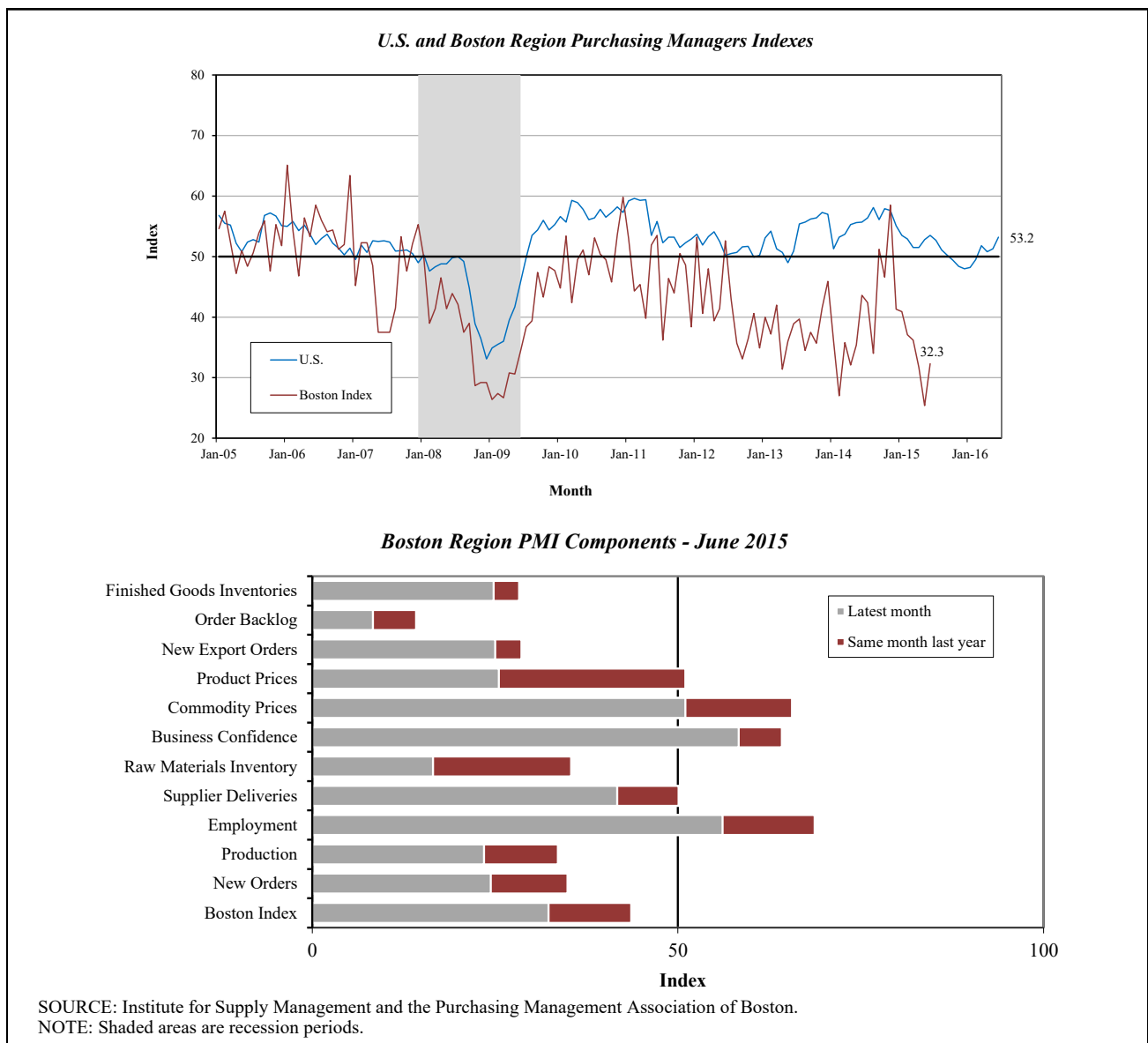
SOURCE: Federal Reserve Bank of Philadelphia.

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.



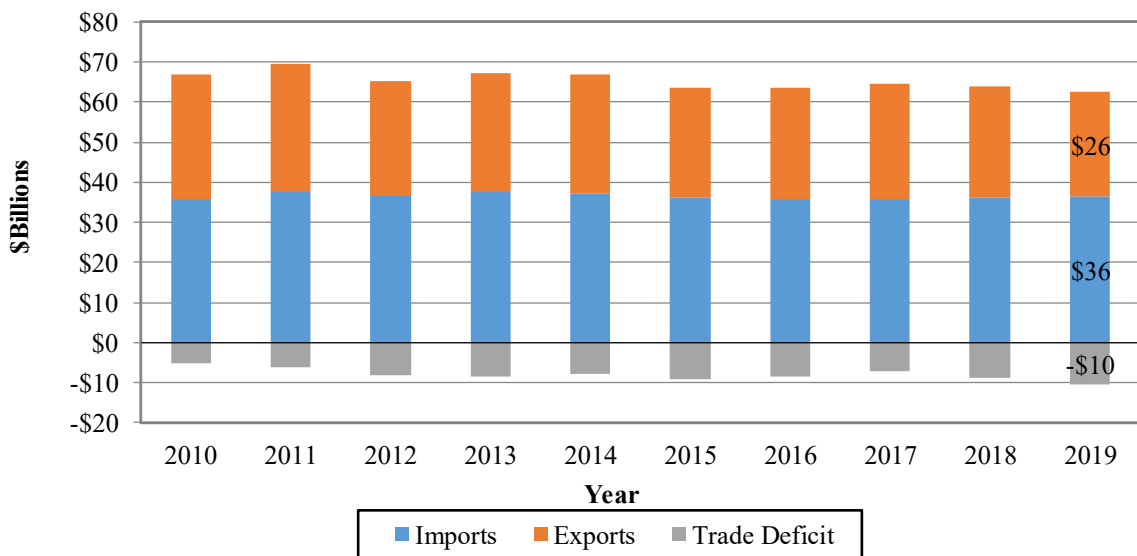
ECONOMIC BASE AND PERFORMANCE—INTERNATIONAL TRADE

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.

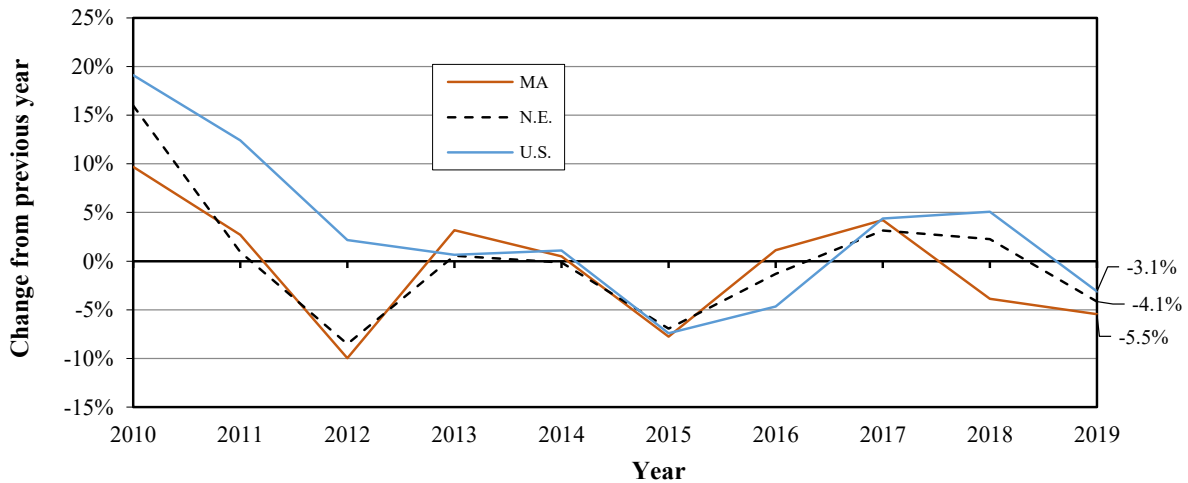
Exports. Massachusetts ranked 19th in the United States in 2019 and first in New England with \$26.1 billion in exports. This was a 5.5 percent decrease from the previous year’s export value, while national exports decreased by 3.1 percent. Total exports from New England decreased by 4.1 percent. Canada 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



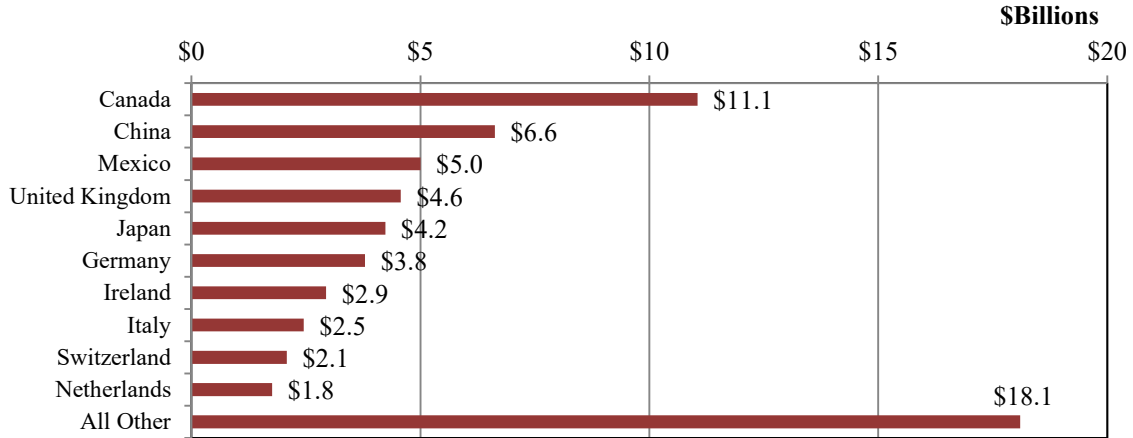
Export Growth for Massachusetts, U.S. and New England



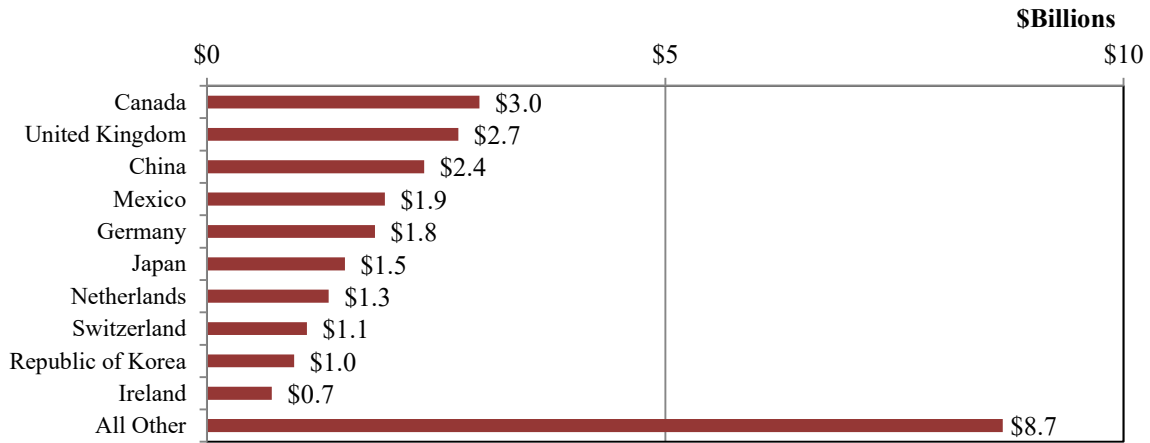
SOURCE: WISERTrade.org

Top Ten Trade Partners by Trade Type from WISERTrade.

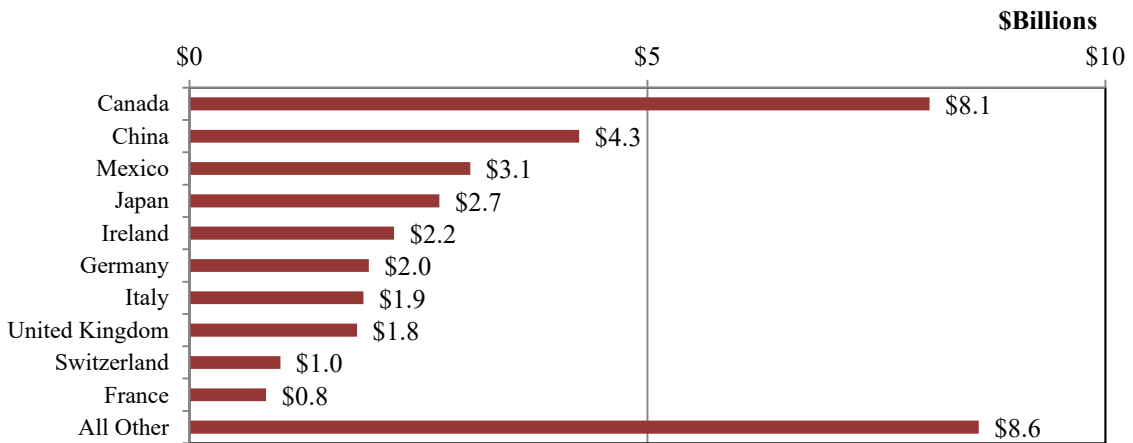
Massachusetts 2019 Top Ten Trade Partners (in \$2019)



Massachusetts 2019 Top Ten Export Partners (in \$2019)

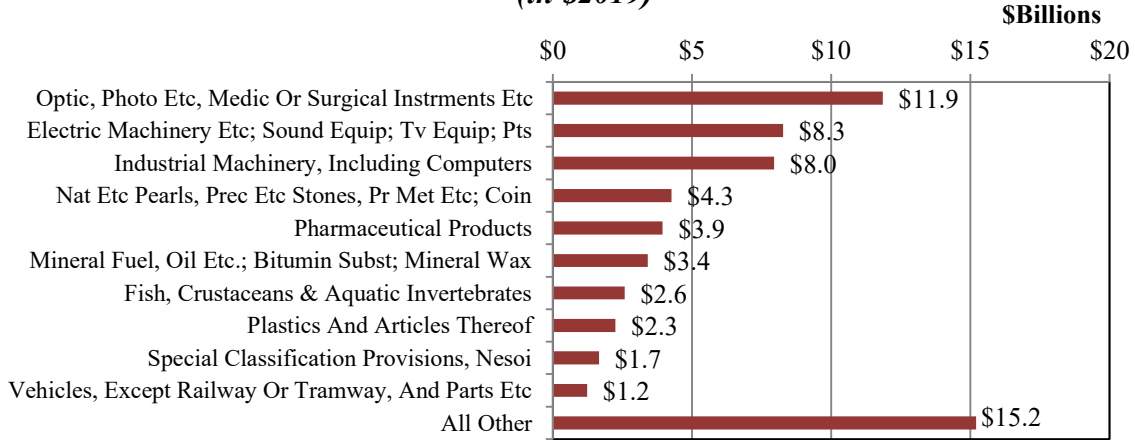


Massachusetts 2019 Top Ten Import Partners (in \$2019)

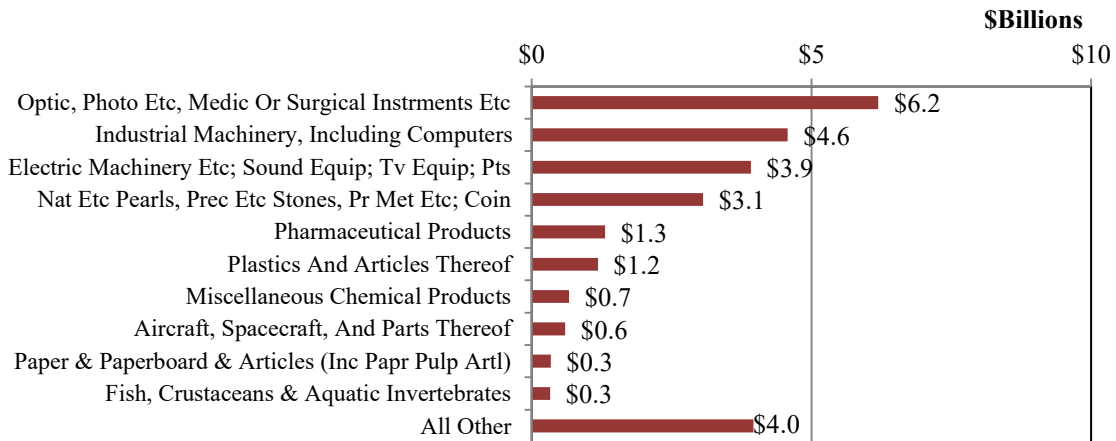


Top Ten Commodities Traded by Trade Type from WISERTrade.

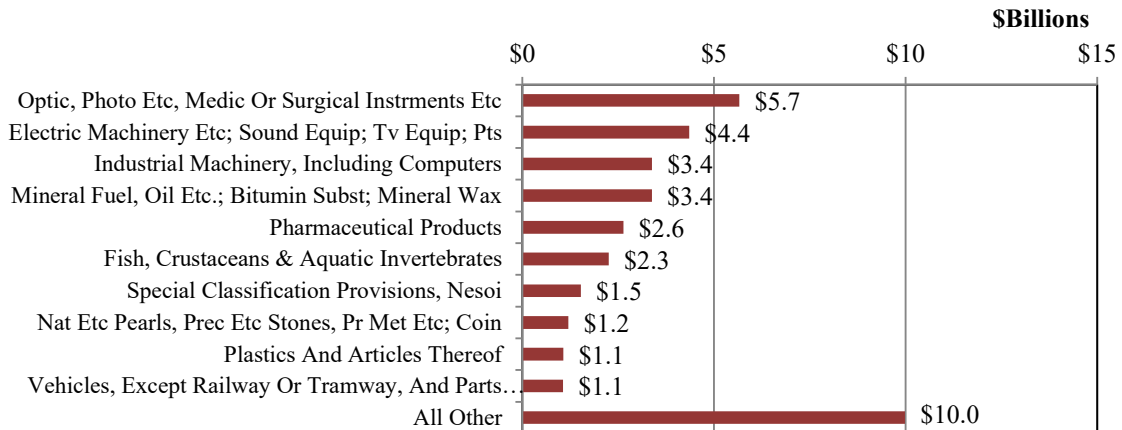
**Massachusetts 2019 Top Ten Commodities Imported and Exported
(in \$2019)**



Massachusetts 2019 Top Ten Commodities Exported (in \$2019)

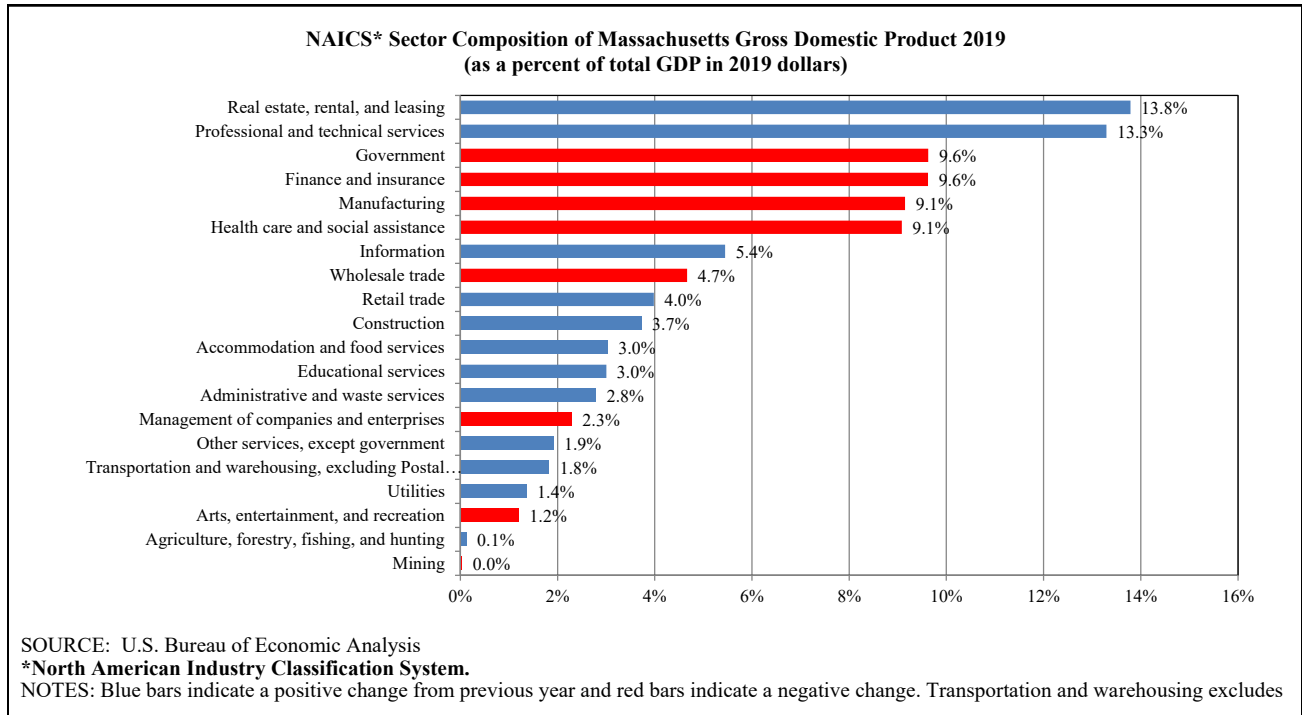


Massachusetts 2019 Top Ten Commodities Imported (in \$2019)



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 46.3 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 24.1 percent between 2010 and 2019. Between 2010 and 2019 (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 table.

<i>Industry Subsectors with a Substantial Growth or Reduction</i> (2019 dollars)	
NAICS* Industry Subsector	Percent Change 2010-2019
Funds, trusts, and other financial vehicles	492.6%
Petroleum and coal products manufacturing	136.2%
Air transportation	106.9%
Oil and gas extraction	-78.7%
Performing arts, spectator sports, museums, and related activities	76.7%
Support activities for mining	72.6%
Social assistance	72.1%
Transit and ground passenger transportation	62.1%

SOURCE: U.S. Bureau of Economic Analysis.
*North American Industry Classification System.
NOTE: Updated October 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	\$480,919	\$484,190	\$494,934	\$500,053	\$510,860	\$542,751	\$552,995	\$563,185	\$580,801	\$596,593
Private industries	\$427,796	\$429,316	\$442,918	\$446,956	\$456,831	\$486,838	\$497,751	\$507,454	\$524,087	\$539,150
Agriculture, forestry, fishing, and hunting	\$1,327	\$1,125	\$1,124	\$979	\$768	\$798	\$734	\$763	\$727	\$776
Mining	\$189	\$183	\$177	\$188	\$231	\$286	\$367	\$291	\$290	\$244
Utilities	\$6,479	\$6,380	\$5,950	\$6,446	\$6,609	\$6,739	\$6,250	\$7,190	\$7,781	\$8,140
Construction	\$14,107	\$14,213	\$15,242	\$16,092	\$16,732	\$18,512	\$19,682	\$20,733	\$21,618	\$22,247
Manufacturing	\$52,723	\$51,383	\$51,779	\$50,988	\$52,664	\$55,270	\$53,668	\$53,245	\$54,795	\$54,586
Wholesale trade	\$26,033	\$25,879	\$25,525	\$26,353	\$26,777	\$28,094	\$28,134	\$28,222	\$27,527	\$27,841
Retail trade	\$20,679	\$20,098	\$19,948	\$20,375	\$20,472	\$21,531	\$22,192	\$22,411	\$22,676	\$23,745
Transportation and warehousing, excluding Postal Service	\$7,576	\$7,906	\$7,839	\$8,021	\$8,468	\$9,297	\$9,723	\$9,996	\$10,232	\$10,894
Information	\$28,356	\$28,112	\$26,947	\$27,752	\$27,546	\$29,205	\$29,799	\$29,922	\$31,039	\$32,493
Finance and insurance	\$39,017	\$38,063	\$45,261	\$43,968	\$44,324	\$50,469	\$52,250	\$53,174	\$58,881	\$57,417
Real estate, rental, and leasing	\$66,901	\$69,465	\$70,985	\$71,543	\$72,712	\$75,049	\$77,318	\$78,394	\$79,621	\$82,271
Professional and technical services	\$54,664	\$55,229	\$58,232	\$57,840	\$59,534	\$64,170	\$67,032	\$70,843	\$73,920	\$79,296
Management of companies and enterprises	\$9,980	\$11,195	\$11,171	\$11,532	\$11,639	\$12,996	\$12,140	\$12,347	\$13,609	\$13,711
Administrative and waste services	\$12,630	\$12,784	\$12,864	\$13,053	\$13,440	\$14,171	\$14,565	\$15,405	\$15,829	\$16,671
Educational services	\$15,386	\$15,539	\$15,753	\$15,887	\$16,032	\$16,582	\$17,184	\$17,186	\$17,420	\$17,914
Health care and social assistance	\$45,561	\$45,685	\$47,239	\$47,968	\$48,985	\$51,352	\$53,062	\$53,479	\$52,926	\$54,179
Arts, entertainment, and recreation	\$4,603	\$4,541	\$4,609	\$5,270	\$6,336	\$6,899	\$7,242	\$6,892	\$7,078	\$7,188
Accommodation and food services	\$12,270	\$12,373	\$12,971	\$13,353	\$13,734	\$15,252	\$16,015	\$16,499	\$17,151	\$18,105
Other services, except government	\$9,316	\$9,162	\$9,304	\$9,348	\$9,829	\$10,166	\$10,393	\$10,464	\$10,966	\$11,435
Government	\$53,123	\$54,874	\$52,016	\$53,098	\$54,029	\$55,913	\$55,244	\$55,731	\$56,714	\$57,443

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	5	5	5
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	16	16
Information	7	7	7	7	7	7	7	7	7	7
Finance and insurance	6	6	6	6	6	6	6	6	3	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	12
Health care and social assistance	5	5	5	5	5	5	5	4	6	6
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	11
Other services, except government	15	15	15	15	15	15	15	15	15	15
Government	3	3	3	3	3	3	3	3	4	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.

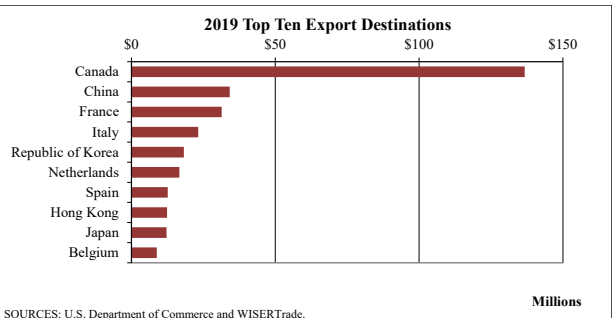
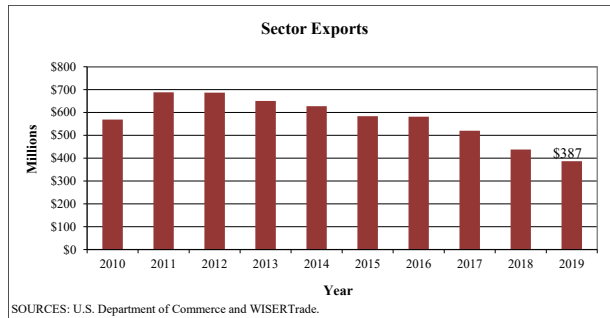
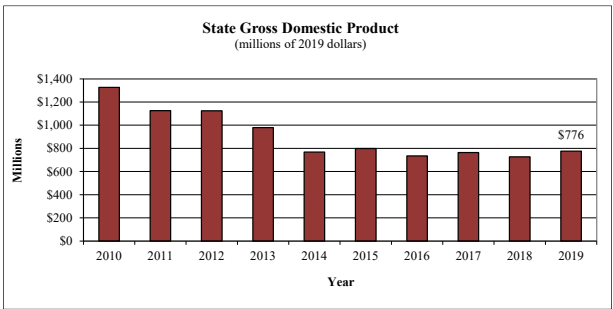
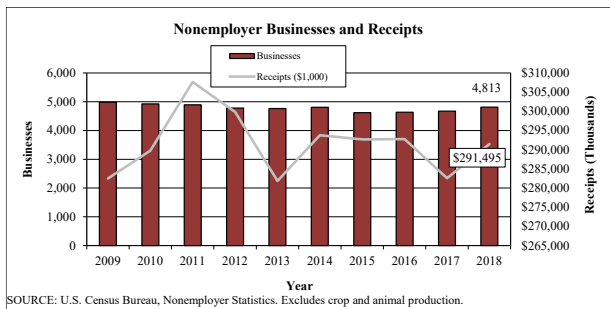
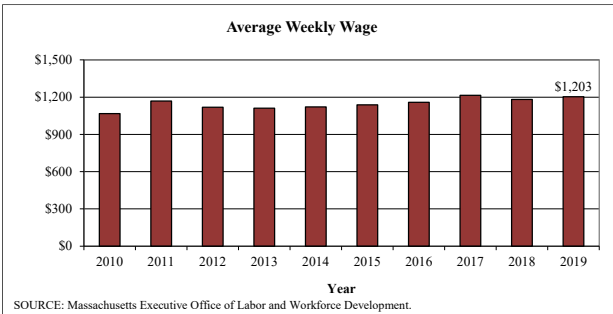
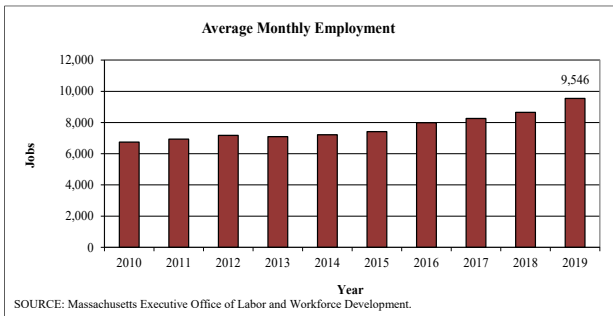
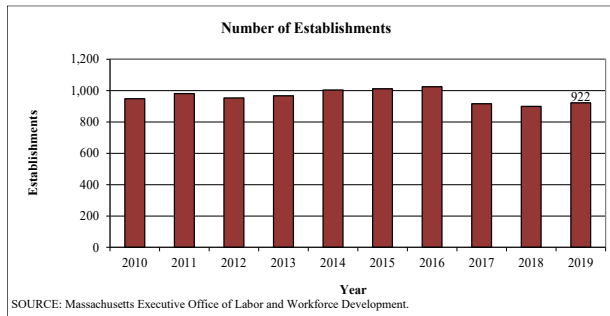
Each sector analysis has a summary at the bottom of each page. The summary provides (when available):

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: **5.2 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**

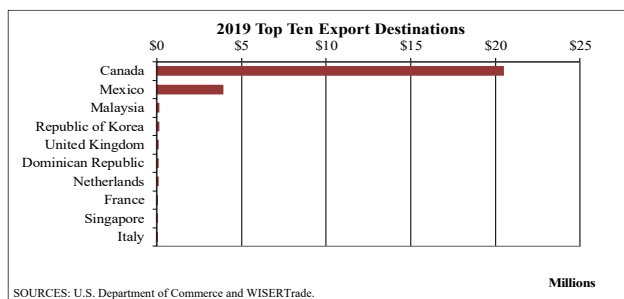
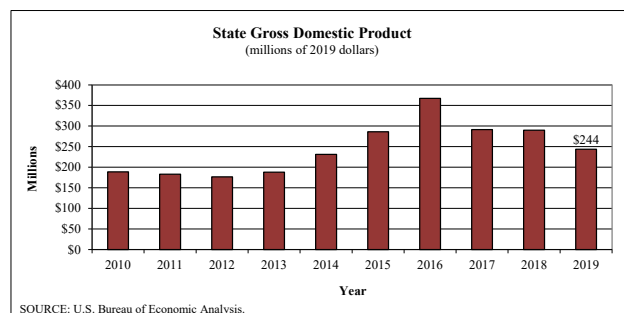
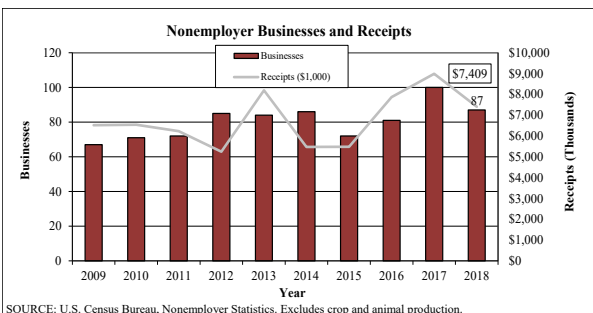
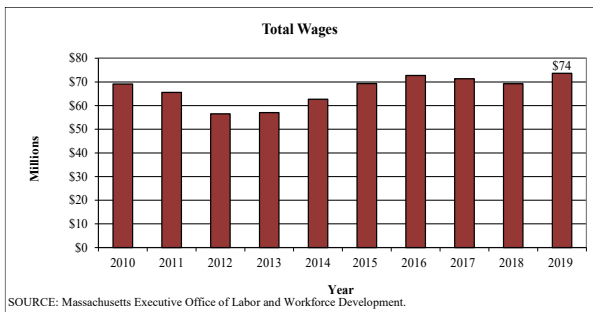
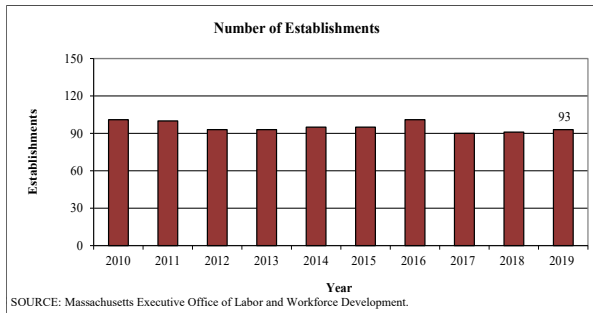
Average weekly wage: **Fishing**

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: **0.0%**

GDP rank: **20 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: **Nonmetallic mineral mining and quarrying**

Nonemployer establishments: **Nonmetallic mineral mining and quarrying**

Employees: **Nonmetallic mineral mining and quarrying**

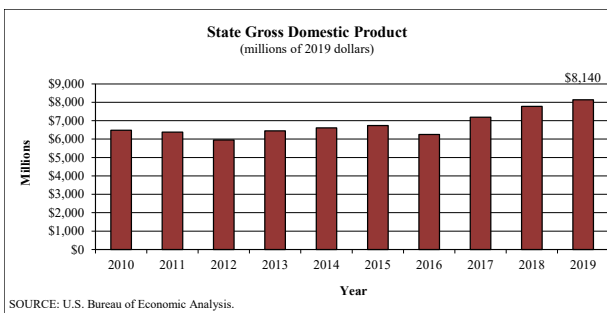
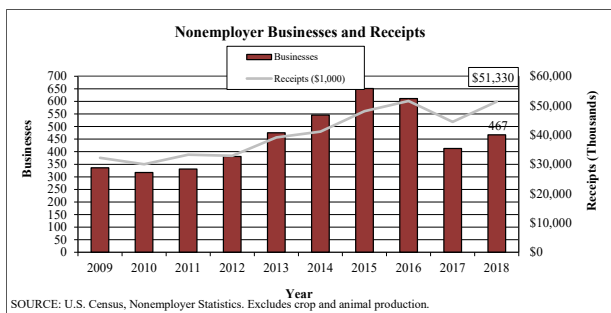
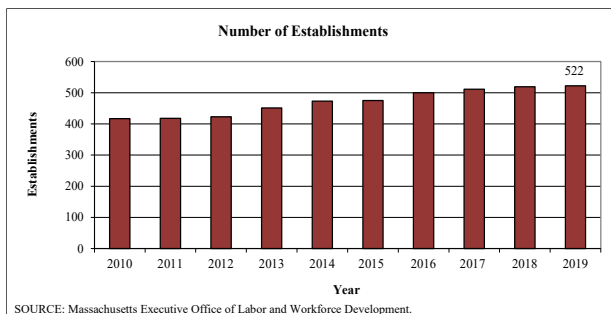
Annual wages: **Nonmetallic mineral mining and quarrying**

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: **1.4%**

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

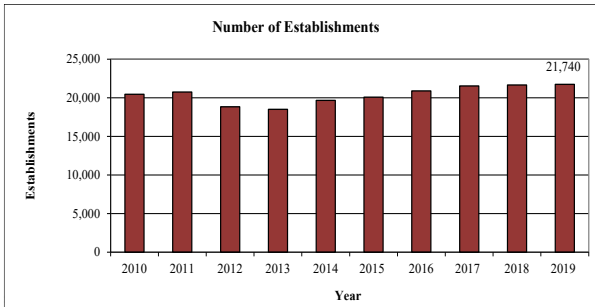
Employees: **Power generation and supply**

Annual wages: **Power generation and supply**

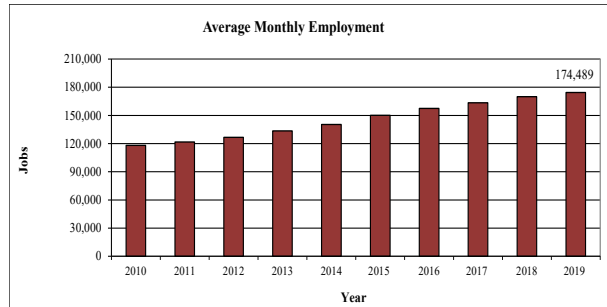
Average weekly wage: **Power generation and supply**

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.



SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



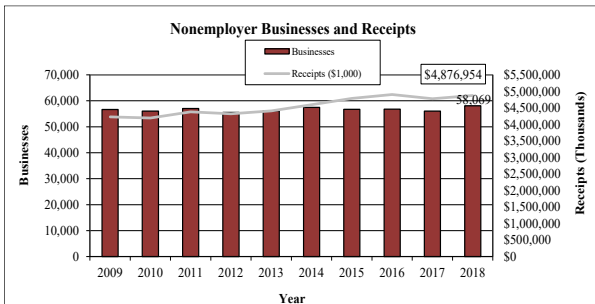
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



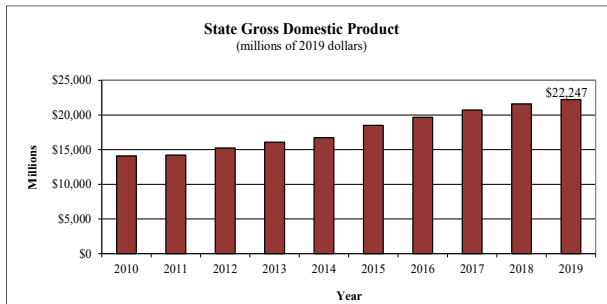
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



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: **3.7%**

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**

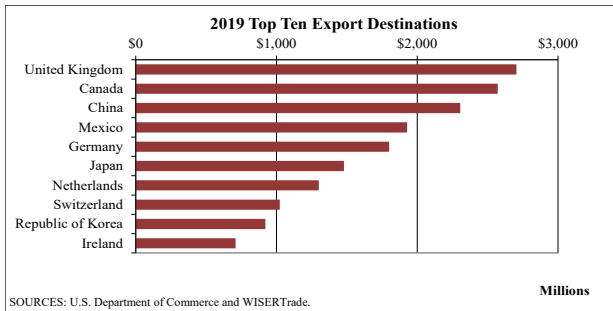
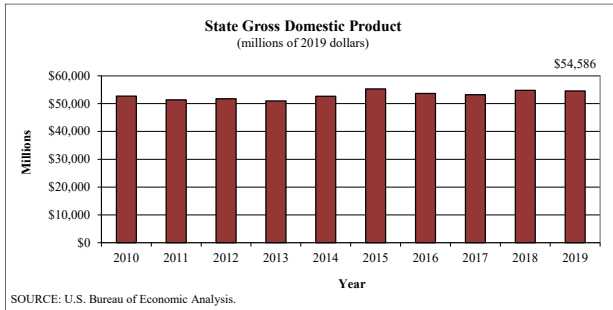
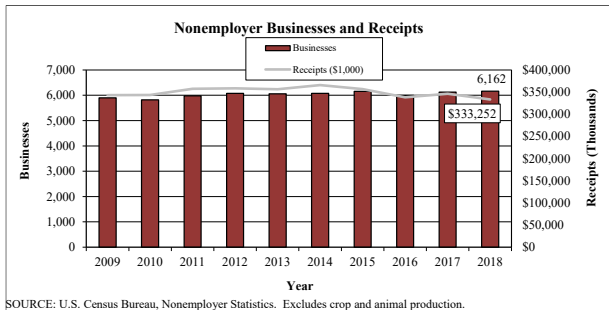
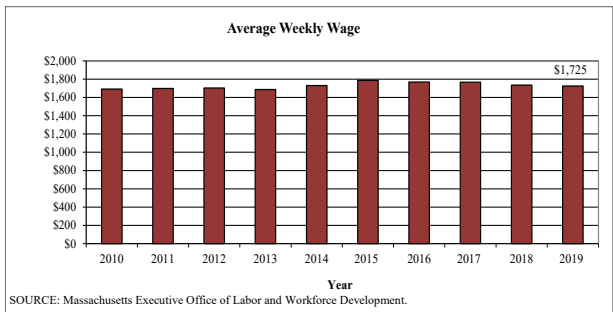
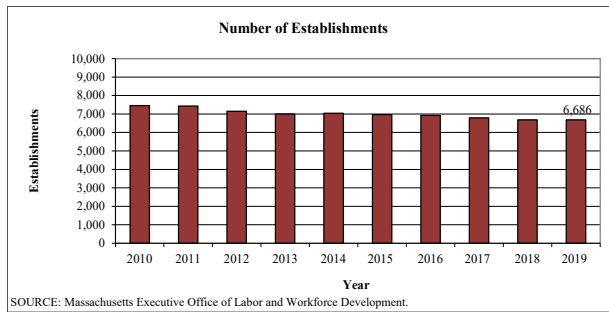
Employees: **Building equipment contractors**

Annual wages: **Building equipment contractors**

Average weekly wage: **Utility System Construction**

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: **9.1%**

GDP rank: **5 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**

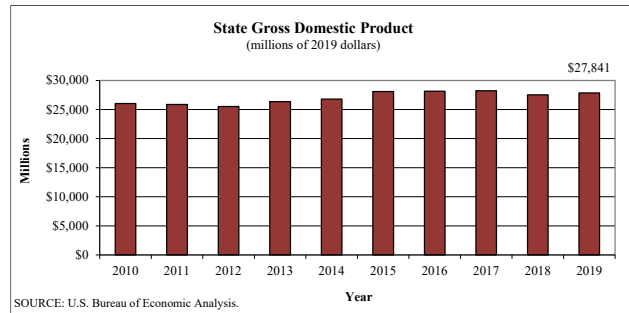
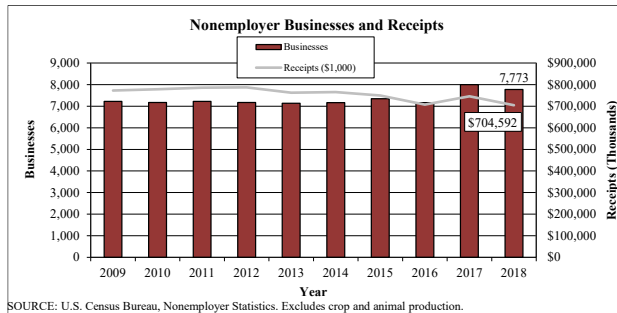
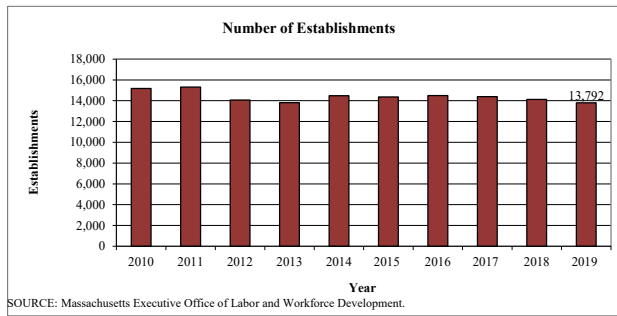
Annual wages: **Electronic instrument manufacturing**

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: **4.7%**

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

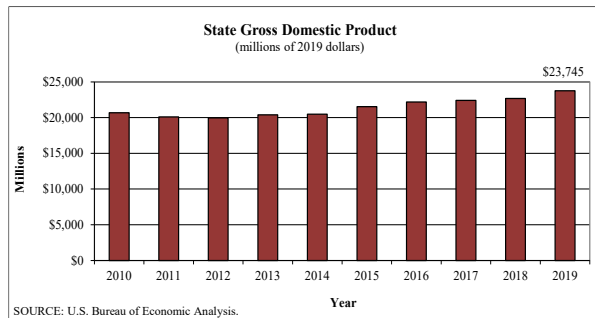
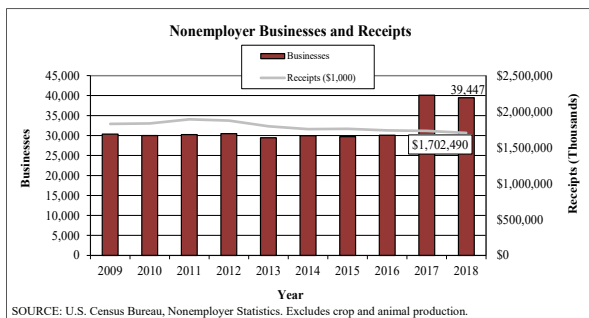
Employees: **Commercial equipment merchant wholesalers**

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**

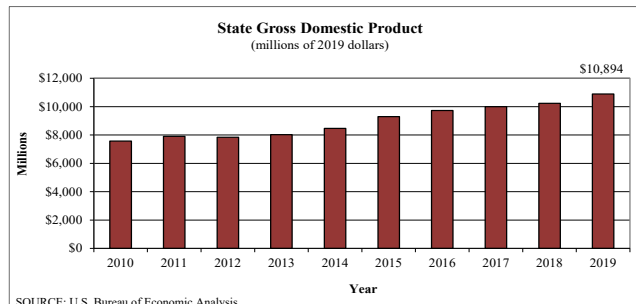
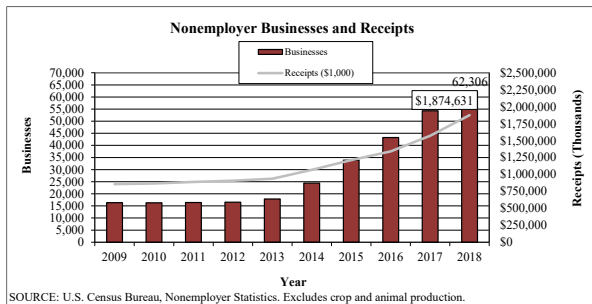
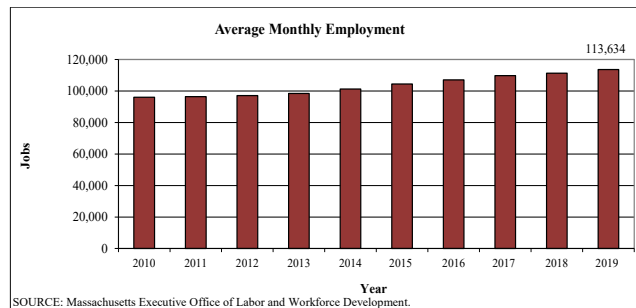
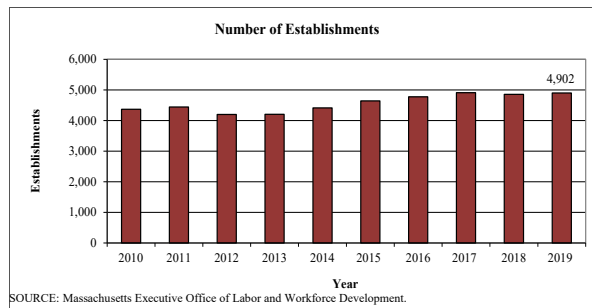
Employees: **Grocery stores**

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.



State export data are not available for this sector.

Summary.

GDP contribution to state total: **1.8%**

GDP rank: **16 of 20**

Nonemployer to employer establishment ratio: **12.7 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**

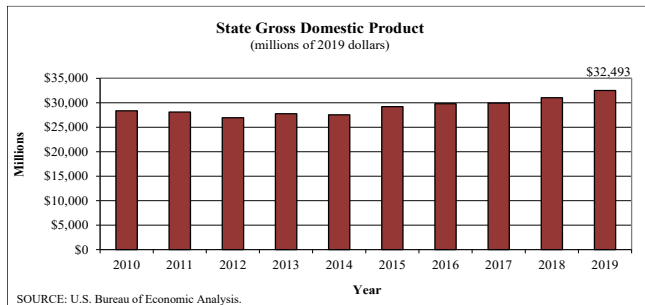
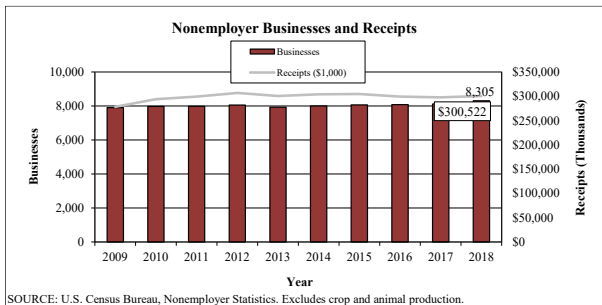
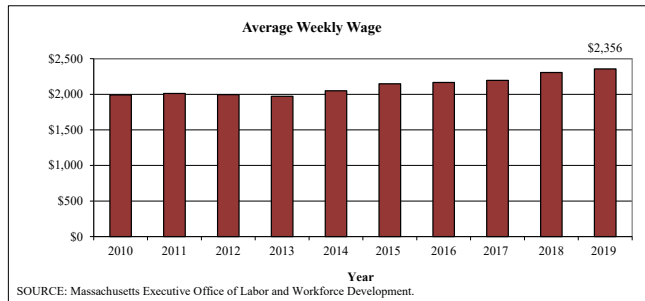
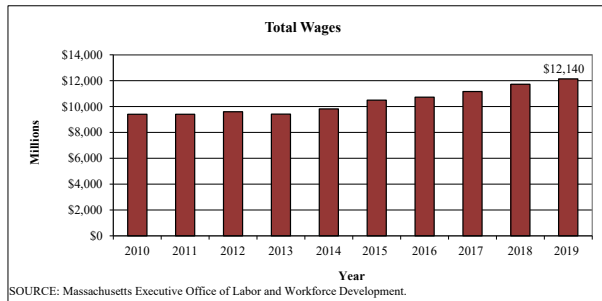
Employees: **Warehousing and storage**

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: **5.4%**

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**

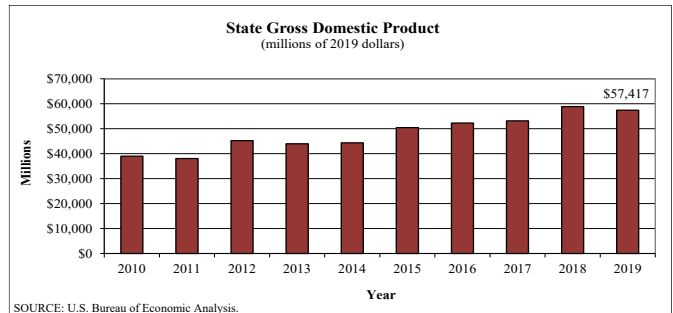
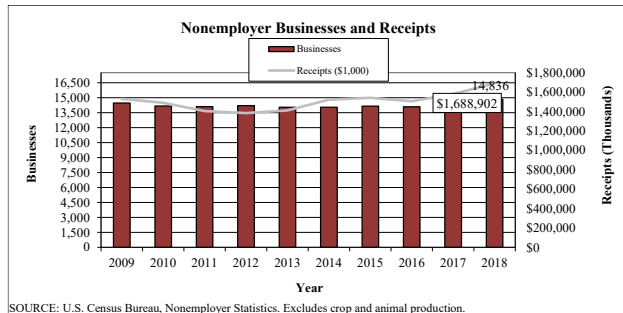
Employees: **Software publishers**

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: **9.6%**

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**

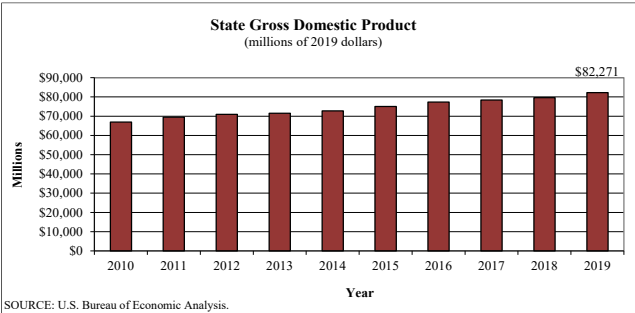
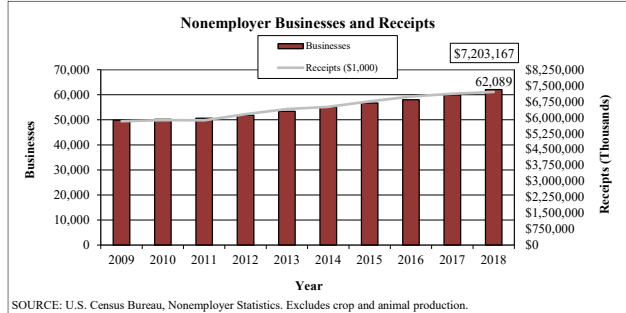
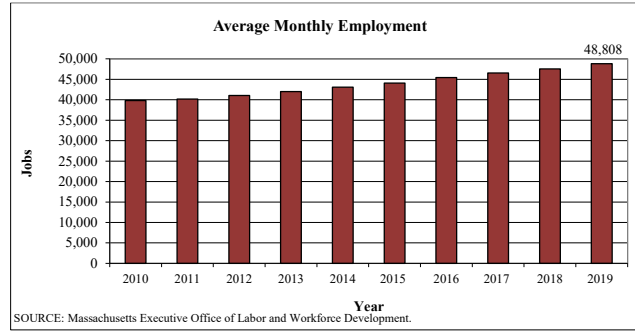
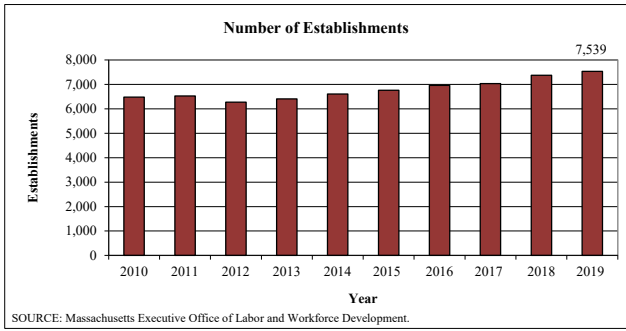
Employees: **Depository credit intermediation**

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



State export data are not available for this sector.

Summary.

GDP contribution to state total: **13.8%**

GDP rank: **1 of 20**

Nonemployer to employer establishment ratio: **8.2 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**

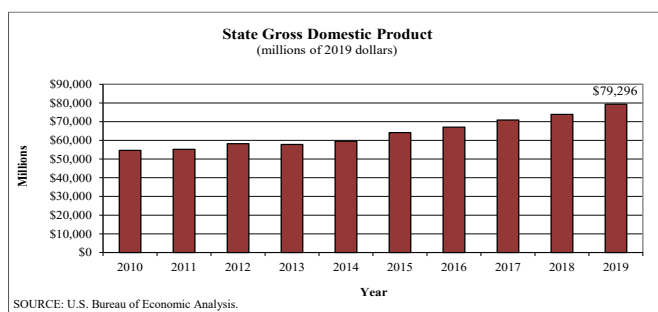
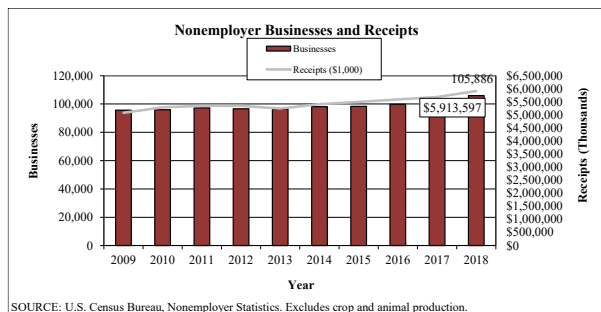
Employees: **Activities related to real estate**

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: **13.3%**

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**

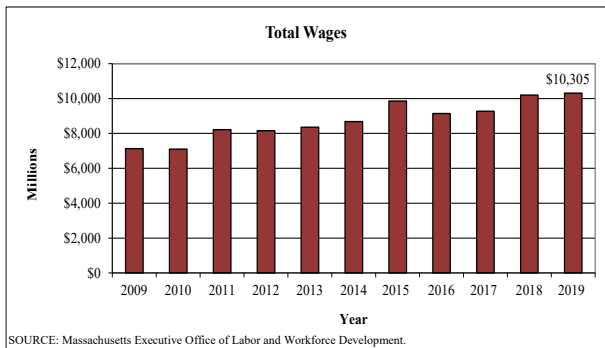
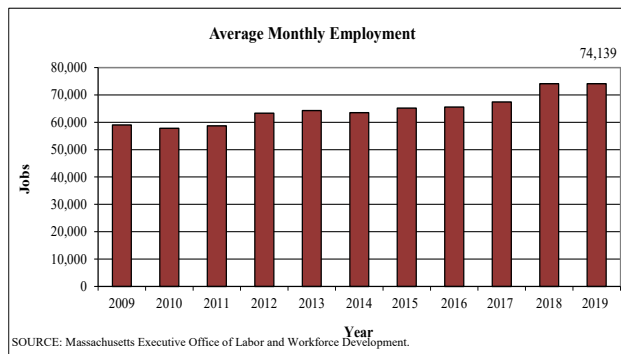
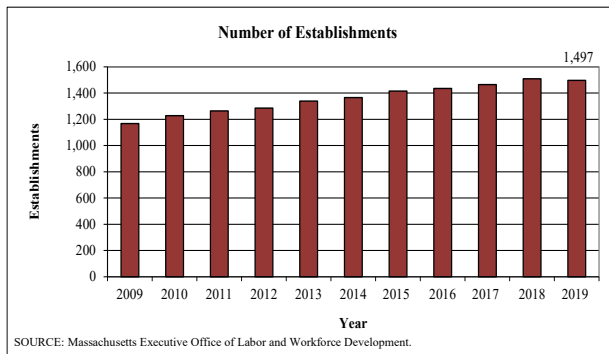
Employees: **Computer systems design and related services**

Annual wages: **Scientific research and development services**

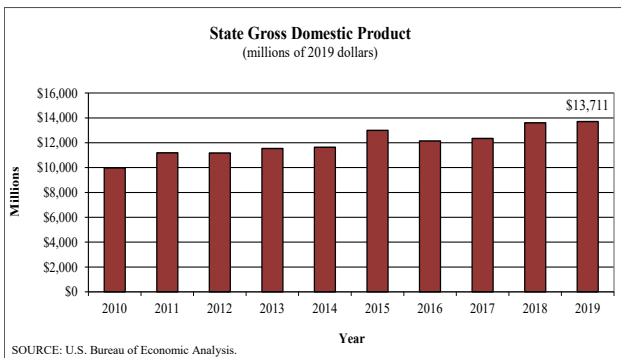
Average weekly wage: **Scientific research and development services**

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

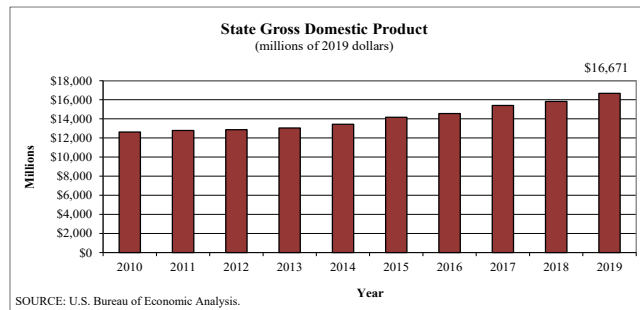
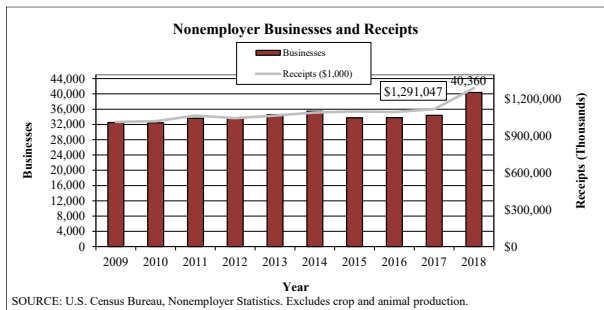
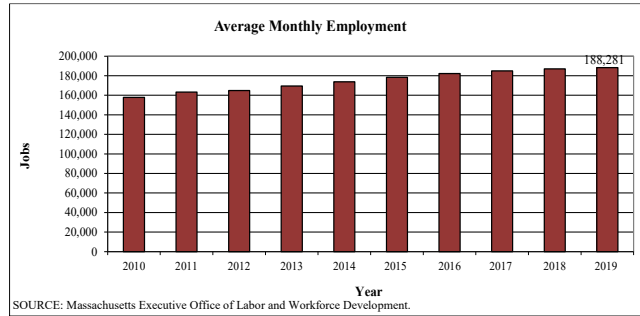
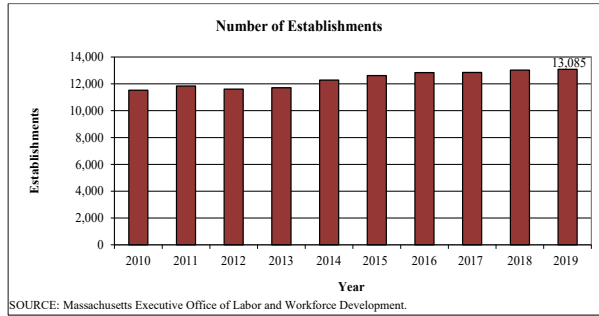
Employees: Subsector detail N/A

Annual wages: Subsector detail N/A

Average weekly wage: Subsector detail N/A

Annual receipts at nonemployer establishments: Subsector detail 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: **2.8%**

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**

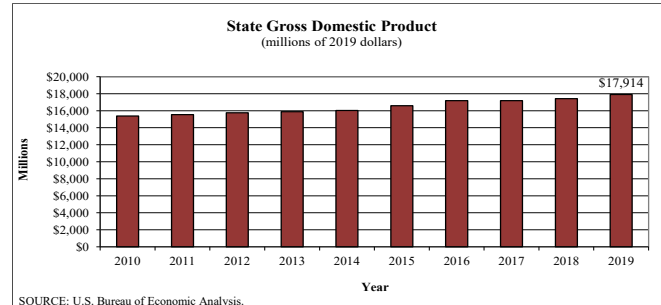
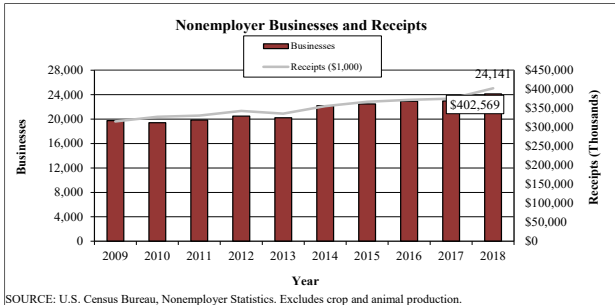
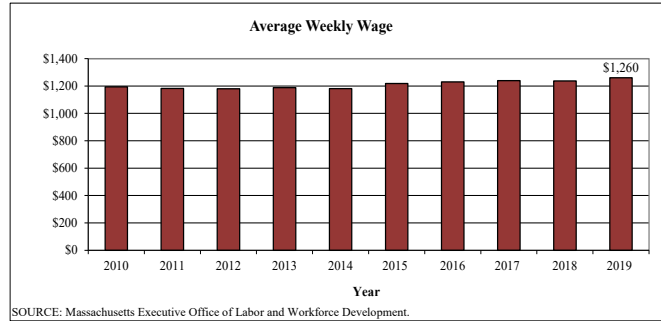
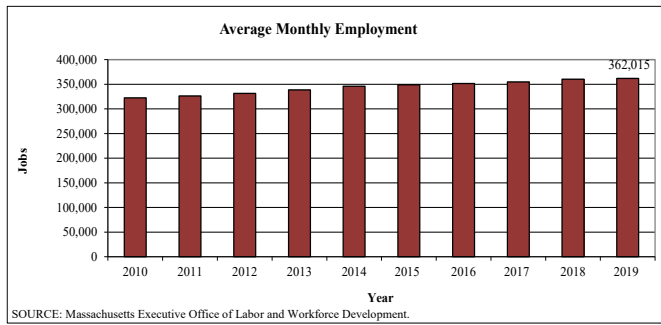
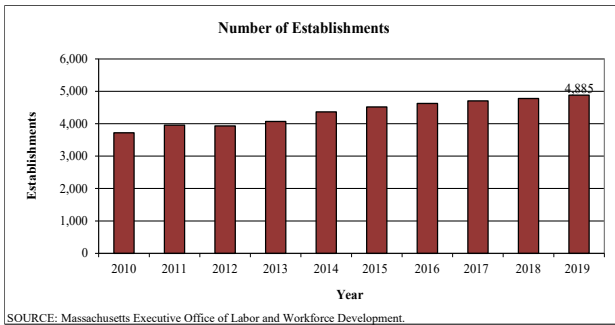
Employees: **Employment services**

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: **12 of 20**

Nonemployer to employer establishment ratio: **4.9 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

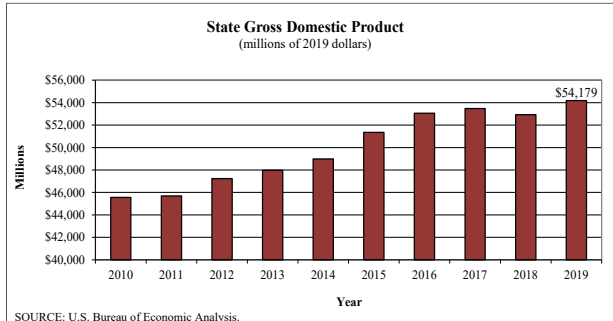
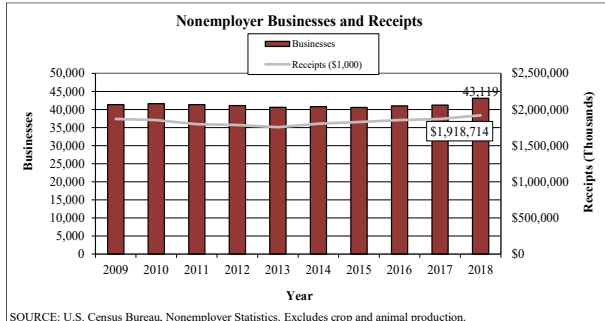
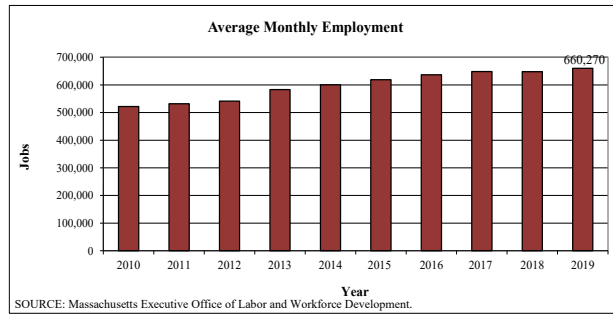
Employees: **Elementary and secondary schools**

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: **9.1%**

GDP rank: **6 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.



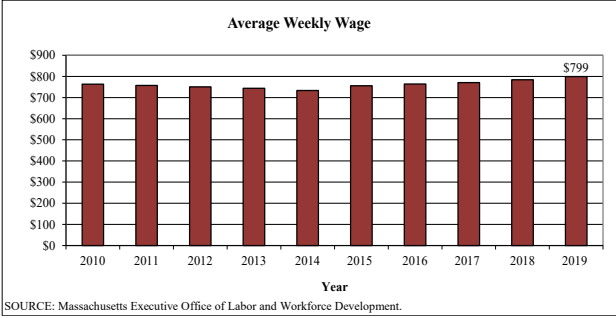
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



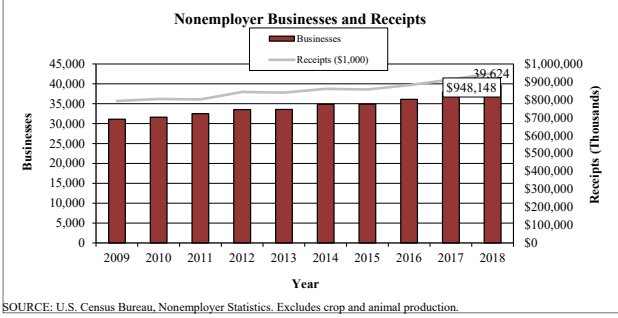
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



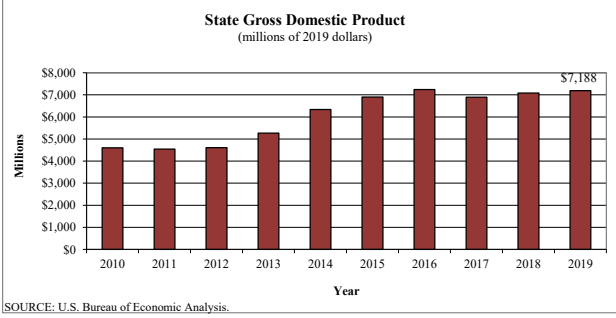
SOURCE: Massachusetts Executive Office of Labor and Workforce Development.



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.

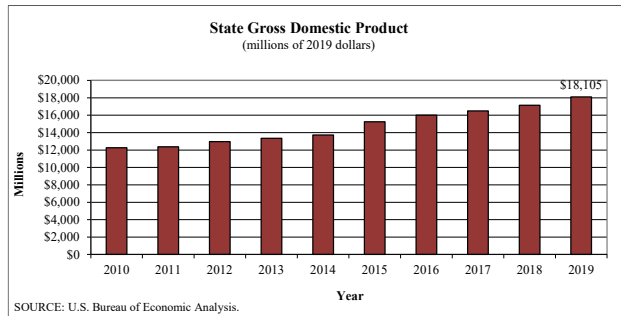
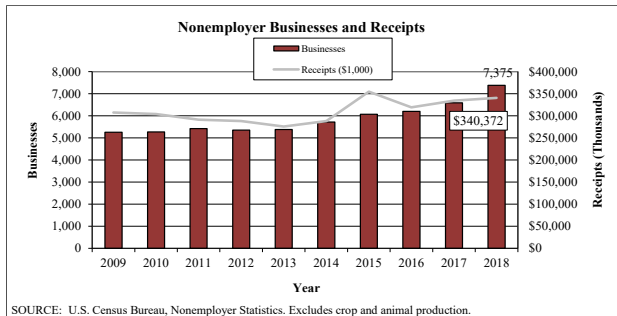
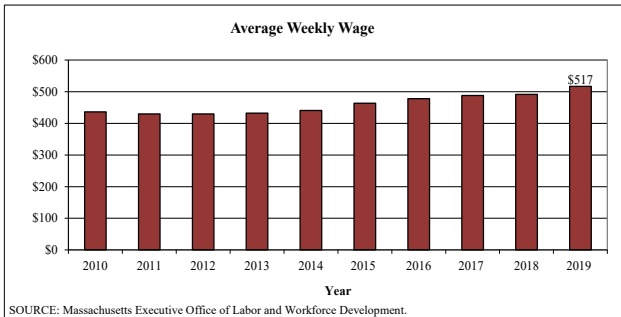
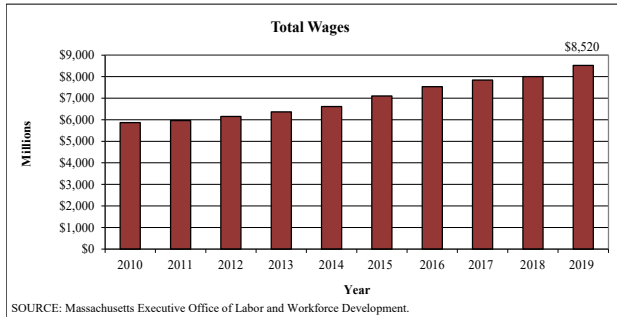
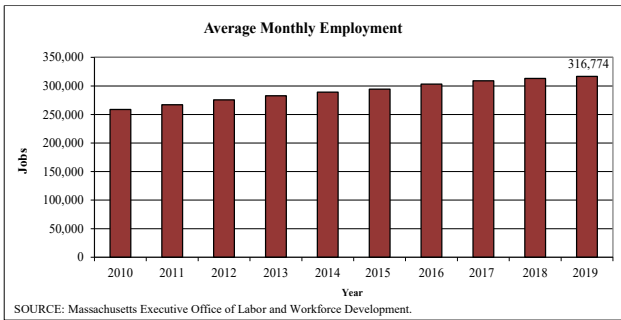
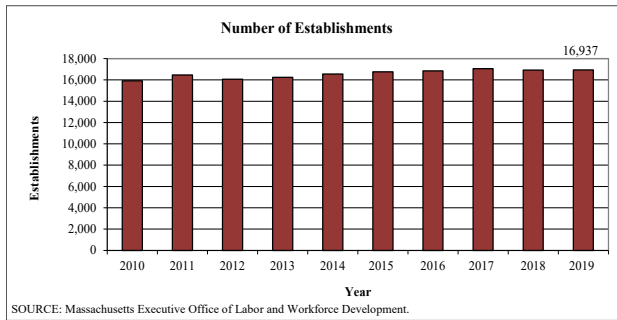
State export data are not available for this sector.

Summary.

GDP contribution to state total: **1.2%**
 GDP rank: **18 of 20**
 Nonemployer to employer establishment ratio: **9.7 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: **3.0%**

GDP rank: **11 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**

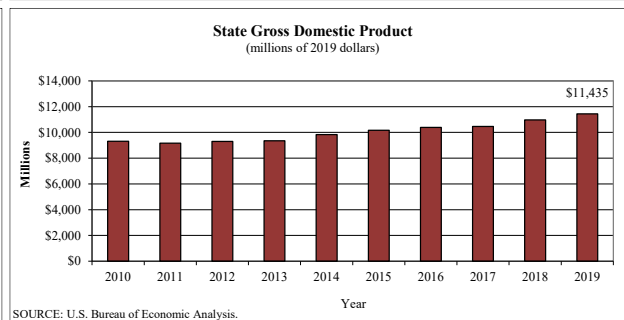
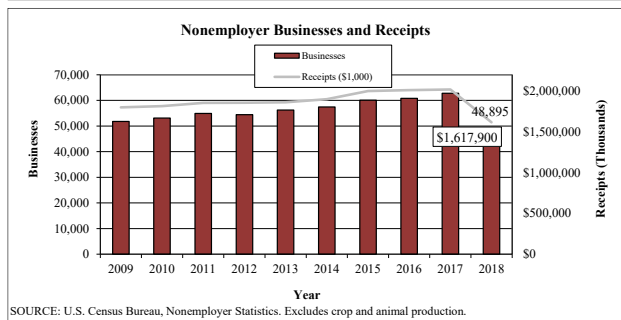
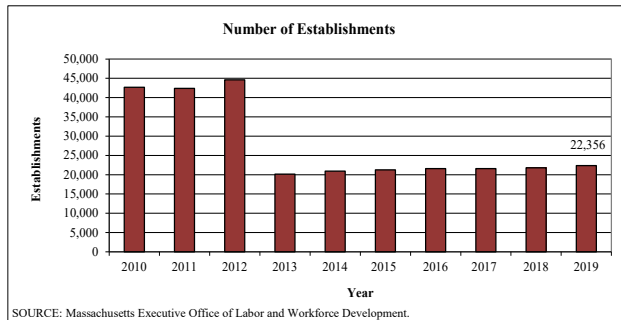
Employees: **Restaurants and other eating places**

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: **15 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**

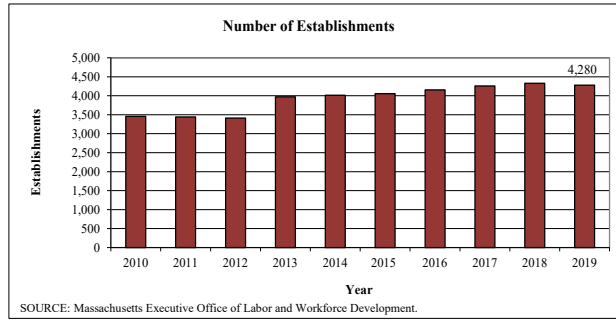
Employees: **Personal care services**

Annual wages: **Automotive repair and maintenance**

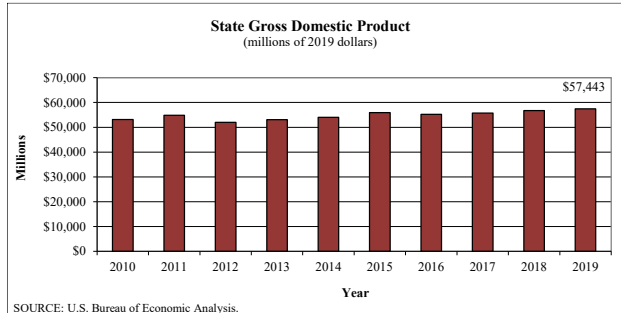
Average weekly wage: **Commercial machinery repair and maintenance**

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**

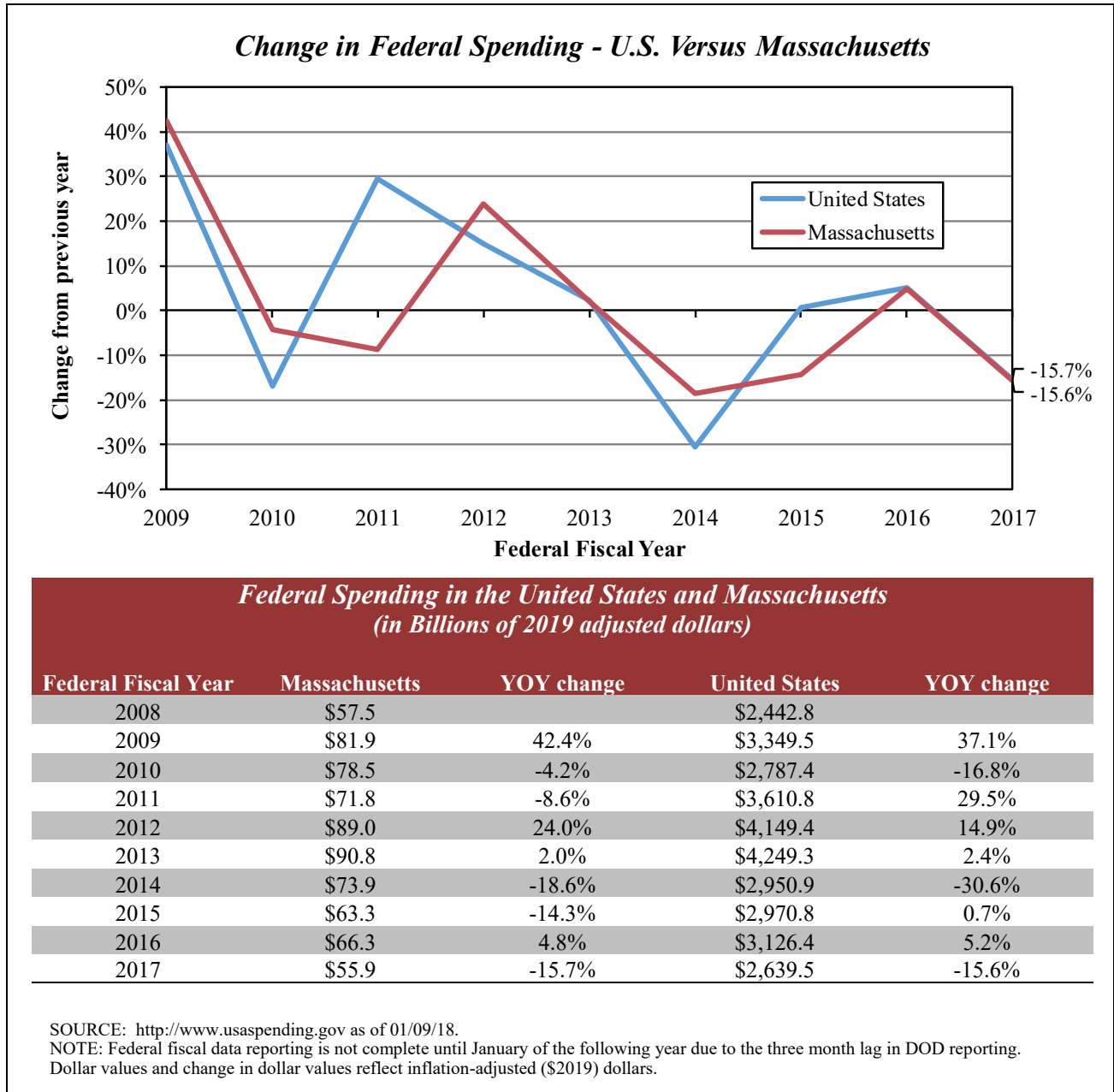
Annual wages: **Justice, public order, and safety activities**

Average weekly **Justice, public order, and safety activities**

Annual receipts at nonemployer establishments: Subsector detail N/A

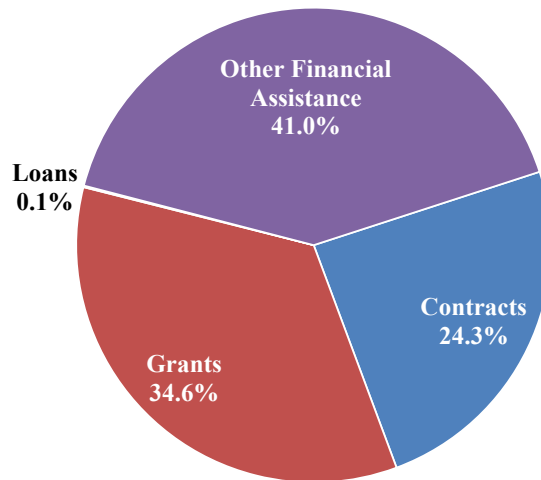
ECONOMIC BASE AND PERFORMANCE—GOVERNMENT REVENUES AND SPENDING

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.

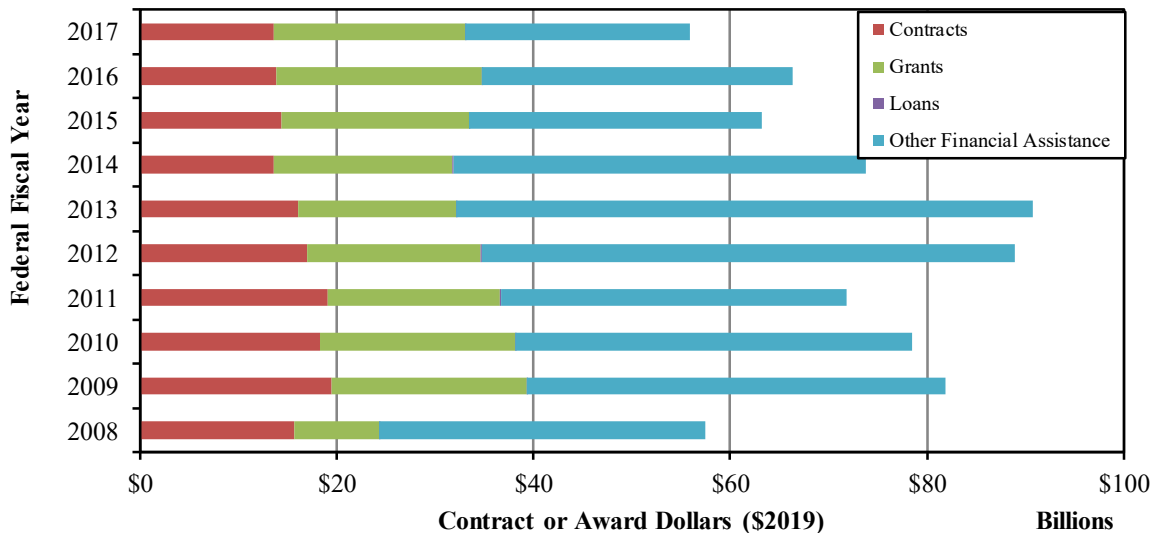


In FFY 2017, the largest portion of federal spending in Massachusetts, 41.0 percent, was for Other Financial Assistance. This includes direct payments to individuals (such as Medicare and food stamps), insurance payments (such as unemployment benefits, flood insurance), and other types of assistance 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**

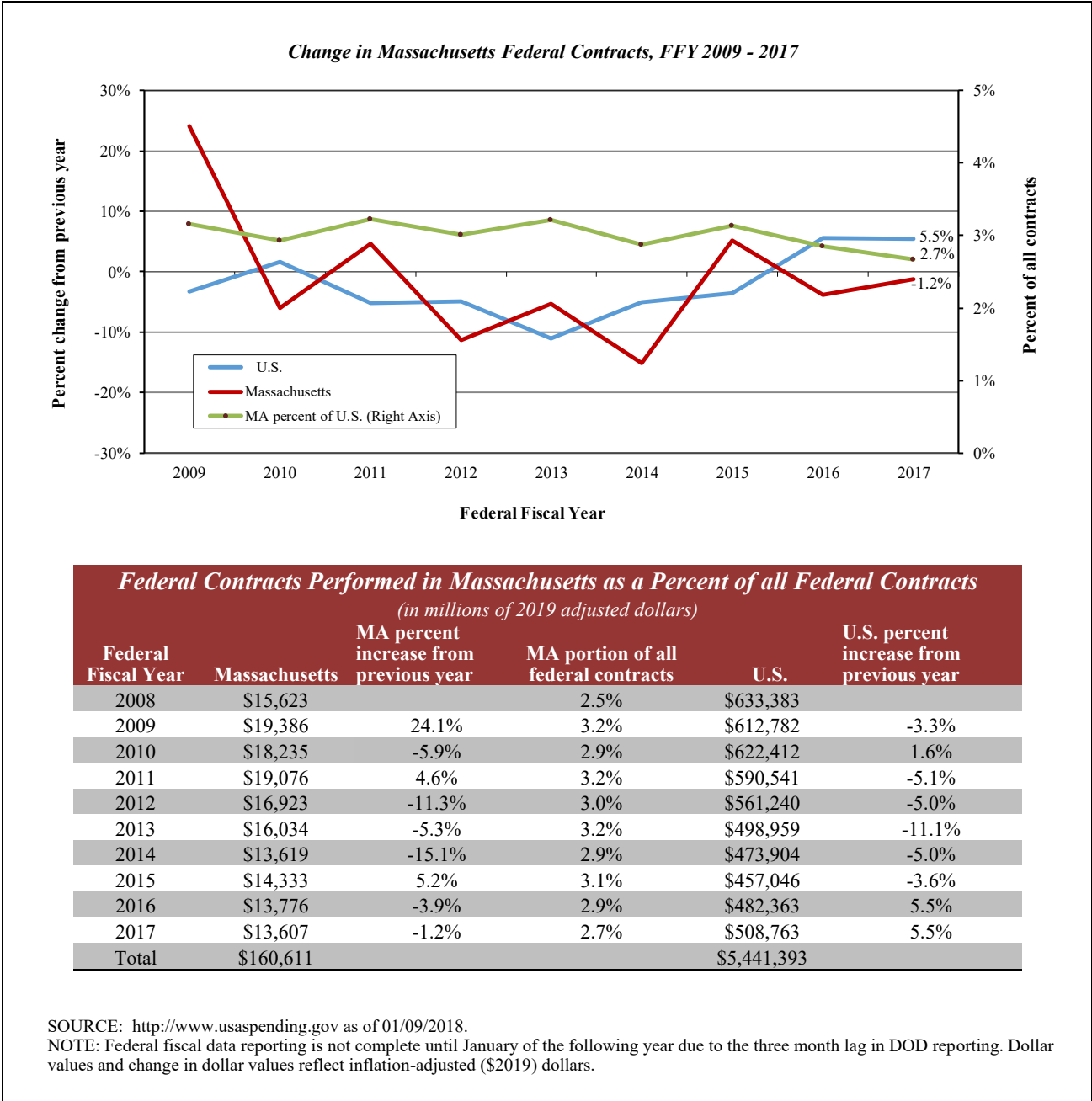


SOURCE: <http://www.usaspending.gov> as of 01/09/2018.

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

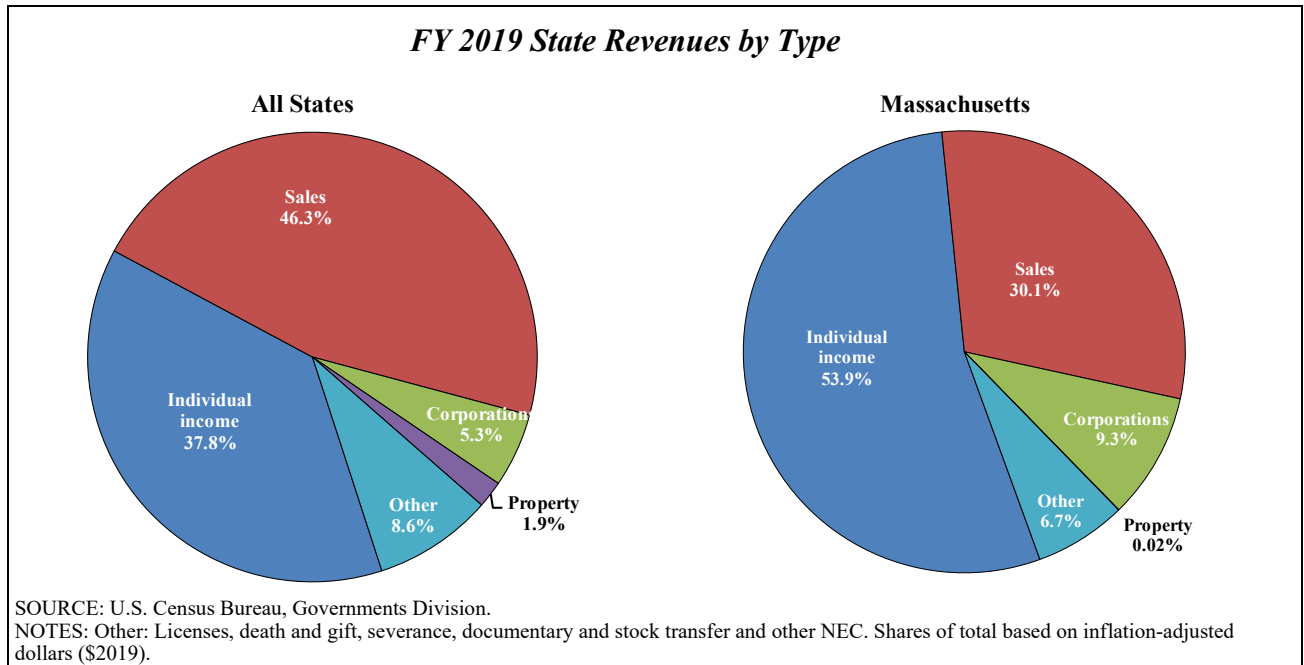
Charles Stark Draper Laboratory, Inc.	\$71,291,317
Rolls-Royce Holdings Plc	\$49,528,498
AECOM	\$40,682,429
Qinetiq Holdings Limited	\$39,575,123
Ultra Electronics Holdings Plc	\$29,767,778

SOURCE: <http://www.usaspending.gov> as of 01/09/2018.

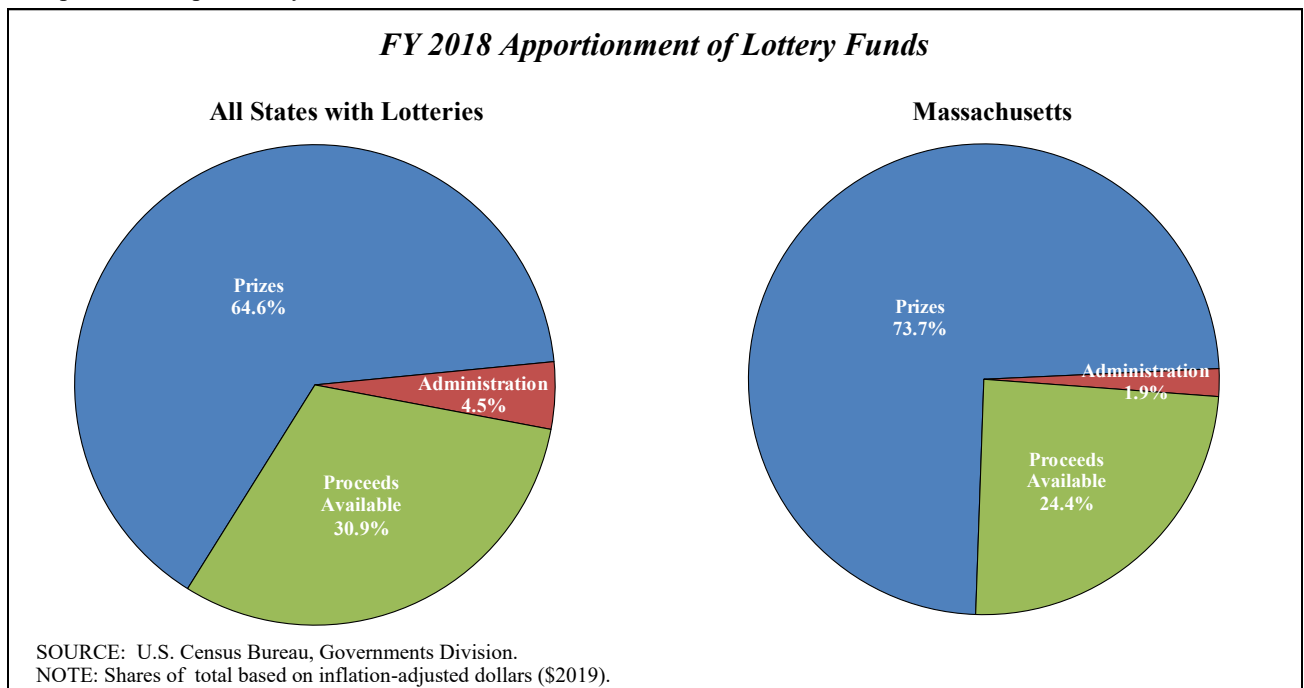
NOTE: Annual federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting. Dollar values reflect inflation-adjusted (\$2019) dollars.

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 \$9,997 in FY 2017. This represents a 3.0 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

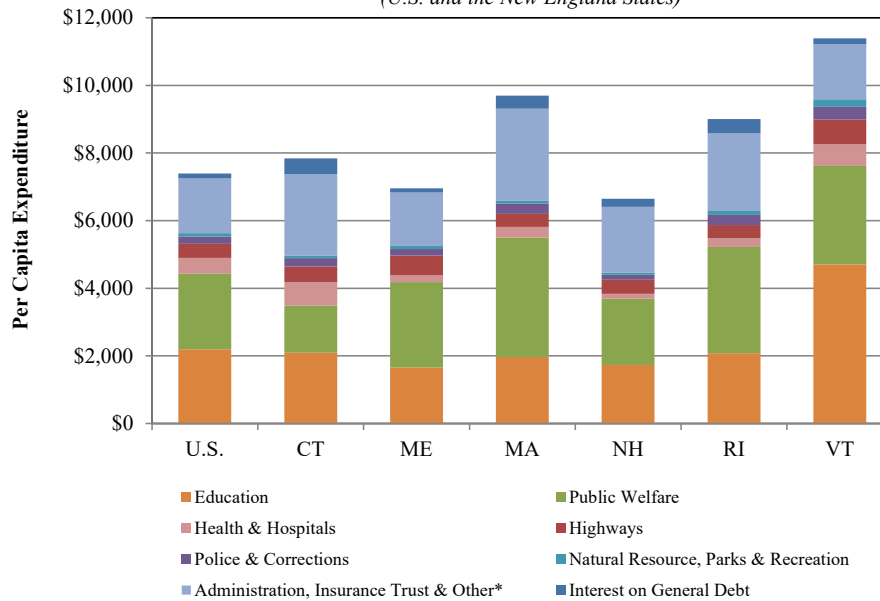
SOURCE: U.S. Census Bureau, Governments Division

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.

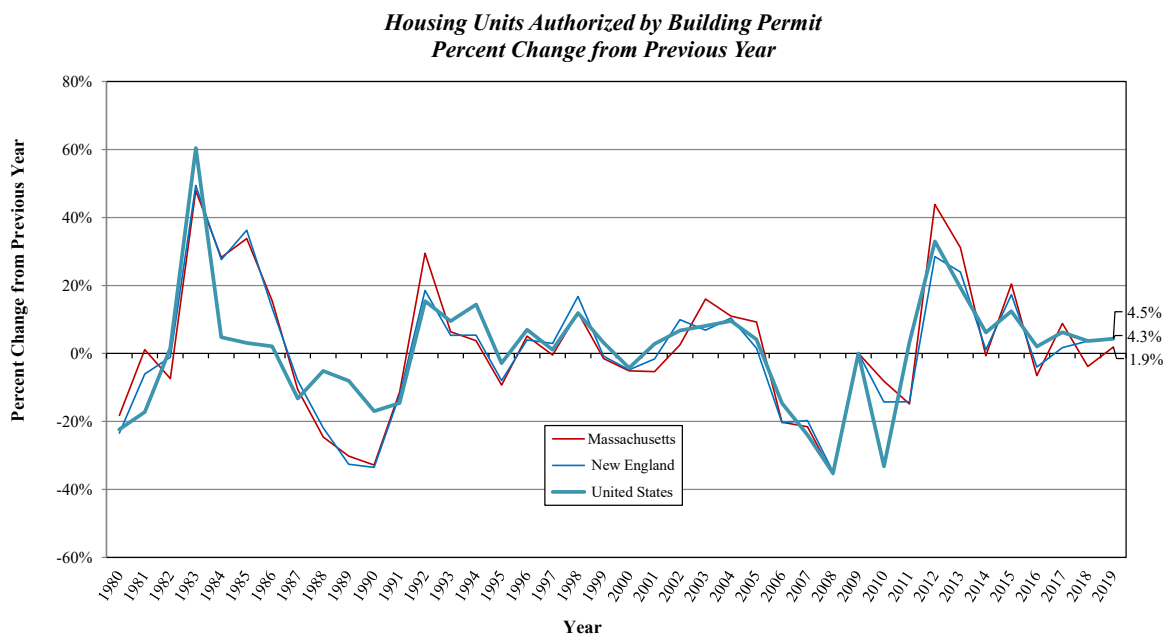
*Other includes utility, liquor store, other and un-allocated expenditures.

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%

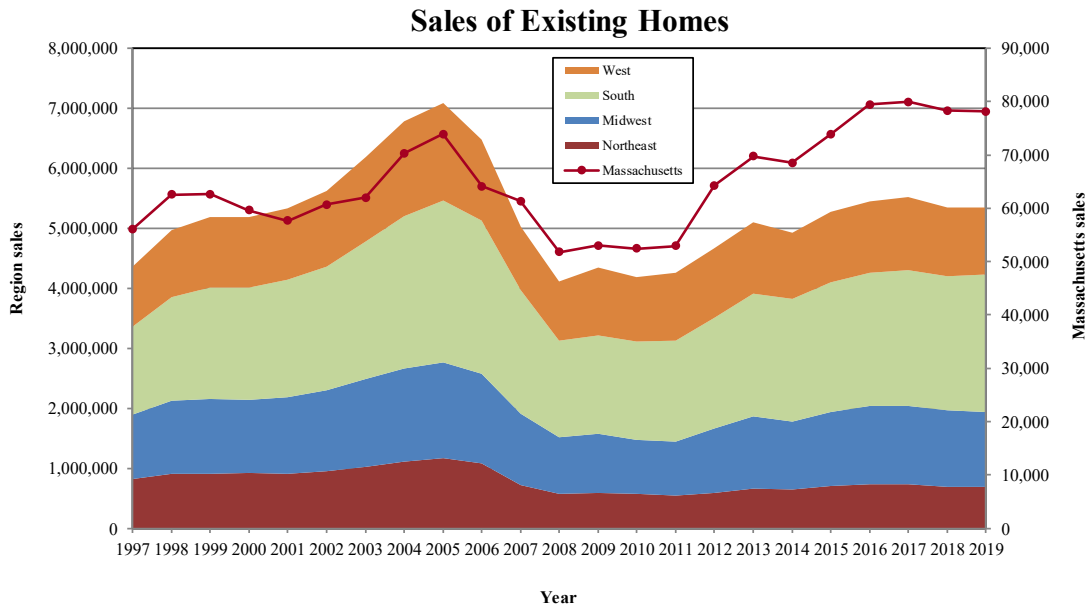


SOURCE: U.S. Census Bureau.

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.

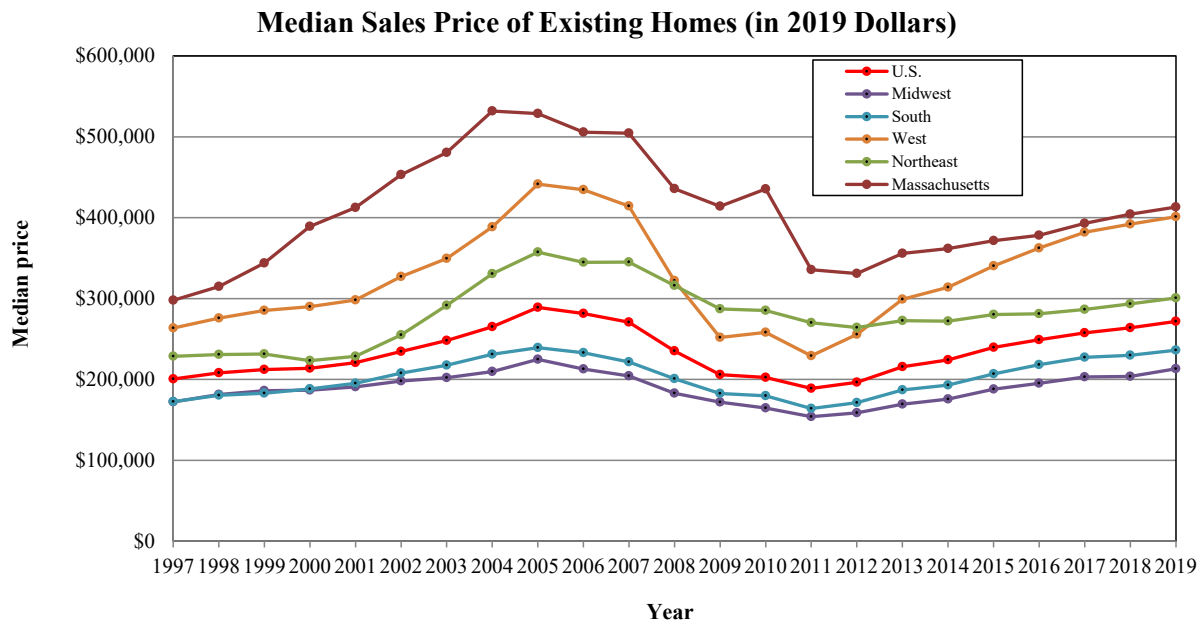
<i>Sales of Existing Homes United States, National Regions and Massachusetts</i>						
Year	U.S.	Northeast	Midwest	South	West	Massachusetts
1991	3,146,000	596,000	867,000	1,070,000	633,000	31,379
1992	3,431,000	667,000	967,000	1,127,000	680,000	38,847
1993	3,737,000	714,000	1,031,000	1,257,000	745,000	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 22.3 percent less than the 2004 peak.

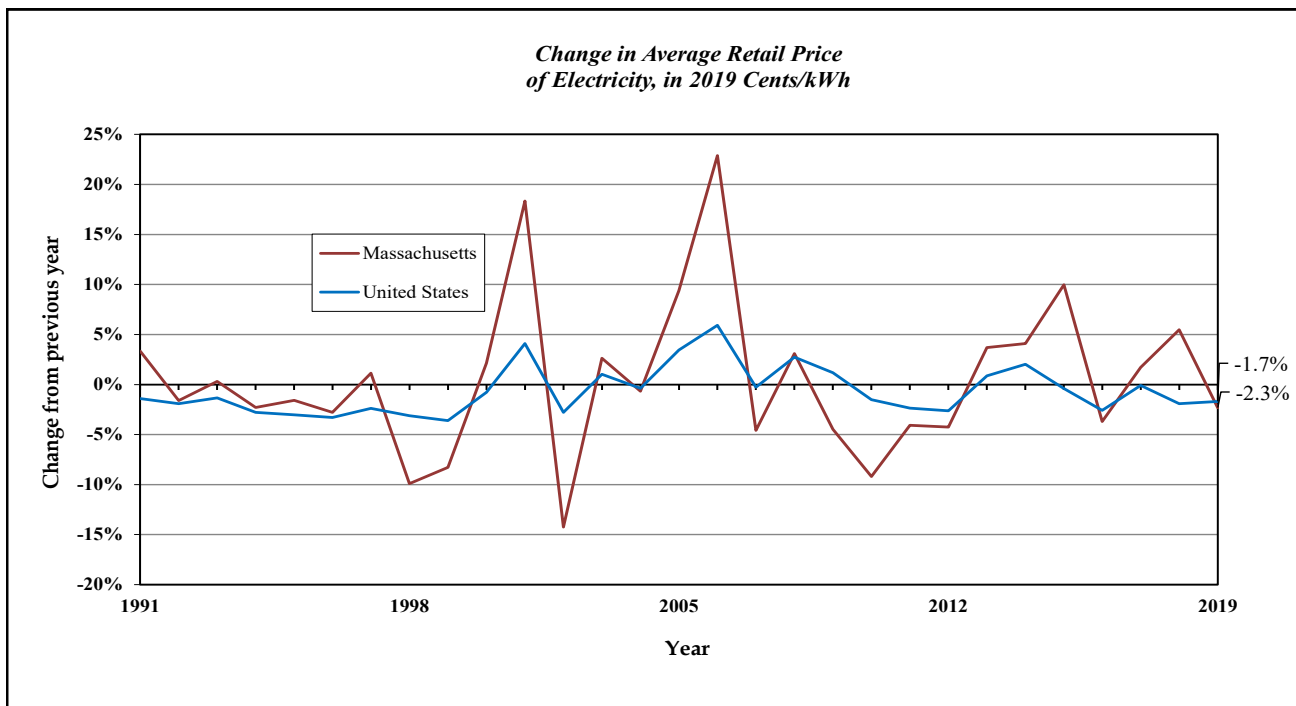
Median Sales Price of Existing Homes (in 2019 Dollars) United States, National Regions and Massachusetts						
Year	U.S.	Northeast	Midwest	South	West	Massachusetts
1990	\$190,562	\$279,517	\$150,829	\$167,434	\$273,982	\$358,243
1991	\$190,809	\$270,219	\$151,481	\$165,782	\$271,912	\$317,817
1992	\$190,078	\$260,626	\$153,890	\$166,501	\$258,067	\$298,442
1993	\$189,791	\$251,579	\$154,028	\$165,890	\$251,048	\$288,323
1994	\$192,365	\$244,560	\$156,588	\$164,020	\$257,869	\$289,454
1995	\$192,446	\$232,581	\$161,379	\$162,723	\$252,901	\$288,337
1996	\$195,789	\$227,958	\$167,050	\$167,213	\$256,535	\$291,539
1997	\$200,634	\$228,478	\$172,154	\$172,472	\$263,640	\$297,869
1998	\$208,170	\$230,899	\$181,208	\$180,267	\$275,731	\$314,872
1999	\$212,266	\$231,493	\$186,118	\$182,887	\$285,175	\$343,922
2000	\$213,897	\$223,132	\$186,638	\$188,128	\$289,863	\$389,204
2001	\$220,558	\$228,625	\$190,881	\$195,203	\$298,207	\$412,414
2002	\$234,503	\$254,981	\$198,097	\$207,625	\$327,081	\$453,148
2003	\$248,166	\$291,470	\$202,086	\$217,492	\$349,487	\$480,524
2004	\$264,990	\$330,627	\$209,659	\$231,086	\$388,399	\$531,934
2005	\$289,176	\$357,257	\$224,652	\$239,268	\$441,534	\$528,771
2006	\$281,426	\$344,839	\$212,813	\$232,978	\$434,631	\$505,721
2007	\$270,850	\$345,179	\$204,189	\$221,750	\$414,437	\$504,382
2008	\$235,038	\$316,074	\$182,834	\$200,749	\$322,125	\$435,648
2009	\$205,904	\$287,071	\$172,004	\$182,627	\$251,978	\$414,100
2010	\$202,444	\$285,246	\$164,669	\$179,756	\$258,114	\$435,576
2011	\$188,990	\$270,230	\$154,059	\$164,072	\$229,041	\$335,654
2012	\$196,548	\$264,251	\$158,639	\$171,201	\$255,802	\$331,008
2013	\$215,800	\$272,734	\$169,268	\$186,895	\$299,011	\$355,835
2014	\$224,186	\$271,972	\$175,647	\$192,974	\$314,054	\$361,625
2015	\$239,482	\$280,185	\$187,795	\$206,855	\$340,271	\$371,499
2016	\$249,108	\$281,179	\$195,302	\$218,209	\$362,475	\$378,244
2017	\$257,668	\$286,646	\$203,154	\$227,232	\$381,916	\$392,965
2018	\$263,782	\$293,487	\$203,661	\$229,805	\$391,859	\$404,371
2019	\$271,800	\$300,800	\$213,000	\$236,100	\$401,000	\$413,254



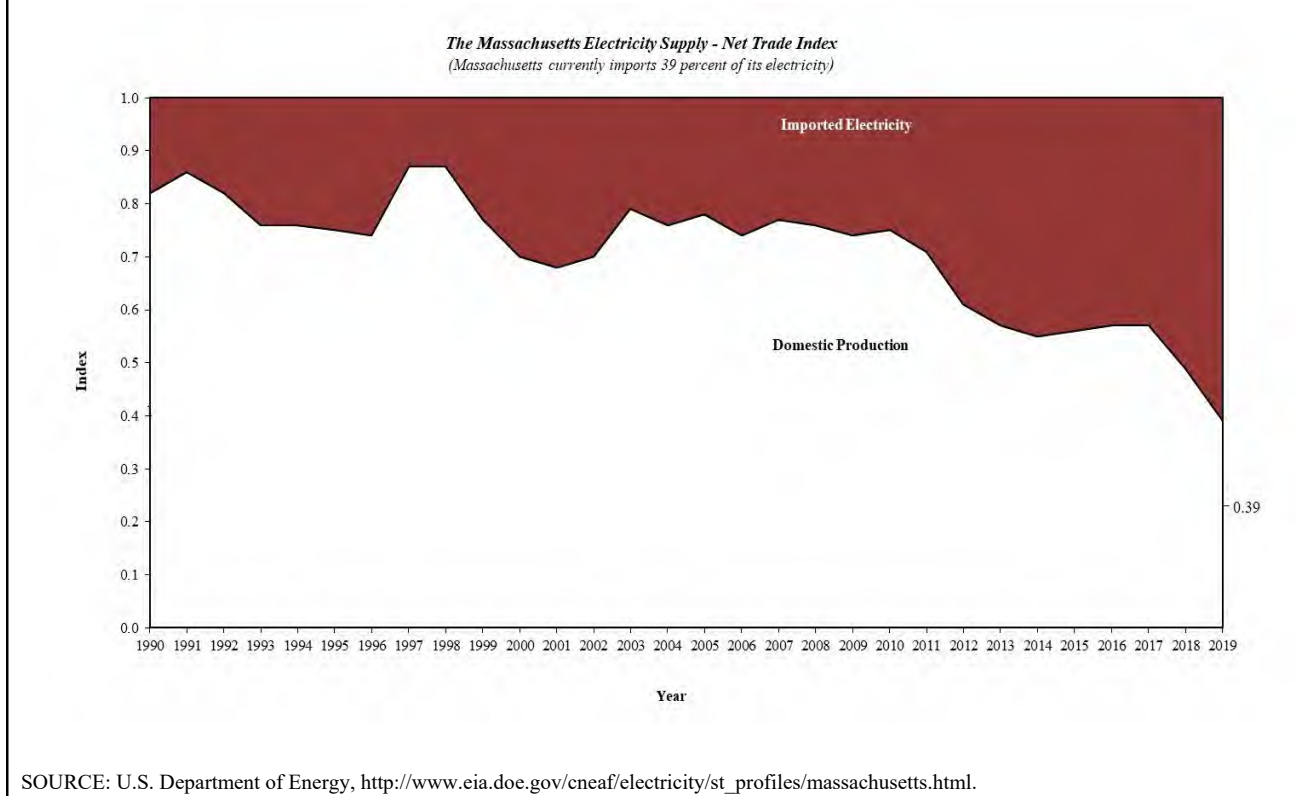
SOURCE: National Association of Realtors and Massachusetts Association of Realtors.

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 fifth highest electric rate in the country in 2019, 18.63 cents per kilowatt hour in 2019 dollars, while the U.S. average was 10.67. Adjusted for inflation, this was an decrease of 2.3 percent for Massachusetts and a decrease of 1.7 percent for the U.S. from the previous year. Massachusetts electric utilities generated \$9.6 billion in revenue in 2018. This was 4.2 percent less than in 2017, while they sold 3.7 percent less electricity. The Massachusetts Net Electricity Trade Index, which represents the state's electricity self-sufficiency, was in 2019, the latest data available. In 2019, 71.6 percent of Massachusetts electricity was generated by burning natural gas, our top fuel source for power generation.



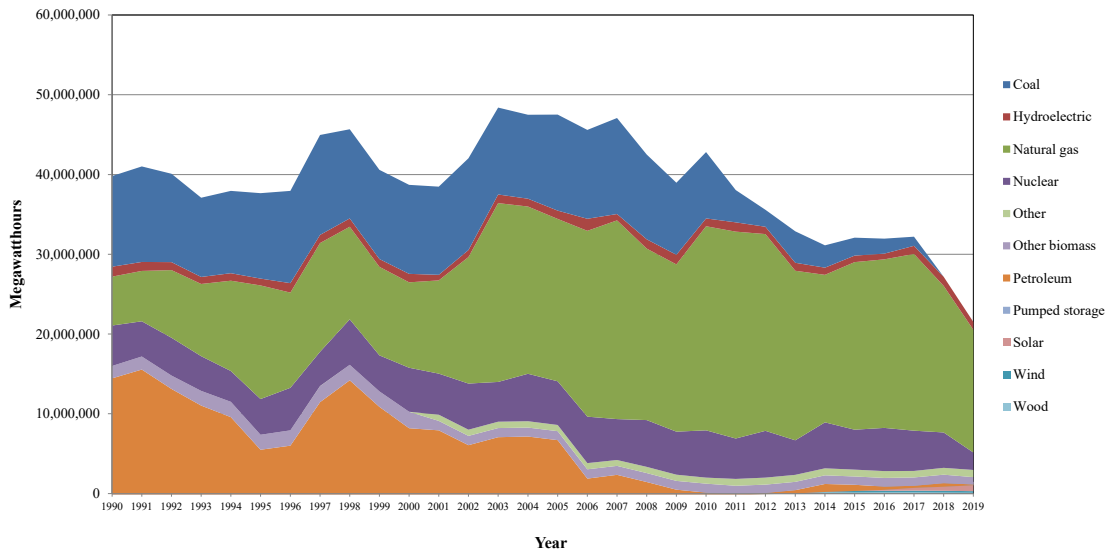
SOURCE: U.S. Department of Energy, http://www.eia.doe.gov/cneaf/electricity/st_profiles/massachusetts.html.



SOURCE: U.S. Department of Energy, http://www.eia.doe.gov/cneaf/electricity/st_profiles/massachusetts.html.

Electric Power Industry Generation by Primary Energy Source												
Energy Source	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total electric industry	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	21,515,636
Battery									-3	-40	-229	-1,840
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	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	975,560
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	15,406,573
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	5,444,318	5,047,170	4,441,563	2,177,204
Other	772,928	760,909	770,629	859,514	877,309	875,926	878,130	867,806	857,935	826,724	846,643	912,110
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	912,118
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	103,610
Pumped storage	-798,400	-533,636	-337,069	-440,231	-307,545	-367,906	-458,158	-473,881	-500,450	-443,012	-463,783	-436,378
Solar	80	43	928	4,764	29,614	106,457	306,321	451,366	609,281	788,474	978,311	1,163,776
Wind	3,672	5,956	22,068	61,385	89,673	204,898	224,971	24,666	216,123	232,622	220,982	210,817
Wood	122,580	115,384	125,412	101,295	101,444	76,531	125,237	119,769	128,822	130,813	117,041	92,086

Electric Power Generation by Primary Energy Source, 1990 to 2019



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 0.1 percent in November 2019 for the calendar year compared to November 2018. For November FY 2020 year-to-date, net room occupancy tax collections totaled 174.8 million, a 13.4 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 2019, 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 October 2020 year-to-date, total airport flight operations were down 63.9 percent and total airport passengers were down 82.2 percent from the same period in 2019. According to the FAA, in calendar year 2019, Logan Airport ranked 32nd in the nation in total air cargo volume. As of October 2020 year-to-date, Massport reported the airport handled 423.7 million pounds of cargo, a 17.5 percent decrease from the same period in 2019. Massport reported that total express mail was up 4.1 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, which is the same amount as in 2018.

The Army Corps of Engineers reported Massachusetts total waterborne cargo shipped or received in 2019 decreased by 0.8 percent to 16.2 million short tons from 2018. Waterborne cargo in New England decreased 1.3 percent while the U.S. decreased 0.8 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	2019
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	20,699,377
Nantucket Memorial	204,981	201,390	169,352	179,128	183,557	170,361	155,952	126,197	113,009	126,610	134,830
Barnstable Municipal	138,858	124,560	100,596	95,717	87,648	85,184	65,790	31,027	29,455	28,341	24,465
Worcester Regional	17,241	35,833	53,541	10,750	8,007	57,818	59,624	57,800	53,931	71,631	97,090
Martha's Vineyard	42,248	43,904	49,095	50,484	56,313	52,362	49,853	54,084	49,767	52,605	52,792
Provincetown Municipal	10,747	11,450	10,967	11,580	11,288	10,410	10,841	10,074	8,900	10,316	10,591
New Bedford Regional	11,680	12,363	11,152	12,256	10,604	8,159	7,271	7,022	5,998	7,956	4,321
Hanscom Field	7,350	7,952	10,893	11,097	12,621	11,116	15,313	15,105	10,956	10,194	10,235
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	21,033,701

Cargo - Gross Landed Weight (lbs)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	1,024,501,330

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	2018-2019
Logan International	-2.0%	7.9%	4.6%	0.8%	3.6%	4.7%	5.0%	9.0%	5.6%	6.6%	3.5%
Nantucket Memorial	-20.6%	-1.8%	-15.9%	5.8%	2.5%	-7.2%	-8.5%	-19.1%	-10.5%	12.0%	6.5%
Barnstable Municipal	-27.6%	-10.3%	-19.2%	-4.9%	-8.4%	-2.8%	-22.8%	-52.8%	-5.1%	-3.8%	-13.7%
Worcester Regional	441.8%	107.8%	49.4%	-79.9%	-25.5%	622.1%	3.1%	-3.1%	-6.7%	32.8%	35.5%
Martha's Vineyard	-6.1%	3.9%	11.8%	2.8%	11.5%	-7.0%	-4.8%	8.5%	-8.0%	5.7%	0.4%
Provincetown Municipal	-6.3%	6.5%	-4.2%	5.6%	-2.5%	-7.8%	4.1%	-7.1%	-11.7%	15.9%	2.7%
New Bedford Regional	-16.0%	5.8%	-9.8%	9.9%	-13.5%	-23.1%	-10.9%	-3.4%	-14.6%	32.6%	-45.7%
Hanscom Field	-12.3%	8.2%	37.0%	1.9%	13.7%	-11.9%	37.8%	-1.4%	-27.5%	-7.0%	0.4%
Total	-2.6%	7.7%	4.2%	0.5%	3.5%	4.8%	4.7%	8.4%	5.4%	6.7%	3.5%

Cargo	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Logan International	-24.0%	-2.2%	-1.3%	-3.2%	11.0%	5.0%	-1.8%	9.7%	1.6%	1.2%	1.6%

SOURCE: Federal Aviation Administration. http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/.

Waterborne Tonnage by State - Percent Change from Previous Year

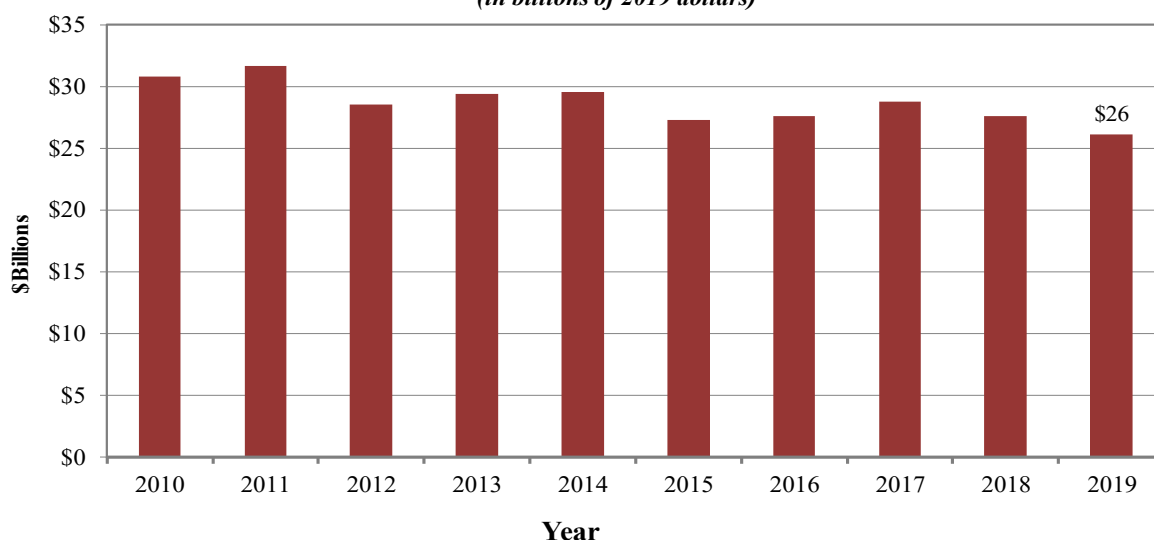
State	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
U.S. total	-10.8%	5.6%	1.4%	-2.6%	-1.4%	3.1%	-2.8%	0.6%	4.1%	1.3%	-2.2%
Massachusetts	-3.8%	-9.4%	-8.9%	-16.2%	9.1%	-0.7%	-1.4%	-1.2%	-6.7%	-3.7%	-0.8%
Maine	-7.1%	-9.1%	-26.3%	-1.8%	-6.9%	-15.0%	-13.0%	-26.5%	-11.3%	1.7%	-5.2%
Connecticut	-7.9%	-3.2%	-20.0%	-18.0%	6.8%	17.1%	2.6%	-7.5%	-5.5%	0.1%	1.5%
Rhode Island	-20.1%	-1.1%	0.8%	-9.7%	19.9%	-3.5%	2.5%	-1.9%	3.0%	-0.7%	-0.7%
New Hampshire	-6.5%	-17.3%	12.9%	-27.7%	10.7%	4.6%	-1.1%	-15.1%	11.6%	9.2%	-8.4%
Vermont	-	-	-	-	-	-	-	-	-	-	-
New England	-7.8%	-7.4%	-14.5%	-12.7%	5.7%	-0.9%	-2.3%	-8.5%	-4.5%	-0.7%	-1.3%

Waterborne Tonnage by State (In Units of 1,000 Tons)

State	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
U.S. total	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	2,363,190
Massachusetts	25,018	22,661	20,646	17,298	18,866	18,733	18,464	18,241	17,024	16,393	16,262
Maine	22,996	20,907	15,411	15,127	14,078	11,964	10,414	7,657	6,795	6,910	6,554
Connecticut	16,767	16,229	12,977	10,645	11,368	13,313	13,664	12,633	11,933	11,943	12,121
Rhode Island	8,404	8,315	8,378	7,567	9,072	8,754	8,976	8,802	9,065	9,005	8,939
New Hampshire	3,583	2,964	3,347	2,419	2,679	2,803	2,771	2,353	2,627	2,869	2,628
Vermont	-	-	-	-	-	-	-	-	-	-	-
New England	76,768	71,076	60,759	53,056	56,063	55,567	54,289	49,686	47,444	47,120	46,504

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 NAICS)	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 Commodities	\$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, And Component	\$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 Industries	\$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

STATUTORY BASIS FINANCIAL REPORT

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Commonwealth of Massachusetts

STATUTORY BASIS FINANCIAL REPORT



FISCAL YEAR ENDING JUNE 30, 2020



Commonwealth of Massachusetts



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by
*Office of the Comptroller
Statewide Financial Reporting Team*



William McNamara
Comptroller of the Commonwealth

This document is available at the Comptroller's website: www.macomptroller.org

Fort Pickering (Winter Island) Lighthouse at sunrise, Salem, Massachusetts

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Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2020

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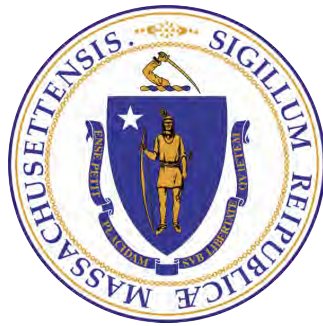
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WILLIAM McNAMARA
COMPTROLLER

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December 18, 2020

His Excellency Charles D. Baker
Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, MA 02133

Secretary Michael J. Heffernan
Executive Office for Administration & Finance
State House, Room 373
Boston, MA 02133

Honorable Aaron Michlewitz, Chair
House Ways and Means Committee
State House, Room 243
Boston, MA 02133

Honorable Michael J. Rodrigues, Chair
Senate Ways and Means Committee
State House, Room 212
Boston, MA 02133

Mr. Steven T. James
Clerk of the House of Representatives
State House, Room 145
Boston, MA 02133

Mr. Michael D. Hurley
Clerk of the Senate
State House, Room 335
Boston, MA 02133

Dear Sirs:

The Office of the Comptroller hereby files the Commonwealth's Statutory Basis Financial Report (SBFR) for Fiscal Year 2020, the period ended June 30, 2020.

Pursuant to M.G.L c. 7A, § 12, the Comptroller shall 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 31 of each year.

The SBFR provides an independent and unbiased accounting of Commonwealth revenues and expenditures for Fiscal Year 2020. The SBFR was prepared by the professional staff of the Office of Comptroller and reviewed by the Commonwealth's independent audit firm, KPMG, in accordance with professional standards established by the American Institute of Certified Public Accountants.

This filing is roughly seven weeks later than the statutory deadline of October 31. This timing is attributable to the extraordinary conditions created by the COVID-19 pandemic. For example,

the due dates for certain state taxes normally paid by June 30 of each year were extended; this delayed the date on which Fiscal Year 2020 revenue could be finalized. I share this as an example of a decision made to address the emergency, in which the timing of the SBFR would appropriately have been a subsidiary consideration.

The key phase of work for the Office of the Comptroller begins after the final supplementary budget is passed and after the professionals in the administration and finance function complete final accounting entries. The final supplementary budget was enacted on November 10, 2020. The financial administration continued for several days thereafter. Having taken all possible preparatory steps, the Office of the Comptroller then worked to deliver this report as quickly as possible while maintaining high quality standards. I want to thank KPMG, who exercised their critical independent review function with professionalism and rigor on a timely basis.

It is important to note that although the pandemic changed the timing of the SBFR, the financial processes of the state have continued to function in an uninterrupted and controlled fashion throughout the emergency. This is an achievement reflecting the work of financial and administration professionals across the state. Maintaining a reportable, auditable, and transparent record of spending is a fundamental responsibility, and it is especially critical during the COVID-19 emergency, when federal funding plays a major role in state capabilities and finances. Thanks to the leadership from the Secretary of the Executive Office for Administration & Finance, the Office of the Treasurer and Receiver General, the Office of the State Auditor, and members of the Comptroller team, I am confident that the Commonwealth will continue to set a high standard. The steady flow of information across these offices and with the staff of the Committees on Ways & Means has been of great benefit throughout the emergency.

Finally, I wish to commend the staff of the Office of the Comptroller, particularly Deputy Comptroller Howard Merkowitz, Chief Financial Reporting Officer Michael Rodino, Chief Accounting Officer Kristin Lacroix, and Deputy Chief of Financial Reporting Pauline Lieu. With considerable complications posed by this year's unique challenges, they and their teams showed extreme professionalism and expertise to publish this information.

Sincerely,

A handwritten signature in blue ink that reads "William McNamara". The signature is written in a cursive style and is positioned above the printed name and title.

William McNamara
Comptroller of the Commonwealth

Report Summary

As of June 30, 2020, the Commonwealth had a budgetary fund balance of approximately \$4.295 billion and completed FY20 with a balanced budget according to state finance law (see below for the statutory (legal) definition of a balanced budget) of \$0. During the fiscal year, the balance of the Commonwealth's Stabilization (or rainy day) Fund increased by \$77 million, to \$3.501 billion, as a result of transfers of gaming tax revenue and investment earnings. No funds were drawn from the Stabilization Fund in FY20. (The Budgeted Funds – Operations table on page 9 displays the FY20 summary of budgeted funds compared to FY19. Details of the FY20 Stabilization Fund activity are provided on pages 11 and [133](#).) The total budgeted fund balance of \$4.295 billion reflects a gain (revenues and other financing sources greater than expenditures and other financing uses) of approximately \$336 million, from the FY20 beginning balance of \$3.959 billion. This follows an FY19 operating gain of \$1.573 billion. In addition to the \$3.501 billion reserved in the Stabilization Fund, \$777 million is reserved for continuing appropriations and debt service in fiscal year 2021. The remaining undesignated balance of \$17 million is made up of smaller budgeted fund balances.

During FY20, budgeted fund tax revenues decreased by \$156 million, or 0.6%, from FY19, as healthy tax revenue growth from an expanding economy in the first three quarters of FY20 was offset by a decline in the fourth quarter as the national and state economies fell into a steep recession due to the COVID-19 pandemic. Before transfers between budgeted funds (which do not affect total budgeted fund balances), total budgeted fund revenues and other financing sources increased by \$934 million, or 2.0%. Budgeted fund expenditures and other financing uses increased by \$2.170 billion, or 4.8%, 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 FY20 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 does not conform 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. In addition, the

statutory basis of accounting is mainly cash based, with a two month accounts payable period for expenses, and a two month accounts receivable period for revenues received from other government entities. For FY20, the statutory accounts receivable definition was modified by the Massachusetts Legislature in response to the coronavirus pandemic and the Department of Revenue's granting of payment extensions to individual income taxpayers from April 15, 2020 to July 15, 2020, which resulted in the deferral of more than \$2.3 billion in net tax revenue (payments minus refunds) from the April through June 2020 period to July and August 2020. The Legislature required that the Comptroller record these income tax payments as statutory receivables (i.e., FY20 revenue) for the purpose of calculating the FY20 consolidated net surplus. In addition, the Legislature modified the statutory receivable definition to include an estimate of the reimbursements to be received from the Federal Emergency Management Agency (FEMA) after June 30, 2020 for coronavirus-related expenses incurred during FY20; those estimated reimbursements totaled \$350 million and are recorded in the financial statements.

The Commonwealth's statutory basis of accounting, as set out in [Chapter 29 of the Massachusetts General Laws](#) (MGL), defines the "consolidated net surplus" or CNS 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 FY20 accounted for approximately 93.9% and 4.5%, respectively, of total budgeted fund expenditures and other financing uses. The remaining approximately 1.6% 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 MGL, the Office of the Comptroller is required to transmit the SBFR by October 31st. However, due to the fact that the final FY20 supplemental budget bill was not enacted and signed into law until November 10, 2020, this SBFR is being transmitted on December 18, 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, 2020 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 and wages, which drive the personal income tax, the state's largest revenue source, and the sales tax, which depends on the amount of income Massachusetts residents have available to spend. In FY20, the Commonwealth's economy declined in the fourth quarter of the fiscal year due to the global health pandemic related to the novel Coronavirus or COVID-19. Between June 2019 and June 2020, employment declined by approximately 518,900 jobs, or 14.1%, compared to a decline in employment of 8.6% for the United States as a whole. Due to COVID-19 most Massachusetts businesses were forced to make drastic changes to their operations by limiting capacity and/or services. As a result of these measures numerous companies were forced to lay-off staff and even close their doors for good. As of June 2020, the Massachusetts unemployment rate was 17.7%, compared to 11.1% nationally.

The Budgeted Funds

The FY20 budget enacted by the Legislature (the General Appropriation Act) included an FY20 tax revenue estimate of \$29.893 billion, an increase from the FY20 consensus estimate of \$29.299 billion, which the Legislature adjusted upward by \$594 million after tax revenue ended FY19 well above forecast), and was further increased to \$30.170 billion as a result of enacted tax law changes and an assumption of \$100 million in tax settlements included in the General Appropriation Act. \$27.655 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.515 billion was to be deposited into non-budgeted funds for transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.100 billion) and the Massachusetts School Building Authority (\$940 million), revenue deposited in the non-budgeted Workforce Training Fund (\$25 million),

and the Stabilization Fund on account of capital gains tax revenues that was estimated to exceed an annual threshold (\$452 million).

In October 2019, with tax revenues tracking estimates assumed in the FY20 enacted budget, the Secretary of Administration and Finance affirmed the FY20 tax revenue estimate. In January 2020, the Secretary of Administration and Finance revised the Fiscal Year 2020 state tax revenue estimate upward to \$30.339 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.

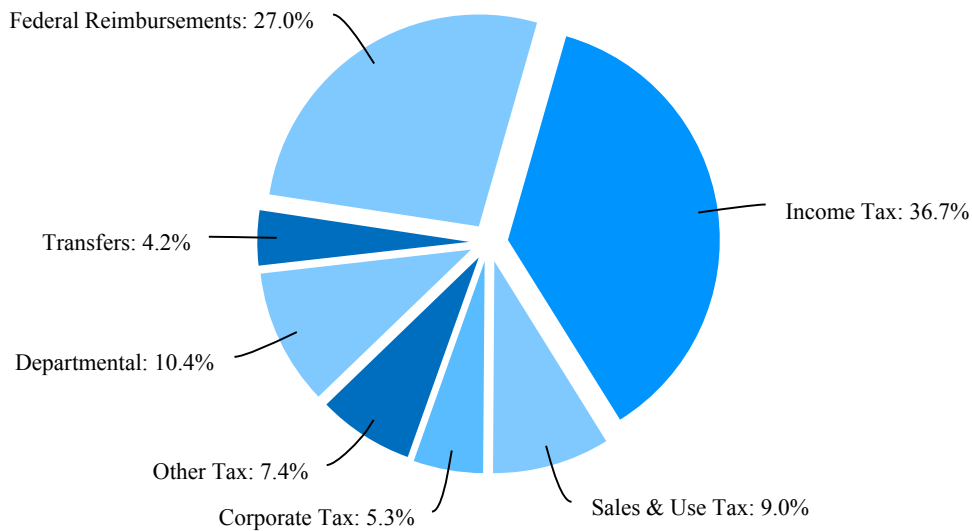
FY20 budgetary fund tax revenues ended the year at \$29.633 billion (including \$49 million in tax settlements exceeding \$10 million each), of which \$27.613 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds declined by \$156 million, or 0.6%, from FY19, and was \$211 million below the final FY20 tax estimate.

The FY20 General Appropriation Act (GAA) authorized approximately \$44.706 billion in spending, exclusive of approximately \$2.842 billion in required pension contributions and \$506 million in FY19 spending authorized to be continued into FY20 as part of the FY19 and FY20 general appropriation acts and various FY19 supplemental budgets.

Approximately \$1.726 billion in supplemental appropriations were authorized during FY20, \$1.303 billion of which were enacted by June 30, 2020. Subsequent to year end, a supplemental budget was enacted totaling approximately \$423 million in new appropriations, \$422 million of which funded FY20 Medicaid expenses. In addition to the year-end FY20 supplemental appropriations just described, the year's significant supplemental appropriation activity included:

- \$1.156 billion for COVID-related spending in various accounts, virtually all of which has been or will be reimbursed by the federal government;
- \$25 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$16 million to fund FY20 collective bargaining costs;
- \$15 million for heating assistance subsidies to low income residents;
- \$15 million to fund legal services for indigent defendants;
- \$12 million for the Safety Net Provider Trust Fund;
- \$10 million to fund information technology costs within the Executive Office of Health and Human services;
- \$10 million to capitalize the Twenty-First Century Education Trust Fund.

**Budgeted Fund Revenues and Other Financing Sources
Before Transfers Between Budgeted Funds (Total of \$47.316 billion)**

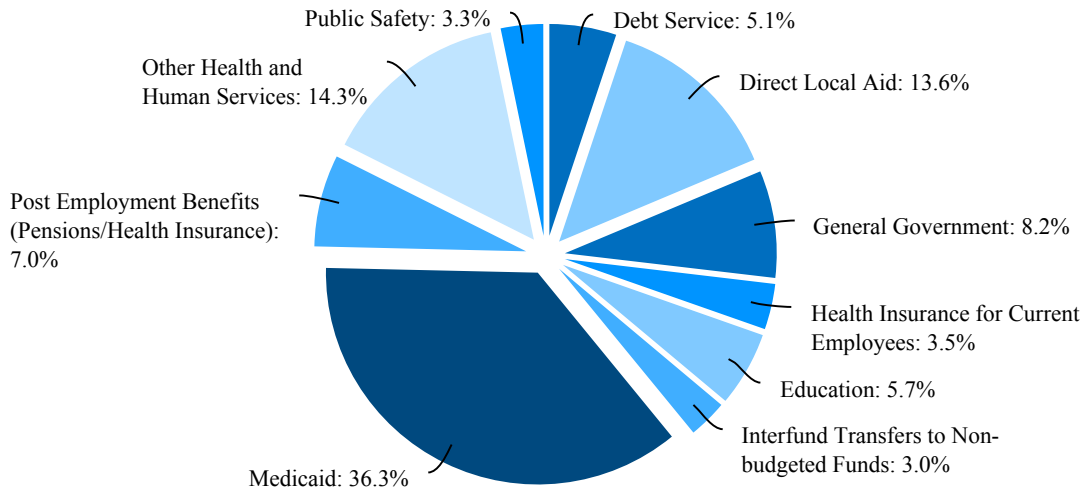


FY20 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$47.316 billion, an increase of \$934 million, or 2.0%, from FY19. As tax revenues grew at a healthy rate in the first three quarters of FY20, but as the Massachusetts economy contracted due to the coronavirus pandemic, tax revenue slowed in the fourth quarter of the fiscal year, and ended up declining by only \$156 million, or 0.6% from FY19. Personal income tax withholding increased by \$528 million, or 4.0%, capital gains revenue (part of the personal income tax) decreased by \$391 million, or 19.1%, from FY19, sales and use tax was virtually unchanged from FY19 (up \$2 million, or 0.03%, with 5.0% growth in regular sales tax offset by 11.4% and 7.0% declines in meals and motor vehicle sales taxes, respectively), corporate and business taxes declined by \$399 million, or 11.9% as the waiving of late payment penalties resulted in many business taxpayers delaying tax year 2019 final payments until July, and estate and inheritance taxes increased by \$98 million, or 16.3%. Federal reimbursements totaled \$12.795 billion, an increase of \$1.023 billion, or 8.7%, primarily due to an increase in the federal reimbursement rate for Medicaid program spending that was implemented in response to the pandemic as a method for quickly providing federal aid to state governments (with Medicaid reimbursements up \$700 million, or 11.4%, from FY19) and \$350 million recorded as a receivable for the estimated value of FEMA reimbursements to be claimed after the close of FY20. Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.920 billion, an increase of \$88 million, or 1.8%, from FY19. Interfund transfers from non-budgeted funds totaled \$1.988 billion, a decrease of \$22 million, or 1.1%, from FY19, due primarily to a \$123 million, or 27.2% increase in fringe benefit assessments resulting from a higher fringe benefit rate and increased federal expenditures in non-budgeted coronavirus-related accounts, which was offset by a \$121 million, or 11.1% decrease in Lottery Fund transfers to the General Fund due to a decline in Lottery profits (see *Lottery and Gaming* section on page 10).

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 FY20, the Commonwealth received \$230 million in tobacco settlement funds, a decrease of \$7 million compared to FY19. The \$230 million represented approximately 63.2% 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 deposited in the SRBTF in FY2022 and after. For FY20, the statutorily required transfer was 80% of tobacco settlement revenues; however, FY20 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 80% to 10%. That action

reduced the FY20 transfer to approximately \$23 million, compared to the statutorily required transfer of \$184 million.

**Budgeted Expenditures and Other Financing Uses
Before Transfers Between Budgeted Funds (Total of \$46.980 billion)**



FY20 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$46.980 billion, an increase of \$2.170 billion, or 4.8%, from FY19, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$39.866 billion, an increase of \$1,935 million, or 5.1%, from FY19. Medicaid expenditures totaled \$17.023 billion, an increase of \$502 million, or 3.0%, from FY19. Expenditures by the Massachusetts Emergency Management Agency (MEMA) increased from \$4 million in FY19 to \$344 million in FY20 to fund purchases of personal protective equipment (PPE) and for other coronavirus-related responses. Spending for direct local aid (both education aid and unrestricted aid), at \$6.376 billion, was up \$302 million, or 5.0%, from FY19.

Spending on state employee health benefits paid through the Group Insurance Commission (excluding benefits paid to retirees) increased by \$16 million, or 1.0%, increasing from \$1.646 billion to \$1.662 billion, as utilization of non-COVID-19-related health services declined, offsetting trend growth in general health care spending. Budgeted debt service totaled \$2.410 billion, up \$83 million, or 3.6%, from FY19.

Interfund transfers from budgeted to non-budgeted funds totaled \$1.399 billion, a decrease of \$42 million or 2.9%. 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) grew by \$143 million, or 39.3% from FY19, but this was offset by reductions due to non-recurring transfers made in FY19 but not FY20, including FY19 transfers of \$46 million from the General Fund to the Commonwealth Care Trust Fund, \$85 million in FY19 capital gains taxes transferred to the state pension and OPEB funds, and an FY19 transfer of \$46 million related to the defeasance of Commonwealth debt.

Post-employment benefits (for pension contributions and retiree health benefits) totaled \$3.305 billion, an increase of \$195 million, or 6.3%, as the Commonwealth increased its pension contribution by \$233 million, or 8.9%, from FY19.

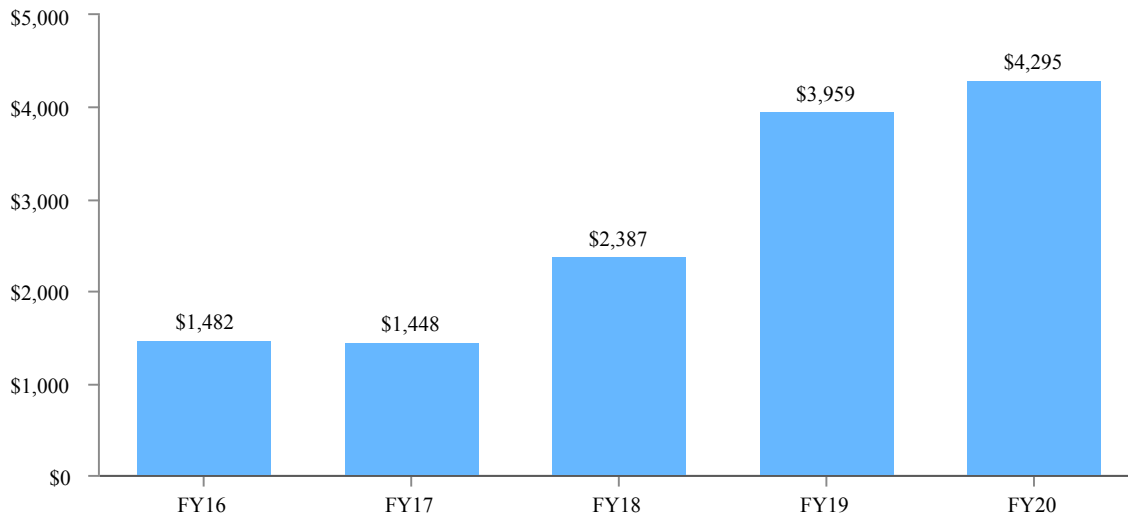
In conducting the budget process, the Commonwealth excludes from its forecast those “interfund” transactions within the budgeted funds that are included in this report; these transactions by their nature have no impact on the combined fund balance of the budgeted funds. The [Budgeted Funds - Operations](#) 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 FY20, transfers among the Budgeted Funds totaled \$1.013 billion, a decrease of \$980 million, or 49.2%, from FY19, primarily because the FY19 transfers to the Stabilization Fund from General Fund capital gains tax revenues and the FY19 end of year consolidated net surplus did not recur in FY20.

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)

	2020	2019
Beginning 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	3,959,197	2,386,670
Revenues and other financing sources:		
Taxes	27,612,766	27,768,601
Federal reimbursements	12,794,687	11,771,905
Departmental and other revenues, including tobacco settlement	4,920,247	4,831,749
Interfund transfers from non-budgeted funds and other financing sources	1,988,432	2,010,287
Budgeted revenues and other financing sources	47,316,132	46,382,542
Intragovernmental Service Fund revenues	441,353	418,649
Interfund transfers among budgeted funds and other financing sources	571,925	1,574,656
Total revenues and other financing sources	48,329,410	48,375,847
Expenditures and other financing uses:		
Programs and services	39,866,322	37,931,622
Debt service	2,410,163	2,327,110
Post employment benefits	3,304,975	3,110,197
Interfund transfers to non-budgeted funds and other financing uses	1,398,664	1,441,086
Budgeted expenditures and other financing uses	46,980,124	44,810,015
Intragovernmental Service Fund expenditures	441,353	418,649
Interfund transfers among budgeted funds and other financing uses	571,925	1,574,656
Total expenditures and other financing uses	47,993,402	46,803,320
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	336,008	1,572,527
Ending fund balances:		
Reserved and designated	776,645	521,274
Reserved for Stabilization Fund	3,501,181	3,424,376
Undesignated	17,379	13,547
Total	\$ 4,295,205	\$ 3,959,197

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, 2020, the ending balance is comprised mainly of the fund balance of the General Fund and the Stabilization Fund. Due to designations of fund balances, \$777 million of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY20. The remaining \$17 million is undesignated in the budgeted environmental funds that are not included in the consolidated net surplus calculation.

Lottery and Gaming

The coronavirus pandemic resulted in reduced FY20 Lottery revenues and profits. Gross Lottery revenues (including revenues from the Arts Lottery) declined from \$5.653 billion in FY19 to \$5.396 billion in FY20, a decrease of \$257 million, or 4.5%. 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 FY20 budget, totaled \$987 million, a decrease of \$117 million, or 10.6%, from FY19. Of that \$987 million in profits, and as mandated in the FY20 General Appropriation Act, approximately \$966 million was transferred to the General Fund to reimburse it for so-called Unrestricted General Government Aid (formerly Lottery Local Aid), \$18 million reimbursed the Massachusetts Cultural Council appropriation, and \$1 million reimbursed a compulsive gambling. As the FY20 General Appropriation Act allocated \$1.022 billion in Lottery profits to a portion of unrestricted local aid budget, there was a shortfall of \$55 million in Lottery Local Aid revenue that was funded by the General Fund.

FY20 was the fifth 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 of a full fiscal year of operations at the full service casinos in Springfield (which opened in August 2018) and Everett (which opened in June 2019). FY20 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 \$39 million, a decrease of approximately \$30 million, or 43.4% from FY19, with the decline resulting from the closure of Plainridge during the fourth quarter of FY20 as well as competition from the recently opened casinos, and an additional \$9 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

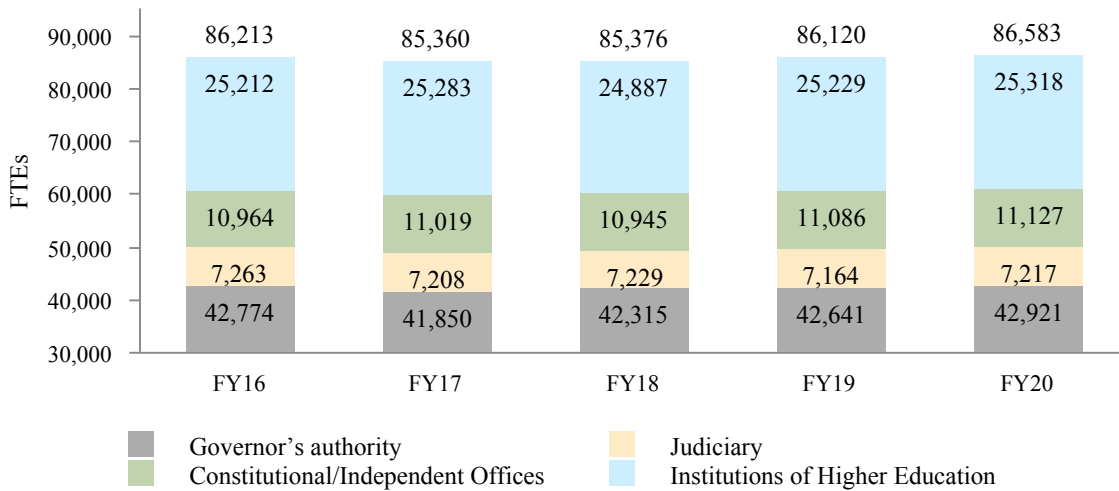
\$44 million, a decline of \$14 million, or 24.7%, from FY19, as competition from the newly opened casino in Everett and the closure the both casinos in the fourth quarter of FY20 cut into revenues. Taxes from the first fully fiscal year of gaming operations of the Everett casino (also equal to 25% of gross gaming revenues) totaled \$105 million during FY20, up from \$4 million in FY19, when casino was open for only one week.

Statute requires that all tax revenues from the Plainridge slots parlor and a portion of the tax revenues from the Springfield and Everett casinos are allocated to fund unrestricted local aid. The FY20 General Appropriation Act allocated \$107 million in gaming revenues to local aid, but taxes on gaming revenues deposited in the Gaming Local Aid Fund generated only \$69 million, with the remaining \$39 million funded by the Commonwealth’s other budgeted funds.

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, 2020, the number of Commonwealth employees increased by a net of 463 full-time equivalent employees (FTEs) from June 30, 2019, to a total of 86,583. The largest increases were in the Community Colleges (416), the Executive Office of Public Safety (194 FTEs) and the the University of Massachusetts (130 FTEs). These increases were offset by a decrease in the State Universities (457 FTEs).

**Full Time Equivalent Workforce
Including Higher Education
June 2016 – June 2020**



The Stabilization Fund

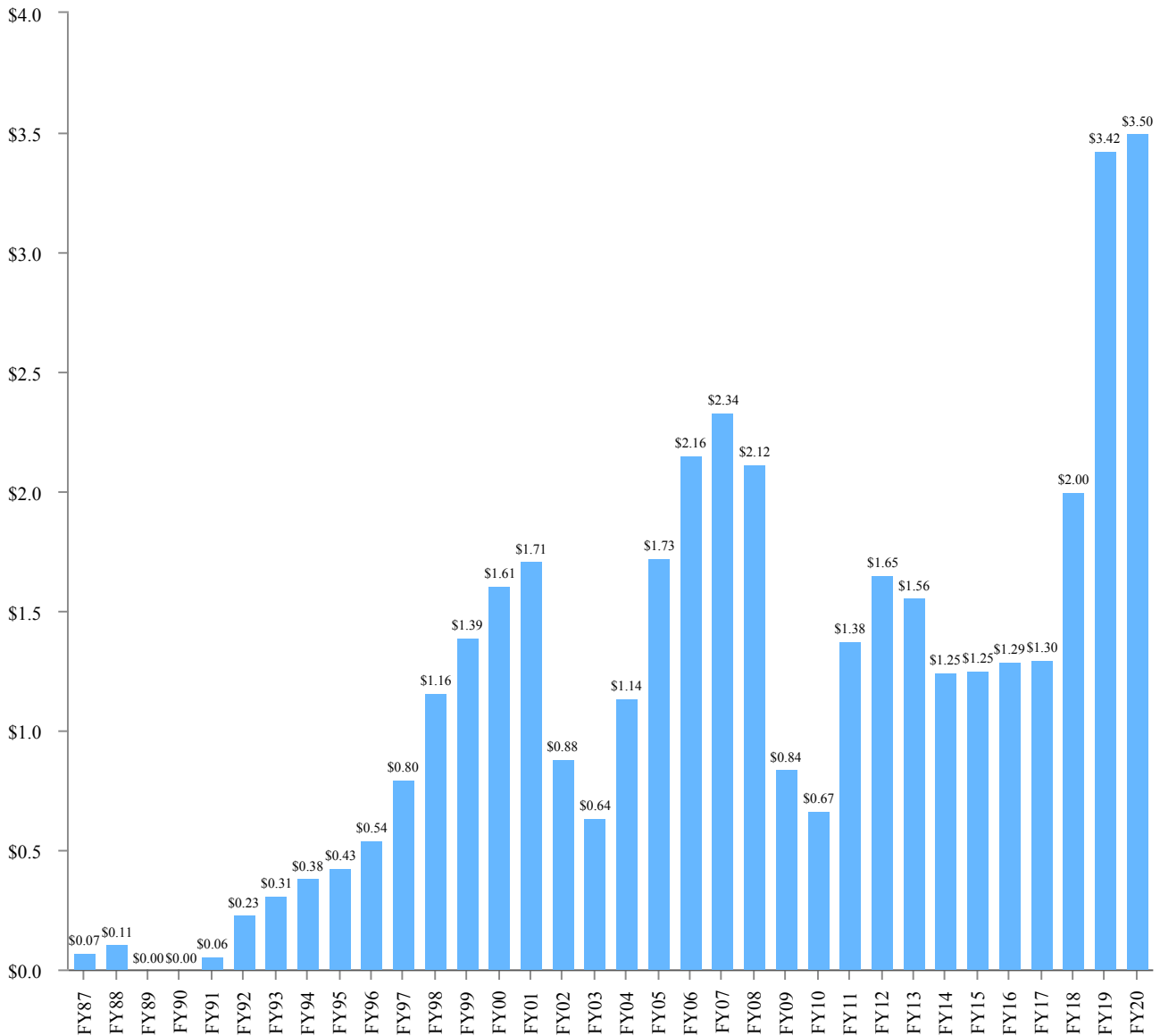
The Stabilization (or rainy day) Fund provides a reserve to be used in the event of an economic downturn or other fiscal emergency. The balance of the Stabilization Fund increased by \$77 million, to \$3.501 billion, between FY19 and FY20, with the main sources of growth being interest income and transfers of gaming tax revenues.

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 FY20 capital gains tax threshold, as determined by the Department of Revenue, was \$1.260 billion. In July 2020, the Department of Revenue certified that FY20 tax collections attributable to capital gains totaled \$1.659 billion which, per statute would have resulted in a \$399 million transfer of above-threshold capital gains tax revenue

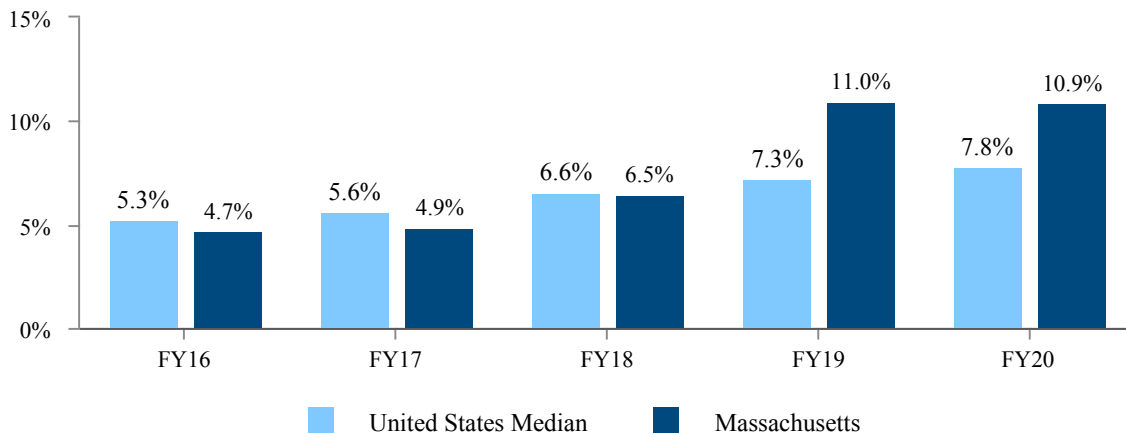
from the General Fund; however, in response to the coronavirus pandemic, the Legislature suspended that statutory requirement and no transfers of capital gains tax revenues to the Stabilization Fund, pension funds, and State Retiree Benefits Trust Fund were made in FY20. During the fiscal year, the Fund also earned \$62 million in investment income, approximately \$15 million from casino gaming tax revenue and a small amount of tax revenue. The Commonwealth made no withdrawals from the Stabilization in FY20. (Details of transfers to the Stabilization Fund are shown in the table on [page 133](#)).

The following two charts show the end of fiscal year Stabilization Fund balances since the inception of the fund in FY87, 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 2020 Fiscal Survey of the States](#), at the close of FY19 (the most recent year for which final rainy day fund balances were available for all states), the Commonwealth Stabilization Fund’s balance of \$3.424 billion, or of General Fund expenditures, was the fourth largest in the nation in absolute terms, and Massachusetts will have the third largest Stabilization Fund balance at the end of FY20. As a percentage of total General Fund expenditures (after subtracting 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 FY19 Stabilization Fund balance of 11.0% as a percentage of General Fund own-source expenditures was well above the national median of 7.3%. For FY20, the Commonwealth’s Stabilization Fund balance as a percentage of General Fund own source expenditures was 10.9%, well above the projected national median of 7.8% as reported in the NASBO survey.

With the \$77 million added to the Stabilization Fund balance in FY20, the Fund’s balance has risen to its highest level since the fund’s inception in FY87.

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 FY20, the Commonwealth maintained 123 non-budgeted funds, while another 31 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), Coronavirus Relief Fund (established in FY20, which accounts for revenue received from the federal government under the Coronavirus Aid, Relief, and Economic Security, or CARES, Act), 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.

Under the CARES Act, the Commonwealth received \$2.461 billion in revenue from the federal government, which was deposited in the Coronavirus Relief Fund, from which \$761 million was allocated to eligible COVID-19 related expenditures. (The Coronavirus Relief Fund financial statement is shown on page 126 of this report.) In addition to revenue and spending in the Coronavirus Relief Fund, approximately \$115 million in coronavirus-related expenses were incurred by programs in the Commonwealth’s non-budgetary Federal Grants Fund.

The table on the following page, Non-Budgeted Special Revenue Funds - Operations, summarizes the FY20 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.

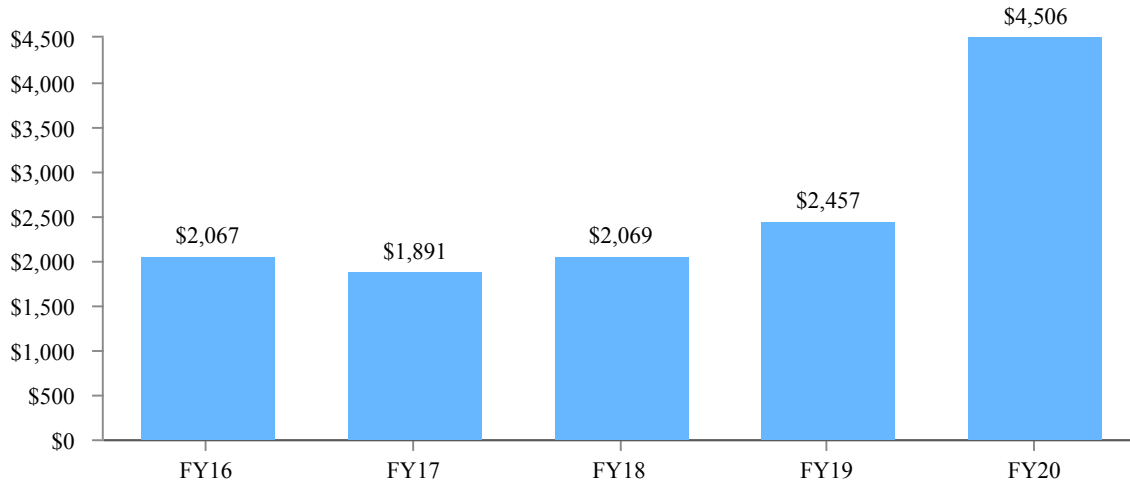
Non-Budgeted Special Revenue Funds - Operations
(Amounts in thousands)

	2020	2019
Beginning fund balance	\$ 2,457,474	\$ 2,078,845
Revenues and other financing sources:		
Taxes	2,543,261	2,430,998
Assessments	835,852	896,066
Federal grants and reimbursements	6,230,207	3,560,594
Departmental and miscellaneous	6,655,753	7,038,509
Transfers and other financing sources	2,336,553	1,879,734
Total revenues and other financing sources	18,601,626	15,805,901
Expenditures and other financing uses:		
Programs and services	13,254,161	12,467,743
Debt service	207,811	206,011
Transfers and other financing uses	3,090,662	2,753,518
Total expenditures and other financing uses	16,552,634	15,427,272
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	2,048,992	378,629
Ending fund balance	\$ 4,506,466	\$ 2,457,474

In FY20, \$76 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 \$35 million in interest payments for the GANs were funded by a General Fund appropriation.

The following chart, 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 96% of total non-budgeted fund FY20 year-end balances include:

- \$1.700 billion - Coronavirus Relief Fund;
- \$1.070 billion – Massachusetts Transportation Trust Fund;
- \$352 million – Central Artery/Tunnel Project Repair and Maintenance Trust Fund;
- \$313 million – Convention and Exhibition Center Fund;
- \$198 million – Enhanced 911 Fund;
- \$117 million – Substance Use Disorder Federal Reinvestment Trust Fund;
- \$102 million – MassHealth Delivery System Reform Trust Fund;
- \$91 million – Grant Anticipation Note Trust Fund;
- \$72 million – Commonwealth Care Trust Fund;
- \$72 million – Health Safety Net Trust Fund;
- \$50 million – Workforce Training Trust Fund;
- \$47 million – Regional Greenhouse Gas Initiative (RGGI) Auction Trust Fund;
- \$39 million – Community Preservation Trust Fund;
- \$25 million – Debt and Long-Term Liability Reduction Trust Fund;

- \$23 million – Community Mitigation Fund;
- \$17 million – Race Horse Development Trust Fund;
- \$12 million – Child Support Enforcement Fund;
- \$12 million – Department of Industrial Accidents Special Fund;
- \$12 million – Workforce Competitiveness Trust Fund;
- \$11 million – Housing Preservation and Stabilization Trust Fund; and
- \$10 million – Distressed Hospital Trust Fund.

In FY20, two non-budgeted special revenue funds had operating deficits in excess of \$10 million. These were the Commonwealth Care Trust Fund which had a deficit of \$73 million and the Health Safety Net Trust Fund with a deficit of \$33 million.

As noted in previous years, the Government Land Bank Fund has a continuing structural fund deficit. The FY20 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

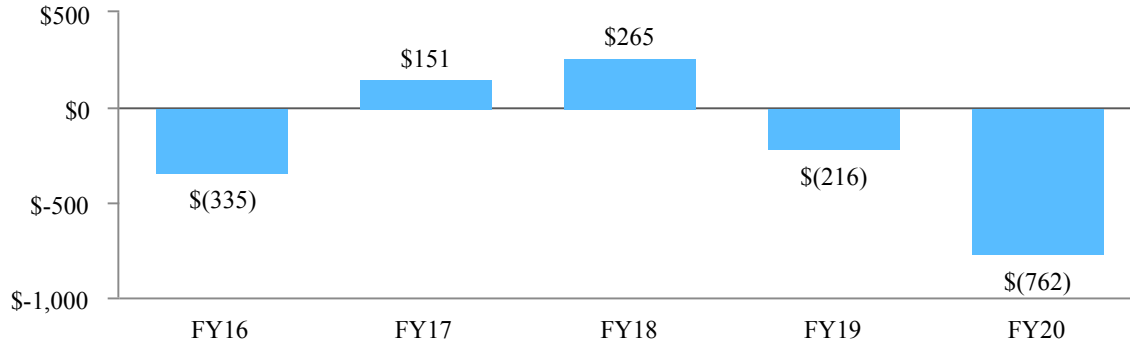
The purpose of the capital project funds is to account for the construction or acquisition of capital assets. The Governor may propose capital outlay budgets which, upon enactment by the Legislature and approval by the Governor, become capital outlay acts. Capital outlay acts financed through the sale 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 FY20 capital budget, the Commonwealth borrowed by issuing \$1.772 billion in new money long-term bonds; \$1.518 billion of which was general obligation debt and \$254 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. In addition, the Commonwealth issued \$1.225 billion in debt to refund already existing obligations, taking advantage of continued low interest rates in FY20. Finally, MassDOT issued approximately \$664 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 FY20, the capital projects funds had a \$762 million deficit balance (including \$574 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 July, 2020 when the Commonwealth issued \$775 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 FY20 capital projects funds, summarized and compared to FY19. Financial statements for each of the individual funds are included in the financial section of this report.

Capital Projects Funds - Operations
(Amounts in thousands)

	2020	2019
Beginning fund balance/(deficit).....	\$ (216,393)	\$ 265,260
Revenues and other financing sources:		
Federal grants and reimbursements.....	77,964	66,085
Departmental and miscellaneous.....	3,046	12,099
Proceeds of general and special obligation bonds.....	1,946,279	2,110,729
Proceeds of refunding bonds.....	1,264,622	955,907
Transfers and other financing sources.....	679,379	646,738
Total revenues and other financing sources.....	3,971,290	3,791,558
Expenditures and other financing uses:		
Acquisition and maintenance of capital assets.....	3,101,099	3,178,487
Payments to advance refunding escrow agent/principal on current refundings....	1,264,622	955,907
Transfers and other financing uses.....	151,274	138,817
Total expenditures and other financing uses.....	4,516,995	4,273,211
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(545,705)	(481,653)
Ending fund balance/(deficit).....	\$ (762,098)	\$ (216,393)

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 FY20, significant capital spending included:

- \$501 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;
- \$421 million for state owned facilities including higher education campuses, trial courts, and state health care facilities;
- \$213 million in Chapter 90 reimbursements to municipalities for local road and bridge projects. Of this, \$202 million was expended with capital funds, while \$11 million was paid for with operating funds previously appropriated;
- \$198 million for affordable housing development and public housing;
- \$107 million in spending for the Department of Conservation and Recreation, including improvements to roadways, parks, and for environmental spending;
- \$78 million for the MassWorks economic development initiative, which provides infrastructure grants to municipalities;
- \$36 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;
- \$23 million for the Workforce Skills capital grants to educational institutions;
- \$19 million for construction and planning grants from the Board of Library Commissioners to public library systems;
- \$10 million in bridge repair projects under the Commonwealth’s Accelerated Bridge Program; and
- \$5 million for aid to towns in western Massachusetts to extend high-speed broadband networks.

Some capital spending planned for FY20 was delayed as a result of the COVID-19 pandemic, and will be expended in FY21 rather than in FY20.

During FY20, the Commonwealth passed or agreed to terms for approximately \$33 million in bond authorizations. There were no deauthorizations of previously enacted bond bills in FY20.

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.

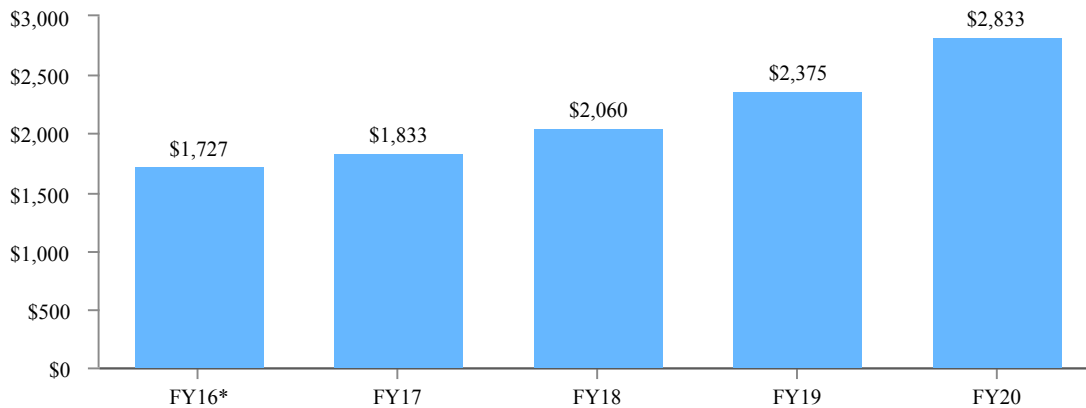
The following table, Non-Appropriated Funds of Higher Education – Operations, includes the FY20 activity in the higher education funds, summarized and compared to FY19. Financial statements for each of the individual funds are included in the statistical section of this report.

Non-Appropriated Funds of Higher Education - Operations
(Amounts in thousands)

	2020	2019
Beginning fund balance.....	\$ 2,374,986	\$ 2,060,261
Revenues and other financing sources:		
Federal grants and reimbursements.....	527,352	520,197
Departmental revenue.....	2,574,621	2,614,915
Miscellaneous revenue.....	1,793,494	1,735,344
Total revenues and other financing sources.....	4,895,467	4,870,456
Expenditures and other financing uses:		
Programs and services.....	4,437,160	4,555,731
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	458,307	314,725
Ending fund balance.....	\$ 2,833,293	\$ 2,374,986

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 \$1.510 billion fund balance for the University of Massachusetts, approximately \$804 million fund balance for the State University System and approximately \$520 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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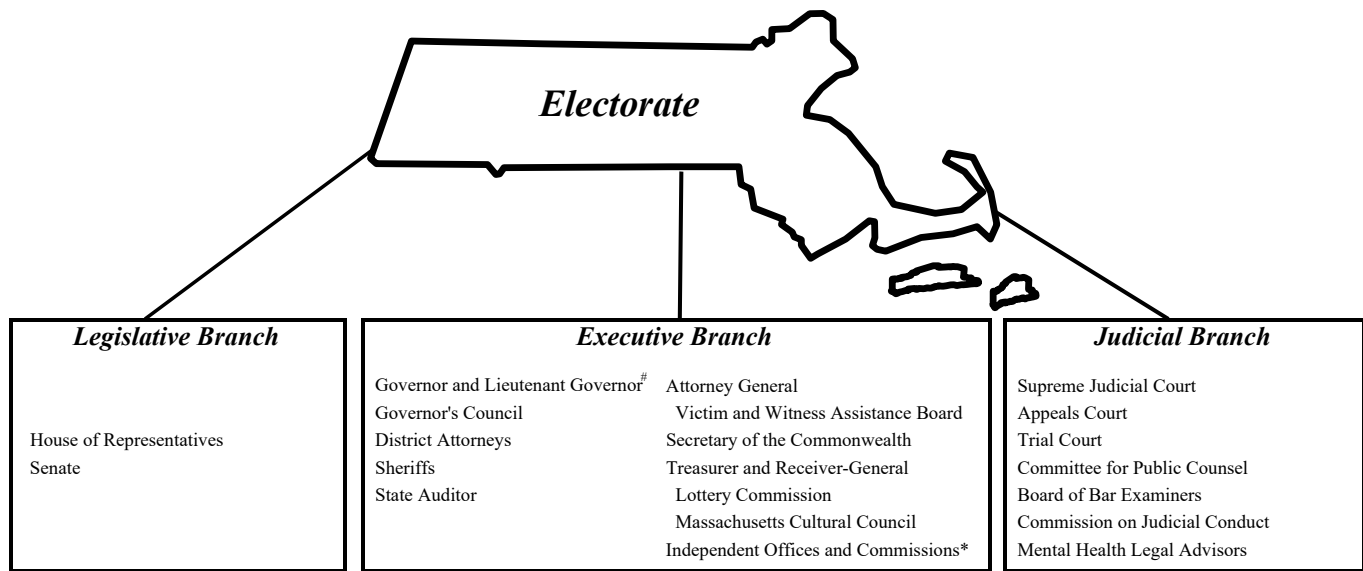
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Speaker of the House

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Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

Jonathan Williams
Court Administrator, Trial Court



Executive Branch Independent Offices and Commissions*

Board of Library Commissioners	Commission on the Status of Women	Office of the Inspector General
Campaign and Political Finance	Disabled Persons Protection Commission	State Ethics Commission
Cannabis Control Commission	Massachusetts Gaming Commission	State Retiree Benefits Trust Fund Board
Center for Health Information & Analysis	Office of the Child Advocate	University of Massachusetts System
Commission Against Discrimination	Office of the Comptroller	

Executive Departments Under Gubernatorial Authority #

<p><u>Administration and Finance</u></p> <ul style="list-style-type: none"> 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><u>Education</u></p> <ul style="list-style-type: none"> 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><u>Housing and Economic Development</u></p> <ul style="list-style-type: none"> 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><u>Energy and Environmental Affairs</u></p> <ul style="list-style-type: none"> 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><u>Technology and Security</u></p> <ul style="list-style-type: none"> Executive Office of Technology Services and Security <p><u>Transportation and Public Works</u></p> <ul style="list-style-type: none"> Massachusetts Department of Transportation (MassDOT) 	<p><u>Executive Office of Labor and Workforce Development</u></p> <p><u>Health and Human Services</u></p> <ul style="list-style-type: none"> 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><u>Public Safety</u></p> <ul style="list-style-type: none"> 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
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ADVISORY BOARD TO THE COMPTROLLER

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Secretary of Administration and Finance

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Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

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Chief Administrator, Trial Court

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Attorney General

Michael Esmond
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Massachusetts Convention Center Authority
Gubernatorial Appointee

Natalie Monroe
First Assistant Inspector General
Office of the Inspector General
Gubernatorial Appointee

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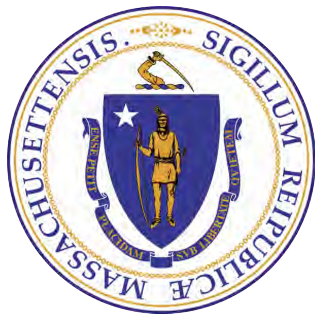


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Financial Section



Independent Accountants' Review Report
Combined Financial Statements - Statutory Basis
Notes to Combined Financial Statements - Statutory Basis
Combining and Individual Fund Financial Statements - Statutory Basis



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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Accountants' Review Report

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts:

We have reviewed the accompanying combined financial statements – statutory basis of the Commonwealth of Massachusetts as of June 30, 2020, 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 the Commonwealth of Massachusetts' 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 statutory 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.



Other Matter

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
December 18, 2020

THE BIG PICTURE: HISTORICAL CONTEXT
Budgeted Fund Revenues and Other Financing Sources vs. Expenditures
and Other Financing Uses
Last Ten Fiscal Years
(Amounts in \$ Billions)



Combined Financial Statements - Statutory Basis



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Budgeted Funds
 Combined Balance Sheet - Statutory Basis

As of June 30, 2020
 (Amounts in thousands)

	Totals (Memorandum only)	
	2020	2019
ASSETS		
Cash and short-term investments	\$ 3,299,351	\$ 4,666,602
Cash with fiscal agent	20,366	15,409
Investments	302,134	286,069
Receivables, net of allowance for uncollectibles:		
Taxes	2,333,872	—
Due from federal government	1,282,178	452,875
Other receivables	25,114	91,728
Due from cities and towns	10,936	25,421
Total assets	<u>\$ 7,273,951</u>	<u>5,538,104</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	\$ 1,548,450	\$ —
Accounts payable	1,291,124	1,451,104
Accrued payroll	139,172	127,803
Total liabilities	<u>2,978,746</u>	<u>1,578,907</u>
Fund balance:		
Combined fund balance:		
Reserved for:		
Continuing appropriations	756,279	505,865
Commonwealth Stabilization	3,501,181	3,424,376
Debt service	20,366	15,409
Unreserved:		
Undesignated	17,379	13,547
Total fund balance	<u>4,295,205</u>	<u>3,959,197</u>
Total liabilities and fund balance	<u>\$ 7,273,951</u>	<u>\$ 5,538,104</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, 2020

(Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	\$ 28,106,400	\$ 27,612,766	\$ (493,634)
Assessments	484,626	431,551	(53,075)
Federal grants and reimbursements	11,665,430	12,794,687	1,129,257
Tobacco settlement revenue	251,241	229,690	(21,551)
Departmental	3,946,076	4,314,582	368,506
Miscellaneous	479,675	385,777	(93,898)
Total revenues	44,933,448	45,769,053	835,605
Other financing sources:			
Fringe benefit cost recovery	468,841	573,874	105,033
Lottery reimbursements	121,075	110,928	(10,147)
Lottery distributions	1,022,477	967,263	(55,214)
Operating transfers in	609,964	587,966	(21,998)
Stabilization transfer	477,024	14,914	(462,110)
Other fund deficit support	—	305,412	305,412
Total other financing sources	2,699,381	2,560,357	(139,024)
Total revenues and other financing sources	47,632,829	48,329,410	696,581
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	113,462	70,381	43,081
Judiciary	1,044,151	1,018,791	25,360
Inspector General	5,856	5,762	94
Governor and Lieutenant Governor	8,523	7,330	1,193
Secretary of the Commonwealth	53,286	50,064	3,222
Treasurer and Receiver-General	252,018	237,778	14,240
Auditor of the Commonwealth	20,333	19,472	861
Attorney General	56,242	53,912	2,330
Ethics Commission	2,397	2,360	37
District Attorney	141,783	140,682	1,101
Office of Campaign & Political Finance	1,817	1,723	94
Sheriffs' Departments	681,837	624,848	56,989
Disabled Persons Protection Commission	4,892	4,878	14
Board of Library Commissioners	30,493	30,382	111
Comptroller	16,018	14,498	1,520
Administration and Finance	3,318,721	2,371,897	946,824
Energy and Environmental Affairs	318,643	285,984	32,659
Health and Human Services	6,990,412	6,740,778	249,634
Executive Office of Technology Services and Security	161,948	135,085	26,863
Massachusetts Department of Transportation	127,900	127,900	—
Office of the Child Advocate	1,899	1,521	378
Cannabis Control Commission	13,866	12,597	1,269
Executive Office of Education	2,765,142	2,694,126	71,016
Center for Health Information and Analysis	20,070	19,930	140
Public Safety and Security	1,779,671	1,532,519	247,152
Housing and Economic Development	687,137	636,770	50,367
Labor and Workforce Development	89,402	66,762	22,640
Direct local aid	6,377,451	6,376,321	1,130
Medicaid program expenses	17,022,818	17,022,624	194
Post employment benefits	3,304,950	3,304,975	(25)
Debt service:			
Principal retirement	1,343,208	1,280,987	62,221
Interest and fiscal charges	1,166,640	1,129,176	37,464
Total expenditures	47,922,986	46,022,813	1,900,173
Other financing uses:			
Fringe benefit cost assessment	—	15,591	(15,591)
Operating transfers out	1,130,327	1,143,801	(13,474)
Stabilization transfer	451,500	—	451,500
Medical assistance transfer	505,785	505,785	—
Other fund deficit support	—	305,412	(305,412)
Total other financing uses	2,087,612	1,970,589	117,023
Total expenditures and other financing uses	50,010,598	47,993,402	2,017,196
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (2,377,769)	336,008	\$ 2,713,777
Fund balance/(deficit) at beginning of year		3,959,197	
Fund balance/(deficit) at end of year		\$ 4,295,205	

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, 2020

(Amounts in thousands)

	Non-Budgeted Special Revenue	Capital Projects	Totals (Memorandum only)	
			2020	2019
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 2,543,261	\$ —	\$ 2,543,261	\$ 2,430,998
Assessments	835,852	—	835,852	896,066
Federal grants and reimbursements	6,230,207	77,964	6,308,171	3,626,679
Departmental	6,568,054	1,385	6,569,439	6,975,837
Miscellaneous	87,699	1,661	89,360	74,771
Total revenues	16,265,073	81,010	16,346,083	14,004,351
Other financing sources:				
Issuance of general obligation bonds	—	1,518,386	1,518,386	1,808,136
Bond premiums/(discounts) on general obligation bonds	—	120,356	120,356	302,593
Issuance of special obligation bonds	—	253,500	253,500	—
Bond premiums/(discounts) on special obligation bonds	—	54,037	54,037	—
Issuance of current refunding bonds	664,155	366,675	1,030,830	1,256,026
Bond premiums/(discounts) on current refunding bonds	144,943	42,216	187,159	187,003
Issuance of advance refunding bonds	—	858,435	858,435	—
Bond premiums/(discounts) on advance refunding bonds	—	(2,704)	(2,704)	—
Operating transfers in	1,021,670	560,293	1,581,963	1,566,543
Medical assistance transfer	505,785	—	505,785	363,078
State share of federal highway construction	—	119,086	119,086	109,729
Total other financing sources	2,336,553	3,890,280	6,226,833	5,593,108
Total revenues and other financing sources	18,601,626	3,971,290	22,572,916	19,597,459
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	2,881	15,039	17,920	13,998
Inspector General	276	—	276	223
Governor and Lieutenant Governor	168	—	168	83
Secretary of the Commonwealth	5,206	1,025	6,231	5,929
Treasurer and Receiver-General	6,479,902	22,807	6,502,709	6,605,059
Attorney General	48,401	87	48,488	47,564
District Attorney	3,690	—	3,690	3,047
Office of Campaign & Political Finance	—	—	—	1,088
Sheriffs' Departments	91,914	6,390	98,304	15,784
Disabled Persons Protection Commission	922	—	922	762
Board of Library Commissioners	2,555	19,400	21,955	22,747
Massachusetts Gaming Commission	43,879	—	43,879	50,371
Comptroller	1,947	2,450	4,397	1,582
Administration and Finance	672,174	315,803	987,977	841,229
Energy and Environmental Affairs	104,258	195,207	299,465	341,320
Health and Human Services	2,469,121	86,459	2,555,580	2,407,985
Executive Office of Technology Services and Security	6,363	35,544	41,907	54,002
Massachusetts Department of Transportation	1,032,768	1,903,655	2,936,423	2,727,909
Office of the Child Advocate	59	—	59	—
Executive Office of Education	1,031,341	106,969	1,138,310	1,108,087
Center for Health Information and Analysis	—	4,595	4,595	2,876
Public Safety and Security	527,188	50,704	577,892	235,708
Housing and Economic Development	573,026	334,031	907,057	1,001,664
Labor and Workforce Development	156,122	934	157,056	157,213
Debt service:				
Principal retirement	102,682	—	102,682	90,815
Interest and fiscal charges	105,129	—	105,129	115,196
Total expenditures	13,461,972	3,101,099	16,563,071	15,852,241
Other financing uses:				
Payments to advance refunding bonds escrow	—	855,731	855,731	—
Principal on current refundings	809,098	408,891	1,217,989	1,443,029
Fringe benefit cost assessment	290,162	31,304	321,466	219,843
Lottery operating reimbursements	110,928	—	110,928	107,289
Lottery distributions	967,263	—	967,263	1,088,049
Operating transfers out	898,297	884	899,181	870,522
Stabilization transfer	14,914	—	14,914	9,781
State share of federal highway construction	—	119,086	119,086	109,729
Total other financing uses	3,090,662	1,415,896	4,506,558	3,848,242
Total expenditures and other financing uses	16,552,634	4,516,995	21,069,629	19,700,483
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	2,048,992	(545,705)	1,503,287	(103,024)
Fund balance/(deficit) at beginning of year	2,457,474	(216,393)	2,241,081	2,344,105
Fund balance/(deficit) at end of year	\$ 4,506,466	\$ (762,098)	\$ 3,744,368	\$ 2,241,081

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 (MGL) 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 Marijuana Regulation Fund and the Behavioral Health Outreach Access and Support Trust 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 the 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. For FY20, the statutory accounts receivable definition was modified by the Massachusetts Legislature in response to the Coronavirus pandemic and the Department of Revenue's granting of payment extensions to individual income taxpayers from April 15, 2020 to July 15, 2020, which resulted in the deferral of more than \$2.3 billion in net tax revenue (payments minus refunds) from the April through June 2020 period to July and August 2020. The Legislature required that the Comptroller record these income tax payments as statutory receivables (i.e., FY20 revenue) for purpose of calculating the FY20 consolidated net surplus. In addition, the Legislature modified the statutory receivable definition to include an estimate of the reimbursements to be received from the Federal Emergency Management Agency (FEMA) after June 30, 2020 for coronavirus-related expenses incurred during FY20; those estimated reimbursements totaled \$350 million and are recorded in the financial statements.

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 MGL, 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.

During FY20, the Commonwealth reported approximately \$1.5 billion in the budgeted funds as a deficiency in cash and short-term investments. This was primarily due to a change in the filing deadline for the state personal income tax payments with returns and estimated payments from April 15, 2020 to July 15, 2020 that was implemented by the Department of Revenue in response to the COVID-19 pandemic, aligning the Commonwealth's deadline with the delayed deadline implemented by the Internal Revenue Service for federal income taxes. Because this payment delay resulted in a shift in cash payments from the fourth quarter of FY20 (April through June 2020) to July and August 2020, the Legislature enacted a provision that required the Commonwealth to record an FY20 statutory receivable (accrued revenue) for the delayed income tax as of June 30, 2020 in these financial statements. As a result, the general fund reported a deficit cash balance in FY20 and a statutory receivable of approximately \$2.33 billion attributable to personal income taxes received in July and August 2020. For financial reporting purposes, any negative cash balance is reclassified to a liability on the balance sheet.

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. MGL 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. In FY20, the Commonwealth issued approximately \$54 million in GANs for new money needs under the Commonwealth Accelerated Bridge Program. As of June 30, 2020, total principal remaining to be paid was approximately \$662 million. Maturities are from FY21 through FY27. Debt service paid during FY20 was approximately \$112 million.

In FY20, the Commonwealth issued approximately \$15 million in new money special obligation bonds under the Accelerated Bridge Program (ABP) and \$185 million in new money special obligation bonds under the Rail Enhancement Program (REP). These bonds mature from FY21 to FY49 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, 2020, approximately \$1.663 billion and \$1.261 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$1.071 billion and \$1.178 billion 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 FY20. As of June 30, 2020, bonds secured by these pledged funds totaled approximately \$55 million of principal. These bonds mature from FY21 to FY22 and were issued in multiple series. Principal and interest paid during FY20 amounted to approximately \$26 million and \$4 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 FY20, total dedicated sales tax revenue that was directed to the MBTA was approximately \$1.077 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 FY20, approximately \$917 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, 2020, taxes within the Convention Center districts support approximately \$504 million of outstanding principal and approximately \$232 million of interest on debts related to these Convention Centers. Taxes collected in FY20 were approximately \$146 million, while debt service on the bonds was approximately \$52 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 FY20, approximately \$515 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 \$90 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 \$5 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 MGL, 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 \$574 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 MGL 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 MGL.

“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, 2019, 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.

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, MGL authorizes 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 FY20 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2019:		
Direct appropriations	\$ 44,339,800	\$ 42,894,259
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2019	—	1,811,582
Total original budget	<u>44,339,800</u>	<u>44,705,841</u>
Supplemental Acts of 2019:		
Chapter 142	—	24,525
Supplemental Acts of 2020:		
Chapter 31	—	122,994
Chapter 39	—	15,000
Chapter 124	—	1,140,793
Chapter 201	—	423,143
Total budgeted revenues and expenditures per Legislative action	<u>—</u>	<u>1,726,455</u>
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,293,029	3,578,302
Budgeted revenues and expenditures as reported	<u>\$ 47,632,829</u>	<u>\$ 50,010,598</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	\$ 48,329,410	\$ 47,993,402
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(441,353)	(441,353)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(15,591)	(15,591)
Transfer of surplus revenues from the Intragovernmental Service Fund to the General Fund	(13,268)	(13,268)
RMV license plates	(3,316)	(3,316)
Transfers from General Fund to the Commonwealth Transportation Fund	(210,000)	(210,000)
Other fund deficit support	(305,412)	(305,412)
Other	(24,338)	(24,338)
Adjusted actuals pertaining to the budgeted funds	<u>\$ 47,316,132</u>	<u>\$ 46,980,124</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

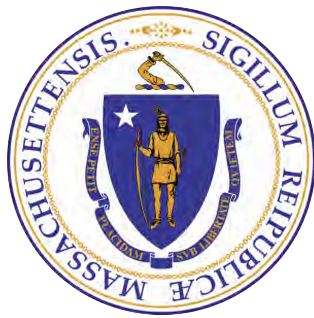
The following non-budgeted special revenue and capital projects funds are included in the combined totals and have individual fund deficits at June 30, 2020, as follows (amounts in thousands) (excludes MassDOT):

Non-budgeted special revenue:	
Other:	
Government Land Bank Fund.....	\$ (35,033)
Capital projects:	
General Capital Projects Fund.....	(173,343)
Highway Capital Projects Fund.....	(668,263)
Total Capital Projects Funds.....	(841,606)
Total.....	<u>\$ (876,639)</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 MGL.

6. MEDICAID COSTS

Approximately 42.7% 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, 2020, the General Fund includes approximately \$17.023 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis includes Medicaid claims processed but unpaid at June 30, 2020 of approximately \$55 million as accounts payable.



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Combining and Individual Fund Financial Statements - Statutory Basis



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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. Annually, the fund is to receive the first \$30 million in underground

petroleum storage fees. 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.

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.

Behavioral Outreach, Access and Support Trust Fund - to account for appropriations, grants, gifts or other contributions, investment income, and certain Federal Financial Participation (FFP) revenues. Funds shall be used to increase access to behavioral health professionals, ensure equal access to behavioral health services, ensure a complete continuum of behavioral health services and promote awareness and encourage the use of available behavioral health services. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

The following funds have been enacted in legislation but had no activity in FY20 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.

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.

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.

Manufacturing Fund - to account for a portion of gaming facility license fees.

Community College Fund - to account for a portion of gaming 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, 2020
(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control Intragovernmental Service
ASSETS				
Cash and short-term investments.....	\$ —	\$ 849	\$ 3,199,047	\$ 54,025
Cash with fiscal agent.....	—	20,366	—	—
Investments.....	—	—	302,134	—
Receivables, net of allowance for uncollectibles:				
Taxes.....	2,333,872	—	—	—
Due from federal government.....	1,282,178	—	—	—
Other receivables.....	25,114	—	—	—
Due from cities and towns.....	10,936	—	—	—
Total assets.....	<u>\$ 3,652,100</u>	<u>\$ 21,215</u>	<u>\$ 3,501,181</u>	<u>\$ 54,025</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments.....	\$ 1,548,450	\$ —	\$ —	\$ —
Accounts payable.....	1,248,345	849	—	39,027
Accrued payroll.....	134,513	—	—	4,094
Total liabilities.....	<u>2,931,308</u>	<u>849</u>	<u>—</u>	<u>43,121</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations.....	720,792	—	—	10,904
Commonwealth Stabilization.....	—	—	3,501,181	—
Debt service.....	—	20,366	—	—
Unreserved:				
Undesignated.....	—	—	—	—
Total fund balance/(deficit).....	<u>720,792</u>	<u>20,366</u>	<u>3,501,181</u>	<u>10,904</u>
Total liabilities and fund balance.....	<u>\$ 3,652,100</u>	<u>\$ 21,215</u>	<u>\$ 3,501,181</u>	<u>\$ 54,025</u>

See accountants' review report

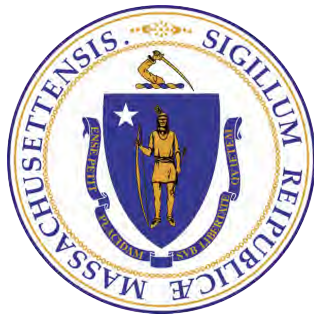
Environmental			Budgeted Other					
Inland Fisheries and Game	Marine Recreational Fisheries Development	Underground Storage Tank Petroleum Product Cleanup	Public Safety Training	Local Capital Projects	Gaming Local Aid	Education	Local Aid Stabilization	Gaming Economic Development
\$ 11,635	\$ 3,663	\$ 11,861	\$ 414	\$ 2,699	\$ —	\$ —	\$ 50	\$ 9,867
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 11,635</u>	<u>\$ 3,663</u>	<u>\$ 11,861</u>	<u>\$ 414</u>	<u>\$ 2,699</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 9,867</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
298	146	526	—	—	—	—	—	1,083
310	30	35	—	—	—	—	—	—
<u>608</u>	<u>176</u>	<u>561</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,083</u>
—	100	11,300	—	2,699	—	—	—	8,784
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
11,027	3,387	—	414	—	—	—	50	—
11,027	3,487	11,300	414	2,699	—	—	50	8,784
<u>\$ 11,635</u>	<u>\$ 3,663</u>	<u>\$ 11,861</u>	<u>\$ 414</u>	<u>\$ 2,699</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>	<u>\$ 9,867</u>

continued

Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2020
(Amounts in thousands)

	Budgeted Other		Totals (Memorandum only)	
	Marijuana Regulation	Behavioral Health Outreach, Access and Support Trust	2020	2019
ASSETS				
Cash and short-term investments.....	\$ 2,741	2,500	\$ 3,299,351	\$ 4,666,602
Cash with fiscal agent.....	—	—	20,366	15,409
Investments.....	—	—	302,134	286,069
Receivables, net of allowance for uncollectibles:				
Taxes.....	—	—	2,333,872	—
Due from federal government.....	—	—	1,282,178	452,875
Other receivables.....	—	—	25,114	91,728
Due from cities and towns.....	—	—	10,936	25,421
Total assets.....	\$ 2,741	2,500	\$ 7,273,951	\$ 5,538,104
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments.....	\$ —	—	\$ 1,548,450	\$ —
Accounts payable.....	850	—	1,291,124	1,451,104
Accrued payroll.....	191	—	139,172	127,803
Total liabilities.....	1,041	—	2,978,746	1,578,907
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations.....	1,700	—	756,279	505,865
Commonwealth Stabilization.....	—	—	3,501,181	3,424,376
Debt service.....	—	—	20,366	15,409
Unreserved:				
Undesignated.....	—	2,500	17,379	13,547
Total fund balance/(deficit).....	1,700	2,500	4,295,205	3,959,197
Total liabilities and fund balance.....	\$ 2,741	2,500	\$ 7,273,951	\$ 5,538,104

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, 2020
 (Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control
				Intragovernmental Service
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 26,310,628	\$ 1,249,176	\$ 362	\$ —
Assessments	408,928	22,623	—	—
Federal grants and reimbursements	12,785,622	—	—	—
Tobacco settlement revenue	229,690	—	—	—
Departmental	3,203,982	598,017	—	454,157
Miscellaneous	323,326	852	61,529	—
Total revenues	43,262,176	1,870,668	61,891	454,157
Other financing sources:				
Fringe benefit cost recovery	573,874	—	—	—
Lottery reimbursements	110,928	—	—	—
Lottery distributions	967,263	—	—	—
Operating transfers in	216,386	258,543	—	—
Stabilization transfer	—	—	14,914	—
Other fund deficit support	207,606	—	—	—
Total other financing sources	2,076,057	258,543	14,914	—
Total revenues and other financing sources	45,338,233	2,129,211	76,805	454,157
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	70,381	—	—	—
Judiciary	1,018,791	—	—	—
Inspector General	5,762	—	—	—
Governor and Lieutenant Governor	7,213	—	—	117
Secretary of the Commonwealth	50,064	—	—	—
Treasurer and Receiver-General	237,778	—	—	—
Auditor of the Commonwealth	19,472	—	—	—
Attorney General	53,912	—	—	—
Ethics Commission	2,360	—	—	—
District Attorney	140,682	—	—	—
Office of Campaign & Political Finance	1,723	—	—	—
Sheriffs' Departments	624,547	—	—	—
Disabled Persons Protection Commission	4,878	—	—	—
Board of Library Commissioners	30,382	—	—	—
Comptroller	9,414	—	—	5,084
Administration and Finance	2,217,801	—	—	141,498
Energy and Environmental Affairs	265,648	—	—	3,066
Health and Human Services	6,539,351	—	—	115,860
Executive Office of Technology Services and Security	40,057	—	—	95,022
Massachusetts Department of Transportation	900	127,000	—	—
Office of the Child Advocate	1,521	—	—	—
Cannabis Control Commission	—	—	—	—
Executive Office of Education	2,672,996	—	—	90
Center for Health Information and Analysis	19,930	—	—	—
Public Safety and Homeland Security	1,477,754	—	—	53,923
Housing and Economic Development	625,123	—	—	1,737
Labor and Workforce Development	60,960	—	—	—
Direct local aid	6,249,547	—	—	—
Medicaid program expenses	17,022,624	—	—	—
Post employment benefits	3,295,357	9,618	—	—
Debt service:				
Principal retirement	704,392	552,038	—	24,557
Interest and fiscal charges	586,580	542,596	—	—
Total expenditures	44,057,900	1,231,252	—	440,954
Other financing uses:				
Fringe benefit cost assessment	5,676	—	—	—
Operating transfers out	482,327	619,590	—	13,268
State Retiree Benefits transfer	—	—	—	—
State Pension transfer	—	—	—	—
Stabilization transfer	—	—	—	—
Medical assistance transfer	505,785	—	—	—
Other fund deficit support	—	305,412	—	—
Total other financing uses	993,788	925,002	—	13,268
Total expenditures and other financing uses	45,051,688	2,156,254	—	454,222
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	286,545	(27,043)	76,805	(65)
Fund balance/(deficit) at beginning of year	434,247	47,409	3,424,376	10,969
Fund balance/(deficit) at end of year	\$ 720,792	\$ 20,366	\$ 3,501,181	\$ 10,904

See accountants' review report

Budgeted Funds
 Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
 Fiscal Year Ended June 30, 2020
 (Amounts in thousands)

	Budgeted Other		Totals (Memorandum only)	
	Marijuana Regulation	Behavioral Health Outreach, Access and Support Trust	2020	2019
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 51,685	\$ —	\$ 27,612,766	\$ 27,768,601
Assessments	—	—	431,551	431,793
Federal grants and reimbursements	—	—	12,794,687	11,771,905
Tobacco settlement revenue	—	—	229,690	236,632
Departmental	17,058	—	4,314,582	4,149,461
Miscellaneous	—	—	385,777	432,510
Total revenues	68,743	—	45,769,053	44,790,902
Other financing sources:				
Fringe benefit cost recovery	—	—	573,874	451,149
Lottery reimbursements	—	—	110,928	107,289
Lottery distributions	—	—	967,263	1,088,049
Operating transfers in	3	2,500	587,966	483,883
Stabilization transfer	—	—	14,914	1,454,575
Other fund deficit support	—	—	305,412	—
Total other financing sources	33,356	2,500	2,560,357	3,584,945
Total revenues and other financing sources	102,099	2,500	48,329,410	48,375,847
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	—	—	70,381	67,643
Judiciary	—	—	1,018,791	982,509
Inspector General	—	—	5,762	5,083
Governor and Lieutenant Governor	—	—	7,330	6,851
Secretary of the Commonwealth	—	—	50,064	50,778
Treasurer and Receiver-General	—	—	237,778	244,182
Auditor of the Commonwealth	—	—	19,472	18,382
Attorney General	—	—	53,912	51,562
Ethics Commission	—	—	2,360	2,199
District Attorney	—	—	140,682	129,040
Office of Campaign & Political Finance	—	—	1,723	1,618
Sheriffs' Departments	297	—	624,848	658,005
Disabled Persons Protection Commission	—	—	4,878	4,249
Board of Library Commissioners	—	—	30,382	27,179
Comptroller	—	—	14,498	14,066
Administration and Finance	—	—	2,371,897	2,283,218
Energy and Environmental Affairs	455	—	285,984	256,867
Health and Human Services	85,567	—	6,740,778	6,325,148
Executive Office of Technology Services and Security	—	—	135,085	112,947
Massachusetts Department of Transportation	—	—	127,900	127,000
Office of the Child Advocate	—	—	1,521	772
Cannabis Control Commission	12,597	—	12,597	9,883
Executive Office of Education	—	—	2,694,126	2,496,063
Center for Health Information and Analysis	—	—	19,930	20,086
Public Safety and Homeland Security	394	—	1,532,519	1,226,217
Housing and Economic Development	119	—	636,770	583,431
Labor and Workforce Development	—	—	66,762	50,206
Direct local aid	—	—	6,376,321	6,074,697
Medicaid program expenses	—	—	17,022,624	16,520,543
Post employment benefits	—	—	3,304,975	3,110,197
Debt service:				
Principal retirement	—	—	1,280,987	1,204,506
Interest and fiscal charges	—	—	1,129,176	1,122,604
Total expenditures	99,429	—	46,022,813	43,787,731
Other financing uses:				
Fringe benefit cost assessment	2,095	—	15,591	6,008
Operating transfers out	—	—	1,143,801	1,120,542
State Retiree Benefits transfer	—	—	—	42,420
State Pension transfer	—	—	—	42,420
Stabilization transfer	—	—	—	1,441,121
Medical assistance transfer	—	—	505,785	363,078
Other fund deficit support	—	—	305,412	—
Total other financing uses	2,095	—	1,970,589	3,015,589
Total expenditures and other financing uses	101,524	—	47,993,402	46,803,320
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	575	2,500	336,008	1,572,527
Fund balance/(deficit) at beginning of year	1,125	—	3,959,197	2,386,670
Fund balance/(deficit) at end of year	\$ 1,700	\$ 2,500	\$ 4,295,205	\$ 3,959,197

See accountants' review report



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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, 2020
 (Amounts in thousands)

	General			Commonwealth Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ 26,568,800	\$ 26,310,628	\$ (258,172)	\$ 1,452,500	\$ 1,249,176	\$ (203,324)
Assessments	461,659	408,928	(52,731)	22,967	22,623	(344)
Federal grants and reimbursements	11,657,530	12,785,622	1,128,092	—	—	—
Tobacco settlement revenue	251,241	229,690	(21,551)	—	—	—
Departmental	3,222,141	3,203,982	(18,159)	669,544	598,017	(71,527)
Miscellaneous	435,442	323,326	(112,116)	—	852	852
Total revenues	42,596,813	43,262,176	665,363	2,145,011	1,870,668	(274,343)
Other financing sources:						
Fringe benefit cost recovery	468,841	573,874	105,033	—	—	—
Lottery reimbursements	121,075	110,928	(10,147)	—	—	—
Lottery distributions	1,022,477	967,263	(55,214)	—	—	—
Operating transfers in	196,749	216,386	19,637	245,558	258,543	12,985
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	207,606	207,606	—	—	—
Total other financing sources	1,809,142	2,076,057	266,915	245,558	258,543	12,985
Total revenues and other financing sources	44,405,955	45,338,233	932,278	2,390,569	2,129,211	(261,358)
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	113,462	70,381	43,081	—	—	—
Judiciary	1,044,151	1,018,791	25,360	—	—	—
Inspector General	5,856	5,762	94	—	—	—
Governor and Lieutenant Governor	8,406	7,213	1,193	—	—	—
Secretary of the Commonwealth	53,270	50,064	3,206	—	—	—
Treasurer and Receiver-General	252,018	237,778	14,240	—	—	—
Auditor of the Commonwealth	20,333	19,472	861	—	—	—
Attorney General	56,234	53,912	2,322	—	—	—
Ethics Commission	2,397	2,360	37	—	—	—
District Attorney	141,783	140,682	1,101	—	—	—
Office of Campaign & Political Finance	1,817	1,723	94	—	—	—
Sheriffs' Departments	681,521	624,547	56,974	—	—	—
Disabled Persons Protection Commission	4,892	4,878	14	—	—	—
Board of Library Commissioners	30,493	30,382	111	—	—	—
Comptroller	9,485	9,414	71	—	—	—
Administration and Finance	3,039,570	2,217,801	821,769	—	—	—
Energy and Environmental Affairs	293,182	265,648	27,534	—	—	—
Health and Human Services	6,762,947	6,539,351	223,596	—	—	—
Executive Office of Technology Services and Security	41,011	40,057	954	—	—	—
Massachusetts Department of Transportation	900	900	—	127,000	127,000	—
Office of the Child Advocate	1,899	1,521	378	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	2,739,938	2,672,996	66,942	—	—	—
Center for Health Information and Analysis	20,070	19,930	140	—	—	—
Public Safety and Security	1,701,104	1,477,754	223,350	—	—	—
Housing and Economic Development	664,930	625,123	39,807	—	—	—
Labor and Workforce Development	76,715	60,960	15,755	—	—	—
Direct local aid	6,250,677	6,249,547	1,130	—	—	—
Medicaid program expenses	17,022,818	17,022,624	194	—	—	—
Post employment benefits	3,295,332	3,295,357	(25)	9,618	9,618	—
Debt service:						
Principal retirement	733,421	704,392	29,029	583,594	552,038	31,556
Interest and fiscal charges	610,754	586,580	24,174	555,886	542,596	13,290
Total expenditures	45,681,386	44,057,900	1,623,486	1,276,098	1,231,252	44,846
Other financing uses:						
Fringe benefit cost assessment	—	5,676	(5,676)	—	—	—
Operating transfers out	485,436	482,327	3,109	616,274	619,590	(3,316)
Stabilization transfer	451,500	—	451,500	—	—	—
Medical assistance transfer	505,785	505,785	—	—	—	—
Other fund deficit support	—	—	—	—	305,412	(305,412)
Total other financing uses	1,442,721	993,788	448,933	616,274	925,002	(308,728)
Total expenditures and other financing uses	47,124,107	45,051,688	2,072,419	1,892,372	2,156,254	(263,882)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (2,718,152)	286,545	\$ 3,004,697	\$ 498,197	(27,043)	\$ (525,240)
Fund balance/(deficit) at beginning of year		434,247			47,409	
Fund balance/(deficit) at end of year		\$ 720,792			\$ 20,366	

See accountants' review report

Commonwealth Stabilization			Administrative Control			Environmental		
			Intragovernmental Services			Inland Fisheries and Game		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 300	\$ 362	\$ 62	\$ —	\$ —	\$ —	\$ 1,000	\$ 916	\$ (84)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	7,900	9,065	1,165
—	—	—	—	—	—	—	—	—
—	—	—	—	454,157	454,157	7,082	8,508	1,426
44,173	61,529	17,356	—	—	—	60	68	8
44,473	61,891	17,418	—	454,157	454,157	16,042	18,557	2,515
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	190	218	28
477,024	14,914	(462,110)	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
477,024	14,914	(462,110)	—	—	—	190	218	28
521,497	76,805	(444,692)	—	454,157	454,157	16,232	18,775	2,543
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	117	117	—	—	—	—
—	—	—	16	—	16	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	8	—	8
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	6,533	5,084	1,449	—	—	—
—	—	—	253,410	141,498	111,912	—	—	—
—	—	—	3,150	3,066	84	18,003	14,655	3,348
—	—	—	136,830	115,860	20,970	—	—	—
—	—	—	120,931	95,022	25,909	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	1,860	90	1,770	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	77,720	53,923	23,797	—	—	—
—	—	—	7,684	1,737	5,947	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	26,193	24,557	1,636	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	634,444	440,954	193,490	18,011	14,655	3,356
—	—	—	—	—	—	—	3,462	(3,462)
—	—	—	—	13,268	(13,268)	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	13,268	(13,268)	—	3,462	(3,462)
—	—	—	634,444	454,222	180,222	18,011	18,117	(106)
\$ 521,497	76,805	\$ (444,692)	\$ (634,444)	(65)	\$ 634,379	\$ (1,779)	658	\$ 2,437
	3,424,376			10,969			10,369	
	\$ 3,501,181			\$ 10,904			\$ 11,027	

continued

Budgeted Funds
 Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
 Fiscal Year Ended June 30, 2020
 (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	1,790	1,920	130	30,000	30,000	—
Miscellaneous	—	1	1	—	—	—
Total revenues	<u>1,790</u>	<u>1,921</u>	<u>131</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—
Total revenues and other financing sources	<u>1,790</u>	<u>1,921</u>	<u>131</u>	<u>30,000</u>	<u>30,000</u>	<u>—</u>
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	—	—	—	25,741	12,598	13,143
Energy and Environmental Affairs	2,439	2,161	278	—	—	—
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	<u>2,439</u>	<u>2,161</u>	<u>278</u>	<u>25,741</u>	<u>12,598</u>	<u>13,143</u>
Other financing uses:						
Fringe benefit cost assessment	—	151	(151)	—	460	(460)
Operating transfers out	—	—	—	21,617	21,617	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	151	(151)	21,617	22,077	(460)
Total expenditures and other financing uses	<u>2,439</u>	<u>2,312</u>	<u>127</u>	<u>47,358</u>	<u>34,675</u>	<u>12,683</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (649)</u>	<u>(391)</u>	<u>\$ 258</u>	<u>\$ (17,358)</u>	<u>(4,675)</u>	<u>\$ 12,683</u>
Fund balance/(deficit) at beginning of year	—	3,878	—	—	15,975	—
Fund balance/(deficit) at end of year	—	<u>\$ 3,487</u>	—	—	<u>\$ 11,300</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, 2020
 (Amounts in thousands)

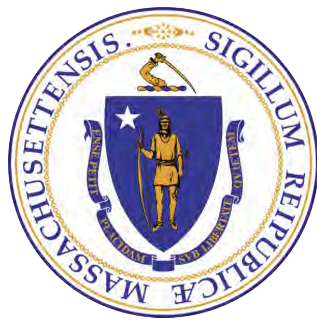
	Budgeted Other					
	Education			Local Aid Stabilization		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	30,163	20,880	(9,283)	—	—	—
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	11,103	11,103	—	—	—
Total other financing sources	30,163	31,983	1,820	—	—	—
Total revenues and other financing sources	30,163	31,983	1,820	—	—	—
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	—	—	—	—	—	—
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	10,374	10,374	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	19,669	19,669	—	—	—	—
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	30,043	30,043	—	—	—	—
Other financing uses:						
Fringe benefit cost assessment	—	3,679	(3,679)	—	—	—
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	3,679	(3,679)	—	—	—
Total expenditures and other financing uses	30,043	33,722	(3,679)	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 120	(1,739)	\$ (1,859)	\$ —	—	\$ —
Fund balance/(deficit) at beginning of year	—	1,739	—	—	50	—
Fund balance/(deficit) at end of year	—	\$ —	—	—	\$ 50	—

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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, 2020
 (Amounts in thousands)

	Totals (Memorandum only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	\$ 28,106,400	\$ 27,612,766	\$ (493,634)
Assessments	484,626	431,551	(53,075)
Federal grants and reimbursements	11,665,430	12,794,687	1,129,257
Tobacco settlement revenue	251,241	229,690	(21,551)
Departmental	3,946,076	4,314,582	368,506
Miscellaneous	479,675	385,777	(93,898)
Total revenues	<u>44,933,448</u>	<u>45,769,053</u>	<u>835,605</u>
Other financing sources:			
Fringe benefit cost recovery	468,841	573,874	105,033
Lottery reimbursements	121,075	110,928	(10,147)
Lottery distributions	1,022,477	967,263	(55,214)
Operating transfers in	609,964	587,966	(21,998)
Stabilization transfer	477,024	14,914	(462,110)
Other fund deficit support	—	305,412	305,412
Total other financing sources	<u>2,699,381</u>	<u>2,560,357</u>	<u>(139,024)</u>
Total revenues and other financing sources	<u>47,632,829</u>	<u>48,329,410</u>	<u>696,581</u>
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	113,462	70,381	43,081
Judiciary	1,044,151	1,018,791	25,360
Inspector General	5,856	5,762	94
Governor and Lieutenant Governor	8,523	7,330	1,193
Secretary of the Commonwealth	53,286	50,064	3,222
Treasurer and Receiver-General	252,018	237,778	14,240
Auditor of the Commonwealth	20,333	19,472	861
Attorney General	56,242	53,912	2,330
Ethics Commission	2,397	2,360	37
District Attorney	141,783	140,682	1,101
Office of Campaign & Political Finance	1,817	1,723	94
Sheriffs' Departments	681,837	624,848	56,989
Disabled Persons Protection Commission	4,892	4,878	14
Board of Library Commissioners	30,493	30,382	111
Comptroller	16,018	14,498	1,520
Administration and Finance	3,318,721	2,371,897	946,824
Energy and Environmental Affairs	318,643	285,984	32,659
Health and Human Services	6,990,412	6,740,778	249,634
Executive Office of Technology Services and Security	161,948	135,085	26,863
Massachusetts Department of Transportation	127,900	127,900	—
Office of the Child Advocate	1,899	1,521	378
Cannabis Control Commission	13,866	12,597	1,269
Executive Office of Education	2,765,142	2,694,126	71,016
Center for Health Information and Analysis	20,070	19,930	140
Public Safety and Security	1,779,671	1,532,519	247,152
Housing and Economic Development	687,137	636,770	50,367
Labor and Workforce Development	89,402	66,762	22,640
Direct local aid	6,377,451	6,376,321	1,130
Medicaid program expenses	17,022,818	17,022,624	194
Post employment benefits	3,304,950	3,304,975	(25)
Debt service:			
Principal retirement	1,343,208	1,280,987	62,221
Interest and fiscal charges	1,166,640	1,129,176	37,464
Total expenditures	<u>47,922,986</u>	<u>46,022,813</u>	<u>1,900,173</u>
Other financing uses:			
Fringe benefit cost assessment	—	15,591	(15,591)
Operating transfers out	1,130,327	1,143,801	(13,474)
Stabilization transfer	451,500	—	451,500
Medical assistance transfer	505,785	505,785	—
Other fund deficit support	—	305,412	(305,412)
Total other financing uses	<u>2,087,612</u>	<u>1,970,589</u>	<u>117,023</u>
Total expenditures and other financing uses	<u>50,010,598</u>	<u>47,993,402</u>	<u>2,017,196</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (2,377,769)</u>	<u>336,008</u>	<u>\$ 2,713,777</u>
Fund balance/(deficit) at beginning of year		<u>3,959,197</u>	
Fund balance/(deficit) at end of year		<u>\$ 4,295,205</u>	

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General Fund
Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ —	\$ 1,367,025
Receivables, net of allowance for uncollectibles:		
Taxes receivable.....	2,333,872	—
Due from federal government.....	1,282,178	452,875
Other receivables.....	25,114	91,728
Due from cities and towns.....	10,936	25,421
Total assets.....	<u>\$ 3,652,100</u>	<u>\$ 1,937,049</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 1,548,450	\$ —
Accounts payable.....	1,248,345	1,377,648
Accrued payroll.....	134,513	125,154
Total liabilities.....	<u>2,931,308</u>	<u>1,502,802</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	720,792	434,247
Total fund balance.....	<u>720,792</u>	<u>434,247</u>
Total liabilities and fund balance.....	<u>\$ 3,652,100</u>	<u>\$ 1,937,049</u>

See accountants' review report

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020 Budget	2020 Actual	Variance Favorable (Unfavorable)	2019 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 26,568,800	\$ 26,310,628	\$ (258,172)	\$ 26,395,856
Assessments	461,659	408,928	(52,731)	409,190
Federal grants and reimbursements	11,657,530	12,785,622	1,128,092	11,762,585
Tobacco settlement revenue	251,241	229,690	(21,551)	236,632
Departmental	3,222,141	3,203,982	(18,159)	3,014,566
Miscellaneous	435,442	323,326	(112,116)	378,072
Total revenues	42,596,813	43,262,176	665,363	42,196,901
Other financing sources:				
Fringe benefit cost recovery	468,841	573,874	105,033	451,149
Lottery reimbursements	121,075	110,928	(10,147)	107,289
Lottery distributions	1,022,477	967,263	(55,214)	1,088,049
Operating transfers in	196,749	216,386	19,637	207,115
Other fund deficit support	—	207,606	207,606	—
Total other financing sources	1,809,142	2,076,057	266,915	1,853,602
Total revenues and other financing sources	44,405,955	45,338,233	932,278	44,050,503
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	113,462	70,381	43,081	67,643
Judiciary	1,044,151	1,018,791	25,360	982,509
Inspector General	5,856	5,762	94	5,083
Governor and Lieutenant Governor	8,406	7,213	1,193	6,807
Secretary of the Commonwealth	53,270	50,064	3,206	50,778
Treasurer and Receiver-General	252,018	237,778	14,240	244,182
Auditor of the Commonwealth	20,333	19,472	861	18,382
Attorney General	56,234	53,912	2,322	51,562
Ethics Commission	2,397	2,360	37	2,199
District Attorney	141,783	140,682	1,101	129,040
Office of Campaign and Political Finance	1,817	1,723	94	1,618
Sheriffs' Department	681,521	624,547	56,974	657,858
Disabled Persons Protection Commission	4,892	4,878	14	4,249
Board of Library Commissioners	30,493	30,382	111	27,179
Comptroller	9,485	9,414	71	9,173

continued

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020 Budget	2020 Actual	Variance Favorable (Unfavorable)	2019 Actual
Expenditures (continued):				
Administration and Finance	3,039,570	2,217,801	821,769	2,095,634
Energy and Environmental Affairs	293,182	265,648	27,534	238,051
Health and Human Services	6,762,947	6,539,351	223,596	6,180,350
Executive Office of Technology Services and Security	41,011	40,057	954	35,849
Massachusetts Department of Transportation	900	900	—	—
Office of the Child Advocate	1,899	1,521	378	772
Cannabis Control Commission	—	—	—	1,901
Executive Office of Education	2,739,938	2,672,996	66,942	2,490,816
Center for Health Information and Analysis	20,070	19,930	140	20,086
Public Safety and Security	1,701,104	1,477,754	223,350	1,165,922
Housing and Economic Development	664,930	625,123	39,807	578,788
Labor and Workforce Development	76,715	60,960	15,755	49,831
Direct local aid	6,250,677	6,249,547	1,130	6,003,140
Medicaid	17,022,818	17,022,624	194	16,520,543
Post employment benefits	3,295,332	3,295,357	(25)	3,069,787
Debt service:				
Principal retirement	733,421	704,392	29,029	608,971
Interest and fiscal charges	610,754	586,580	24,174	595,228
Total expenditures	<u>45,681,386</u>	<u>44,057,900</u>	<u>1,623,486</u>	<u>41,913,931</u>
Other financing uses:				
Fringe benefit cost assessment	—	5,676	(5,676)	—
Operating transfers out	485,436	482,327	3,109	473,849
Stabilization transfer	451,500	—	451,500	1,206,132
Medical assistance transfer	505,785	505,785	—	363,078
Total other financing uses	<u>1,442,721</u>	<u>993,788</u>	<u>448,933</u>	<u>2,043,059</u>
Total expenditures and other financing uses	<u>47,124,107</u>	<u>45,051,688</u>	<u>2,072,419</u>	<u>43,956,990</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (2,718,152)</u>	286,545	<u>\$ 3,004,697</u>	93,513
Fund balance/(deficit) at beginning of year		434,247		340,734
Fund balance/(deficit) at end of year		<u>\$ 720,792</u>		<u>\$ 434,247</u>

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Commonwealth Transportation Fund

Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 849	\$ 53,677
Cash with fiscal agent.....	20,366	15,409
Total assets.....	<u>\$ 21,215</u>	<u>\$ 69,086</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 849	\$ 21,677
Total liabilities.....	<u>849</u>	<u>21,677</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	—	32,000
Reserved for debt service.....	20,366	15,409
Total fund balance.....	<u>20,366</u>	<u>47,409</u>
Total liabilities and fund balance.....	<u>\$ 21,215</u>	<u>\$ 69,086</u>

See accountants' review report

Commonwealth Transportation Fund

Statement of Revenues, Expenditures And Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,452,500	\$ 1,249,176	\$ (203,324)	\$ 1,357,356
Assessments	22,967	22,623	(344)	22,603
Departmental	669,544	598,017	(71,527)	657,019
Miscellaneous	—	852	852	1,418
Total revenues	<u>2,145,011</u>	<u>1,870,668</u>	<u>(274,343)</u>	<u>2,038,396</u>
Other financing sources:				
Operating transfers in	245,558	258,543	12,985	138,737
Total other financing sources	<u>245,558</u>	<u>258,543</u>	<u>12,985</u>	<u>138,737</u>
Total revenues and other financing sources	<u>2,390,569</u>	<u>2,129,211</u>	<u>(261,358)</u>	<u>2,177,133</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Massachusetts Department of Transportation	127,000	127,000	—	127,000
Post employment benefits	9,618	9,618	—	40,410
Debt service:				
Principal retirement	583,594	552,038	31,556	579,469
Interest and fiscal charges	555,886	542,596	13,290	527,376
Total expenditures	<u>1,276,098</u>	<u>1,231,252</u>	<u>44,846</u>	<u>1,274,255</u>
Other financing uses:				
Operating transfers out	616,274	619,590	(3,316)	643,208
Stabilization transfer	—	—	—	231,634
Other fund deficit support	—	305,412	(305,412)	—
Total other financing uses	<u>616,274</u>	<u>925,002</u>	<u>(308,728)</u>	<u>874,842</u>
Total expenditures and other financing uses	<u>1,892,372</u>	<u>2,156,254</u>	<u>(263,882)</u>	<u>2,149,097</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 498,197</u>	<u>(27,043)</u>	<u>\$ (525,240)</u>	28,036
Fund balance/(deficit) at beginning of year		47,409		19,373
Fund balance/(deficit) at end of year		<u>\$ 20,366</u>		<u>\$ 47,409</u>

See accountants' review report

Commonwealth Stabilization Fund

Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 3,199,047	\$ 3,138,307
Investments.....	302,134	286,069
Total assets.....	<u>\$ 3,501,181</u>	<u>\$ 3,424,376</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for Commonwealth Stabilization.....	3,501,181	3,424,376
Total fund balance.....	<u>3,501,181</u>	<u>3,424,376</u>
Total liabilities and fund balance.....	<u>\$ 3,501,181</u>	<u>\$ 3,424,376</u>

See accountants' review report

Commonwealth Stabilization Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020 Budget	2020 Actual	Variance Favorable (Unfavorable)	2019 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 300	\$ 362	\$ 62	\$ 429
Miscellaneous	44,173	61,529	17,356	52,913
Total revenues	<u>44,473</u>	<u>61,891</u>	<u>17,418</u>	<u>53,342</u>
Other financing sources:				
Stabilization transfer	477,024	14,914	(462,110)	1,454,575
Total other financing sources	<u>477,024</u>	<u>14,914</u>	<u>(462,110)</u>	<u>1,454,575</u>
Total revenues and other financing sources	<u>521,497</u>	<u>76,805</u>	<u>(444,692)</u>	<u>1,507,917</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:				
State Retiree Benefits transfer	—	—	—	42,420
State Pension transfer	—	—	—	42,420
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>84,840</u>
Total expenditures and other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>84,840</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 521,497</u>	76,805	<u>\$ (444,692)</u>	1,423,077
Fund balance/(deficit) at beginning of year		<u>3,424,376</u>		<u>2,001,299</u>
Fund balance/(deficit) at end of year		<u>\$ 3,501,181</u>		<u>\$ 3,424,376</u>

See accountants' review report

Intragovernmental Service Fund
Balance Sheet - Statutory Basis

As of June 30, 2020
(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 54,025	\$ 58,612
Total assets.....	<u>\$ 54,025</u>	<u>\$ 58,612</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 39,027	\$ 45,280
Accrued payroll.....	4,094	2,363
Total liabilities.....	<u>43,121</u>	<u>47,643</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	10,904	10,969
Total fund balance.....	<u>10,904</u>	<u>10,969</u>
Total liabilities and fund balance.....	<u>\$ 54,025</u>	<u>\$ 58,612</u>

See accountants' review report

Intragovernmental Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020 Budget	2020 Actual	Variance Favorable (Unfavorable)	2019 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ —	\$ 454,157	\$ 454,157	\$ 428,910
Total revenues.....	—	454,157	454,157	428,910
Other financing sources:				
Operating transfers in.....	—	—	—	829
Total other financing sources.....	—	—	—	829
Total revenues and other financing sources.....	—	454,157	454,157	429,739
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Governor and Lieutenant Governor.....	117	117	—	44
Secretary of the Commonwealth.....	16	—	16	—
Comptroller.....	6,533	5,084	1,449	4,893
Administration and Finance.....	253,410	141,498	111,912	149,243
Energy and Environmental Affairs.....	3,150	3,066	84	1,742
Health and Human Services.....	136,830	115,860	20,970	114,808
Executive Office of Technology Services and Security.....	120,931	95,022	25,909	77,098
Executive Office of Education.....	1,860	90	1,770	611
Public Safety and Security.....	77,720	53,923	23,797	58,112
Housing and Economic Development.....	7,684	1,737	5,947	1,893
Debt service:				
Principal retirement.....	26,193	24,557	1,636	16,066
Total expenditures.....	634,444	440,954	193,490	424,510
Other financing uses:				
Operating transfers out.....	—	13,268	(13,268)	3,453
Total other financing uses.....	—	13,268	(13,268)	3,453
Total expenditures and other financing uses.....	634,444	454,222	180,222	427,963
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ (634,444)</u>	(65)	<u>\$ 634,379</u>	1,776
Fund balance/(deficit) at beginning of year.....		10,969		9,193
Fund balance/(deficit) at end of year.....		<u>\$ 10,904</u>		<u>\$ 10,969</u>

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Inland Fisheries And Game Fund

Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 11,635	\$ 10,983
Total assets.....	<u>\$ 11,635</u>	<u>\$ 10,983</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 298	\$ 417
Accrued payroll.....	310	197
Total liabilities.....	<u>608</u>	<u>614</u>
Fund balance:		
Unreserved fund balance:		
Undesignated.....	11,027	10,369
Total fund balance.....	<u>11,027</u>	<u>10,369</u>
Total liabilities and fund balance.....	<u>\$ 11,635</u>	<u>\$ 10,983</u>

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, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,000	\$ 916	\$ (84)	\$ 1,011
Federal grants and reimbursements	7,900	9,065	1,165	9,320
Departmental	7,082	8,508	1,426	7,297
Miscellaneous	60	68	8	82
Total revenues	16,042	18,557	2,515	17,710
Other financing sources:				
Operating transfers in	190	218	28	197
Total other financing sources	190	218	28	197
Total revenues and other financing sources	16,232	18,775	2,543	17,907
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General	8	—	8	—
Administration and Finance	—	—	—	75
Energy and Environmental Affairs	18,003	14,655	3,348	14,907
Total expenditures	18,011	14,655	3,356	14,982
Other financing uses:				
Fringe benefit cost assessment	—	3,462	(3,462)	3,473
Total other financing uses	—	3,462	(3,462)	3,473
Total expenditures and other financing uses	18,011	18,117	(106)	18,455
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (1,779)	658	\$ 2,437	(548)
Fund balance/(deficit) at beginning of year		10,369		10,917
Fund balance/(deficit) at end of year		\$ 11,027		\$ 10,369

See accountants' review report

Marine Recreational Fisheries Development Fund

Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 3,663	\$ 4,417
Total assets.....	<u>\$ 3,663</u>	<u>\$ 4,417</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 146	\$ 521
Accrued payroll.....	30	18
Total liabilities.....	<u>176</u>	<u>539</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	100	750
Unreserved fund balance:		
Undesignated.....	3,387	3,128
Total fund balance.....	<u>3,487</u>	<u>3,878</u>
Total liabilities and fund balance.....	<u>\$ 3,663</u>	<u>\$ 4,417</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, 2020

(Amounts in thousands)

	2020 Budget	2020 Actual	Variance Favorable (Unfavorable)	2019 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,790	\$ 1,920	\$ 130	\$ 1,776
Miscellaneous	—	1	1	—
Total revenues	<u>1,790</u>	<u>1,921</u>	<u>131</u>	<u>1,776</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>1,790</u>	<u>1,921</u>	<u>131</u>	<u>1,776</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	2,439	2,161	278	1,563
Total expenditures	<u>2,439</u>	<u>2,161</u>	<u>278</u>	<u>1,563</u>
Other financing uses				
Fringe benefit cost assessment	—	151	(151)	183
Total other financing uses	<u>—</u>	<u>151</u>	<u>(151)</u>	<u>183</u>
Total expenditures and other financing uses	<u>2,439</u>	<u>2,312</u>	<u>127</u>	<u>1,746</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (649)</u>	<u>(391)</u>	<u>\$ 258</u>	<u>30</u>
Fund balance/(deficit) at beginning of year		<u>3,878</u>		<u>3,848</u>
Fund balance/(deficit) at end of year		<u>\$ 3,487</u>		<u>\$ 3,878</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund

Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 11,861	\$ 16,824
Total assets.....	<u>\$ 11,861</u>	<u>\$ 16,824</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ 526	\$ 849
Accrued payroll.....	35	—
Total liabilities.....	<u>561</u>	<u>849</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	11,300	15,975
Total fund balance.....	<u>11,300</u>	<u>15,975</u>
Total liabilities and fund balance.....	<u>\$ 11,861</u>	<u>\$ 16,824</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, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ 30,000	\$ 30,000	\$ —	\$ 30,000
Total revenues.....	30,000	30,000	—	30,000
Other financing sources:				
Operating transfers in.....	—	—	—	85
Total other financing sources.....	—	—	—	85
Total revenues and other financing sources.....	30,000	30,000	—	30,085
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance.....	25,741	12,598	13,143	13,732
Total expenditures.....	25,741	12,598	13,143	13,732
Other financing uses:				
Fringe benefit cost assessment.....	—	460	(460)	378
Operating transfers out.....	21,617	21,617	—	—
Total other financing uses.....	21,617	22,077	(460)	378
Total expenditures and other financing uses.....	47,358	34,675	12,683	14,110
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ (17,358)</u>	(4,675)	<u>\$ 12,683</u>	15,975
Fund balance/(deficit) at beginning of year.....		15,975		—
Fund balance/(deficit) at end of year.....		<u>\$ 11,300</u>		<u>\$ 15,975</u>

See accountants' review report

Public Safety Training Fund
Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 414	\$ —
Total assets.....	\$ 414	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	—	\$ —
Fund balance:		
Unreserved fund balance:		
Undesignated.....	414	—
Total fund balance.....	414	—
Total liabilities and fund balance.....	\$ 414	\$ —

See accountants' review report

Public Safety Training Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ 1,050	\$ 940	\$ (110)	\$ 1,151
Total revenues.....	<u>1,050</u>	<u>940</u>	<u>(110)</u>	<u>1,151</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>1,050</u>	<u>940</u>	<u>(110)</u>	<u>1,151</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Sheriffs' Department.....	6	5	1	30
Executive Office of Technology Services and Security...	6	6	—	—
Public Safety and Security.....	453	447	6	2,019
Total expenditures.....	<u>465</u>	<u>458</u>	<u>7</u>	<u>2,049</u>
Other financing uses:				
Fringe benefit cost assessment.....	—	68	(68)	358
Total other financing uses.....	<u>—</u>	<u>68</u>	<u>(68)</u>	<u>358</u>
Total expenditures and other financing uses.....	<u>465</u>	<u>526</u>	<u>(61)</u>	<u>2,407</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ 585</u>	414	<u>\$ (171)</u>	(1,256)
Fund balance/(deficit) at beginning of year.....		—		1,256
Fund balance/(deficit) at end of year.....		<u>\$ 414</u>		<u>\$ —</u>

See accountants' review report

Local Capital Projects Fund
Balance Sheet - Statutory Basis

As of June 30, 2020
(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 2,699	\$ 4,296
Total assets.....	\$ 2,699	\$ 4,296
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ 2,698
Total liabilities.....	—	2,698
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	2,699	1,598
Total fund balance.....	2,699	1,598
Total liabilities and fund balance.....	\$ 2,699	\$ 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, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements.....	\$ —	\$ —	\$ —	\$ —
Total revenues.....	—	—	—	—
Other financing sources:				
Operating transfers in.....	9,695	6,711	(2,984)	4,401
Other fund deficit support.....	—	4,081	4,081	—
Total other financing sources.....	9,695	10,792	1,097	4,401
Total revenues and other financing sources.....	9,695	10,792	1,097	4,401
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and Economic Development.....	12,390	9,691	2,699	2,698
Total expenditures.....	12,390	9,691	2,699	2,698
Other financing uses:				
Stabilization transfer.....	—	—	—	105
Total other financing uses.....	—	—	—	105
Total expenditures and other financing uses.....	12,390	9,691	2,699	2,803
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	\$ (2,695)	1,101	\$ 3,796	1,598
Fund balance/(deficit) at beginning of year.....		1,598		—
Fund balance/(deficit) at end of year.....		\$ 2,699		\$ 1,598

See accountants' review report

Gaming Local Aid Fund
Balance Sheet - Statutory Basis

As of June 30, 2020
(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ —	\$ —
Total assets.....	\$ —	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	—	—
Fund balance:		
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, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ —	\$ —	\$ —	\$ —
Total revenues.....	—	—	—	—
Other financing sources:				
Operating transfers in.....	107,141	68,556	(38,585)	87,955
Other fund deficit support.....	—	38,549	38,549	—
Total other financing sources.....	107,141	107,105	(36)	87,955
Total revenues and other financing sources.....	107,141	107,105	(36)	87,955
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance.....	—	—	—	21,305
Direct local aid.....	107,106	107,105	1	66,650
Total expenditures.....	107,106	107,105	1	87,955
Other financing uses:				
Operating transfers out.....	—	—	—	—
Total other financing uses.....	—	—	—	—
Total expenditures and other financing uses.....	107,106	107,105	1	87,955
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ 35</u>	<u>—</u>	<u>\$ (35)</u>	<u>—</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, 2020
(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ —	\$ 1,739
Total assets.....	\$ —	\$ 1,739
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	—	1,739
Total fund balance.....	—	1,739
Total liabilities and fund balance.....	\$ —	\$ 1,739

See accountants' review report

Education Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ —	\$ —	\$ —	\$ —
Total revenues.....	—	—	—	—
Other financing sources:				
Operating transfers in.....	30,163	20,880	(9,283)	13,693
Other fund deficit support.....	—	11,103	11,103	—
Total other financing sources.....	30,163	31,983	1,820	13,693
Total revenues and other financing sources.....	30,163	31,983	1,820	13,693
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance.....	—	—	—	3,230
Executive Office of Education.....	10,374	10,374	—	3,530
Direct local aid.....	19,669	19,669	—	4,907
Total expenditures.....	30,043	30,043	—	11,667
Other financing uses:				
Stabilization transfer.....	—	—	—	276
Fringe benefit cost assessment.....	—	3,679	(3,679)	11
Total other financing uses.....	—	3,679	(3,679)	287
Total expenditures and other financing uses.....	30,043	33,722	(3,679)	11,954
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 120</u>	<u>(1,739)</u>	<u>\$ (1,859)</u>	<u>1,739</u>
Fund balance/(deficit) at beginning of year		<u>1,739</u>		<u>—</u>
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ 1,739</u>

See accountants' review report

Local Aid Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2020
(Amounts in thousands)

	2020	2019
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:		
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, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
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>50</u>		<u>50</u>
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, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 9,867	\$ 8,530
Total assets.....	<u>\$ 9,867</u>	<u>\$ 8,530</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 1,083	\$ 1,029
Accrued payroll.....	—	39
Total liabilities.....	<u>1,083</u>	<u>1,068</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	8,784	7,462
Total fund balance.....	<u>8,784</u>	<u>7,462</u>
Total liabilities and fund balance.....	<u>\$ 9,867</u>	<u>\$ 8,530</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, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ —	\$ —	\$ —	\$ —
Total revenues.....	—	—	—	—
Other financing sources:				
Operating transfers in.....	20,468	14,168	(6,300)	9,292
Other fund deficit support.....	—	10,720	10,720	—
Total other financing sources.....	20,468	24,888	4,420	9,292
Total revenues and other financing sources.....	20,468	24,888	4,420	9,292
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education.....	12,969	10,665	2,304	1,106
Executive Office of Housing and Economic Development.....	2,000	99	1,901	—
Labor and Workforce Development.....	12,687	5,802	6,885	375
Total expenditures.....	27,656	16,566	11,090	1,481
Other financing uses:				
Fringe benefit cost assessment.....	—	—	—	42
Stabilization transfer.....	—	—	—	275
Operating transfers out.....	7,000	7,000	—	32
Total other financing uses.....	7,000	7,000	—	349
Total expenditures and other financing uses.....	34,656	23,566	11,090	1,830
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ (14,188)</u>	1,322	<u>\$ 15,510</u>	7,462
Fund balance/(deficit) at beginning of year.....		7,462		—
Fund balance/(deficit) at end of year.....		<u>\$ 8,784</u>		<u>\$ 7,462</u>

See accountants' review report

Marijuana Regulation Fund
Balance Sheet - Statutory Basis

As of June 30, 2020
(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 2,741	\$ 2,141
Total assets.....	<u>\$ 2,741</u>	<u>\$ 2,141</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 850	\$ 985
Accrued payroll.....	191	31
Total liabilities.....	<u>1,041</u>	<u>1,016</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	1,700	1,125
Total fund balance.....	<u>1,700</u>	<u>1,125</u>
Total liabilities and fund balance.....	<u>\$ 2,741</u>	<u>\$ 2,141</u>

See accountants' review report

Marijuana Regulation Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 83,800	\$ 51,685	\$ (32,115)	\$ 13,949
Departmental	14,469	17,058	2,589	8,742
Miscellaneous	—	—	—	25
Total revenues	98,269	68,743	(29,526)	22,716
Other financing sources:				
Operating transfers in	—	3	3	21,579
Other fund deficit support	—	33,353	33,353	—
Total other financing sources	—	33,356	33,356	21,579
Total revenues and other financing sources	98,269	102,099	3,830	44,295
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Sheriff's Department	311	297	14	117
Energy and Environmental Affairs	1,869	455	1,414	604
Health and Human Services	90,635	85,567	5,068	29,989
Cannabis Control Commission	13,866	12,597	1,269	7,982
Public Safety and Security	394	394	—	164
Housing and Economic Development	133	119	14	52
Total expenditures	107,208	99,429	7,779	38,908
Other financing uses:				
Fringe benefit cost assessment	—	2,095	(2,095)	1,563
Stabilization transfer	—	—	—	2,699
Total other financing uses	—	2,095	(2,095)	4,262
Total expenditures and other financing uses	107,208	101,524	5,684	43,170
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (8,939)	575	\$ 9,514	1,125
Fund balance/(deficit) at beginning of year		1,125		—
Fund balance/(deficit) at end of year		\$ 1,700		\$ 1,125

See accountants' review report

Behavioral Health Outreach, Access and Support Trust

Balance Sheet - Statutory Basis

As of June 30, 2020

(Amounts in thousands)

	2020	2019
ASSETS		
Cash and short-term investments.....	\$ 2,500	\$ —
Total assets.....	<u>\$ 2,500</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ —	\$ —
Total liabilities.....	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated.....	2,500	—
Total fund balance.....	<u>2,500</u>	<u>—</u>
Total liabilities and fund balance.....	<u>\$ 2,500</u>	<u>\$ —</u>

See accountants' review report

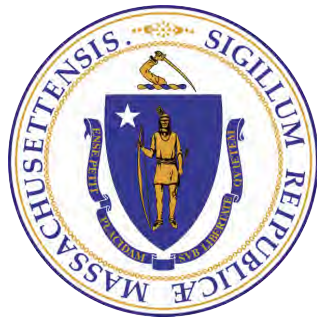
Behavioral Health Outreach, Access and Support Trust
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	2020Budget	2020Actual	Variance Favorable (Unfavorable)	2019Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	2,500	2,500	—
Total other financing sources	—	2,500	2,500	—
Total revenues and other financing sources	—	2,500	2,500	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	—	—	—	—
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>	2,500	<u>\$ 2,500</u>	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		<u>\$ 2,500</u>		<u>\$ —</u>

See accountants' review report



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Non-Budgeted 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.

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.

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; ½ of the funds are proportionately distributed to cities and towns, ¼ of the funds are distributed to the Massachusetts Development Finance Agency, and the final ¼ 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.

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.

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.

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.

Twenty-first Century Education Trust Fund - To account for certain appropriations, public and private gifts, grants, and donations, and investment income. Funds shall be used to address persistent disparities in achievement among student subgroups, improve educational opportunities for all students, sharing best practices for improving classroom learning and supporting efficiencies within and across school districts.

Massachusetts Coronavirus Relief Fund - to account for federal funds authorized under the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Funds shall be used in accordance with requirements and guidance in the CARES Act issued by the federal government.

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 FY20 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.

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.

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.

Substance Abuse Services Fund - to account for funds used to expand inpatient treatment facilities and ongoing case management for civilly committed individuals.

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.

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.

Early Education Care Public-Private Trust Fund - to account for appropriations, public and private gifts, grants, donations, and interest income. Funds are to provide support for childcare providers through state, philanthropic and private partnership efforts.

Opioid Recovery and Remediation Trust Fund - to account for settlements received from claims arising from the manufacture, marketing, distribution or dispensing of opioids, appropriations, gifts, grants, donations, rebates and settlements and investment income. The fund shall be used to mitigate the impacts of the opioid epidemic, including, expanding access to opioid use disorder prevention, intervention, treatment and recovery options.



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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, 2020
(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	\$ —	\$ 320	\$ —	\$ —	\$ 187,870	\$ —	\$ 135,853
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	2,505,069	—	—	—	—	—	—
Departmental	—	5,354,524	36,556	28,376	—	—	182,750
Miscellaneous	205	4,235	104	—	—	—	—
Total revenues	2,505,274	5,359,079	36,660	28,376	187,870	—	318,603
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	31,283	—	—	—	—	3,178	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	31,283	—	—	—	—	3,178	—
Total revenues and other financing sources	2,536,557	5,359,079	36,660	28,376	187,870	3,178	318,603
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	2,881	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	1,078	—	—	—	—	—	—
Treasurer and Receiver-General	1,626	4,278,572	27,682	49	—	—	—
Attorney General	46,791	—	—	1,342	—	—	—
District Attorney	3,434	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—
Sheriffs' Departments	5,192	—	—	—	—	—	—
Disabled Persons Protection Commission	922	—	—	—	—	—	—
Board of Library Commissioners	2,555	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	25,467	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	7,530	—	—	—	—	—	368,322
Energy and Environmental Affairs	42,736	—	—	—	—	—	—
Health and Human Services	448,484	—	—	—	—	2,718	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	625	—	—	—	—	—	—
Office of the Child Advocate	59	—	—	—	—	—	—
Executive Office of Education	1,009,392	—	—	—	—	—	—
Public Safety and Security	126,210	—	—	20	—	—	—
Housing and Economic Development	544,723	—	—	—	—	—	—
Labor and Workforce Development	132,981	—	—	—	—	—	2,690
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	2,377,219	4,278,572	27,682	26,878	—	2,718	371,012
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	72,986	11,294	—	2,886	—	208	824
Lottery operating reimbursements	—	110,928	—	—	—	—	—
Lottery distributions	—	958,285	8,978	—	—	—	—
Operating transfers out	47,833	—	—	2,919	172,956	77	19,408
Stabilization transfer	—	—	—	—	14,914	—	—
Total other financing uses	120,819	1,080,507	8,978	5,805	187,870	285	20,232
Total expenditures and other financing uses	2,498,038	5,359,079	36,660	32,683	187,870	3,003	391,244
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	38,519	—	—	(4,307)	—	175	(72,641)
Fund balances/(deficits) at beginning of year	(36,898)	—	—	5,366	—	5,681	144,815
Fund balances/(deficits) at end of year	\$ 1,621	\$ —	\$ —	\$ 1,059	\$ —	\$ 5,856	\$ 72,174

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, 2020
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Community Hospital Reinvestment Trust	Non-Acute Care Hospital Reimburseme nt 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
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	8,848	—	—	—	—	3,887
Federal grants and reimbursements.....	—	14,065	117,444	—	2,329	—	—
Departmental.....	—	—	—	—	2,252	1,143	—
Miscellaneous.....	—	—	—	—	—	94	7
Total revenues.....	—	22,913	117,444	—	4,581	1,237	3,894
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	10,000	—	—	177,400	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	10,000	—	—	177,400	—	—	—
Total revenues and other financing sources.....	10,000	22,913	117,444	177,400	4,581	1,237	3,894
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.....	—	—	—	—	—	—	2,467
Health and Human Services.....	10,835	27,079	27,638	181,187	1,436	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	10,835	27,079	27,638	181,187	1,436	—	2,467
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	—	—	—	—	—	—	570
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	—	—	—	—	—	—	66
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	—	—	—	—	—	—	636
Total expenditures and other financing uses.....	10,835	27,079	27,638	181,187	1,436	—	3,103
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	(835)	(4,166)	89,806	(3,787)	3,145	1,237	791
Fund balances/(deficits) at beginning of year.....	10,990	6,948	27,506	4,041	891	6,334	3,259
Fund balances/(deficits) at end of year.....	\$ 10,155	\$ 2,782	\$ 117,312	\$ 254	\$ 4,036	\$ 7,571	\$ 4,050

See accountants' review report

Non-Budgeted Other Funds

Fingerprint-Based Background Check Trust	Liability Management and Reduction	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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,077,308	\$ 42,134	\$ —	\$ 741	\$ —
—	—	—	—	—	174,373	—	—	679	—
—	—	—	—	—	—	—	11,910	—	—
3,829	2,035	—	140	2,981	—	—	—	336	10,765
—	22	—	—	—	—	108	—	564	—
3,829	2,057	—	140	2,981	1,251,681	42,242	11,910	2,320	10,765
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	20,000	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	20,000	—	—	—
3,829	2,057	—	140	2,981	1,251,681	62,242	11,910	2,320	10,765
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	48	—	—	—	1,251,681	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	36	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	2,173	—
—	1,947	—	—	—	—	—	—	—	—
—	—	—	—	—	—	43,767	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	90	831	—	—	12,661	70	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3,350	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	7,840
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3,350	1,995	36	90	831	1,251,681	43,767	12,661	2,243	7,840
—	—	—	—	—	—	—	—	—	—
221	33	—	28	—	—	—	229	249	1,400
—	—	—	—	—	—	—	—	—	—
121	—	2	10	—	—	—	72	147	782
—	—	—	—	—	—	—	—	—	—
342	33	2	38	—	—	—	301	396	2,182
3,692	2,028	38	128	831	1,251,681	43,767	12,962	2,639	10,022
—	—	—	—	—	—	—	—	—	—
137	29	(38)	12	2,150	—	18,475	(1,052)	(319)	743
6,039	2,538	38	226	9,526	—	20,755	3,800	1,023	4,859
\$ 6,176	\$ 2,567	\$ —	\$ 238	\$ 11,676	\$ —	\$ 39,230	\$ 2,748	\$ 704	\$ 5,602

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2020
(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.....	\$ —	\$ 150	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—	—
Departmental.....	303	11	166	254	4,743	2,556	186
Miscellaneous.....	5	—	—	—	—	—	6
Total revenues.....	<u>308</u>	<u>161</u>	<u>166</u>	<u>254</u>	<u>4,743</u>	<u>2,556</u>	<u>192</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.....	—	—	—	—	—	—	—
Total revenues and other financing sources.....	<u>308</u>	<u>161</u>	<u>166</u>	<u>254</u>	<u>4,743</u>	<u>2,556</u>	<u>192</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary.....	—	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	4,128	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—	—
Attorney General.....	207	—	—	—	—	—	—
District Attorney.....	21	—	—	—	—	—	—
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.....	—	—	—	—	—	—	—
Health and Human Services.....	—	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	1,957	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	166	—	—	—
Housing and Economic Development.....	—	78	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>228</u>	<u>78</u>	<u>—</u>	<u>166</u>	<u>4,128</u>	<u>1,957</u>	<u>—</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	2	24	—	—	429	—	—
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	1	8	—	183	206	—	—
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>3</u>	<u>32</u>	<u>—</u>	<u>183</u>	<u>635</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>231</u>	<u>110</u>	<u>—</u>	<u>349</u>	<u>4,763</u>	<u>1,957</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	77	51	166	(95)	(20)	599	192
Fund balances/(deficits) at beginning of year.....	687	318	761	250	929	4,379	359
Fund balances/(deficits) at end of year.....	<u>\$ 764</u>	<u>\$ 369</u>	<u>\$ 927</u>	<u>\$ 155</u>	<u>\$ 909</u>	<u>\$ 4,978</u>	<u>\$ 551</u>

See accountants' review report

Non-Budgeted Other Funds

Enhanced 911	Counsel for Indigent Salary Enhancement Trust	Special Projects Permitting and Oversight	Department of Energy Resources Credit Trust	School Modernization and Reconstruction Trust	Roche Community Rink	Health Care Workforce Transformation	Workforce Competitiveness Trust	Fire Prevention and Public Safety	Cigarette Fire Safety and Firefighter Protection Act Enforcement
\$ —	\$ —	\$ —	\$ —	\$ 917,307	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
161,138	—	38	—	—	29	170	67	—	1,386
713	—	—	—	—	—	—	—	—	7
161,851	—	38	—	917,307	29	170	67	—	1,393
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	7,750	—	—
—	—	—	—	—	—	—	7,750	—	—
161,851	—	38	—	917,307	29	170	7,817	—	1,393
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	917,307	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
9,046	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	1,868	—	—	—	—	—	—	—
45	—	—	—	—	—	—	—	—	—
2,508	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
91,593	—	—	—	—	—	—	—	21	786
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	62	2,397	—	—
—	—	—	—	—	—	—	—	—	—
103,192	—	1,868	—	917,307	—	62	2,397	21	786
—	—	—	—	—	—	—	—	—	—
4,349	—	151	—	—	—	—	—	—	34
—	—	—	—	—	—	—	—	—	—
2,622	—	72	—	—	—	—	—	3	63
—	—	—	—	—	—	—	—	—	—
6,971	—	223	—	—	—	—	—	3	97
110,163	—	2,091	—	917,307	—	62	2,397	24	883
—	—	—	—	—	—	—	—	—	—
51,688	—	(2,053)	—	—	29	108	5,420	(24)	510
146,607	2	7,039	43	—	593	—	6,878	52	1,633
\$ 198,295	\$ 2	\$ 4,986	\$ 43	\$ —	\$ 622	\$ 108	\$ 12,298	\$ 28	\$ 2,143

continued

Non-Budgeted Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
 Fiscal Year Ended June 30, 2020
 (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	—	54,370	31,032	—	—	—	—
Departmental	—	432	—	—	55	82	542
Miscellaneous	—	—	—	—	—	—	—
Total revenues	—	54,802	31,032	—	55	82	542
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	268	16,545	—	30	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	268	16,545	—	30	—	—	—
Total revenues and other financing sources	268	71,347	31,032	30	55	82	542
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	—	—	—	—	—	—	209
Health and Human Services	120	61,399	—	—	42	73	—
Executive Office of Technology Services and Security	—	1,898	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	104	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	3,249	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	39,549	—	—	—	—
Total expenditures	224	63,297	39,549	3,249	42	73	209
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	19	1,817	—	—	2	—	7
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	13	194	—	—	1	—	13
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	32	2,011	—	—	3	—	20
Total expenditures and other financing uses	256	65,308	39,549	3,249	45	73	229
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	12	6,039	(8,517)	(3,219)	10	9	313
Fund balances/(deficits) at beginning of year	536	(4,475)	8,815	14,706	146	49	327
Fund balances/(deficits) at end of year	\$ 548	\$ 1,564	\$ 298	\$ 11,487	\$ 156	58	640

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, 2020
(Amounts in thousands)

	Non-Budgeted Other Funds					
	Workforce Training Trust	Oil Overcharge	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	\$ 25,743	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	421	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Departmental	—	—	41	—	290	17
Miscellaneous	—	—	—	—	—	—
Total revenues	<u>25,743</u>	<u>—</u>	<u>41</u>	<u>421</u>	<u>290</u>	<u>17</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>
Total revenues and other financing sources	<u>25,743</u>	<u>—</u>	<u>41</u>	<u>421</u>	<u>290</u>	<u>17</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	—	—	—	250	322	44
Health and Human Services	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	13,872	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	<u>13,872</u>	<u>—</u>	<u>—</u>	<u>250</u>	<u>322</u>	<u>44</u>
Other financing uses:						
Principal on current refundings	—	—	—	—	—	—
Fringe benefit cost assessment	160	—	—	85	37	—
Lottery operating reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers out	208	—	—	7	—	—
Stabilization transfer	—	—	—	—	—	—
Total other financing uses	<u>368</u>	<u>—</u>	<u>—</u>	<u>92</u>	<u>37</u>	<u>—</u>
Total expenditures and other financing uses	<u>14,240</u>	<u>—</u>	<u>—</u>	<u>342</u>	<u>359</u>	<u>44</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	11,503	—	41	79	(69)	(27)
Fund balances/(deficits) at beginning of year	38,460	394	117	293	397	57
Fund balances/(deficits) at end of year	<u>\$ 49,963</u>	<u>\$ 394</u>	<u>\$ 158</u>	<u>\$ 372</u>	<u>\$ 328</u>	<u>\$ 30</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	19,139	—	—	—	—
—	—	—	24,273	—	—	—	—	—	—
667	—	—	7,339	186	4,895	—	96	4,511	8,974
28	—	3	153	3	47	—	1	9	—
695	—	3	31,765	189	24,081	—	97	4,520	8,974
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	9,100	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	9,100	—	—	—	—	—	—	—	—
695	9,100	3	31,765	189	24,081	—	97	4,520	8,974
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	9	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	165	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	16,290	—	26,270	—	—	—	—	—	—
931	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	93	3,153	8,133
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	8	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	3,338	—	—	—	—
—	—	—	—	—	—	—	—	—	—
931	16,290	8	26,444	—	3,338	—	93	3,153	8,133
—	—	—	—	—	—	—	—	—	—
94	—	—	1,154	—	4,653	—	—	—	1,801
—	—	—	—	—	—	—	—	—	—
35	—	2	424	—	19,783	—	—	—	648
—	—	—	—	—	—	—	—	—	—
129	—	2	1,578	—	24,436	—	—	—	2,449
1,060	16,290	10	28,022	—	27,774	—	93	3,153	10,582
(365)	(7,190)	(7)	3,743	189	(3,693)	—	4	1,367	(1,608)
1,690	15,421	196	7,946	642	15,553	14	237	4,388	8,276
\$ 1,325	\$ 8,231	\$ 189	\$ 11,689	\$ 831	\$ 11,860	\$ 14	\$ 241	\$ 5,755	\$ 6,668

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2020
(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.....	\$ —	\$ —	\$ 145,835	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	6,260	—	—	—	637,894	—	—
Departmental.....	—	164	—	1,972	—	8,651	—
Miscellaneous.....	—	—	2,036	—	2,544	—	—
Total revenues.....	6,260	164	147,871	1,972	640,438	8,651	—
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	29,745	3,729	9,694
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	—	—	—	—	29,745	3,729	9,694
Total revenues and other financing sources.....	6,260	164	147,871	1,972	670,183	12,380	9,694
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.....	—	—	—	—	—	—	69
Office of Campaign and Political Finance.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	400
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	8,657	2,298
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	—	51,199	—	—	—	—
Energy and Environmental Affairs.....	3,214	—	—	—	—	—	—
Health and Human Services.....	—	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	123	—	—	—	—	225
Public Safety and Security.....	—	—	—	1,017	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	23,380	—	75,975	—	—
Interest and fiscal charges.....	—	—	28,842	—	35,243	—	—
Total expenditures.....	3,214	123	103,421	1,017	111,218	8,657	2,992
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	1,045	—	—	—	—	—	26
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	1,345	—	—	4,184	559,409	—	31
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	2,390	—	—	4,184	559,409	—	57
Total expenditures and other financing uses.....	5,604	123	103,421	5,201	670,627	8,657	3,049
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....							
	656	41	44,450	(3,229)	(444)	3,723	6,645
Fund balances/(deficits) at beginning of year.....	927	1,327	268,855	5,129	91,373	13,319	16,461
Fund balances/(deficits) at end of year.....	\$ 1,583	\$ 1,368	\$ 313,305	\$ 1,900	\$ 90,929	\$ 17,042	\$ 23,106

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, 2020
 (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	—	92	109	6,174	78	2,320	—
Miscellaneous	—	—	—	—	—	—	693
Total revenues	—	92	109	6,174	78	2,320	693
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	—	—	—	—	—	—	—
Total revenues and other financing sources	—	92	109	6,174	78	2,320	693
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	—	—	—	—	—	1,207	—
Health and Human Services	—	—	20	—	—	—	632
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	1,584	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	—	—	20	1,584	—	1,207	632
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	—	—	343	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	112	—	31	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	—	112	—	374	—
Total expenditures and other financing uses	—	—	20	1,696	—	1,581	632
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	—	92	89	4,478	78	739	61
Fund balances/(deficits) at beginning of year	1,218	332	1,199	1,095	169	866	286
Fund balances/(deficits) at end of year	\$ 1,218	\$ 424	\$ 1,288	\$ 5,573	\$ 247	\$ 1,605	\$ 347

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, 2020
(Amounts in thousands)

	Non-budgeted other funds		MassDOT			Totals (Memorandum only)	
	Coronavirus Relief	Massachusetts Transportation Trust	Central Artery/ Tunnel Project Repair and Maintenance Trust	Motor Vehicle Inspection Trust	Transportation Infrastructure and Development	2020	2019
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,543,261	\$ 2,430,998
Assessments	—	—	—	—	—	835,852	896,066
Federal grants and reimbursements	2,460,842	15,438	—	—	—	6,230,207	3,560,594
Departmental	—	460,705	—	52,537	—	6,568,054	6,970,497
Miscellaneous	—	53,445	16,594	175	52	87,699	68,012
Total revenues	2,460,842	529,588	16,594	52,712	52	16,265,073	13,926,167
Other financing sources:							
Issuance of current refunding bonds	—	664,155	—	—	—	664,155	437,195
Bond premiums/(discounts) on current refunding bonds	—	144,943	—	—	—	144,943	49,927
Operating transfers in	—	632,257	—	—	—	1,021,670	1,029,534
Medical assistance transfer	—	—	—	—	—	505,785	363,078
Total other financing sources	—	1,441,355	—	—	—	2,336,553	1,879,734
Total revenues and other financing sources	2,460,842	1,970,943	16,594	52,712	52	18,601,626	15,805,901
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	2,881	2,566
Inspector General	—	—	—	—	—	276	223
Governor and Lieutenant Governor	—	117	—	—	—	168	83
Secretary of the Commonwealth	—	—	—	—	—	5,206	4,424
Treasurer and Receiver-General	2,004	162	—	—	—	6,479,902	6,563,831
Attorney General	—	—	—	—	—	48,401	46,543
District Attorney	—	—	—	—	—	3,690	3,047
Office of Campaign and Political Finance	—	—	—	—	—	—	1,088
Sheriffs' Departments	76,757	483	—	—	—	91,914	11,984
Disabled Persons Protection Commission	—	—	—	—	—	922	762
Board of Library Commissioners	—	—	—	—	—	2,555	2,802
Massachusetts Gaming Commission	—	—	—	—	—	43,879	50,371
Comptroller	—	—	—	—	—	1,947	1,582
Administration and Finance	153,469	15	—	—	—	672,174	457,422
Energy and Environmental Affairs	—	344	—	1,561	—	104,258	125,546
Health and Human Services	110,883	1	—	—	—	2,469,121	2,293,626
Executive Office of Technology Services and Security	—	—	—	—	—	6,363	5,290
Massachusetts Department of Transportation	3,834	1,008,194	10,318	9,797	—	1,032,768	974,742
Office of the Child Advocate	—	—	—	—	—	59	—
Executive Office of Education	19,832	—	—	—	—	1,031,341	1,016,983
Public Safety and Security	302,441	—	—	—	—	527,188	195,590
Housing and Economic Development	7,310	—	—	—	—	573,026	553,902
Labor and Workforce Development	—	—	—	—	—	156,122	155,336
Debt service:							
Principal retirement	—	—	—	—	—	102,682	90,815
Interest and fiscal charges	—	—	—	—	—	105,129	115,196
Total expenditures	676,530	1,009,316	10,318	11,358	—	13,461,972	12,673,754
Other financing uses:							
Principal on current refundings	—	809,098	—	—	—	809,098	487,122
Fringe benefit cost assessment	84,422	88,956	—	1,729	—	290,162	190,755
Lottery operating reimbursements	—	—	—	—	—	110,928	107,289
Lottery distributions	—	—	—	—	—	967,263	1,088,049
Operating transfers out	—	3,581	7,708	36,638	—	898,297	870,522
Stabilization transfer	—	—	—	—	—	14,914	9,781
Total other financing uses	84,422	901,635	7,708	38,367	—	3,090,662	2,753,518
Total expenditures and other financing uses	760,952	1,910,951	18,026	49,725	—	16,552,634	15,427,272
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	1,699,890	59,992	(1,432)	2,987	52	2,048,992	378,629
Fund balances/(deficits) at beginning of year	—	1,009,902	353,536	2,273	3,165	2,457,474	2,078,845
Fund balances/(deficits) at end of year	\$ 1,699,890	\$ 1,069,894	\$ 352,104	\$ 5,260	\$ 3,217	\$ 4,506,466	\$ 2,457,474

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 FY20 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, 2020

(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	\$ 74,009	\$ —	\$ —	\$ —
Departmental	—	—	—	—
Miscellaneous	—	—	—	496
Total revenues	<u>74,009</u>	<u>—</u>	<u>—</u>	<u>496</u>
Other financing sources:				
Issuance of general obligation bonds	909,955	—	—	608,431
Bond premiums (discounts) on general obligation bonds	84,538	—	—	35,818
Issuance of special obligation bonds	—	—	—	253,500
Bond premiums (discounts) on special obligation bonds	—	—	—	54,037
Issuance of current refunding bonds	182,017	—	—	184,656
Bond premiums (discounts) on current refunding bonds	21,418	—	—	20,797
Issuance of advance refunding bonds	457,321	—	—	401,114
Bond premiums (discounts) on advance refunding bonds	(1,440)	—	—	(1,263)
Operating transfers in	—	—	—	—
State share of federal highway construction	—	—	—	—
Total other financing sources	<u>1,653,809</u>	<u>—</u>	<u>—</u>	<u>1,557,090</u>
Total revenues and other financing sources	<u>1,727,818</u>	<u>—</u>	<u>—</u>	<u>1,557,586</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	15,039	—	—	—
Secretary of the Commonwealth	1,025	—	—	—
Treasurer and Receiver-General	22,807	—	—	—
Attorney General	1	—	—	86
Sheriffs' Departments	6,390	—	—	—
Board of Library Commissioners	19,400	—	—	—
Comptroller	2,450	—	—	—
Administration and Finance	311,031	—	—	4,772
Energy and Environmental Affairs	192,860	—	—	1,574
Health and Human Services	86,359	—	—	—
Executive Office of Technology Services and Security	35,294	—	—	—
Massachusetts Department of Transportation	91,857	—	—	1,140,739
Executive Office of Education	106,969	—	—	—
Center for Health Information and Analysis	4,595	—	—	—
Public Safety and Security	50,704	—	—	—
Housing and Economic Development	333,907	—	—	125
Labor and Workforce Development	934	—	—	—
Total expenditures	<u>1,281,622</u>	<u>—</u>	<u>—</u>	<u>1,147,296</u>
Other financing uses:				
Payments to advance refunding bonds escrow	455,881	—	—	399,850
Principal on current refundings	203,436	—	—	205,454
Fringe benefit cost assessment	18,767	—	—	—
Operating transfers out	—	—	—	884
State share of federal highway construction	—	—	—	119,086
Total other financing uses	<u>678,084</u>	<u>—</u>	<u>—</u>	<u>725,274</u>
Total expenditures and other financing uses	<u>1,959,706</u>	<u>—</u>	<u>—</u>	<u>1,872,570</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(231,888)	—	—	(314,984)
Fund balances/(deficits) at beginning of year	58,545	8,393	—	(353,279)
Fund balances/(deficits) at end of year	<u>\$ (173,343)</u>	<u>\$ 8,393</u>	<u>\$ —</u>	<u>\$ (668,263)</u>

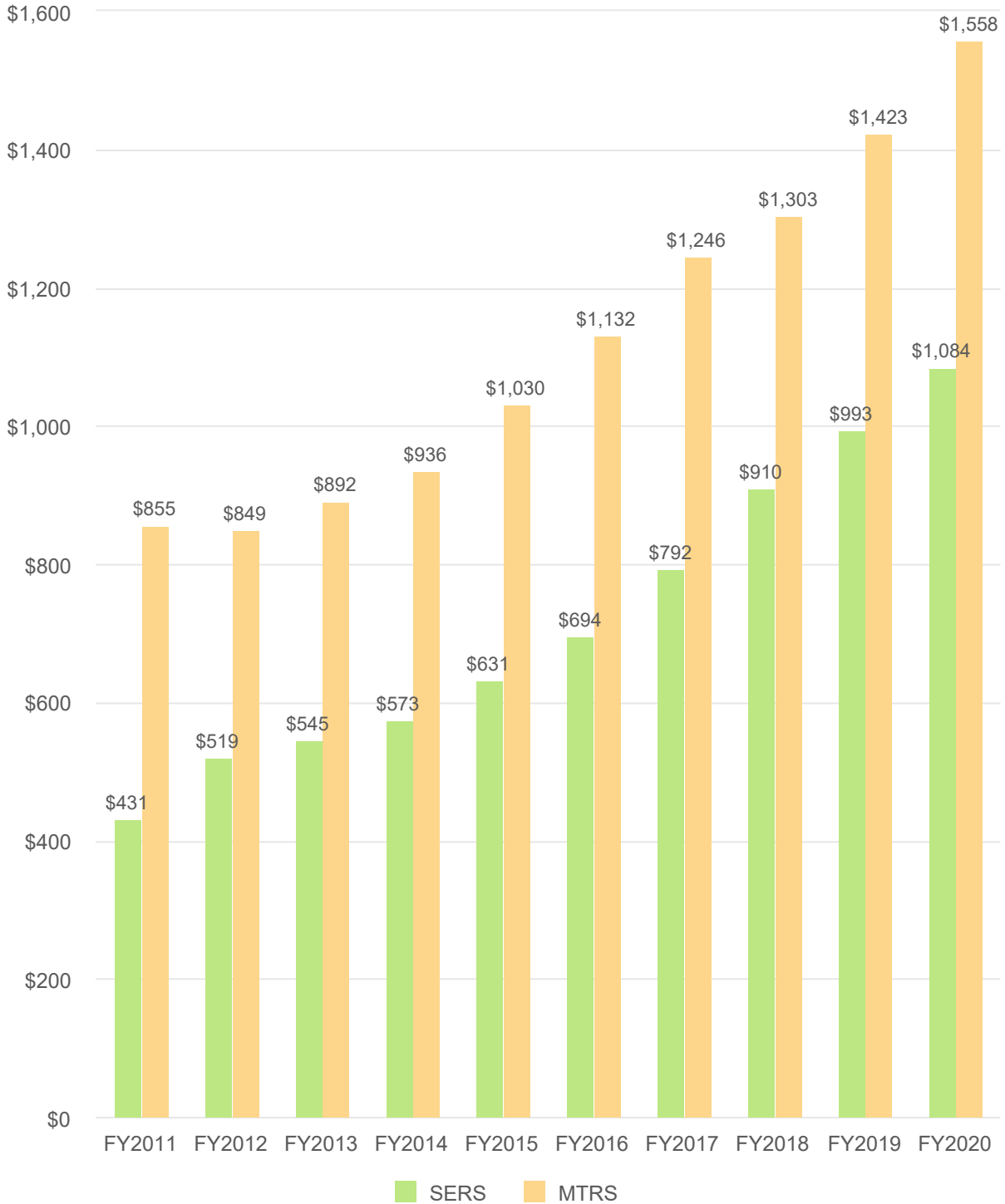
See accountant's review report

Federal Highway Construction Program	Local Aid Capital Projects	MassDOT		Totals (Memorandum only)		
		Central Artery Statewide Road and Bridge Infrastructure			2020	2019
\$ 3,955	\$ —	\$ —	\$ 77,964	\$ 66,085		
1,385	—	—	1,385	5,340		
—	—	1,165	1,661	6,759		
5,340	—	1,165	81,010	78,184		
—	—	—	1,518,386	1,808,136		
—	—	—	120,356	302,593		
—	—	—	253,500	—		
—	—	—	54,037	—		
—	1	—	366,675	818,831		
—	—	—	42,216	137,076		
—	—	—	858,435	—		
—	—	—	(2,704)	—		
560,293	—	—	560,293	537,009		
119,086	—	—	119,086	109,729		
679,379	1	—	3,890,280	3,713,374		
684,719	1	1,165	3,971,290	3,791,558		
—	—	—	15,039	11,432		
—	—	—	1,025	1,505		
—	—	—	22,807	41,228		
—	—	—	87	1,021		
—	—	—	6,390	3,800		
—	—	—	19,400	19,945		
—	—	—	2,450	—		
—	—	—	315,803	383,807		
773	—	—	195,207	215,774		
100	—	—	86,459	114,359		
250	—	—	35,544	48,712		
671,058	—	—	1,903,655	1,753,167		
—	—	—	106,969	91,104		
—	—	—	4,595	2,876		
—	—	—	50,704	40,118		
—	—	—	334,031	447,762		
—	—	—	934	1,877		
672,181	—	—	3,101,099	3,178,487		
—	—	—	855,731	—		
—	1	—	408,891	955,907		
12,536	—	—	31,304	29,088		
—	—	—	884	—		
—	—	—	119,086	109,729		
12,536	1	—	1,415,896	1,094,724		
684,717	1	—	4,516,995	4,273,211		
2	—	1,165	(545,705)	(481,653)		
515	—	69,433	(216,393)	265,260		
\$ 517	\$ —	\$ 70,598	\$ (762,098)	\$ (216,393)		



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THE BIG PICTURE: HISTORICAL CONTEXT
Annual Pension Funding
State Employees' Retirement System (SERS) and
Massachusetts Teachers' Retirement System (MTRS)
Last Ten Fiscal Years
(Amounts in \$ Millions)



Supplemental Information



Calculation of Transfers – Stabilization and Tax Reduction Funds
Schedule A – FY2020 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, 2020
(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	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus).....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Stabilization Balance Reconciliation:

Balance as of July 1, 2020.....	\$ 3,424,376
Certain tax revenues.....	362
Transfer of 10% of casino gaming tax revenue (MGM and Encore).....	14,914
Stabilization Fund investment income.....	61,529
Stabilization Fund Balance as of June 30, 2020.....	\$ 3,501,181
Memo: Change in Stabilization Fund Balance, FY19-20.....	\$ 76,805

* Excludes funds with no FY20 balances or activity

Note: Details may not add to totals due to rounding

Calculation of Transfers: Tax Reduction Fund

Fiscal Year Ended June 30, 2020

(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	\$ 3,501,181
Allowable Stabilization Fund balance (per Schedule B)	<u>7,097,420</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 3,501,181
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 3,501,181</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>

Schedule A
FY2020 Tax Revenues by Revenue Class

Fiscal Year Ended June 30, 2020
(Amounts in thousands)

Alcoholic beverages	\$ 87,621
Cigarette	416,257
Cigarette excise - Commonwealth Care	107,706
Corporations	2,532,411
Deeds	314,150
Estate and inheritance	699,555
Health care coverage penalty - Commonwealth Care	28,147
Income	17,360,823
Insurance	415,459
Motor and special fuels	707,877
Room occupancy	250,343
Sales and use	6,845,777
Club alcoholic beverages	749
Motor vehicle excise	195
Convention center surcharges	16,682
Community preservation	42,134
Satellite	7,634
Gaming revenue - Massachusetts Gaming Commission	187,870
State racing - Massachusetts Gaming Commission	741
Beano	801
Raffles and bazaars	857
Boxing	150
DOI excess and surplus lines	54,660
UI surcharge	25,743
Controlled substances	51,685
FY 2020 state tax revenue	<u>\$ 30,156,027</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, 2020
(Amounts in thousands)

Total revenues and other financial resources pertaining to the budgeted funds	\$ 48,329,410
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C)	<u>(1,013,278)</u>
Adjusted revenues and other financial resources pertaining to the budgeted funds	<u>47,316,132</u>
Allowable Stabilization Fund balance, 15% of budgeted fund revenue	<u>\$ 7,097,420</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, 2020
(Amounts in thousands)

Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund.....	\$ (441,353)
Adjustments to other financing sources and uses:	
Fringe benefit cost assessments.....	(15,591)
Transfer from the Intragovernmental Service Fund to the General Fund.....	(13,268)
RMV license plates.....	(3,316)
Transfer from General Fund to the Commonwealth Transportation Fund.....	(210,000)
Other fund deficit support.....	(305,412)
Other.....	(24,338)
Elimination of budgetary interfund activity.....	\$ (1,013,278)

Non-Tax Revenue Initiatives

Fiscal Year Ended June 30, 2020

(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 FY20 were (amounts in thousands):

Department Collectors	Collections	Fees
Collecto, Inc.....	\$ 3,066	\$ 411
Premier Credit of North America, LLC.....	973	142
Allen Daniels.....	781	118
Delta.....	720	113
Linebarger, Goggan, Blair & Sampson, LLP.....	375	96
Financial Asset Management Systems, Inc.....	272	18
Reliant Capital Solutions, Inc.....	41	6
Total	\$ 6,228	\$ 904

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.....	\$ 2,599	\$ 342
Allen Daniels.....	636	94
Premier Credit of North America, LLC.....	600	97
Delta.....	621	97
Reliant Capital Solutions, Inc.....	41	6
Total	\$ 4,497	\$ 636

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 FY20, the following amounts were generated (amounts in thousands):

State expenditures avoided.....	\$ 1,344
Contractor payments.....	(286)
Net cost savings/avoidance.....	\$ 1,058

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. FY20 activity (amounts in thousands):

Total Commonwealth intercepts.....	<u>\$ 16,731</u>
Amounts included above that were intercepted on behalf of the Institutions of Higher Education....	<u>\$ 6,125</u>

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 %

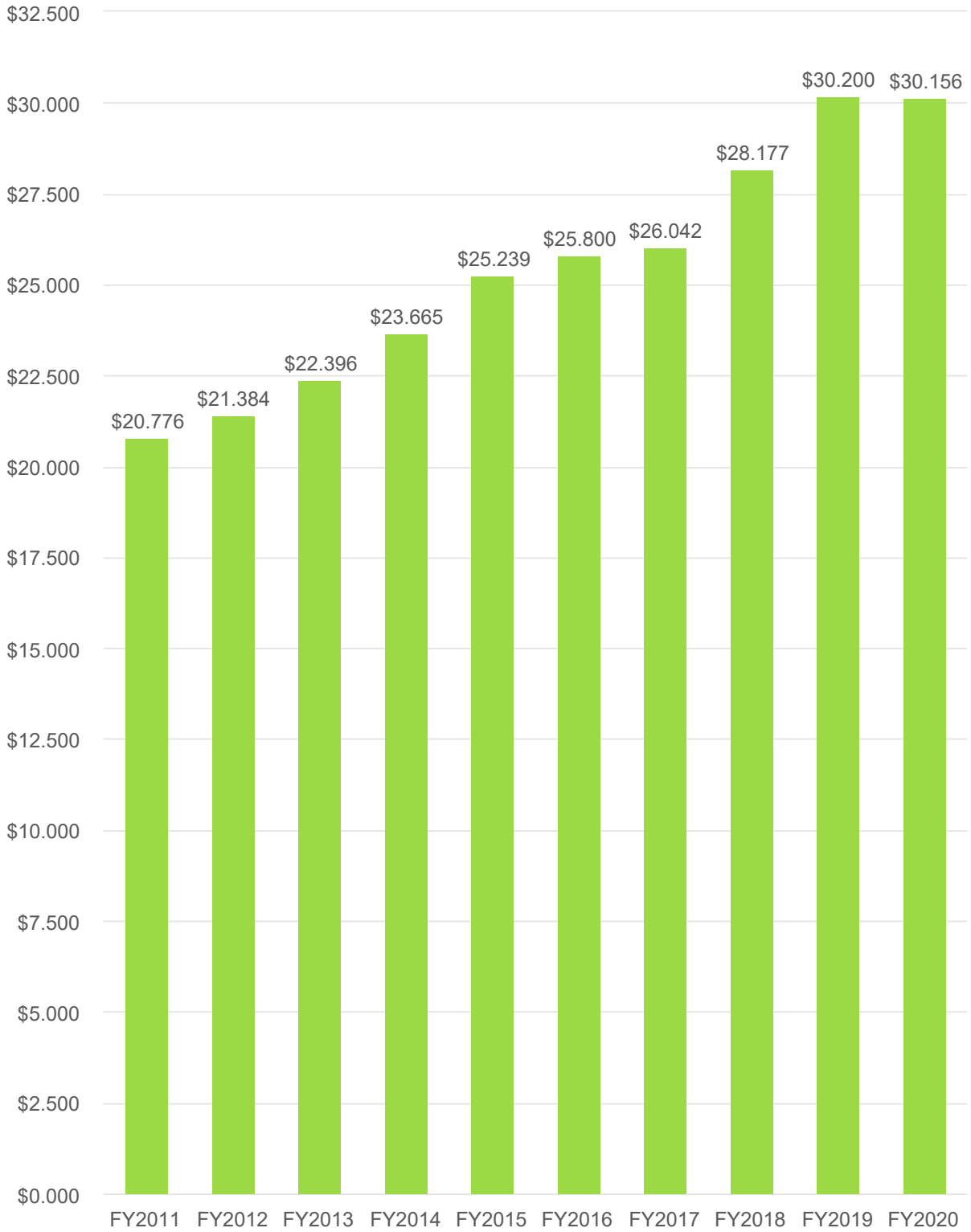
*A pension funding actuarial valuation as of January 1, 2020 was not performed for SERS and MTRS. GASB 67 compliant pension valuations will be presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

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, 2020 Other Post-Employment Benefits (OPEB) Actuarial Valuation will be presented in the CAFR due to changes in accounting standards.

THE BIG PICTURE: HISTORICAL CONTEXT
State Tax Revenue - All Governmental Funds
Last Ten Fiscal Years
(Amounts in \$ Millions)



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, 2020
(Amounts in millions)

	2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Taxes	\$ 30,156	42.7	\$ 30,200	44.4	\$ 28,177	44.0	\$ 26,042	42.1	\$ 25,800	42.7
Federal reimbursements	16,598	23.4	12,961	19.1	12,536	19.5	11,801	19.1	11,528	19.1
Federal grants	2,505	3.5	2,438	3.6	2,428	3.8	2,370	3.8	2,363	3.9
Lotteries	5,395	7.6	5,652	8.3	5,441	8.5	5,257	8.5	5,407	8.9
Assessments	1,267	1.8	1,328	2.0	1,246	1.9	1,209	2.0	1,058	1.7
Motor vehicle licenses and registrations	515	0.7	566	0.8	565	0.9	546	0.9	546	0.9
Fees, investment earnings, etc	5,679	8.0	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	1,946	2.7	2,111	3.1	2,727	4.3	3,136	5.1	3,003	5.0
Proceeds of refunding bonds	2,074	2.9	1,443	2.1	1,311	2.0	2,269	3.7	1,674	2.8
Other interfund transfers	4,767	6.7	5,624	8.3	4,202	6.5	4,233	6.8	4,067	6.7
Total revenues and other financing sources	\$ 70,902	100.0	\$ 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
\$ 25,239	44.4	\$ 23,665	43.6	\$ 22,396	43.8	\$ 21,384	42.7	\$ 20,776	38.2
10,287	18.1	9,265	17.1	9,078	17.8	8,931	17.8	10,151	18.6
2,269	4.0	2,328	4.3	2,396	4.7	2,655	5.3	3,097	5.7
5,194	9.1	5,050	9.3	5,043	9.9	4,941	9.9	4,632	8.5
1,033	1.8	1,079	2.0	1,018	2.0	986	2.0	960	1.8
546	1.0	495	0.9	487	1.0	474	0.9	497	0.9
4,409	7.8	4,252	7.9	3,858	7.5	3,580	7.2	3,461	6.4
3,404	6.0	2,262	4.2	1,512	3.0	1,921	3.8	2,306	4.2
707	1.2	722	1.3	231	0.5	480	1.0	947	1.7
3,748	6.6	5,093	9.4	4,982	9.8	4,731	9.4	7,618	14.0
<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>

Ten-Year Schedule of Tax Revenues by Source
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2020
(Amounts in millions)

	2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Income	\$ 17,361	57.6	\$ 17,109	56.6	\$ 16,240	57.7	\$ 14,684	56.3	\$ 14,394	55.9
Sales and use	6,846	22.7	6,842	22.7	6,490	23.0	6,241	24.0	6,090	23.6
Corporations	2,532	8.4	2,947	9.8	2,409	8.5	2,196	8.4	2,333	9.0
Motor fuels	708	2.3	775	2.6	769	2.7	769	3.0	767	3.0
Cigarette and tobacco	524	1.7	553	1.8	594	2.1	619	2.4	641	2.5
Insurance	415	1.4	401	1.3	364	1.3	358	1.4	369	1.4
Estate and inheritance	700	2.3	601	2.0	473	1.7	337	1.3	399	1.5
Alcoholic beverages	88	0.3	86	0.3	85	0.3	84	0.3	83	0.3
Other	982	3.3	886	2.9	753	2.7	754	2.9	724	2.8
Total taxes	<u>\$ 30,156</u>	<u>100.0</u>	<u>\$ 30,200</u>	<u>100.0</u>	<u>\$ 28,177</u>	<u>100.0</u>	<u>\$ 26,042</u>	<u>100.0</u>	<u>\$ 25,800</u>	<u>100.0</u>

2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
\$ 14,449	57.2	\$ 13,202	55.8	\$ 12,831	57.3	\$ 11,911	55.6	\$ 11,576	55.6
5,804	23.0	5,519	23.3	5,184	23.1	5,079	23.8	4,921	23.7
2,227	8.8	2,195	9.3	1,888	8.4	2,002	9.4	1,931	9.3
756	3.0	732	3.1	651	2.9	662	3.1	661	3.2
647	2.6	661	2.8	558	2.6	574	2.6	599	2.9
333	1.3	316	1.3	373	1.7	318	1.5	296	1.4
341	1.4	402	1.7	313	1.4	293	1.4	310	1.5
80	0.3	79	0.3	77	0.3	77	0.4	73	0.4
602	2.4	559	2.4	521	2.3	468	2.2	409	2.0
<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>

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in millions)

	2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Legislature.....	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1	\$ 61	0.1
Judiciary.....	1,037	1.5	997	1.5	933	1.5	929	1.5	896	1.5
Inspector General.....	6	—	5	—	4	—	4	—	4	—
Governor and Lieutenant Governor.....	7	—	7	—	7	—	7	—	7	—
Secretary of the Commonwealth.....	56	0.1	57	0.1	46	0.1	52	0.1	45	0.1
Treasurer and Receiver-General.....	6,741	9.8	6,849	10.3	6,631	10.5	6,314	10.3	6,485	10.7
Auditor of the Commonwealth.....	19	—	18	—	20	—	21	—	20	—
Attorney General.....	102	0.1	100	0.1	98	0.2	71	0.1	63	0.1
Ethics Commission.....	2	—	2	—	2	—	2	—	3	—
District Attorney.....	145	0.2	132	0.2	122	0.2	123	0.2	116	0.2
Office of Campaign and Political Finance.....	2	—	3	—	2	—	2	—	2	—
Sheriffs' Departments.....	723	1.0	674	1.0	637	1.0	624	1.0	616	1.0
Disabled Persons Protection Commission.....	6	—	5	—	4	—	3	—	3	—
Board of Library Commissioners.....	52	0.1	50	0.1	48	0.1	40	0.1	48	0.1
Massachusetts Gaming Commission.....	45	0.1	51	0.1	45	0.1	38	0.1	35	0.1
Comptroller.....	18	—	16	—	16	—	16	—	17	—
Administration and Finance.....	9,664	14.0	9,126	13.7	8,975	14.2	9,016	14.6	8,823	14.8
Energy and Environmental Affairs.....	585	0.8	598	0.9	565	0.9	543	0.9	627	1.0
Health and Human Services.....	26,391	38.5	25,325	37.9	24,438	38.2	23,037	37.6	22,579	37.3
Executive Office of Technology Services and Security.....	177	0.3	167	0.2	137	0.2	—	—	—	—
Massachusetts Department of Transportation.....	3,064	4.4	2,855	4.3	2,980	4.7	3,129	5.1	3,287	5.4
Office of the Child Advocate.....	2	—	1	—	1	—	1	—	1	—
Cannabis Control Commission.....	13	—	10	—	2	—	—	—	—	—
Executive Office of Education.....	3,832	5.5	3,604	5.4	3,353	5.3	3,280	5.3	3,320	5.5
Center for Health Information and Analysis.....	25	—	23	—	21	—	23	—	27	—
Public Safety and Security.....	2,111	3.1	1,462	2.2	1,430	2.3	1,406	2.3	1,396	2.3
Housing and Economic Development.....	1,544	2.2	1,585	2.4	1,500	2.4	1,359	2.2	1,320	2.2
Labor and Workforce Development.....	224	0.3	207	0.3	195	0.3	214	0.3	214	0.4
Post employment benefits.....	3,305	4.8	3,110	4.7	2,891	4.6	2,660	4.3	2,503	4.1
Debt service.....	2,618	3.8	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.....	2,074	3.0	1,443	2.2	1,311	2.1	2,269	3.7	1,674	2.8
Other fund deficit support.....	305	0.4	305	0.5	—	—	145	0.2	71	0.1
Other interfund transfers.....	4,099	5.9	5,421	8.0	4,412	7.0	3,677	6.0	3,685	6.1
Total expenditures and other financing uses.....	<u>\$69,063</u>	<u>100.0</u>	<u>\$66,809</u>	<u>100.0</u>	<u>\$63,414</u>	<u>100.0</u>	<u>\$61,550</u>	<u>100.0</u>	<u>\$60,417</u>	<u>100.0</u>

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
\$	60	0.1	\$ 56	0.1	\$ 57	0.1	\$ 58	0.1	\$ 58	0.1
	852	1.5	831	1.5	802	1.5	780	1.6	788	1.5
	5	—	6	—	6	—	3	—	3	—
	7	—	5	—	6	—	7	—	5	—
	52	0.1	53	0.1	50	0.1	43	0.1	46	0.1
	6,224	11.1	5,893	10.9	5,867	11.3	5,847	11.7	5,610	10.6
	21	—	19	—	19	—	18	—	17	—
	56	0.1	53	0.1	50	0.1	53	0.1	51	0.1
	2	—	2	—	2	—	2	—	2	—
	111	0.2	108	0.2	108	0.2	101	0.2	97	0.2
	2	—	1	—	1	—	1	—	3	—
	595	1.1	571	1.0	543	1.0	532	1.1	511	1.0
	3	—	2	—	2	—	2	—	2	—
	49	0.1	45	0.1	41	0.1	34	0.1	34	0.1
	21	—	23	—	14	—	1	—	—	—
	20	—	18	—	14	—	13	—	14	—
	8,832	15.9	8,862	16.3	8,665	16.8	7,456	14.9	7,206	13.7
	628	1.1	561	1.0	490	0.9	456	0.9	482	0.9
	20,398	36.0	18,649	34.1	17,447	34.1	17,632	35.1	17,737	33.5
	—	—	—	—	—	—	—	—	—	—
	3,248	5.8	2,914	5.4	2,439	4.7	2,323	4.6	2,278	4.3
	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—
	3,218	5.7	3,130	5.8	2,952	5.7	3,030	6.0	3,225	6.1
	28	—	25	—	9	—	—	—	1,172	2.2
	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
	223	0.4	237	0.4	300	0.6	390	0.8	428	0.8
	2,287	3.9	2,109	3.7	1,990	3.8	1,892	3.8	1,839	3.5
	2,507	4.5	2,410	4.4	2,351	4.5	2,272	4.5	2,128	4.0
	707	1.3	722	1.3	230	0.4	388	0.8	540	1.0
	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
\$	56,285	100.0	\$ 54,710	100.0	\$ 51,745	100.0	\$ 50,125	100.0	\$ 52,896	100.0

**Ten-Year Schedule of Budgeted Funds Expenditures and Other Financing Uses by
Major Program Category**

Fiscal Year Ended June 30, 2020

(Amounts in millions)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Direct local aid	\$ 6,376	\$ 6,075	\$ 5,886	\$ 5,703	\$ 5,568	\$ 5,420	\$ 5,292	\$ 5,116	\$ 4,929	\$ 4,785
Medicaid	17,023	16,521	15,745	15,252	14,851	13,655	11,901	10,800	10,431	10,237
Other Health and Human Services	6,625	6,210	5,931	5,600	5,433	5,301	4,980	4,769	4,711	4,615
Elementary and Secondary Education	665	605	552	523	539	515	515	489	436	349
Higher Education	1,317	1,284	1,173	1,168	1,194	1,162	1,092	991	937	943
Early Education and Care	712	607	564	540	548	538	510	483	494	515
Public Safety and Security	1,479	1,168	1,102	1,060	1,066	1,041	1,010	960	930	905
Energy and Environmental Affairs	283	255	230	222	221	225	215	202	187	186
Post employment benefits	3,305	3,110	2,900	2,660	2,503	2,287	2,109	1,990	1,892	1,839
Group health insurance	1,662	1,644	1,634	1,663	1,630	1,665	1,403	1,278	1,206	1,130
Debt service	2,410	2,327	2,323	2,285	2,174	2,190	2,133	2,117	1,923	1,664
Major programs	41,857	39,806	38,039	36,676	35,727	33,999	31,160	29,195	28,076	27,168
Other program expenditures	2,762	3,563	3,113	3,235	3,241	3,326	3,294	3,007	2,899	2,851
Interfund transfers and other financing uses	3,374	3,434	2,945	1,908	1,959	1,527	3,200	3,149	2,515	5,520
Total expenditures and other financing uses	<u>\$ 47,993</u>	<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>

Ten-Year Schedule of Long-Term Bonds and Notes Outstanding

As of June 30, 2020
(Amounts in millions)

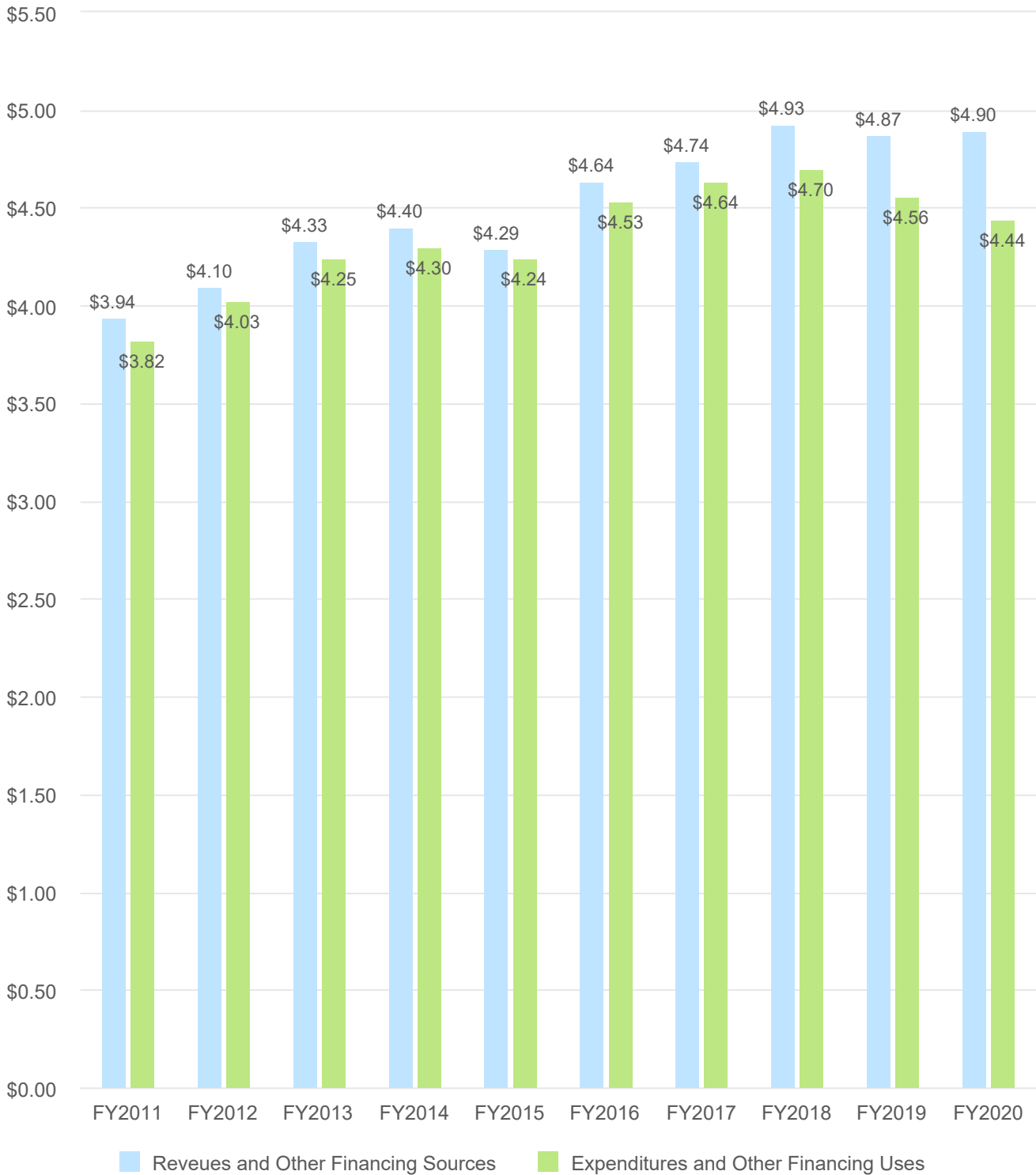
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General obligation bonds	\$ 23,953	\$ 23,676	\$ 23,144	\$ 22,717	\$ 21,668	\$ 20,802	\$ 19,387	\$ 19,140	\$ 18,852	\$ 18,517
Grant anticipation notes*	662	685	748	738	657	700	531	449	610	766
Special obligation bonds	3,483	3,378	3,469	2,991	2,754	2,324	2,292	1,924	1,972	1,592
Commonwealth long-term bonds ...	<u>\$ 28,098</u>	<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>

*Inclusive of cross-over refunding notes but exclusive of unamortized premiums.



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THE BIG PICTURE: HISTORICAL CONTEXT
Revenues & Other Financing Sources vs. Expenditures & Other Financing Uses
Combined Institutions of Higher Education
Last Ten Fiscal Years
(Amounts in \$ Billions)



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:

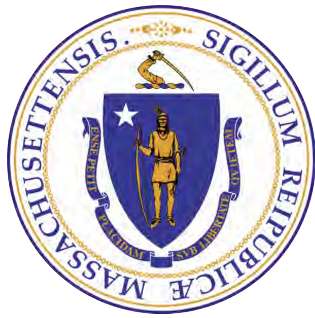
University of Massachusetts System - The University system includes the campuses at Amherst, Worcester, Boston, Lowell, Dartmouth and certain institutes and programs operated by the Office of the University President.

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



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Higher Education System
Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	University of Massachusetts	State Universities and Colleges	Community Colleges	Totals	
				2020	2019
Revenues and other financing sources:					
Federal grants and reimbursements	\$ 306,483	\$ 65,422	\$ 155,447	\$ 527,352	\$ 520,197
Departmental revenue	1,564,891	618,549	391,181	2,574,621	2,614,915
Miscellaneous revenue	1,216,961	355,112	221,421	1,793,494	1,735,344
Total revenues and other financing sources	3,088,335	1,039,083	768,049	4,895,467	4,870,456
Expenditures and other financing uses:					
(by MMARS subsidiary):					
AA Regular employee compensation	801,212	188,355	125,698	1,115,265	1,109,357
BB Regular employee related expenses	18,080	4,662	2,467	25,209	31,870
CC Special employees and contracted services	266,366	139,853	175,515	581,734	599,003
DD Pension and insurance	231,215	60,035	28,834	320,084	317,717
EE Administrative expenditures	232,966	52,368	28,749	314,083	356,725
FF Facility operational supplies	116,629	16,087	13,507	146,223	173,417
GG Energy costs and space rental	132,161	42,430	25,466	200,057	211,563
HH Consultant services	174,436	12,762	16,042	203,240	208,417
JJ Operational services	49,414	44,929	14,822	109,165	117,416
KK Equipment purchase	33,351	6,159	10,276	49,786	43,366
LL Equipment leases, maintenance and repair	29,345	7,837	6,401	43,583	47,551
MM Purchased client services and programs	43,016	3,108	3,220	49,344	44,859
NN Construction and improvements	147,856	37,392	17,196	202,444	226,257
PP Aid to local governments	—	50	2,243	2,293	1,179
RR Benefit programs	257,084	123,278	174,670	555,032	531,172
SS Debt payment	39,413	18,391	3,951	61,755	48,718
TT Loans and special payments	156,809	135,707	22,942	315,458	338,958
UU Information technology (IT) expenses	78,289	34,632	29,484	142,405	148,186
Total expenditures and other financing uses	2,807,642	928,035	701,483	4,437,160	4,555,731
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	280,693	111,048	66,566	458,307	314,725
Fund balance at beginning of year	1,229,050	692,678	453,258	2,374,986	2,060,261
Fund balance at end of year	\$ 1,509,743	\$ 803,726	\$ 519,824	\$ 2,833,293	\$ 2,374,986

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, 2020

(Amounts in thousands)

	Totals	
	2020	2019
Revenues and other financing sources:		
Federal grants and reimbursements	\$ 306,483	\$ 305,952
Departmental revenue	1,564,891	1,608,975
Miscellaneous revenue	1,216,961	1,140,741
Total revenues and other financing sources	3,088,335	3,055,668
Expenditures and other financing uses:		
(by MMARS subsidiary):		
AA Regular employee compensation	801,212	781,588
BB Regular employee related expenses	18,080	22,098
CC Special employees and contracted services	266,366	273,866
DD Pension and insurance	231,215	228,452
EE Administrative expenditures	232,966	246,801
FF Facility operational supplies	116,629	141,063
GG Energy costs and space rental	132,161	138,946
HH Consultant services	174,436	176,775
JJ Operational services	49,414	59,595
KK Equipment purchase	33,351	32,037
LL Equipment leases, maintenance and repair	29,345	29,153
MM Purchased client services and programs	43,016	37,888
NN Construction and improvements	147,856	160,530
RR Benefit programs	257,084	261,063
SS Debt payment	39,413	28,313
TT Loans and special payments	156,809	190,775
UU Information technology (IT) expenses	78,289	87,167
Total expenditures and other financing uses	2,807,642	2,896,110
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	280,693	159,558
Fund balance at beginning of year	1,229,050	1,069,492
Fund balance at end of year	<u>\$ 1,509,743</u>	<u>\$ 1,229,050</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, 2020

(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.....	\$ 18,153	\$ 6,783	\$ 12,190	\$ 2,726
Departmental revenue.....	151,484	50,233	61,320	33,610
Miscellaneous revenue.....	90,374	53,395	26,137	24,692
Total revenues and other financing sources.....	260,011	110,411	99,647	61,028
Expenditures and other financing uses:				
(by MMARS subsidiary):				
AA Regular employee compensation.....	74,424	11,357	20,179	11,697
BB Regular employee related expenses.....	896	262	338	384
CC Special employees and contracted services.....	48,202	11,114	16,048	6,995
DD Pension and insurance.....	27,675	3,651	7,545	1,040
EE Administrative expenditures.....	6,163	14,187	3,789	2,357
FF Facility operational supplies.....	2,154	1,252	1,418	929
GG Energy costs and space rental.....	5,940	3,206	4,248	1,705
HH Consultant services.....	1,713	939	951	1,162
JJ Operational services.....	11,010	7,078	4,739	2,227
KK Equipment purchase.....	1,804	117	507	613
LL Equipment leases, maintenance and repair.....	2,101	337	708	312
MM Purchased client services and programs.....	1,592	434	212	—
NN Construction and improvements.....	7,960	1,816	3,790	6,682
PP Aid to local governments.....	—	1	28	—
RR Benefit programs.....	34,193	9,885	13,148	10,226
SS Debt payment.....	2,311	251	364	—
TT Loans and special payments.....	18,611	15,600	22,539	9,848
UU Information technology (IT) expenses.....	7,064	2,806	4,332	2,296
Total expenditures and other financing uses.....	253,813	84,293	104,883	58,473
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	6,198	26,118	(5,236)	2,555
Fund balance at beginning of year.....	42,768	75,613	52,731	16,983
Fund balance at end of year.....	\$ 48,966	\$ 101,731	\$ 47,495	\$ 19,538

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	
					2020	2019
\$ 1,356	\$ 3,053	\$ 12,233	\$ 511	\$ 8,417	\$ 65,422	\$ 62,296
30,018	21,325	117,127	65,836	87,596	618,549	624,838
14,589	16,962	57,539	26,923	44,501	355,112	361,499
45,963	41,340	186,899	93,270	140,514	1,039,083	1,048,633
6,231	7,123	28,142	5,042	24,160	188,355	185,640
1,210	226	225	601	520	4,662	6,423
9,926	7,322	17,477	10,539	12,230	139,853	144,144
1,283	876	7,859	1,290	8,816	60,035	58,821
2,494	1,979	15,861	3,538	2,000	52,368	82,583
1,889	329	2,530	2,009	3,577	16,087	17,896
2,136	1,788	6,317	11,872	5,218	42,430	42,618
1,776	934	1,778	1,816	1,693	12,762	15,877
8,212	2,824	7,019	1,348	472	44,929	43,283
619	696	544	900	359	6,159	5,066
1,843	122	402	1,122	890	7,837	9,101
—	—	451	—	419	3,108	3,968
1,671	4,782	4,750	2,984	2,957	37,392	39,205
—	21	—	—	—	50	278
1,499	7,929	21,751	10,586	14,061	123,278	114,806
—	837	543	645	13,440	18,391	17,104
9,097	3,081	14,905	52	41,974	135,707	123,021
3,047	1,191	7,469	2,448	3,979	34,632	32,372
52,933	42,060	138,023	56,792	136,765	928,035	942,206
(6,970)	(720)	48,876	36,478	3,749	111,048	106,427
13,460	13,807	131,227	267,467	78,622	692,678	586,251
\$ 6,490	\$ 13,087	\$ 180,103	\$ 303,945	\$ 82,371	\$ 803,726	\$ 692,678

Community College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis

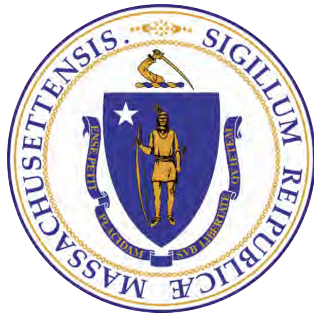
Fiscal Year Ended June 30, 2020

(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.....	\$ 4,122	\$ 21,208	\$ 16,037	\$ 6,358	\$ 3,887	\$ 10,805	\$ 13,488
Departmental revenue.....	7,305	58,407	34,635	12,832	9,975	16,191	31,634
Miscellaneous revenue.....	4,462	33,782	26,874	15,847	4,738	15,290	16,845
Total revenues and other financing sources.....	15,889	113,397	77,546	35,037	18,600	42,286	61,967
Expenditures and other financing uses:							
(by MMARS subsidiary):							
AA Regular employee compensation.....	1,030	41,131	10,928	4,186	1,998	5,187	8,480
BB Regular employee related expenses.....	118	159	243	110	187	126	126
CC Special employees and contracted services.....	4,738	17,441	25,644	11,673	5,701	7,776	18,138
DD Pension and insurance.....	564	3,769	4,100	2,280	841	1,692	3,364
EE Administrative expenditures.....	988	2,518	5,270	1,480	652	2,130	1,590
FF Facility operational supplies.....	358	1,026	820	539	223	768	812
GG Energy costs and space rental.....	686	4,121	2,875	1,842	901	1,834	1,078
HH Consultant services.....	360	1,384	1,194	274	420	2,348	660
JJ Operational services.....	450	1,636	471	378	365	1,223	502
KK Equipment purchase.....	162	415	513	736	221	576	737
LL Equipment leases, maintenance and repair.....	104	525	217	119	110	141	458
MM Purchased client services and programs.....	—	871	661	—	9	8	497
NN Construction and improvements.....	927	4,095	2,463	395	359	410	1,977
PP Aid to local governments.....	13	—	238	—	24	—	—
RR Benefit programs.....	2,411	24,175	15,404	6,827	4,757	13,414	12,583
SS Debt payment.....	12	245	—	—	—	539	928
TT Loans and special payments.....	1,519	—	322	—	174	1	4,680
UU Information technology (IT) expenses.....	1,205	6,597	2,006	1,332	855	2,501	2,111
Total expenditures and other financing uses.....	15,645	110,108	73,369	32,171	17,797	40,674	58,721
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	244	3,289	4,177	2,866	803	1,612	3,246
Fund balance at beginning of year.....	3,045	21,430	16,988	24,019	4,326	12,874	43,021
Fund balance at end of year.....	\$ 3,289	\$ 24,719	\$ 21,165	\$ 26,885	\$ 5,129	\$ 14,486	\$ 46,267

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	
								2020	2019
\$ 7,680	\$ 18,843	\$ 1,085	\$ 9,340	\$ 12,881	\$ 13,782	\$ 4,172	\$ 11,759	\$ 155,447	\$151,949
18,723	30,462	27,256	38,345	26,917	48,113	—	30,386	391,181	381,102
11,368	22,880	13,373	19,224	10,428	2,283	11,466	12,561	221,421	233,104
37,771	72,185	41,714	66,909	50,226	64,178	15,638	54,706	768,049	766,155
605	5,245	14,243	8,476	14,132	8,150	180	1,727	125,698	142,129
56	448	179	175	92	30	25	393	2,467	3,349
7,214	20,054	7,043	15,976	7,940	15,685	1,773	8,719	175,515	180,993
432	2,148	997	3,413	1,263	3,204	123	644	28,834	30,444
1,624	1,135	2,621	1,314	1,334	2,098	1,039	2,956	28,749	27,341
513	993	1,470	955	1,035	836	616	2,543	13,507	14,458
1,790	1,459	1,946	1,684	1,164	3,276	601	209	25,466	29,999
713	1,505	632	380	2,449	1,054	973	1,696	16,042	15,765
859	4,009	343	1,483	205	674	1,270	954	14,822	14,538
693	1,161	670	406	643	879	404	2,060	10,276	6,263
331	532	1,164	229	278	502	124	1,567	6,401	9,297
298	—	221	—	98	—	—	557	3,220	3,003
1,556	—	295	1,678	567	1,285	532	657	17,196	26,522
—	—	762	—	1,206	—	—	—	2,243	901
8,699	1,349	4,368	23,759	12,306	21,214	6,099	17,305	174,670	155,303
254	—	494	334	1,145	—	—	—	3,951	3,301
—	14,954	1,067	—	1	224	—	—	22,942	25,162
2,065	1,294	77	2,716	2,206	3,676	843	—	29,484	28,647
27,702	56,286	38,592	62,978	48,064	62,787	14,602	41,987	701,483	717,415
10,069	15,899	3,122	3,931	2,162	1,391	1,036	12,719	66,566	48,740
42,423	31,468	7,236	11,280	21,340	18,699	20,526	174,583	453,258	404,518
<u>\$ 52,492</u>	<u>\$ 47,367</u>	<u>\$ 10,358</u>	<u>\$ 15,211</u>	<u>\$ 23,502</u>	<u>\$ 20,090</u>	<u>\$ 21,562</u>	<u>\$ 187,302</u>	<u>\$ 519,824</u>	<u>\$ 453,258</u>



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PREPARED BY
THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH

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EXHIBIT C

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Commonwealth of Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDING JUNE 30, 2020

Commonwealth of Massachusetts



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by
*Office of the Comptroller
Statewide Financial Reporting Team*



William McNamara
Comptroller of the Commonwealth

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

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Introductory Section

(Unaudited)

Letter of Transmittal
Constitutional Officers
Commonwealth Organizational Structure
Advisory Board to the Comptroller
Acknowledgments
Certificate of Achievement





WILLIAM McNAMARA
COMPTROLLER

Commonwealth of Massachusetts

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March 25, 2021

To the citizens of the Commonwealth of Massachusetts *and*

His Excellency Charles D. Baker
Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, MA 02133

Secretary Michael J. Heffernan
Executive Office for Administration & Finance
State House, Room 373
Boston, MA 02133

Honorable Aaron Michlewitz, Chair
House Ways and Means Committee
State House, Room 243
Boston, MA 02133

Secretary Michael J. Rodrigues, Chair
Senate Ways and Means Committee
State House, Room 212
Boston, MA 02133

Mr. Steven T. James
Clerk of the House of Representatives
State House, Room 145
Boston, MA 02133

Mr. Michael D. Hurley
Clerk of the Senate
State House, Room 335
Boston, MA 02133

The Office of the Comptroller is pleased to provide this Letter of Transmittal for the Commonwealth's fiscal year 2020 (FY20) Comprehensive Annual Financial Report (Annual Report) 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 is summarized by Commonwealth branch and agency. This information is aggregated from FY20 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 FY20 are found in the Statutory Basis Financial Report (SBFR) issued separately on December 18, 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 Annual Report "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 Annual Report 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 either short-term or long-term and then subtracts liabilities and deferred inflows of resources from assets and deferred outflows of resources 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 Annual Report 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 as presented in the separately issued financial statements on December 18, 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, 2020	
Budgeted fund balance	\$ 4,295.2
Non-budgeted special revenue fund balance	4,506.5
Capital projects fund balance	<u>(762.1)</u>
Governmental Fund Balance - Statutory Basis, June 30, 2020	\$ 8,039.6
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes	628.1
Less: Massachusetts Department of Transportation Funds	<u>(1,501.1)</u>
Adjusted Statutory Governmental fund balance	7,166.6
Reclassification of funds due to implementation of GASB Statement No. 84	61.7
Short term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements	2,265.5
Tobacco settlement agreement receivable	125.7
Medicaid	<u>(232.2)</u>
Other short term accruals:	
Assessments and other receivables	452.6
Amounts due to authorities and municipalities, net	<u>(532.2)</u>
Claims, judgments and other risks	(14.1)
Amounts due to health care providers and insurers	(23.1)
Workers' compensation and group insurance	(180.2)
Other accruals, net	<u>(1,750.1)</u>
Net increase to governmental fund balances	173.6
Massachusetts School Building Authority fund balance	<u>1,717.3</u>
Total changes to governmental funds	<u>1,890.9</u>
Governmental fund balance (fund perspective)	9,057.5
Plus: Capital assets including infrastructure, net of accumulated depreciation	4,922.8
Deferred revenue, net of other eliminations	820.6
Long-term receivables	28.0
Long term accruals:	
Net pension liability	(40,836.7)
Net deferred (inflows)/outflows of resources related to pension	5,779.3
Net OPEB liability	(15,972.2)
Net deferred (inflows)/outflows of resources related to OPEB	(1,370.0)
Environmental remediation liability	(560.4)
Massachusetts School Building Authority debt and school construction payables	(6,753.4)
Long term debt, unamortized premiums and net deferrals on debt refundings	(31,359.2)
Compensated absences	(688.3)
Capital leases	(17.1)
Accrued interest on bonds	(447.3)
Other long term liabilities	<u>(281.0)</u>
Total governmental activities net position	<u>\$ (77,677.4)</u>

The deficit of \$77.677 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 FY20, MassDOT held \$25.629 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 FY20 the Commonwealth's capital spending on Higher Education capital projects totaled approximately \$2.272 billion, capital spending for transportation-related financial assistance to local governments totaled approximately \$4.211 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 \$6.981 billion, including \$1 billion to fund the Massachusetts School Building Authority (MSBA) in FY05 and FY06. In addition, the Commonwealth has a net liability of \$4.918 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 FY20 with a positive net position of \$27.588 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, 2020, the net pension liability in governmental activities totaled \$40.837 billion, offset by GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$5.779 billion; resulting in a reduction in governmental activities net position of \$35.057 billion. Governmental activities' net OPEB liability totaled \$15.972 billion.

The net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance, the Family and Employment Security Trust and Higher Education) increased by \$3.100 billion on between June 30, 2019 and June 30, 2020, as increases in assets were approximately offset by increases in liabilities. The most significant changes were as follows:

- The Commonwealth's current assets increased by \$2.077 billion, primarily as a result of increased cash on hand due to the federal government provision of financial aid under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided the state with \$2.461 billion in aid to offset costs of the COVID-19 pandemic. Of that amount, \$1.862 billion in cash remained as of June 30.
- 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, increased by \$246 million between FY19 and FY20. As further explained in Footnote 1T, the OPEB actuarial valuation was also corrected due to errors discovered in calculations underlying the amounts reported in the GASB 75 report as of the June 30, 2018 measurement date, which was reported in the FY2019 Annual Report.
- The Commonwealth's net pension liability, after taking into account deferrals of FY20 investment gains and other adjustments that will be recognized over the next several years, increased by \$4.313 billion, primarily due to a reduction, from 7.25%, to 7.15%, 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 FY20, approximately \$1.999 billion of the more than \$2.497 billion in state-funded capital spending generated assets not owned by the Commonwealth, including \$1.358 billion in transportation spending (more than \$326 million of which were grants and other financial assistance to cities and towns), \$146 million for Institutions of Higher Education (which are attributed to the Commonwealth's business-type activities), and approximately \$474 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 \$1.560 billion while the Commonwealth's governmental activities capital assets net of depreciation increased by only \$169 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, Family and Employment Security Trust and Higher Education institutions, increased by \$4.019 billion from FY19, due primarily to increased liabilities for pension and post-employment (health insurance) benefits for state employees, which together increased by a total of \$1.612 billion, and decrease in net position of business-type activities of \$919 million, caused by a reduction of \$1.795 billion in the Unemployment Insurance fund balance, partially offset by an increase of \$830 million in Family and Employment Security Trust and smaller surpluses in Higher Education. These changes are explained in more detail on pages 23 through 32 of this report.

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, 2020. 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.

All fifty states produce a Comprehensive Annual Financial Report but I believe that the accuracy and information value of the Commonwealth's report is unsurpassed. Particularly in the year of the pandemic, I greatly appreciate the skill and hard work of the state's financial professionals. I thank the dedicated employees of the Office of the Comptroller, and in particular First Deputy Comptroller Jeffrey Shapiro, Deputy Comptroller Howard Merkowitz, and Assistant Comptrollers Kristine Hill-Jones, Kevin McHugh, Amy Nable, Peter Scavotto, and Peter Murphy. They and their teams, as well as the financial professionals across state government with whom they collaborate, have served the Commonwealth extremely well in a challenging time.

Respectfully submitted,



William McNamara
Comptroller of the Commonwealth

CONSTITUTIONAL OFFICERS

Charles D. Baker
Governor

Karyn E. Polito
Lieutenant Governor

William F. Galvin
Secretary of State

Maura Healey
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka
Senate President

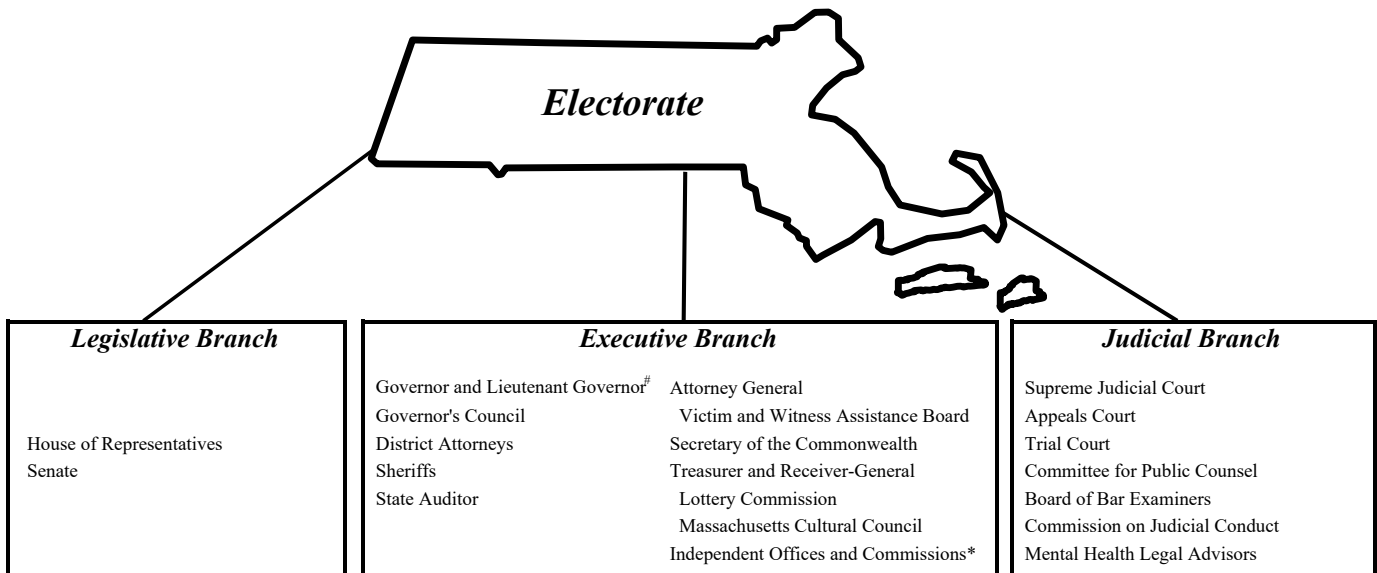
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



<i>Executive Branch Independent Offices and Commissions*</i>		
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

<i>Executive Departments Under Gubernatorial Authority[#]</i>		
<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> Massachusetts Department of Transportation (MassDOT)</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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REPORT PREPARED BY:

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Deputy Comptroller

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Financial Report
for the Fiscal Year Ended

June 30, 2019

Executive Director/CEO



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





KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Mr. William McNamara, 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, 2020, 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 7.9% and 1.9% 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 28.8% and 9.1% 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 7.1% and 5.5% 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, 2020, 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.

Emphasis of Matter

As discussed in Note 1(t) to the financial statements, in 2020, the Commonwealth adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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 March 25, 2021 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are slightly blurred and have a casual, cursive-like appearance.

March 25, 2021



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, 2020 (FY20). 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 FY20 by \$73.000 billion, an increase in the net deficit of \$4.019 billion from the FY19 net deficit.

Of the \$73.000 billion deficit, “unrestricted net position” has a deficit of \$78.097 billion and there is a \$2.233 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth’s 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 \$25.629 billion as of June 30, 2020. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$13.275 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$4.918 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 \$41.643 billion as of June 30, 2020 (based on a June 30, 2019 actuarial valuation, per GASB 68).
- 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 \$17.487 billion as of June 30, 2020 (based on a June 30, 2019 valuation, per GASB 75).

At the end of FY20, the Commonwealth also held \$2.863 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 \$202 million in restricted net position balances were set aside for unemployment benefits, an additional \$987 million was restricted for debt retirement (of which \$959 million was restricted for MSBA debt retirement), \$289 million was restricted for Higher Education, and \$556 million was restricted for other governmental purposes.

The Commonwealth’s governmental activity (which excludes the “business-type activities” of the Institutions of

Higher Education, Family and Employment Security Trust and Unemployment Insurance) net deficit increased by \$3.100 billion, to \$77.677 billion, and its governmental activities unrestricted net deficit increased by approximately \$3.597 billion, to \$77.515 billion, as of June 30, 2020.

Total revenues of the primary government increased by \$10.865 billion, or 16.5% in FY20, to \$76.583 billion. Total expenses of the primary government increased by \$15.558 billion, or approximately 23.9%, to \$80.603 billion. (Both revenue and expense increases in FY20 were driven largely by federally-reimbursed responses to the Coronavirus pandemic, which began in the last four months of the fiscal year.) Details on revenues and expenses for the primary government can be found on pages 24–32.

The net position of business-type activities declined by \$919 million, due to a deficit of \$1.795 billion in the Unemployment Insurance program (as unemployment benefits increased due to the pandemic), partially offset by surpluses of \$830 million in the Family and Employment Security Trust Fund and \$46 million in Higher Education.

On a "funds perspective" basis, at June 30, 2020, the Commonwealth's governmental funds reported a combined ending fund balance of \$9.058 billion, a decrease of \$(108) million from June 30, 2019. Of the ending balances:

- There are no nonspendable balances, \$1.294 billion is restricted, \$5.326 billion is committed, \$1.683 billion is assigned, and \$755 million is unassigned fund balance (a full discussion of these classifications is included in [Note 1](#) to the basic financial statements, on pages 70-73).
- The MSBA's fund balance of \$1.717 billion is blended with the Commonwealth. Within this fund balance is \$1.617 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY20 and previous fiscal years, less approximately \$67 million in liabilities. In FY20, \$925 million was dedicated to the MSBA from Commonwealth sales taxes, and the MSBA issued \$1.015 billion in long-term dedicated sales tax bonds.

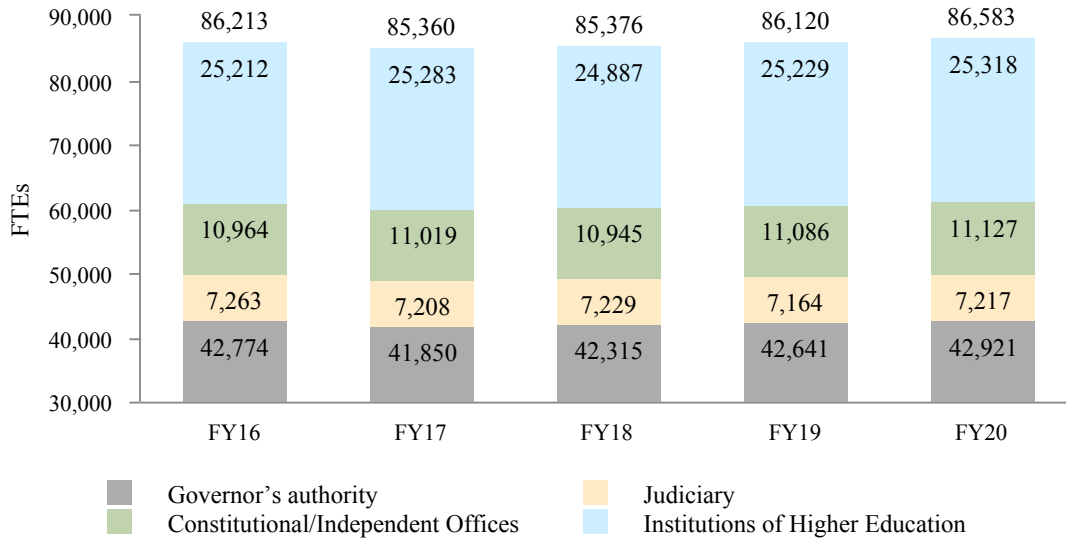
Other highlights of FY20 financial operations include:

- Tobacco settlement proceeds for the year were approximately \$222 million on a GAAP basis, a decrease of approximately \$8 million from FY19. Approximately \$126 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY21. In FY20 approximately \$23 million, or the equivalent of 10% 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 FY20 with the percentage reduced to 10%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$33 million 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 FY20 were \$5.395 billion, a decrease of approximately \$258 million, or 4.6%, from FY19, as the coronavirus pandemic reduced ticket sales. Prizes were approximately \$4.305 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 FY20 budget, totaled \$985 million a decrease of \$119 million, or 10.8%, from FY19. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.089 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, 2020, the number of Commonwealth employees increased by a net of 463 full-time equivalent employees (FTEs) from June 30, 2019, to a total of 86,583. The largest increases were in the Community Colleges (416), the Executive Office of Public Safety (194 FTEs) and the the University of Massachusetts (130 FTEs). These increases were offset by a decrease in the State Universities (457 FTEs).

**Full Time Equivalent Workforce
Including Higher Education
June 2016 – June 2020**



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, the Family and Employment Security Trust 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 37-41](#) 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 65-141](#).

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 \$73.000 billion at the end of FY20, an increase in the net deficit of \$4.019 billion from the end of FY19. Government-wide unrestricted net position is negative by \$78.097 billion. As explained previously, in addition to the \$41.643 billion government-wide net pension liability and the \$17.487 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	\$ 4,917,803
Outstanding bonds issued to fund the MBTA	207
Debt related to MassDOT assets	13,274,840
Effects on governmental unrestricted net position of items unique to the Commonwealth	<u>\$ 18,192,850</u>

Of the Commonwealth’s approximately \$2.497 billion in FY20 state funded capital spending, about \$1.999 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.358 billion in transportation spending (with \$326 million in grants and other financial assistance to cities and towns), \$146 million for Institutions of Higher Education (which are included in the Commonwealth’s business-type activities) and approximately \$474 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY20 the Commonwealth’s capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$27.217 billion. These include Higher Education capital projects totaling approximately \$2.272 billion, capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$13.560 billion, transportation-related financial assistance to local governments totaling more than \$4.211 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 \$6.981 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, 2020, the Commonwealth’s government-wide current unrestricted cash and cash equivalents totaled \$7.880 billion, a decrease of \$82 million from June 30, 2019, with a reduction of \$2.454 billion in income tax revenue whose collection was shifted from April to July as a result of extension of the tax filing deadline offset by \$2.461 billion in federal aid for Coronavirus relief. Total current assets were \$19.171 billion, an increase of \$3.344 billion from June 30, 2019, mainly due to increased funding from the federal aid for Coronavirus relief. As of June 30, 2020, the Commonwealth’s current liabilities were \$11.948 billion, an increase of \$2.467 billion from June 30, 2019, with \$1.7 billion of that in unexpended Coronavirus Relief Fund federal aid classified as "unearned revenue" under GASB rules.

As of June 30, 2020, the primary government’s non-current assets decreased by \$1.049 billion from June 30, 2019, to \$17.338 billion, due mainly to a reduction of \$1.433 billion in restricted assets in the Unemployment Insurance program.

The Commonwealth holds \$12.883 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 generally 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, 2020 and 2019
(in thousands of dollars)

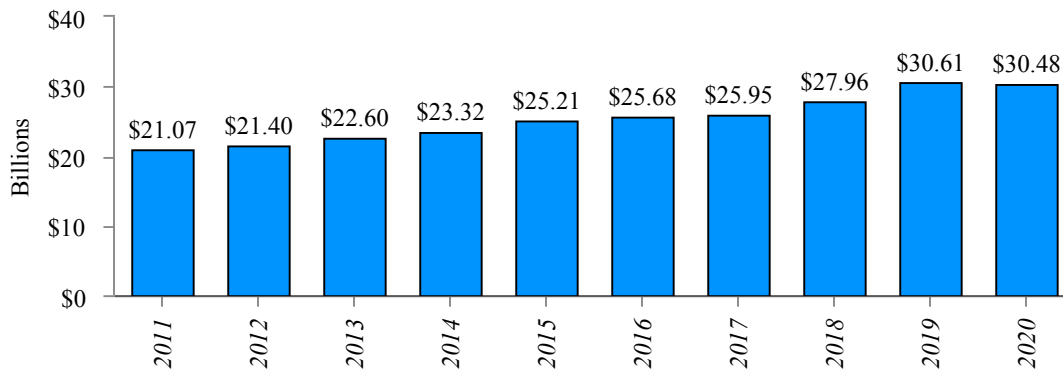
	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Current assets.....	\$ 15,854,027	\$ 13,777,391	\$ 3,316,988	\$ 2,049,611	\$ 19,171,015	\$ 15,827,002
Non-capital non-current assets.....	2,745,184	2,475,435	1,709,859	3,196,328	4,455,043	5,671,763
Capital assets.....	4,922,839	4,807,530	7,960,376	7,908,007	12,883,215	12,715,537
Total assets.....	23,522,050	21,060,356	12,987,223	13,153,946	36,509,273	34,214,302
Deferred outflows of resources.....	8,088,490	8,044,092	758,472	632,842	8,846,962	8,676,934
Total assets and deferred outflows.....	31,610,540	29,104,448	13,745,695	13,786,788	45,356,235	42,891,236
Current liabilities.....	10,543,756	8,475,674	1,404,078	1,005,649	11,947,834	9,481,323
Long term liabilities.....	94,540,163	88,548,459	7,100,293	6,504,498	101,640,456	95,052,957
Total liabilities.....	105,083,919	97,024,133	8,504,371	7,510,147	113,588,290	104,534,280
Deferred inflows of resources.....	4,203,986	6,160,667	564,173	627,163	4,768,159	6,787,830
Total liabilities and deferred inflows.....	109,287,905	103,184,800	9,068,544	8,137,310	118,356,449	111,322,110
Net Position:						
Net investment in capital assets.....	(1,705,745)	(1,433,294)	3,938,922	3,868,576	2,233,177	2,435,282
Restricted.....	1,543,264	1,270,844	1,319,929	2,271,721	2,863,193	3,542,565
Unrestricted.....	(77,514,884)	(73,917,902)	(581,700)	(490,819)	(78,096,584)	(74,408,721)
Total Net Position.....	\$ (77,677,365)	\$ (74,080,352)	\$ 4,677,151	\$ 5,649,478	\$ (73,000,214)	\$ (68,430,874)

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit increased by approximately \$4.019 billion between FY19 and FY20, to \$73.000 billion. The main reasons for the increase in the net deficit were the \$3.100 billion loss in governmental activities due to increases in the Commonwealth's pension and OPEB liabilities,

The following table shows the major categories of government-wide revenues and expenses for FY19 and FY20, as well as net position for the two fiscal years. In FY20, approximately 39.8% 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. FY20 revenues totaled \$76.583 billion, an increase of \$10.865 billion, or 16.5% from FY19, with tax revenue totaling \$30.482 billion, a decrease of \$128 million, or 0.4%, from FY19. Income tax revenue was virtually unchanged, while sales tax revenue grew by \$107 million, or 1.6%, corporate excise tax decreased by \$341 million, or 11.1%. Both sales and corporate taxes were adversely affected by the pandemic, with healthy growth in the first three quarters of FY20 with declines in the fourth quarter.

**Revenue from Taxation
FY11 - FY20**



**Changes in Net Position during the Fiscal Years Ended June 30, 2020 and 2019
(in thousands of dollars except percentages)**

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020 Distribution	June 30, 2019 Distribution	20 to '19 % Change
Revenues									
Program Revenues:									
Charges for services	\$ 11,077,441	\$ 11,411,869	\$ 5,384,806	\$ 4,629,552	\$ 16,462,247	\$ 16,041,421	21.5 %	24.4 %	(11.9)%
Operating grants and contributions	18,661,840	16,253,915	9,250,714	976,096	27,912,554	17,230,011	36.4 %	26.2 %	38.9 %
Capital grants and contributions	77,964	66,085	145,646	112,033	223,610	178,118	0.3 %	0.3 %	— %
General Revenues:									
Taxes	30,482,040	30,609,957	—	—	30,482,040	30,609,957	39.8 %	46.6 %	(14.6)%
Other	1,169,416	1,513,855	333,608	145,483	1,503,024	1,659,338	2.0 %	2.5 %	(20.0)%
Total Revenues	61,468,701	59,855,681	15,114,774	5,863,164	76,583,475	65,718,845	100.0 %	100.0 %	
Expenses									
Medicaid	19,206,749	18,093,807	—	—	19,206,749	18,093,807	23.9 %	27.9 %	(14.3)%
Direct local aid	6,390,233	6,089,548	—	—	6,390,233	6,089,548	7.9 %	9.4 %	(16.0)%
Health and human services	9,645,198	8,662,012	—	—	9,645,198	8,662,012	12.0 %	13.3 %	(9.8)%
Lottery	4,306,512	4,445,654	—	—	4,306,512	4,445,654	5.3 %	6.8 %	(22.1)%
Higher education	—	—	5,484,490	5,345,669	5,484,490	5,345,669	6.8 %	8.2 %	(17.1)%
Early elementary and secondary education	6,618,282	5,607,240	—	—	6,618,282	5,607,240	8.2 %	8.6 %	(4.7)%
Unemployment compensation	—	—	11,948,319	1,483,901	11,948,319	1,483,901	14.8 %	2.3 %	543.5 %
Family and employment security trust	—	—	5,434	—	5,434	—	— %	— %	— %
Other	16,997,557	15,317,352	—	—	16,997,557	15,317,352	21.1 %	23.5 %	(10.2)%
Total Expenses	63,164,531	58,215,613	17,438,243	6,829,570	80,602,774	65,045,183	100.0 %	100.0 %	
Excess/(Deficiency)									
before transfers	(1,695,830)	1,640,068	(2,323,469)	(966,406)	(4,019,299)	673,662			
Transfers	(1,404,336)	(1,565,932)	1,404,336	1,565,932	—	—			
Change in net position (deficits)	(3,100,166)	74,136	(919,133)	599,526	(4,019,299)	673,662			
Net position/(deficit) - beginning, as restated	(74,577,199)	(74,154,488)	5,596,284	5,049,952	(68,980,915)	(69,104,536)			
Net position/(deficit) - ending	(\$77,677,365)	\$ (74,080,352)	\$ 4,677,151	\$ 5,649,478	(\$73,000,214)	(\$68,430,874)			

Operating grants and contributions (including federal revenue for Medicaid, coronavirus relief, and Unemployment Insurance) totaled \$27.913 billion, an increase of \$10.683 billion, or 62.0%, in FY20, with federal revenue for the Unemployment Compensation program growing from \$49 million in FY19 to \$8.320 billion in FY20, as federal supplementary aid for expanded and extended unemployment insurance benefits was delivered to the Commonwealth. The remainder of the increase in operating grants and contributions was primarily due to additional federal coronavirus relief delivered to the state.

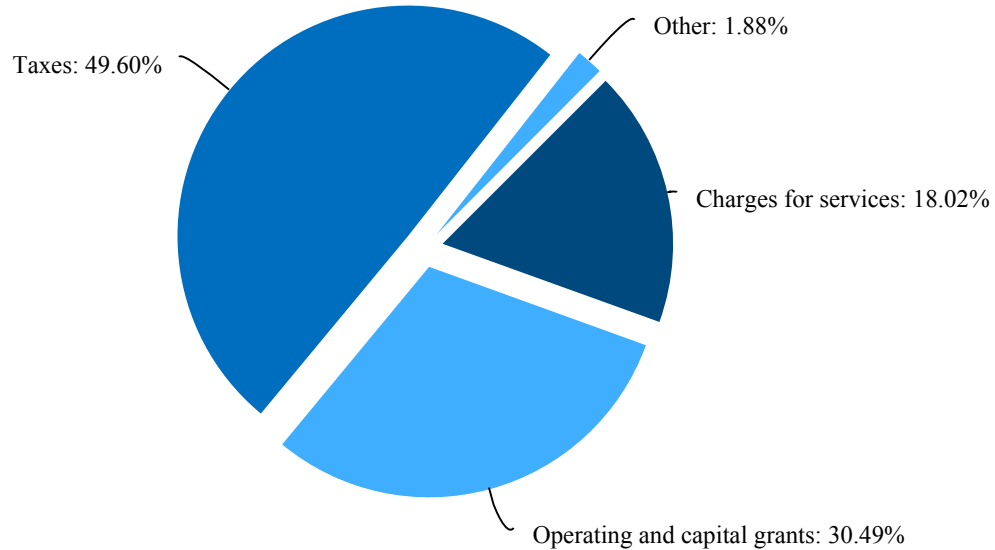
Charges for services totaled \$16.462 billion increasing \$421 million, or 2.6% from FY19, with the increase resulting from \$841 million in charges for the Paid Family and Medical Leave (PFML) program, which began receiving assessments in fourth quarter of calendar year 2019. There were also increases in charges in Health and Human Services Medicaid and general government, almost fully offset by declines in Lottery ticket purchases as the pandemic cut into sales and a decrease in Labor and Workforce Development charges.

As of June 30, 2020, government-wide restricted net position totaled \$2.863 billion, a decrease of \$679 million, with the majority of the increase due to assets restricted for other purposes.

Primary government spending totaled \$80.603 billion, an increase of \$15.558 billion, or 23.9%, from FY19, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$63.165 billion, an increase of \$4.949 billion, or 8.5%, and business-type activities spending totaling \$17.438 billion, an increase of \$10.609 billion, or 155.3%. Medicaid expenses totaled \$19.207 billion, an increase of \$1.113 billion, or 6.2%, from FY19, with the increase due to higher spending on responses to the coronavirus pandemic, which more than offset decreased utilization of routine and elective services due to restrictions put in place as a result of COVID-19. Health and Human services spending totaled \$9.645 billion, an increase of \$983 million or 11.4%, transportation and public works spending totaled \$2.807 billion, an increase of \$253 million, or 9.9%, early and secondary education spending totaled \$6.618 billion, an increase of \$1.011 billion, or 18.0%, public safety and homeland security spending totaled \$3.962 billion, an increase \$955 million, 31.8%, and general government expenses totaled \$2.923 billion, an increase of \$157 million, or 5.7%. Included in these increases across these functions and programs (especially those with large numbers of employees) is \$1.580 billion in higher expenditures due to growth in pension and OPEB liabilities in FY20 compared to FY19. In addition, direct local aid spending totaled \$6.390 billion, an increase of \$301 million, or 4.9% as the Commonwealth continued its commitment to allocating a proportionate increase in projected budgetary tax revenues to local assistance. In business-type activities, unemployment insurance compensation expenditures totaled \$11.948 billion, an increase of \$10.464 billion, or 705.2%, in the form of expanded benefits mandated by the federal government due to increased unemployment caused by the pandemic.

Income taxes comprise the majority of tax revenue. Of the \$30.482 billion in FY20 tax revenue within governmental activities, \$17.414 billion, or approximately 57.1%, of total taxes, was from income taxes, \$6.958 billion, or 22.8%, was from sales taxes, \$2.727 billion, or 8.9%, was from corporate taxes, \$694 million, or 2.3%, was from motor fuels taxes and \$2.689 billion, or 8.8%, was from other forms of taxation. Lottery revenues of \$5.391 billion made up 48.7% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$11.232 billion, or approximately 60.2%, of all grants, other health and human services grants of \$3.326 billion, or 17.8% of all grants, and education grants of \$1.312 billion, or 7.0% 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.

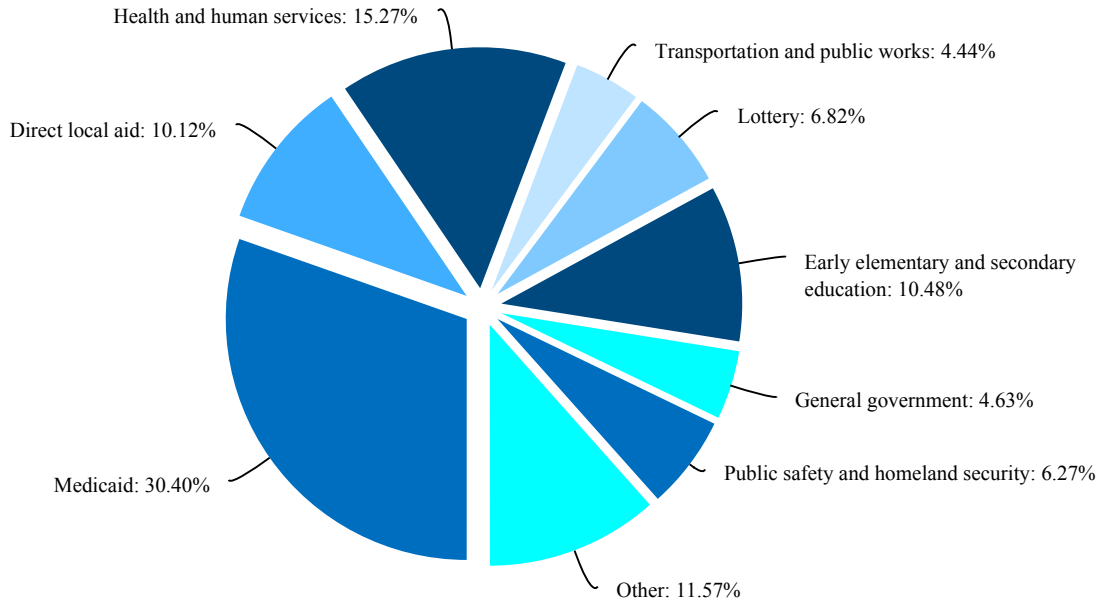
*Revenue—Governmental Activities
Fiscal Year Ending June 30, 2020*



Medicaid expenses of \$19.207 billion accounted for 30.4% 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 \$6.390 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$9.645 billion, accounting for 15.3% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$6.618 billion, accounting for 10.5% of governmental expenses and public safety and homeland security costs of approximately \$3.962 billion, accounting for 6.3% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$4.423 billion.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2020**

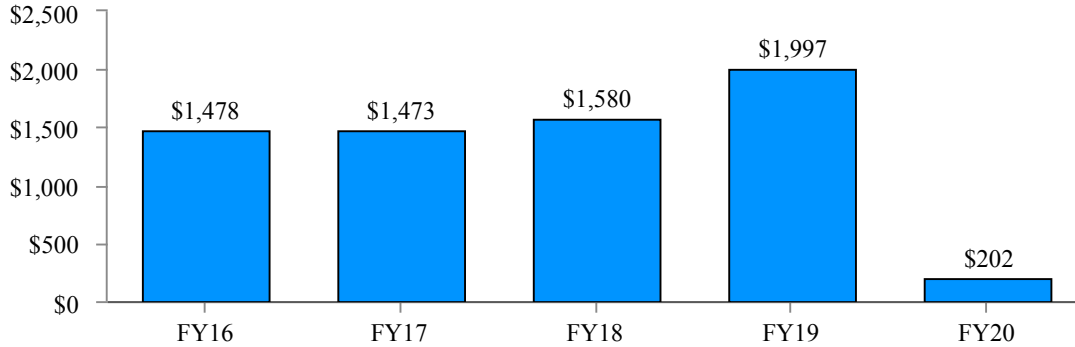


Business-Type Activities

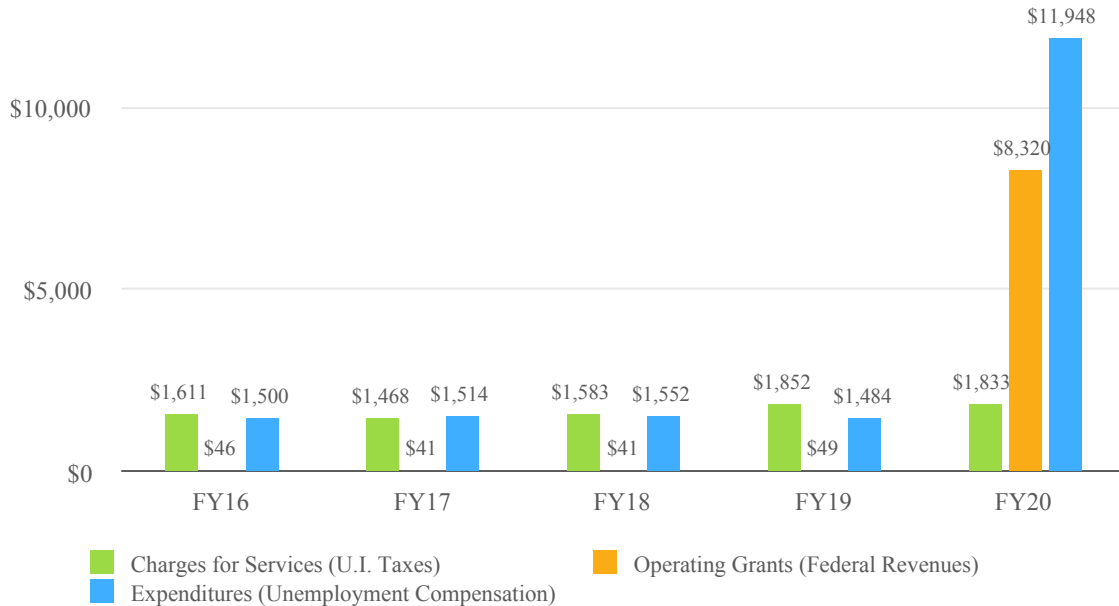
Business-type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation and GASB standards mandate that the Unemployment Compensation Trust Fund be reported as a business-type activity.

As of June 30, 2020, business-type activities' net position totaled \$4.677 billion, a decrease of \$919 million, or 16.3%, from FY19, with the net position of the Institutions of Higher Education decreasing by \$7 million, to \$3.646 billion, and the net position of the Unemployment Insurance program decreasing by \$1.795 billion, to \$202 million, as a result of increased expenditures for unemployment insurance due to the coronavirus pandemic that were not fully offset by increased federal aid. These decreases in net position were partly offset by revenues in the Family and Employment Security Trust Funds, which receives revenues from the newly implemented Paid Family and Medical Leave (PFML) program, which had a net position of \$830 million, having begun to receive revenues mid-way through the fiscal year, with benefit expenses for the PFML program not scheduled to begin until January 2021. Program revenues of business-type activities totaled \$14.781 billion an increase of \$9.063 billion, or 158.5%, resulting from increased charges for services totaling \$5.385 billion, an increase of \$755 million, or 16.3%, with with the increase driven by \$830 million in new assessments for the new Paid Family and Medical Leave (PFML) program which offset reductions in Unemployment Insurance and Higher Education, which decreased by \$19 million, or 1.0%, and \$67 million, or 2.4%, respectively, due to the decline in economic and campus activity caused by the pandemic. Operating grants and contributions totaled \$9.251 billion, an increase of \$8.275 billion, or 847.7%, entirely a result of increase federal aid for unemployment insurance benefits due to the pandemic, and capital grants and contributions totaled \$146 million, an increase of \$34 million, or 30.0%. The two charts on the following page show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years.

**Unemployment Compensation Trust Fund
Net Position
Fiscal Years 2016 - 2020
(amounts in millions)**



**Unemployment Insurance Compensation Revenues and Expenses
(amounts in millions)**



FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

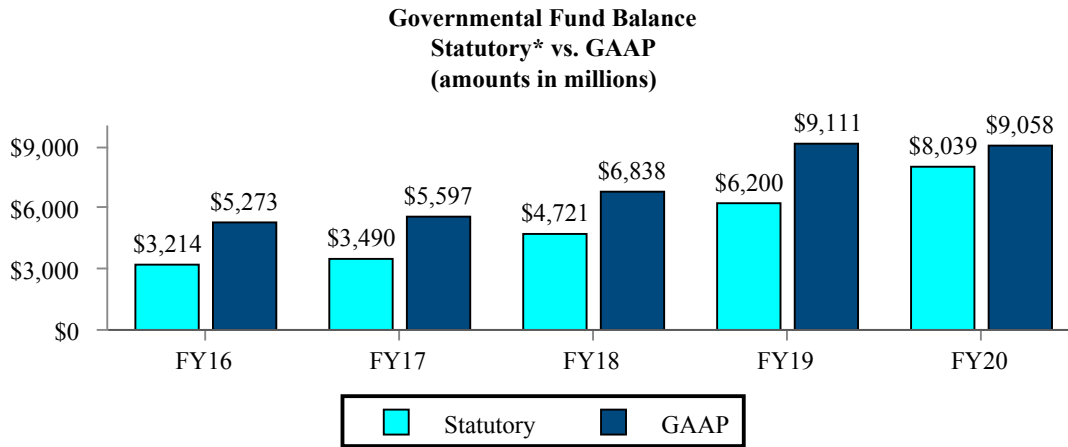
The Commonwealth uses fund accounting to demonstrate inter-period equity and the extent to which current resources are financing the full cost of services that citizens are receiving. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

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 FY20, the fund balance of the General Fund was \$5.930 billion. Of this amount, \$3.501 billion represents the balance in the Commonwealth's Stabilization Fund. \$732 million was classified as assigned for continuing appropriations from FY20 into FY21 and \$1.697 billion was unassigned.



*Statutory basis includes the Massachusetts Department of Transportation (MassDOT) and excludes expendable trust funds

**Governmental Fund Operations - GAAP Basis - Fund Perspective
(amounts in thousands)**

	FY20*	FY19	FY18	FY17	FY16
Beginning fund balances	\$ 9,165,887	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746	\$ 5,305,565
Revenues and other financing sources	72,506,995	69,775,850	68,990,424	68,437,190	67,749,681
Expenditures and other financing uses	72,615,366	67,502,959	67,749,362	68,113,554	67,781,500
Excess/(deficiency).....	(108,371)	2,272,891	1,241,062	323,636	(31,819)
Ending fund balances.....	\$ 9,057,516	\$ 9,111,335	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746

* - Beginning balance restated due to early implementation new accounting standards

FY20 governmental fund revenues and other financing sources totaled \$72.507 billion, an increase of \$2.731 billion, or 3.9%, from FY19, with an increase of \$845 million in Massachusetts School Building Authority (MSBA) long term debt and commercial paper issuance, an increase of \$1.744 billion, or 2.5%, in non-MSBA revenues and other financing sources. Tax revenues totaled \$30.266 billion, a decrease of \$352 million, or 1.1%, due to the recession caused by the coronavirus pandemic. Federal grants and reimbursements totaled \$18.475 billion, an increase of \$2.147 billion, mainly due to increases in Medicaid reimbursements, including revenues from the 6.2% increase in the federal reimbursement rate implemented to provide states with an infusion of cash to offset the fiscal impacts of the pandemic. It should be noted that while federal aid from the Coronavirus Aid Relief, and Economic Security (CARES) Act totaled \$2.461 billion, GAAP requirements specify that only the \$761 million of such revenues that were expended in FY20 be recognized on the Statement of Revenues and Expenditures, with the balance of \$1.700 billion classified on the balance sheet as "unearned revenue". Assessments, fees, and investment earnings totaled \$12.814 billion, a decrease of \$575 million, or 4.3%. Revenues from other financing sources totaled \$10.951 billion, an increase of \$1.511 billion, or 16.0%, due to net growth of \$992 million in new and refunding bond issuance at the MSBA and by the Commonwealth generally and \$426 million in other transfers in, due primarily to

transfers among the major budgeted such that balances in funds with surpluses are used to eliminate deficits in other funds prior to closing the fiscal year, as required by state finance law.

FY20 governmental fund expenditures and other financing uses totaled \$72.615 billion, an increase of \$5.112 billion, or 7.6% from FY19, with the \$3.101 billion of that growth in programmatic spending (as opposed to "other financing uses). Medicaid expenditures totaled \$19.207 billion, an increase of \$1.113 billion or 6.2%, from FY19. Other changes in programmatic expenditures include increases of \$763 million, or 9.5%, in Health and Human Services expenditures, due primarily to \$111 million in new Coronavirus Relief Fund expenditures, an increase of \$264 million, or 23.2% in food stamp expenditures (both in response to the pandemic), as well as an increase of \$118 million, or 22.30% in Medical Assistance Trust Fund (MATF) payments to Massachusetts hospitals that care for higher than average lower-income patients, and \$117 million, or 27.6% increase in payments to the federal government for recoveries of payments by Medicare to Medicaid patients, \$603 million, or 41.2%, in Public Safety and Homeland Security, with the entire increase due to coronavirus-related expenditures by the Massachusetts Emergency Management Agency (MEMA) for protective equipment and other relief spending, \$352 million, or 8.9%, in Executive Office of Education spending, and \$301 million, or 4.9% in direct local aid. Other financing uses totaled \$9.721 billion, an increase of \$2.011 billion, or 26.1%, with \$1.777 billion of that amount due to debt service-related expenditures, of which \$1.655 billion was payments to an escrow agent in support of an advanced bond refunding.

As of June 30, 2020 the Commonwealth's governmental funds reported combined ending fund balance of \$9.058 billion, a decrease of \$(108) million, or (1.2)%, from the previous year.

Governmental Funds - Fund Balance Classification

(amounts in thousands)

	2020	2019	Change	% Change
Restricted	\$ 1,294,124	\$ 1,316,707	\$ (22,583)	(1.7)%
Unrestricted:				
Committed	5,325,797	5,007,488	318,309	6.4%
Assigned	1,682,922	1,256,717	426,205	33.9%
Unassigned	754,673	1,530,423	(775,750)	(50.7)%
Total Unrestricted	7,763,392	7,794,628	(31,236)	(0.4)%
Total fund balances	\$ 9,057,516	\$ 9,111,335	\$ (53,819)	(0.6)%

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 \$318 million, or 6.4%, increase in committed balances results primarily from growth in balances in numerous non-budgetary funds which Legislature has designated for specific purposes. Assigned fund balance increased by \$426 million or 33.9%, due primarily to \$286 million growth in budgetary fund "prior appropriations continued", or PACs, where the Legislature allocated FY20 funding for expenditure in FY21, as well as an increase in funds the MSBA reserved for grants and loans to local cities and towns for school construction projects, and the \$776 million, or 50.7%, decline in unassigned balances is due mainly to a \$487 million deficit in the capital projects funds, where the Commonwealth issues its bonds in arrears subsequent to expenditures being made, partially offset by increased balance in the General Fund between FY19 and FY20. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 and a table of fund balances by program type can be found in [Note 1](#) to the basic financial statements, on [pages 68-73](#).

In FY20, the Commonwealth implemented [GASB Statement No. 84, Fiduciary Activities](#), which resulted in

reclassifying certain fiduciary funds as governmental funds, and vice versa. Those reclassifications resulted in a net increase of approximately \$55 million in the beginning fund balance of the other governmental funds. See [Footnote 1T](#) for further details.

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 on pages 29–30, the business-type activities decreased the Commonwealth’s net position by approximately \$919 million.

BUDGETARY HIGHLIGHTS

The FY20 budget enacted by the Legislature (the General Appropriation Act) included an FY20 tax revenue estimate of \$29.893 billion, an increase from the FY20 consensus estimate of \$29.299 billion, which the Legislature adjusted upward by \$594 million after tax revenue ended FY19 well above forecast, and was further increased to \$30.170 billion as a result of enacted tax law changes and an assumption of \$100 million in tax settlements included in the General Appropriation Act. \$27.655 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.515 billion was to be deposited into non-budgeted funds for transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.100 billion) and the Massachusetts School Building Authority (\$940 million), revenue deposited in the non-budgeted Workforce Training Fund (\$25 million), and the Stabilization Fund on account of capital gains tax revenues that was estimated to exceed an annual threshold (\$452 million).

In October 2019, with tax revenues tracking estimates assumed in the FY20 enacted budget, the Secretary of Administration and Finance affirmed the FY20 tax revenue estimate. In January 2020, the Secretary of Administration and Finance revised the Fiscal Year 2020 state tax revenue estimate upward to \$30.339 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.

FY20 budgetary fund tax revenues ended the year at \$29.633 billion (including \$49 million in tax settlements exceeding \$10 million each), of which \$27.613 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds declined by \$156 million, or 0.6%, from FY19, and was \$211 million below the final FY20 tax estimate.

The FY20 General Appropriation Act (GAA) authorized approximately \$44.706 billion in spending, exclusive of approximately \$2.842 billion in required pension contributions and \$506 million in FY19 spending authorized to be continued into FY20 as part of the FY19 and FY20 general appropriation acts and various FY19 supplemental budgets.

Approximately \$1.726 billion in supplemental appropriations were authorized during FY20, \$1.303 billion of which were enacted by June 30, 2020. Subsequent to year end, a supplemental budget was enacted totaling approximately \$423 million in new appropriations, \$422 million of which funded FY20 Medicaid expenses. In addition to the year-end FY20 supplemental appropriations just described, the year’s significant supplemental appropriation activity included:

- \$1.156 billion for COVID-related spending in various accounts, virtually all of which has been or will be reimbursed by the federal government;
- \$25 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$16 million to fund FY20 collective bargaining costs;
- \$15 million for heating assistance subsidies to low income residents;

- \$15 million to fund legal services for indigent defendants;
- \$12 million for the Safety Net Provider Trust Fund;
- \$10 million to fund information technology costs within the Executive Office of Health and Human services;
- \$10 million to capitalize the Twenty-First Century Education Trust Fund.

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 \$47.316 billion, an increase of \$934 million, or 2.0%, from FY19. As tax revenues grew at a healthy rate in the first three quarters of FY20, but as the Massachusetts economy contracted due to the coronavirus pandemic, tax revenue slowed in the fourth quarter of the fiscal year, and ended up declining by only \$156 million, or 0.6% from FY19. Personal income tax withholding increased by \$528 million, or 4.0%, capital gains revenue (part of the personal income tax) decreased by \$391 million, or 19.1%, from FY19, sales and use tax was virtually unchanged from FY19 (up \$2 million, or 0.03%, with 5.0% growth in regular sales tax offset by 11.4% and 7.0% declines in meals and motor vehicle sales taxes, respectively), corporate and business taxes declined by \$399 million, or 11.9% as the waiving of late payment penalties resulted in many business taxpayers delaying tax year 2019 final payments until July, and estate and inheritance taxes increased by \$98 million, or 16.3%. Federal reimbursements totaled \$12.795 billion, an increase of \$1.023 billion, or 8.7%, primarily due to an increase in the federal reimbursement rate for Medicaid program spending that was implemented in response to the pandemic as a method for quickly providing federal aid to state governments (with Medicaid reimbursements up \$700 million, or 11.4%, from FY19) and \$350 million recorded as a receivable for the estimated value of FEMA reimbursements to be claimed after the close of FY20. Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.920 billion, an increase of \$88 million, or 1.8%, from FY19. Interfund transfers from non-budgeted funds totaled \$1.988 billion, a decrease of \$22 million, or 1.1%, from FY19, due primarily to a \$123 million, or 27.2% increase in fringe benefit assessments resulting from a higher fringe benefit rate and increased federal expenditures in non-budgeted coronavirus-related accounts, which was offset by a \$121 million, or 11.1% decrease in Lottery Fund transfers to the General Fund due to a decline in Lottery profits.

FY20 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$46.980 billion, an increase of \$2.170 billion, or 4.8%, from FY19, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$39.866 billion, an increase of \$1.935 billion, or 5.1%, from FY19. Medicaid expenditures totaled \$17.023 billion, an increase of \$502 million, or 3.0%, from FY19. Expenditures by the Massachusetts Emergency Management Agency (MEMA) increased from \$4 million in FY19 to \$344 million in FY20 to fund purchases of personal protective equipment (PPE) and for other coronavirus-related responses. Spending for direct local aid (both education aid and unrestricted aid), at \$6.376 billion, was up \$302 million, or 5.0%, from FY19.

Spending on state employee health benefits paid through the Group Insurance Commission (excluding benefits paid to retirees) increased by \$16 million, or 1.0%, increasing from \$1.646 billion to \$1.662 billion, as utilization of non-COVID-19-related health services declined, offsetting trend growth in general health care spending. Budgeted debt service totaled \$2.410 billion, up \$83 million, or 3.6%, from FY19.

Interfund transfers from budgeted to non-budgeted funds totaled \$1.399 billion, a decrease of \$42 million or 2.9%. 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) grew by \$143 million, or 39.3% from FY19, but this was offset by reductions due to non-recurring transfers made in FY19 but not FY20, including FY19 transfers of \$46 million from the General Fund to the Commonwealth Care Trust Fund, \$85 million in FY19 capital gains taxes transferred to the state pension and OPEB funds, and an FY19 transfer of \$46 million related to the defeasance of Commonwealth debt.

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, 2020 amounts to approximately \$23.729 billion, with accumulated depreciation of approximately \$10.846 billion, leaving a net book value of \$12.883 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 2019 to 2020 was approximately \$168 million, with a \$115 million increase in governmental activities and a \$53 million increase in business-type activities. The major increase in the net value of capital assets was in construction in process and machinery and equipment.

The following table details the capital assets for the Commonwealth.

Capital Assets at Year - End						
(net of depreciation)						
(amounts in thousands)						
	Governmental		Business - Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Land.....	\$ 941,961	\$ 933,152	\$ 228,778	\$ 228,778	\$ 1,170,739	\$ 1,161,930
Historical treasures.....	—	—	19,429	1,019	19,429	1,019
Construction in process.....	713,719	608,149	536,054	518,842	1,249,773	1,126,991
Buildings.....	2,634,834	2,672,109	6,895,081	6,865,744	9,529,915	9,537,853
Machinery and equipment.....	462,852	435,180	240,247	243,480	703,099	678,660
Infrastructure, excluding central artery.....	169,473	158,940	—	—	169,473	158,940
Library collections.....	—	—	40,787	49,044	40,787	49,044
Total.....	\$ 4,922,839	\$ 4,807,530	\$ 7,960,376	\$ 7,906,907	\$ 12,883,215	\$ 12,714,437

Additional detail on the Commonwealth's FY20 capital asset activity can be found in [Note 5](#) to the basic financial statements ("Capital Assets") on pages 95–96.

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 FY20 capital budget, the Commonwealth borrowed by issuing \$1.518 billion in long-term bonds, which was new money general obligation debt and \$254 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. 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 \$1.225 billion in debt to refund already existing debt, taking advantage of continued low interest rates in FY20. During the year, the Commonwealth also issued \$1.4 billion in Revenue Anticipation Notes (RANs) in two separate \$500 million series and one \$400 million series. The two \$500 million notes were retired in April and May, 2020 while the \$400 million note was retired in June 2020. In addition, during FY20 the Commonwealth drew down \$500 million from working capital agreements. This was repaid in August 2020. Finally, to meet cash needs the Department of Unemployment borrowed \$160 million under [Title XII of the Social Security Act](#) which was outstanding as of June 30, 2020.

Approximately 8.3% of the Commonwealth's \$23.953 billion in general obligation debt outstanding as of June 30, 2020 was issued as variable rate bonds. During fiscal 2020 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	
	2020	2019	2020	2019	2020	2019
	General obligation bonds.....	\$ 23,953,160	\$ 23,676,096	\$ —	\$ —	\$ 23,953,160
Special obligation bonds (excluding GANs)...	3,483,460	3,378,380	—	—	3,483,460	3,378,380
Revenue obligation bonds.....	—	—	4,508,010	4,284,704	4,508,010	4,284,704
Federal unemployment insurance borrowing..	—	—	159,907	—	159,907	—
Grant anticipation notes.....	662,270	684,745	—	—	662,270	684,745
Subtotal	28,098,890	27,739,221	4,667,917	4,284,704	32,766,807	32,023,925
Massachusetts School Building Authority.....	6,053,947	6,054,994	—	—	6,053,947	6,054,994
Total	\$ 34,152,837	\$ 33,794,215	\$ 4,667,917	\$ 4,284,704	\$ 38,820,754	\$ 38,078,919

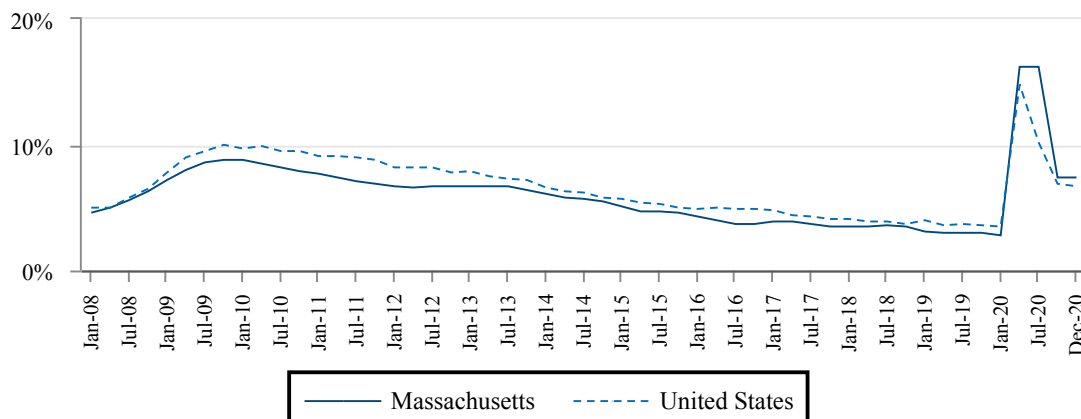
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on pages 96–97 and [Note 7](#) (“Long-Term Obligations”) on pages 97–112.

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2021 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, along with the rest of the nation, was adversely affected by the recession caused by the coronavirus pandemic, after many years performing better than the U.S. economy as a whole. In January 2020 the Massachusetts unemployment rate was 2.8%, compared to the national rate of 3.5%, but by July 2020, the Massachusetts rate was 16.2% versus a national rate of 10.2%. Since then the two rates have converged with the Massachusetts rate only slightly higher than the national rate in December 2020, 7.4% versus 6.7%.

*Unemployment Rate
January 2008 – December 2020*



The FY21 General Appropriation Act (GAA) is based on an FY20 tax revenue estimate of approximately \$27.976 billion, an increase of \$363 million, or 1.3%, from FY20 actual tax collections. Of that amount, \$22.712 billion represents taxes available for budget after adjusting for \$5.264 billion in tax revenue that is allocated to state pension contributions (\$3.115 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.142 billion), the Massachusetts School Building Authority (\$982 million), and revenue allocated to the non-budgetary Workforce Training Fund (\$25 million).

With tax revenues through December 2020 \$372 million above the year-to-date tax revenue benchmark, on January 15, 2021, the Secretary of Administration and Finance raised the FY21 tax revenue estimate by \$700 million. Through January 31, 2020, FY21 year-to-date tax collections totaled \$17.653 billion, up \$764 million, or 4.5%, from the same period in FY20, \$429 million above the upwardly revised year-to-date benchmark.

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/comprehensiveannualfinancialreport>.

Basic Financial Statements

Government-wide Financial Statements
Statement of Net Position
Statement of Activities

Statement of Net Position

June 30, 2020

(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	\$ 6,403,652	\$ 1,476,524	\$ 7,880,176	\$ 3,836,399
Restricted cash with fiscal agent	268,599	—	268,599	—
Short-term investments	302,134	731,564	1,033,698	—
Assets held in trust	—	—	—	80,282
Receivables, net of allowance for uncollectibles:				
Taxes	6,015,929	—	6,015,929	—
Federal grants and reimbursements receivable	2,051,828	25,839	2,077,667	267,789
Loans	7,037	6,321	13,358	692,631
Other receivables	767,672	1,019,754	1,787,426	315,671
Due from cities and towns	24,631	—	24,631	—
Due from component units	12,545	345	12,890	—
Due from primary government	—	—	—	503,635
Other current assets	—	56,641	56,641	74,006
Total current assets	15,854,027	3,316,988	19,171,015	5,770,413
Noncurrent assets:				
Cash and cash equivalents - restricted	—	323,098	323,098	914,308
Long-term investments	—	993,588	993,588	1,375,555
Investments, restricted investments and annuity contracts	1,998,576	893	1,999,469	66,439
Receivables, net of allowance for uncollectibles:				
Taxes	442,901	—	442,901	—
Federal grants and reimbursements receivable	495	—	495	—
Loans	80,010	39,165	119,175	4,107,847
Other receivables	140,790	16,041	156,831	39,726
Due from component units	6,795	—	6,795	—
Due from primary government	—	—	—	2,029
Non-depreciable capital assets	1,655,680	784,261	2,439,941	15,815,246
Depreciable capital assets, net	3,267,159	7,176,115	10,443,274	23,185,924
Other noncurrent assets	73,767	139,094	212,861	109,861
Other noncurrent assets - restricted	1,850	197,980	199,830	—
Total noncurrent assets	7,668,023	9,670,235	17,338,258	45,616,935
Total assets	23,522,050	12,987,223	36,509,273	51,387,348
Deferred outflows of resources:				
Deferred change in fair value of interest rate swaps	133,001	54,572	187,573	171,424
Deferred loss on refunding	133,318	110,001	243,319	247,528
Deferred outflows related to pension	6,608,381	228,166	6,836,547	360,647
Deferred outflows related to OPEB	1,213,790	363,953	1,577,743	335,948
Certain asset retirement obligations	—	1,780	1,780	—
Total deferred outflows of resources	8,088,490	758,472	8,846,962	1,115,547
Total assets and deferred outflows	31,610,540	13,745,695	45,356,235	52,502,895
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	3,154,191	624,315	3,778,506	1,151,259
Accrued payroll	169,372	184,522	353,894	2,411
Compensated absences	485,510	156,880	642,390	32,430
Accrued interest payable	447,255	22,099	469,354	191,179
Tax refunds and abatements payable	1,321,468	72,556	1,394,024	—
Due to component units	489,050	53	489,103	—
Due to primary government	—	—	—	12,890
Due to federal government	348,606	—	348,606	—
Claims and judgments	14,117	—	14,117	—
Unearned revenue	1,699,889	36,728	1,736,617	253,232

Statement of Net Position

June 30, 2020

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	119,304	119,304	—
School construction grants payable	163,129	—	163,129	—
Capital leases	3,180	2,670	5,850	—
Massachusetts School Building Authority bonds and unamortized premiums	178,935	—	178,935	—
Notes payable	500,000	—	500,000	—
Bonds payable and unamortized premiums	1,559,888	184,951	1,744,839	688,769
Environmental remediation liability	9,166	—	9,166	—
Total current liabilities	10,543,756	1,404,078	11,947,834	2,332,170
Noncurrent liabilities:				
Compensated absences	202,816	61,255	264,071	20,278
Accrued interest payable	—	—	—	182,868
Due to component units	2,029	—	2,029	—
Due to primary government	—	—	—	6,795
Due to federal government - grants	—	4,420	4,420	—
Claims and judgments	20,000	—	20,000	—
Unearned revenue	—	—	—	70,996
Prizes payable	855,323	—	855,323	—
Capital leases	13,934	6,172	20,106	78,332
Bonds payable and unamortized premiums	29,141,534	4,482,966	33,624,500	10,125,229
Massachusetts School Building Authority bonds and unamortized premiums	6,391,406	—	6,391,406	—
School construction grants payable	72,115	—	72,115	—
Environmental remediation liability	551,214	—	551,214	—
Liability for derivative instruments	133,001	74,574	207,575	217,408
Net pension liability	40,836,685	806,467	41,643,152	2,222,374
Net OPEB liability	15,972,171	1,514,489	17,486,660	3,193,816
Other noncurrent liabilities	347,935	149,950	497,885	219,166
Total noncurrent liabilities	94,540,163	7,100,293	101,640,456	16,337,262
Total liabilities	105,083,919	8,504,371	113,588,290	18,669,432
Deferred inflows of resources:				
Deferred service concession arrangements	—	14,533	14,533	305
Deferred gain on refunding	791,108	260	791,368	149
Deferred advance subsidies	—	—	—	45,391
Deferred inflows related to pension	829,076	111,201	940,277	122,955
Deferred inflows related to OPEB	2,583,802	372,080	2,955,882	583,505
Sale of future revenues	—	66,099	66,099	—
Total deferred inflows of resources	4,203,986	564,173	4,768,159	752,305
Total liabilities and deferred inflows	109,287,905	9,068,544	118,356,449	19,421,737
NET POSITION				
Net investment in capital assets	(1,705,745)	3,938,922	2,233,177	36,603,554
Restricted for:				
Unemployment benefits	—	201,698	201,698	—
Family and employment security	—	829,714	829,714	—
Retirement of indebtedness	987,287	—	987,287	—
Higher education endowment funds	—	22,692	22,692	—
Higher education academic support and programs	—	5,253	5,253	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,841	3,841	—
Expendable	—	9,589	9,589	—
Capital projects - expendable purposes	—	4,755	4,755	—
Other purposes	555,977	242,387	798,364	4,341,875
Unrestricted (deficits)	(77,514,884)	(581,700)	(78,096,584)	(7,864,271)
Total net position	\$ (77,677,365)	\$ 4,677,151	\$ (73,000,214)	\$ 33,081,158

The notes to the financial statements are an integral part of this statement.

(concluded)

Statement of Activities
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
		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.....	\$ 2,923,397	\$ 926,889	\$ 1,856,487	\$ —	\$ (140,021)	\$ —	\$ (140,021)	\$ —
Judiciary.....	1,396,370	69,737	3,294	—	(1,323,339)	—	(1,323,339)	—
Direct local aid.....	6,390,233	—	—	—	(6,390,233)	—	(6,390,233)	—
Medicaid.....	19,206,749	1,388,195	11,232,280	—	(6,586,274)	—	(6,586,274)	—
Group health insurance.....	1,651,357	822,420	—	—	(828,937)	—	(828,937)	—
Energy and environmental affairs.....	824,062	220,252	67,652	—	(476,158)	—	(476,158)	—
Housing and economic development.....	1,599,085	225,908	555,053	—	(818,124)	—	(818,124)	—
Health and human services.....	9,645,198	822,920	3,326,477	74,009	(5,421,792)	—	(5,421,792)	—
Transportation and public works.....	2,806,861	568,028	1,172	3,955	(2,233,706)	—	(2,233,706)	—
Early elementary and secondary education.....	6,618,282	7,365	1,311,696	—	(5,299,221)	—	(5,299,221)	—
Public safety and homeland security.....	3,962,024	370,568	148,511	—	(3,442,945)	—	(3,442,945)	—
Labor and workforce development.....	342,418	203,992	159,218	—	20,792	—	20,792	—
Lottery.....	4,306,512	5,391,167	—	—	1,084,655	—	1,084,655	—
Interest (unallocated).....	1,491,983	—	—	—	(1,491,983)	—	(1,491,983)	—
Total governmental activities.....	63,164,531	11,077,441	18,661,840	77,964	(33,347,286)	—	(33,347,286)	—
Business-Type Activities:								
Unemployment Compensation.....	11,948,319	1,833,362	8,320,121	—	—	(1,794,836)	(1,794,836)	—
Family and Employment Security Trust.....	5,434	840,600	102	—	—	835,268	835,268	—
Higher Education:								
University of Massachusetts.....	3,446,910	1,844,180	588,624	51,525	—	(962,581)	(962,581)	—
State Universities.....	1,150,987	644,932	91,613	24,290	—	(390,152)	(390,152)	—
Community Colleges.....	886,593	221,732	250,254	69,831	—	(344,776)	(344,776)	—
Total business-type activities.....	17,438,243	5,384,806	9,250,714	145,646	—	(2,657,077)	(2,657,077)	—
Total primary government.....	\$ 80,602,774	\$ 16,462,247	\$ 27,912,554	\$ 223,610	(33,347,286)	(2,657,077)	(36,004,363)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation.....	\$ 5,668,693	\$ 1,426,893	\$ 2,282,170	\$ 2,958,874	—	—	—	999,244
Commonwealth Health Insurance Connector.....	953,487	924,846	79,202	—	—	—	—	50,561
Massachusetts Clean Water Trust.....	140,815	137,877	32,172	135,141	—	—	—	164,375
Other nonmajor component units.....	466,489	320,861	45,179	70,589	—	—	—	(29,860)
Total discretely presented component units.....	\$ 7,229,484	\$ 2,810,477	\$ 2,438,723	\$ 3,164,604	—	—	—	1,184,320

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income.....	17,413,948	—	17,413,948	—
Sales taxes.....	6,957,732	—	6,957,732	—
Corporate taxes.....	2,727,215	—	2,727,215	—
Motor and special fuel taxes.....	694,464	—	694,464	—
Other taxes.....	2,688,681	—	2,688,681	—
Miscellaneous:				
Investment earnings/(loss).....	154,644	(86,113)	68,531	56,336
Tobacco settlement.....	222,355	—	222,355	—
Contribution from municipalities.....	44,273	—	44,273	—
Other revenue.....	748,144	419,721	1,167,865	428,735
Transfers.....	(1,404,336)	1,404,336	—	—
Total general revenues and transfers.....	30,247,120	1,737,944	31,985,064	485,071
Change in net position.....	(3,100,166)	(919,133)	(4,019,299)	1,669,391
Net position/(deficits) - beginning, as restated.....	(74,577,199)	5,596,284	(68,980,915)	31,411,767
Net position/(deficits) - ending.....	\$ (77,677,365)	\$ 4,677,151	\$ (73,000,214)	\$ 33,081,158

The notes to the financial statements are an integral part of this statement.

(concluded)



Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2020
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,681,557	\$ 112,412	\$ 472,685	\$ 1,861,686	\$ 2,275,312	\$ 6,403,652
Restricted cash with fiscal agent	—	—	1,072	—	267,527	268,599
Investments and restricted investments	302,134	—	1,143,253	—	—	1,445,387
Receivables, net of allowance for uncollectibles:						
Taxes	6,194,588	—	88,410	—	175,832	6,458,830
Due from federal government	1,562,567	—	—	—	489,756	2,052,323
Loan receivable	—	—	74,229	—	12,818	87,047
Other receivables	780,733	3,634	4,713	—	84,822	873,902
Due from cities and towns	24,631	—	—	—	—	24,631
Due from other funds	523,066	—	—	—	67,685	590,751
Due from component units	12,545	—	—	—	—	12,545
Total assets	\$ 11,081,821	\$ 116,046	\$ 1,784,362	\$ 1,861,686	\$ 3,373,752	\$ 18,217,667
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,012,693	\$ 108,437	\$ 14,530	\$ 146,257	\$ 847,835	\$ 3,129,752
Accrued payroll	138,607	—	—	15,540	15,225	169,372
Tax refunds and abatements payable	1,320,601	—	365	—	502	1,321,468
Due to other funds	—	—	—	—	590,751	590,751
Due to component units	19,435	—	—	—	469,615	489,050
Due to federal government	348,606	—	—	—	—	348,606
Unearned revenue	—	—	—	1,699,889	—	1,699,889
Claims and judgments	14,117	—	—	—	—	14,117
School construction grants payable	—	—	52,142	—	—	52,142
Notes payable	500,000	—	—	—	—	500,000
Other accrued liabilities	1,366	—	—	—	23,073	24,439
Total liabilities	4,355,425	108,437	67,037	1,861,686	1,947,001	8,339,586
Deferred inflows of resources	796,307	6,065	—	—	18,193	820,565
Total liabilities and deferred inflows of resources	5,151,732	114,502	67,037	1,861,686	1,965,194	9,160,151
Fund balances:						
Restricted	—	—	950,855	—	343,269	1,294,124
Committed	3,501,181	1,544	—	—	1,823,072	5,325,797
Assigned	731,696	—	766,470	—	184,756	1,682,922
Unassigned (deficits)	1,697,212	—	—	—	(942,539)	754,673
Fund balances	5,930,089	1,544	1,717,325	—	1,408,558	9,057,516
Total liabilities, deferred inflows of resources and fund balances	\$ 11,081,821	\$ 116,046	\$ 1,784,362	\$ 1,861,686	\$ 3,373,752	\$ 18,217,667

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, 2020

(Amounts in thousands)

Total fund balances - governmental funds \$ **9,057,516**

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	1,655,680	
Capital assets being depreciated, net	<u>3,267,159</u>	
Capital assets, net of accumulated depreciation		4,922,839

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		820,565
--	--	---------

Deferred inflows of resources are not reported in the governmental funds:

Gain on refunding	(791,108)	
Pension related	(829,076)	
OPEB related	<u>(2,583,802)</u>	
Total deferred inflow of resources		(4,203,986)

Deferred outflows of resources are not reported in the governmental funds:

Loss on refunding	133,318	
Pension related	6,608,381	
OPEB related	<u>1,213,790</u>	
Total deferred outflow of resources		7,955,489

Massachusetts School Building Authority assets		82,177
--	--	--------

Long-term receivables		28,000
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Lottery annuity contracts		855,323
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Due from component units		6,795
--------------------------------	--	-------

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	(40,836,685)	
Net OPEB liability	(15,972,171)	
Commonwealth bonded debt	(28,098,890)	
Unamortized bond premiums	(2,602,532)	
Accrued interest on bonds	(447,255)	
Massachusetts School Building Authority bonded debt	(6,570,341)	
Massachusetts School Building Authority grants to municipalities	(183,102)	
Prizes payable	(855,323)	
Capital leases	(17,114)	
Environmental remediation liability	(560,380)	
Claims and judgments	(20,000)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	<u>(1,038,290)</u>	
Long-term liabilities (including current portions)		<u>(97,202,083)</u>

Total net (deficit) - governmental activities		<u>\$ (77,677,365)</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, 2020
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Other Governmental Funds	Total
REVENUES						
Taxes	\$ 26,403,631	\$ 320	\$ 924,504	\$ —	\$ 2,938,005	\$ 30,266,460
Assessments	412,577	—	—	—	965,257	1,377,834
Federal grants and reimbursements	12,343,183	—	—	760,953	5,371,231	18,475,367
Departmental	3,532,002	5,390,281	—	—	1,326,761	10,249,044
Miscellaneous	459,912	4,338	214,311	—	508,428	1,186,989
Total revenues	43,151,305	5,394,939	1,138,815	760,953	11,109,682	61,555,694
EXPENDITURES						
Current:						
Legislature	70,381	—	—	—	—	70,381
Judiciary	1,019,021	—	—	—	3,241	1,022,262
Inspector General	5,762	—	—	—	6	5,768
Governor and Lieutenant Governor	7,330	—	—	—	102	7,432
Secretary of the Commonwealth	50,065	—	—	—	12,759	62,824
Treasurer and Receiver-General	225,309	4,305,369	13,565	2,004	1,414,712	5,960,959
Auditor of the Commonwealth	19,472	—	—	—	26	19,498
Attorney General	54,788	—	—	—	53,367	108,155
Ethics Commission	2,360	—	—	—	—	2,360
District Attorney	140,682	—	—	—	9,036	149,718
Office of Campaign and Political Finance	1,723	—	—	—	—	1,723
Sheriff's Departments	624,609	—	—	76,757	16,477	717,843
Disabled Persons Protection Commission	4,878	—	—	—	922	5,800
Board of Library Commissioners	30,382	—	—	—	2,555	32,937
Massachusetts Gaming Commission	—	—	—	—	44,222	44,222
Comptroller	14,498	—	—	—	2,400	16,898
Administration and Finance	2,006,507	—	—	153,470	330,018	2,489,995
Energy and Environmental Affairs	268,742	—	—	—	197,345	466,087
Health and Human Services	6,508,047	—	—	110,883	2,198,162	8,817,092
Executive Office of Technology Services	134,900	—	—	—	5,417	140,317
Massachusetts Department of Transportation	900	—	—	3,834	2,480,965	2,485,699
Office of the Child Advocate	1,521	—	—	—	59	1,580
Cannabis Control Commission	—	—	—	—	12,597	12,597
Executive Office of Education	3,232,771	—	—	19,832	1,070,896	4,323,499
Center for Health and Information Analysis	19,930	—	—	—	8	19,938
Massachusetts School Building Assistance	—	—	712,790	—	—	712,790
Public Safety and Homeland Security	1,531,678	—	—	302,441	231,836	2,065,955
Housing and Economic Development	626,860	—	—	7,310	589,224	1,223,394
Labor and Workforce Development	61,189	—	—	—	218,986	280,175
Medicaid	16,949,934	—	—	—	2,256,815	19,206,749
Post employment benefits	1,371,440	—	2,576	—	9,618	1,383,634
Direct local aid	6,263,459	—	—	—	126,774	6,390,233
Capital outlay:						
Capital acquisition and construction	—	—	—	—	1,051,302	1,051,302
Debt service/commercial paper repayments	—	—	567,901	—	2,617,974	3,185,875
Principal on current refundings	—	—	—	—	408,891	408,891
Total expenditures	41,249,138	4,305,369	1,296,832	676,531	15,366,712	62,894,582
Excess/(deficiency) of revenues over/(under) expenditures	1,902,167	1,089,570	(158,017)	84,422	(4,257,030)	(1,338,888)
OTHER FINANCING SOURCES						
Bonds premium	—	—	52,801	—	223,683	276,484
Issuance of general and special obligation bonds	—	—	1,015,420	—	1,771,886	2,787,306
Issuance of current refunding bonds	—	—	—	—	366,675	366,675
Issuance of advance refunding bonds	—	—	—	—	858,435	858,435
Issuance of capital leases	574	—	—	—	—	574
Transfers in for debt service	—	—	—	—	2,578,425	2,578,425
Transfers in	1,983,854	—	—	—	2,099,548	4,083,402
Total other financing sources	1,984,428	—	1,068,221	—	7,898,652	10,951,301
OTHER FINANCING USES						
Payments to refunding bond escrow agent	—	—	798,890	—	855,731	1,654,621
Transfers out	992,117	1,089,484	—	84,422	1,642,483	3,808,506
Transfers of appropriations	1,519,070	—	—	—	14,006	1,533,076
Transfers of bond proceeds	—	—	—	—	146,155	146,155
Transfers out for debt service	1,315,529	—	—	—	1,262,897	2,578,426
Total other financing uses	3,826,716	1,089,484	798,890	84,422	3,921,272	9,720,784
Total other financing sources and (uses)	(1,842,288)	(1,089,484)	269,331	(84,422)	3,977,380	1,230,517
Net change in fund balances/(deficits)	59,879	86	111,314	—	(279,650)	(108,371)
Fund balances at beginning of year, as restated	5,870,210	1,458	1,606,011	—	1,688,208	9,165,887
Fund balances at end of year	\$ 5,930,089	\$ 1,544	\$ 1,717,325	\$ —	\$ 1,408,558	\$ 9,057,516

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, 2020

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ (108,371)
---	---------------------

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.....	370,075
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Current year depreciation expense.....	(254,766)
--	-----------

Amounts presented in the statement of activities, but not in the change in fund balances due to differences in revenue and expense recognition under different bases of accounting.....	486,062
---	---------

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.....	(715,210)
---	-----------

Change in capital leases.....	2,721
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Massachusetts School Building Authority.....	191,681
--	---------

Net pension costs.....	(2,677,100)
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Net OPEB costs.....	(284,312)
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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.....	(110,946)
---	-----------

Change in net position of governmental activities	<u>\$ (3,100,166)</u>
--	------------------------------

The notes to the financial statements are an integral part of this statement



Proprietary Fund Financial Statements

Statement of Net Position
Proprietary Funds
June 30, 2020
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
ASSETS AND DEFERRED OUTFLOWS:						
Current assets:						
Cash and cash equivalents	\$ 218,632	\$ 601,548	\$ 163,027	\$ 309,868	\$ 183,449	\$ 1,476,524
Short-term investments	—	—	620,771	51,553	59,240	731,564
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	—	—	18,626	4,106	3,107	25,839
Loans	—	—	5,176	1,145	—	6,321
Other receivables	396,095	238,566	235,007	32,603	49,076	951,347
Due from affiliates	—	—	68,070	37	300	68,407
Due from foundation	—	—	—	345	—	345
Other current assets	—	—	46,159	5,695	4,787	56,641
Total current assets	614,727	840,114	1,156,836	405,352	299,959	3,316,988
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	299,569	23,484	45	323,098
Long-term investments	—	—	748,689	196,874	48,025	993,588
Restricted investments	—	—	—	893	—	893
Other receivables, net	—	—	15,745	296	—	16,041
Loans receivable, net	—	—	34,644	4,521	—	39,165
Non-depreciable capital assets	—	—	525,094	117,110	142,057	784,261
Depreciable capital assets, net	—	—	4,681,475	1,812,845	681,795	7,176,115
Other noncurrent assets	—	—	126,897	10,827	1,370	139,094
Other noncurrent assets - restricted	197,980	—	—	—	—	197,980
Total noncurrent assets	197,980	—	6,432,113	2,166,850	873,292	9,670,235
Total assets	812,707	840,114	7,588,949	2,572,202	1,173,251	12,987,223
Deferred outflows of resources:						
Deferred change in fair value of interest rate swaps	—	—	52,979	—	1,593	54,572
Deferred outflows related to pensions	—	—	158,057	48,224	21,885	228,166
Deferred outflows related to OPEB	—	—	238,807	86,064	39,082	363,953
Loss on debt refunding	—	—	79,648	30,353	—	110,001
Certain asset retirement obligations	—	—	1,780	—	—	1,780
Total deferred outflows of resources	—	—	531,271	164,641	62,560	758,472
Total assets and deferred outflows	812,707	840,114	8,120,220	2,736,843	1,235,811	13,745,695
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	385,219	3,697	165,729	34,752	34,918	624,315
Accrued payroll	—	30	109,330	47,703	27,459	184,522
Compensated absences	—	—	88,722	35,281	32,877	156,880
Accrued interest payable	—	—	21,843	110	146	22,099
Tax refunds and abatements payable	65,883	6,673	—	—	—	72,556
Unearned revenue	—	—	—	32,414	4,314	36,728
Student deposits and unearned revenues	—	—	91,037	6,721	21,546	119,304
Due to foundation	—	—	—	—	53	53
Capital leases	—	—	768	1,303	599	2,670
Bonds, notes payable and other obligations	—	—	124,404	55,897	4,650	184,951
Total current liabilities	451,102	10,400	601,833	214,181	126,562	1,404,078
Noncurrent liabilities:						
Compensated absences	—	—	25,170	20,397	15,688	61,255
Due to federal government - grants	—	—	—	4,420	—	4,420
Capital leases	—	—	1,422	3,681	1,069	6,172
Bonds, notes payable and other obligations	159,907	—	3,069,509	1,204,729	48,821	4,482,966
Liability for derivative instruments	—	—	72,981	—	1,593	74,574
Net pension liability	—	—	526,739	196,920	82,808	806,467
Net OPEB liability	—	—	992,991	365,394	156,104	1,514,489
Other noncurrent liabilities	—	—	139,882	6,391	3,677	149,950
Total noncurrent liabilities	159,907	—	4,828,694	1,801,932	309,760	7,100,293
Total liabilities	611,009	10,400	5,430,527	2,016,113	436,322	8,504,371

Statement of Net Position

Proprietary Funds

June 30, 2020

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Deferred inflows of resources:						
Deferred service concession arrangements	—	—	—	14,318	215	14,533
Deferred inflows related to pensions	—	—	39,778	28,855	42,568	111,201
Deferred inflows related to OPEB	—	—	151,049	115,597	105,434	372,080
Gain on refunding	—	—	—	260	—	260
Sale of future revenues	—	—	66,099	—	—	66,099
Total deferred inflows of resources	—	—	256,926	159,030	148,217	564,173
Total liabilities and deferred inflows	611,009	10,400	5,687,453	2,175,143	584,539	9,068,544
NET POSITION:						
Net investment in capital assets	—	—	2,376,333	793,706	768,883	3,938,922
Restricted for:						
Unemployment benefits	201,698	—	—	—	—	201,698
Family and employment benefits	—	829,714	—	—	—	829,714
Higher education endowment funds	—	—	22,252	33	407	22,692
Higher education academic support and programs	—	—	—	1,114	4,139	5,253
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	3,841	—	3,841
Expendable	—	—	—	6,383	3,206	9,589
Capital projects - expendable purposes	—	—	—	962	3,793	4,755
Other purposes	—	—	223,803	16,139	2,445	242,387
Unrestricted	—	—	(189,621)	(260,478)	(131,601)	(581,700)
Total net position	\$ 201,698	\$ 829,714	\$ 2,432,767	\$ 561,700	\$ 651,272	\$ 4,677,151

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, 2020

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:						
Unemployment compensation contribution	\$ 1,805,907	\$ —	\$ —	\$ —	\$ —	\$ 1,805,907
Family and employment security contribution	—	840,600	—	—	—	840,600
Net tuition and fees	—	—	917,876	413,182	199,839	1,530,897
Grants and reimbursements	—	—	581,850	91,613	247,064	920,527
Auxiliary enterprises	—	—	378,314	105,477	2,895	486,686
Sales & services	—	—	431,786	98,167	6,185	536,138
Miscellaneous	27,455	—	116,204	28,106	12,813	184,578
Total operating revenues	1,833,362	840,600	2,426,030	736,545	468,796	6,305,333
Operating expenses:						
Unemployment compensation	11,948,319	—	—	—	—	11,948,319
Family and employment security	—	5,434	—	—	—	5,434
Instruction	—	—	960,548	373,050	323,374	1,656,972
Research	—	—	485,759	185	16	485,960
Academic support	—	—	200,928	106,276	100,515	407,719
Student services	—	—	157,842	121,659	136,105	415,606
Scholarships and fellowships	—	—	65,469	42,652	60,059	168,180
Public service	—	—	84,248	6,914	4,712	95,874
Operation and maintenance of plant	—	—	241,880	114,055	75,183	431,118
Institutional support	—	—	303,100	124,836	135,705	563,641
Other operating expenses	—	—	312,504	3,727	—	316,231
Depreciation	—	—	288,667	104,034	45,319	438,020
Auxiliary operations	—	—	336,497	151,999	3,484	491,980
Total operating expenses	11,948,319	5,434	3,437,442	1,149,387	884,472	17,425,054
Operating income/(loss)	(10,114,957)	835,166	(1,011,412)	(412,842)	(415,676)	(11,119,721)
Nonoperating revenues/(expenses):						
Other federal revenues	8,284,079	—	6,774	—	3,190	8,294,043
Other revenues	—	—	346,894	72,827	—	419,721
Other expenses	—	—	(9,468)	(1,600)	(2,121)	(13,189)
Investment income/(loss)	36,042	102	(55,627)	(33,402)	2,916	(49,969)
Total nonoperating revenues/(expenses)	8,320,121	102	288,573	37,825	3,985	8,650,606
Income/(loss) before capital grants and contributions and transfers	(1,794,836)	835,268	(722,839)	(375,017)	(411,691)	(2,469,115)
Capital grants and contributions	—	—	51,525	24,290	69,831	145,646
Transfers, net	—	(5,554)	631,699	343,215	434,976	1,404,336
Total capital grants and contributions and transfers	—	(5,554)	683,224	367,505	504,807	1,549,982
Change in net position	(1,794,836)	829,714	(39,615)	(7,512)	93,116	(919,133)
Total net position - beginning	1,996,534	—	2,472,382	569,212	558,156	5,596,284
Total net position - ending	\$ 201,698	\$ 829,714	\$ 2,432,767	\$ 561,700	\$ 651,272	\$ 4,677,151

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Collection of unemployment contributions	\$ 3,197,714	\$ —	\$ —	\$ —	\$ —	\$ 3,197,714
Collection of family and employment security contributions	—	608,707	—	—	—	608,707
Tuition, residence, dining and other student fees	—	—	1,019,554	413,145	195,428	1,628,127
Research grants and contracts	—	—	615,384	202,934	241,471	1,059,789
Payments to suppliers	—	—	(932,122)	(276,857)	(157,592)	(1,366,571)
Payments to employees	—	—	(1,615,385)	(572,219)	(521,608)	(2,709,212)
Payments to students	—	—	(90,488)	(32,027)	(60,048)	(182,563)
Payments for unemployment benefits	(11,585,714)	—	—	—	—	(11,585,714)
Payments for family and employment security benefits	—	(1,707)	—	—	—	(1,707)
Collection of loans to students and employees	—	—	3,925	1,087	—	5,012
Income from contract services	—	—	—	1,641	(269)	1,372
Maintenance costs	—	—	—	(1,254)	—	(1,254)
Auxiliary enterprise charges	—	—	377,585	59,717	272	437,574
Other receipts/(payments)	27,455	—	(637,138)	(318,372)	(411,136)	(1,339,191)
Net cash provided by/(used in) operating activities	(8,360,545)	607,000	(1,258,685)	(522,205)	(713,482)	(10,247,917)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	—	—	810,518	293,432	308,741	1,412,691
Grants and contracts	8,284,079	—	167,482	8,981	13,412	8,473,954
Student organizations agency transactions	—	—	(619)	—	(197)	(816)
Net transfers in/(out)	—	(5,554)	631,699	343,215	434,976	1,404,336
Assignment of Perkins loans	—	—	—	(388)	—	(388)
Net cash provided by/(used in) non-capital financing activities	8,284,079	(5,554)	1,609,080	645,240	756,932	11,289,777
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital appropriations	—	—	51,525	20,170	10,992	82,687
Purchases of capital assets	—	—	(341,247)	(63,787)	(30,778)	(435,812)
Proceeds from debt issuance	159,907	—	720,188	25,017	—	905,112
Other capital asset activity	—	—	4,405	(234)	790	4,961
Advance payment related to service concession arrangement	—	—	—	1,500	—	1,500
Principal paid on capital debt and leases	—	—	(549,788)	(69,770)	(2,338)	(621,896)
Payment of debt issuance costs and mortgage insurance premium	—	—	(3,596)	—	—	(3,596)
Interest paid on capital debt and leases	—	—	(132,467)	(56,622)	(2,702)	(191,791)
Net cash provided by/(used in) capital financing activities	159,907	—	(250,980)	(143,726)	(24,036)	(258,835)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	—	—	1,652,556	136,831	17,981	1,807,368
Purchases of investments	—	—	34,383	(146,681)	(16,950)	(129,248)
Investment earnings	36,042	102	(1,641,650)	6,269	1,881	(1,597,356)
Net cash provided by/(used in) investing activities	36,042	102	45,289	(3,581)	2,912	80,764
Net increase/(decrease) in cash and cash equivalents	119,483	601,548	144,704	(24,272)	22,326	863,789
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	99,149	—	317,892	357,624	161,168	935,833
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 218,632	\$ 601,548	\$ 462,596	\$ 333,352	\$ 183,494	\$ 1,799,622
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss)	\$ (10,114,957)	\$ 835,166	\$ (1,011,412)	\$ (412,842)	\$ (415,676)	\$ (11,119,721)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense	—	—	288,667	104,034	45,319	438,020
Fringe benefits paid by the Commonwealth	—	—	—	92,460	107,269	199,729
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets	(41,492)	(238,566)	(657,862)	(330,414)	(441,139)	(1,709,473)
Accounts payable, accrued liabilities and benefits	362,605	10,400	(2,300)	(2,413)	1,651	369,943
Student deposits and other unearned and deferred revenues	—	—	32,806	25,857	(1,879)	56,784
Other noncurrent assets - restricted and liabilities	1,433,299	—	91,416	1,113	(9,027)	1,516,801
Net cash provided by/(used in) operating activities	\$ (8,360,545)	\$ 607,000	\$ (1,258,685)	\$ (522,205)	\$ (713,482)	\$ (10,247,917)

Non-cash investing, capital and financing activities:

The University System, the State Universities and Community Colleges had approximately \$42 million, \$147 million and \$165 million, respectively, of non-cash activities.

The notes to the financial statements are an integral part of this statement.



Fiduciary Fund Financial Statements

Statement of Net Position

Fiduciary Funds

June 30, 2020

(Amounts in thousands)

		Post- Employment Benefits and OPEB Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds	Total
ASSETS						
Cash and cash equivalents	\$	205,810	\$ 6,284,230	\$ 1,215	\$ 475,279	\$ 6,966,534
Short-term investments		—	41,892	—	—	41,892
Net investment in PRIT at fair value		58,914,538	16,066,756	—	—	74,981,294
Investments, restricted investments and annuity contracts		—	—	—	1,388,263	1,388,263
Receivables, net of allowance for uncollectibles:						
Taxes		—	—	—	34,132	34,132
Other receivables		214,360	2,060	—	250,619	467,039
Due from federal government		—	—	—	3,816	3,816
Other assets		836	—	—	—	836
Total assets		59,335,544	22,394,938	1,215	2,152,109	83,883,806
LIABILITIES						
Accounts payable and other accrued liabilities		35,935	19,703	—	54,427	110,065
Due to cities and towns		—	—	—	20,575	20,575
Due to federal government		—	—	—	1	1
Lottery prizes payable		—	—	—	855,323	855,323
Other liabilities		—	—	—	19,495	19,495
Total liabilities		35,935	19,703	—	949,821	1,005,459
NET POSITION						
Restricted for:						
Employees' post-employment benefits		59,299,609	—	—	—	59,299,609
External investment trust fund participants		—	22,375,235	—	—	22,375,235
Individuals, organizations, and other governments		—	—	1,215	1,202,288	1,203,503
Total net position	\$	59,299,609	\$ 22,375,235	\$ 1,215	\$ 1,202,288	\$ 82,878,347

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, 2020

(Amounts in thousands)

	Post- Employment Benefits and OPEB Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds	Total
ADDITIONS					
Contributions:					
Employer contributions - Commonwealth	\$ 1,551,439	\$ —	\$ —	\$ —	\$ 1,551,439
Non-employer contributions - Commonwealth	1,591,814	—	—	—	1,591,814
Employer contributions - other employers	9,718	—	—	—	9,718
Employee contributions	1,480,120	—	—	—	1,480,120
ERIP funding contribution - Commonwealth	28,724	—	—	—	28,724
Boston teachers' contribution from Commonwealth	157,041	—	—	—	157,041
Proceeds from sale of units	—	31,845,776	—	—	31,845,776
Sales tax collections for other governments	—	—	—	596,237	596,237
Child support collections	—	—	—	736,677	736,677
Other additions	167,247	1,384,408	8	1,539,095	3,090,758
Total contributions	4,986,103	33,230,184	8	2,872,009	41,088,304
Net investment gain/(loss):					
Investment gain/(loss)	1,473,597	713,447	—	37,305	2,224,349
Less: investment expense	(301,250)	(313,686)	—	(21,107)	(636,043)
Net investment gain/(loss)	1,172,347	399,761	—	16,198	1,588,306
Total additions	6,158,450	33,629,945	8	2,888,207	42,676,610
DEDUCTIONS					
Administration	40,655	—	—	—	40,655
Retirement benefits and refunds	6,254,185	1,218,295	—	—	7,472,480
Payments to State Boston Retirement System	157,041	—	—	—	157,041
Cost of units redeemed	—	30,764,859	—	—	30,764,859
Distribution to unit holders	—	102,991	—	—	102,991
Sales tax payments to other governments	—	—	—	596,237	596,237
Child support payments to individuals	—	—	—	665,999	665,999
Other deductions	76,284	—	—	1,612,154	1,688,438
Total deductions	6,528,165	32,086,145	—	2,874,390	41,488,700
Change in net position	(369,715)	1,543,800	8	13,817	1,187,910
Net position - beginning, as restated	59,669,324	20,831,435	1,207	1,188,471	81,690,437
Net position - ending	\$ 59,299,609	\$ 22,375,235	\$ 1,215	\$ 1,202,288	\$ 82,878,347

The notes to the financial statements are an integral part of this statement.



***Discretely Presented
Component Unit
Financial Statements***

Statement of Net Position
Discretely Presented Component Units
June 30, 2020

(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	\$ 460,893	\$ 87,255	\$ 655,275	\$ 279,739	\$ 1,483,162
Short-term investments	—	—	206,298	281,816	488,114
Restricted cash and investments	1,601,517	—	—	263,606	1,865,123
Assets held in trust	—	—	42,430	37,852	80,282
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	226,126	—	41,663	—	267,789
Loans	—	—	620,814	71,817	692,631
Other receivables	207,387	9,500	48,478	50,306	315,671
Due from primary government	456,124	28,023	—	19,488	503,635
Inventory	—	—	—	70	70
Other current assets	64,005	1,404	—	8,527	73,936
Total current assets	3,016,052	126,182	1,614,958	1,013,221	5,770,413
Noncurrent assets:					
Cash and cash equivalents - restricted	890,733	—	—	23,575	914,308
Long-term investments	—	—	504,316	871,239	1,375,555
Restricted investments and annuity contracts	—	—	—	66,439	66,439
Other receivables, net	24,570	—	—	15,156	39,726
Loans receivables, net	—	—	3,468,903	638,944	4,107,847
Due from primary government	2,029	—	—	—	2,029
Non-depreciable capital assets	15,549,004	18,825	—	247,417	15,815,246
Depreciable capital assets, net	22,425,647	—	—	760,277	23,185,924
Other noncurrent assets	87,948	—	—	21,913	109,861
Total noncurrent assets	38,979,931	18,825	3,973,219	2,644,960	45,616,935
Total assets	41,995,983	145,007	5,588,177	3,658,181	51,387,348
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	145,581	—	4,644	21,199	171,424
Deferred loss on refunding	209,713	—	37,815	—	247,528
Deferred outflows related to pension	354,301	—	—	6,346	360,647
Deferred outflows related to OPEB	334,723	118	—	1,107	335,948
Total deferred outflows of resources	1,044,318	118	42,459	28,652	1,115,547
Total assets and deferred outflows	43,040,301	145,125	5,630,636	3,686,833	52,502,895
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	996,065	30,233	49,604	75,357	1,151,259
Accrued payroll	—	218	—	2,193	2,411
Compensated absences	28,323	753	—	3,354	32,430
Accrued interest payable	141,026	—	48,081	2,072	191,179
Due to primary government	—	—	—	12,890	12,890
Unearned revenue	115,381	48,454	15,901	73,496	253,232
Bonds, notes payable and other obligations	436,158	—	213,180	39,431	688,769
Total current liabilities	1,716,953	79,658	326,766	208,793	2,332,170
Noncurrent liabilities:					
Compensated absences	18,332	—	—	1,946	20,278
Accrued interest payable	182,868	—	—	—	182,868
Due to primary government	—	—	—	6,795	6,795
Unearned revenue	54,825	—	—	16,171	70,996
Capital leases	78,332	—	—	—	78,332
Bonds, notes payable and other obligations	7,015,187	—	2,511,164	598,878	10,125,229
Net pension liability	2,179,537	—	—	42,837	2,222,374
Net OPEB liability	3,186,988	5,902	—	926	3,193,816
Liability for derivative instruments	194,141	—	4,644	18,623	217,408
Other noncurrent liabilities	128,442	—	—	90,724	219,166
Total noncurrent liabilities	13,038,652	5,902	2,515,808	776,900	16,337,262
Total liabilities	14,755,605	85,560	2,842,574	985,693	18,669,432
Deferred inflows of resources:					
Deferred gain on refundings	149	—	—	—	149
Deferred advance subsidies	—	—	45,391	—	45,391
Deferred service concession arrangements	—	—	—	305	305
Deferred inflows related to pension	119,145	—	—	3,810	122,955
Deferred inflows related to OPEB	577,609	4,422	—	1,474	583,505
Total deferred inflows of resources	696,903	4,422	45,391	5,589	752,305
Total liabilities and deferred inflows	15,452,508	89,982	2,887,965	991,282	19,421,737
NET POSITION					
Net investment in capital assets	35,610,401	11,184	—	981,969	36,603,554
Restricted for:					
Other purposes	979,210	—	2,144,965	1,217,700	4,341,875
Unrestricted	(9,001,818)	43,959	597,706	495,882	(7,864,271)
Total net position	\$ 27,587,793	\$ 55,143	\$ 2,742,671	\$ 2,695,551	\$ 33,081,158

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, 2020

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services	\$ 1,426,893	\$ 924,833	\$ 5,537	\$ 241,930	\$ 2,599,193
Other	—	13	132,340	78,931	211,284
Total operating revenues	1,426,893	924,846	137,877	320,861	2,810,477
Operating expenses:					
Cost of services	3,633,208	883,116	137,552	240,481	4,894,357
Administration costs	966,475	70,367	3,263	160,470	1,200,575
Depreciation	1,069,010	4	—	65,538	1,134,552
Total operating expenses	5,668,693	953,487	140,815	466,489	7,229,484
Operating income/(loss)	(4,241,800)	(28,641)	(2,938)	(145,628)	(4,419,007)
Nonoperating revenues/(expenses):					
Operating grants	2,282,170	79,202	32,172	45,179	2,438,723
Interest income/(loss)	40,181	845	—	15,310	56,336
Other nonoperating revenue/(expense)	420,418	(31,455)	—	39,772	428,735
Nonoperating revenues/(expenses), net	2,742,769	48,592	32,172	100,261	2,923,794
Income/(loss) before contributions	(1,499,031)	19,951	29,234	(45,367)	(1,495,213)
Capital contributions	2,958,874	—	135,141	70,589	3,164,604
Change in net position	1,459,843	19,951	164,375	25,222	1,669,391
Net position - beginning	26,127,950	35,192	2,578,296	2,670,329	31,411,767
Net position - ending	\$ 27,587,793	\$ 55,143	\$ 2,742,671	\$ 2,695,551	\$ 33,081,158

The notes to the financial statements are an integral part of this statement.



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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 \$16.067 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 \$6.308 billion at June 30, 2020, 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.

Fiduciary Component Units – hold funds in trust for the benefit of others and are not available to fund activities or obligations of the primary government. The Commonwealth reports the following fiduciary component units:

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.

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.

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.

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.

State Retirees' Benefit Trust (SRBT) – is a single employer defined benefit Other Post-Employment Benefit (OPEB) plan administered by the Commonwealth. 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. The 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.

The Commonwealth reports these fiduciary component units with other fiduciary funds and therefore are omitted from the government-wide financial statements.

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.

The Coronavirus Relief Fund is a special revenue fund to account for activities under the Federal Coronavirus Aid,

Relief and Economic Security (CARES) Act to combat the global Covid-19 pandemic.

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.

Family and Employment Security Trust Fund accounts for taxes collected from employers which are used to provide up to 26 weeks of paid leave for medical or family reasons.

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 113-130](#).

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 Trust Funds account for various gifts and bequests held in trust 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.

Custodial 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.

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, 2020, 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 FY20 governmental fund balances are shown below (amounts in thousands);

	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund					
General Government	\$ —	\$ —	\$ —	\$ 1,697,212	\$ 1,697,212
Stabilization Fund	—	3,501,181	—	—	3,501,181
FY20 Authorizations Reappropriated in FY21	—	—	731,696	—	731,696
Subtotals, General Fund	—	3,501,181	731,696	1,697,212	5,930,089
Lottery Funds					
Lottery Operations	—	1,544	—	—	1,544
Massachusetts School Building Authority (MSBA)					
Debt Service	950,629	—	—	—	950,629
OPEB	226	—	—	—	226
Grants to Cities, Towns and Local School Districts	—	—	766,470	—	766,470
Subtotals, MSB A	950,855	—	766,470	—	1,717,325
Other Governmental Funds					
Restricted by Federal Grantors	110,463	—	—	—	110,463
Environmental	—	15,645	11,400	—	27,045
Regional Greenhouse Gas Auction and Mitigation	—	47,209	—	—	47,209
Dam and Seawall Repair	—	20,389	—	—	20,389
Public Safety - Enhanced 911 Services	—	198,296	—	—	198,296
Public Safety - Other	—	25,401	—	—	25,401
Health Care	—	405,961	—	—	405,961
Marijuana Regulation	—	7,707	—	—	7,707
Social Innovation Financing	—	8,231	—	—	8,231
Workforce Training	—	53,478	—	—	53,478
Department of Industrial Accidents	—	29,242	—	—	29,242
Convention Centers	8,393	314,945	—	—	323,338
General Government Capital Projects Fund	—	—	—	(174,241)	(174,241)
Highway Capital Projects Fund	—	—	—	(711,523)	(711,523)
General Government Debt Service	7,439	24,695	—	—	32,134
Transportation (GANS*/Commonwealth Transportation Fund)	20,366	54,843	—	—	75,209
Gaming Administration	—	1,059	—	—	1,059
Gaming -- Community Mitigation	—	23,107	—	—	23,107
Race Horse Development	—	17,041	—	—	17,041
Housing Preservation	—	11,488	—	—	11,488
Expendable Trusts	196,608	302,566	160,369	—	659,543
Education	—	9,956	—	—	9,956
Other	—	251,813	12,987	(56,775)	208,025
Subtotals, Other Governmental Funds	343,269	1,823,072	184,756	(942,539)	1,408,558
Totals	\$ 1,294,124	\$ 5,325,797	\$ 1,682,922	\$ 754,673	\$ 9,057,516

*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 113](#).

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 FY20, 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 FY20 with a balance of \$3.501 billion. For the fiscal year ending June 30, 2020, the Stabilization Fund's balance increased by \$62 million from investment income, approximately \$362 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, and \$15 million from gaming tax revenue. 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, 2020, 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, 2020, 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 37.8%, 38.9% and 1.9% 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, 2020, 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 AND UNEARNED REVENUE

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.

Federal grants received in advance are recorded as unearned revenue until all eligibility requirements of the grant have been met. In FY20, the Commonwealth received \$2.461 billion of Coronavirus Relief of which \$1.700 billion is recorded as unearned revenue.

"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 FY20 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 \$126 million, representing 50% of the amounts expected to be received during FY21. 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, 2020 were \$74 million, of which \$6 million is due in FY21. During FY20, the MSBA collected \$6 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, 2020, the liability for prior grant projects is approximately \$80 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, 2020, the liability outstanding for Waiting List projects under the lump sum method is \$43 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, 2020, 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, 2020, 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 \$52 million in the governmental funds for reimbursements received, reviewed, and approved for payment by June 30, 2020. Additionally, a liability of \$60 million was recorded for the reimbursements not reviewed or approved for payment prior to June 30, 2020, 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 \$15 million. New Program projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2020, the amount of commitments outstanding for the New Program projects is \$1.6 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, 2020, MSBA had an outstanding liability of \$112 million, and \$1.6 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 \$202 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 \$543 million.

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, 2020 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 102-103.

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 FY20, approximately \$1.096 billion and \$925 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, 2020, taxes within the Convention Center districts support approximately \$504 million of outstanding principal and approximately \$232 million of interest on debts related to these Convention Centers. Taxes collected in FY20 were approximately \$131 million, while debt service on the bonds was approximately \$52 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 FY20, approximately \$515 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 \$90 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 position by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net position 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, 2020 (amounts in thousands):

State Universities	\$	14,318
Community Colleges		<u>215</u>
Total	\$	<u>14,533</u>

Approximately \$21 million in the carrying value of capital assets, \$47 thousand in other assets and \$7 million in liabilities associated with these service concession agreements are reported in the business-type activities in these financial statements.

R. 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.

S. 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.

T. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS/IMMATERIAL CORRECTIONS

During FY20 the Commonwealth early implemented GASB Statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments and introduces a Statement of Changes in Net Position for the renamed fiduciary activity, custodial funds. This resulted in restatements for funds that were reclassified under the new standard. As a result, the beginning fund balance of the governmental activities were restated by approximately \$55 million for the adoption of a new accounting principle.

In addition, the Commonwealth corrected the beginning net position for immaterial errors identified in the GASB

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits - Other Than Pensions*, actuarial valuation as of the June 30, 2018 measurement date. Further the Commonwealth Corporation, a discretely presented component unit, reclassified a prior year transaction from fund balance to a liability.

The details of the impact of the restatement and the immaterial error corrections on the fund level and government-wide financial statements are detailed below (amounts in thousands):

	Governmental Funds	Proprietary Funds			Fiduciary Funds	
	Other Governmental Funds	University of Massachusetts	State Universities	Community Colleges	Private Purpose Trust	Custodial/Agency
Fund balance/net position/agency liabilities as of June 30, 2019 as previously reported	\$ 1,633,656	2,502,903	\$ 583,889	\$ 566,152	\$ 766	\$ 1,252,355
Implementation of GASB 84:						
Reclassification of fiduciary funds to governmental funds	71,830	—	—	—	—	(71,830)
Reclassification of governmental funds to fiduciary funds	(17,278)	—	—	—	441	16,837
Reclassification of agency liabilities to custodial fund balance	—	—	—	—	—	(12,162)
Reclassification of agency fund balance to custodial fund liabilities	—	—	—	—	—	3,271
Immaterial corrections of prior year GASB 75 (OPEB) error	—	(30,521)	(14,677)	(7,996)	—	—
Fund balance as of July 1, 2019	<u>\$ 1,688,208</u>	<u>\$ 2,472,382</u>	<u>\$ 569,212</u>	<u>\$ 558,156</u>	<u>\$ 1,207</u>	<u>\$ 1,188,471</u>

	Governmental Activities	Business-Type Activities	Primary Government	Discretely Presented Component Units
Net position as of June 30, 2019, as previously reported	\$ (74,080,352)	\$ 5,649,478	\$ (68,430,874)	\$ 31,440,309
Implementation of GASB 84:				
Reclassification of fiduciary funds to governmental funds	71,830	—	71,830	—
Reclassification of governmental funds to fiduciary funds	(17,278)	—	(17,278)	—
Immaterial corrections of prior year balances:				
Reclassification of a prior year transaction recorded as fund balance to a liability	—	—	—	(222)
Correction of GASB 75 (OPEB) error	(551,399)	(53,194)	(604,593)	(28,320)
Net position as of July 1, 2019	<u>\$ (74,577,199)</u>	<u>\$ 5,596,284</u>	<u>\$ (68,980,915)</u>	<u>\$ 31,411,767</u>

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.....	\$ 81,347	\$ 1,268,628 (1)	\$ 1,349,975	\$ 66,199
MMDT - cash fund.....	6,322,305	530,994 (1)	6,853,299	6,900,335
Restricted cash with fiscal agent.....	268,599	—	268,599	—
Total.....	<u>\$ 6,672,251</u>	<u>\$ 1,799,622</u>	<u>\$ 8,471,873</u>	<u>\$ 6,966,534</u>

(1) of which \$323,098 (in thousands) 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, 2020, the amortized cost of annuities was approximately \$106 million. At June 30, 2020, the U.S Treasury Strips have a fair value of approximately \$749 million. Approximately 87.6% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 5.7% 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, 2020, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents.....	\$ 472,685
Restricted cash with fiscal agent.....	1,072
Restricted investments.....	<u>1,143,253</u>
Total.....	<u>\$ 1,617,010</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, 2020, the bank balances of uninsured deposits totaled approximately \$224 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, 2020, 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 120 days or less. The Cash Portfolio is operated in compliance with Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The MMDT Cash Portfolio's dollar-weighted average maturity fluctuated from 33 days on July 1, 2019 to 52 days on June 30, 2020.

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 2.67 years. At June 30, 2020, investments in the MMDT Short Term Bond Portfolio had a total net position of \$824 million with investment maturities ranging from less than one year to ten years. At June 30, 2020, 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.....	13.6 %
One to five years.....	85.7 %
Six to ten years.....	0.1 %
Total*.....	99.4 %

*The remaining 0.6% consists of cash equivalents and other assets.

Interest Rate Risk – Higher Education

As of June 30, 2020, the Institutions of Higher Education had debt investments stated at fair value of approximately \$346 million and had investment maturities ranging from less than one year to more than ten years, with approximately 24.9% of the investment's fair values maturing in less than 1 year, approximately 54.1% from one to five years, approximately 12.1% from six to ten years, and approximately 8.9% 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, 2020, the MSBA had approximately \$200 million invested in a collateralized guaranteed investment contract and approximately \$539 million invested in U.S. Treasury Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on July 25, 2022 while the U. S. Treasury Bonds mature from May 2027 to February 2045. These investments represent approximately 77.1% of the MSBA's total investments in debt service funds and debt service reserve funds.

Interest Rate Risk – Custodial Funds

The custodial funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 2020, these investments had a fair value of approximately \$533 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 33.6% has maturities of less than one year, 38.2% from one to five years, 17.3% from six to ten years and 10.8% 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 as detailed in the Investment Circulars which can be found in the documents tab at <https://www.mymmdt.com/mmdt/pools.do>. At June 30, 2020, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2020, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA	67.7 %
AA	5.5 %
A	11.4 %
BBB	14.8 %
Total*	99.4 %

* 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 \$102 million at AAA, approximately \$85 million from AA+ to A- and approximately \$159 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, 2020, 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, 2020, the MSBA's investments in municipal bonds were rated AA+ or above.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$533 million, of which approximately \$330 million were in U.S Government securities. Of the remaining \$203 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 Treasury 1-3 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, 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 \$24.129 billion at fair value with an effective weighted average duration range from 0.19 to 16.28 years at June 30, 2020.

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, 2020.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately \$3.763 billion, BBB+ to B- investments with a fair value of approximately \$3.206 billion, \$696 million rated CCC+ to D, \$8.999 billion are unrated, and the remaining \$7.941 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, 2020 were approximately \$191 million in cash and short-term investments, \$12.761 billion in equities, \$734 million in fixed income investments, \$515 million in portfolio completion strategies, \$1.161 billion in private equity investments and \$311 million in timberland investments. An additional \$3.443 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, 2020.

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, 2020, PRIT had open foreign exchange contracts with combined net unrealized gain of approximately \$9 thousand 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, 2020 with various expirations from FY21 to FY24. 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, 2020 was approximately \$1.166 billion with a fair value of \$1.172 billion, yielding an unrealized net gain of approximately \$6 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, 2020, PRIT had contracts in effect with an aggregated notional amount of approximately \$1.279 trillion to various investment banks that had maturity dates from FY21 to FY73. The contracts have an aggregate fair value loss of approximately \$83 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, 2020 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
Bank of America.....	A+	\$ 1,341,555	\$ 1,445	\$ 219,387	\$ (5,590)	\$ 34,912	\$ (564)
BNP Paribas Securities Corp.....	A+	—	—	420,112	4,409	—	—
Citibank NA.....	A+	—	—	2,300	(1)	479,153	(1,590)
Credit Suisse.....	A	—	—	710,099	2,875	19,697	287
Goldman Sachs.....	A+	—	—	515,441	(19,010)	—	—
JPMorga.....	A+	—	—	2,200	37	5,329	(2,860)
LCH Ltd.....	AA-	898,712	16,858	—	—	222,620	(1,083)
Merrill Lynch International.....	A+	—	—	4,800	48	1,063,288	(3,226)
Morgan Stanley.....	A+	102,684	72	437,319	(19,169)	1,962,300	1,713
SMBC Capital Markets Inc.....	A+	250,000	(31,176)	—	—	—	—
U.S. Bank National Association.....	A+	500,000	(11,208)	—	—	—	—
All others.....	Various	1,266,087,444	4,182	1,016,423	(4,845)	2,460,128	(14,477)
Totals.....		<u>\$1,269,180,395</u>	<u>\$ (19,827)</u>	<u>\$ 3,328,081</u>	<u>\$ (41,246)</u>	<u>\$ 6,247,427</u>	<u>\$ (21,800)</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, 2020 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 674,212	\$ 661,927	\$ 12,285	\$ —
Municipal securities	30,820	28,883	1,937	—
Institutional money market funds	324,443	319,680	4,763	—
Corporate debt/bonds	107,806	1,016	106,748	42
Corporate stock	24,299	24,299	—	—
Asset backed securities	19,613	—	19,613	—
Registered investment companies	41,261	37,601	3,660	—
Mortgage backed securities	22,656	—	22,332	324
Other fixed income	20,882	19,155	1,727	—
Total debt securities	<u>1,265,992</u>	<u>1,092,561</u>	<u>173,065</u>	<u>366</u>
Equity securities	<u>183,914</u>	<u>182,329</u>	<u>1,585</u>	<u>—</u>
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	418,342			
Private equity	32,420			
Private debt	11,148			
Private real estate	8,847			
Other	16,337			
Total investments measured at the NAV	<u>487,094</u>			
Other investments at fair value:				
MMDT - bond fund	<u>386,272</u>			
Subtotal investments at fair value	<u>2,323,272</u>	<u>\$ 1,274,890</u>	<u>\$ 174,650</u>	<u>\$ 366</u>
Other investments:				
Guaranteed investment contracts	200,099			
Certificates of deposit	10,178			
Other	<u>641,570</u>			
Total other investments	<u>851,847</u>			
Total investments - primary government	<u>\$ 3,175,119</u>			
Derivative instruments:				
Interest rate swaps (liabilities)	<u>\$ 133,001</u>	<u>\$ —</u>	<u>\$ 133,001</u>	<u>\$ —</u>

Included in the preceding schedule is approximately \$4 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 \$855 million as of June 30, 2020 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	\$ 1,098,179	\$ 1,098,179	\$ —	\$ —
Bonds	115,286	37,705	77,581	—
Total debt securities	1,213,465	1,135,884	77,581	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	68,837			
Other investments at fair value:				
MMDT - bond fund	41,892			
Net investment in PRIT	74,981,294			
Total other investments at fair value	75,023,186			
Subtotal investments at fair value	76,305,488	\$ 1,135,884	\$ 77,581	\$ —
Other investments:				
Annuity contacts	105,961			
Total investments - fiduciary funds	\$ 76,411,449			

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	\$ 7,793,547	\$ 2,152,360	\$ 87,047	\$ 1,490,522	\$ 11,523,476
Less: allowance for uncollectibles	(1,334,717)	(100,037)	—	(582,060)	(2,016,814)
Receivables, net allowance for uncollectibles	6,458,830	2,052,323	87,047	908,462	9,506,662
Less: current portion	(6,015,929)	(2,051,828)	(7,037)	(767,672)	(8,842,466)
Noncurrent receivables	\$ 442,901	\$ 495	\$ 80,010	\$ 140,790	\$ 664,196
<u>Business-Type activities:</u>					
Gross receivables	\$ —	\$ 25,839	\$ 49,049	\$ 1,769,756	\$ 1,844,644
Less: allowance for uncollectibles	—	—	(3,563)	(733,961)	(737,524)
Receivables, net allowance for uncollectibles	—	25,839	45,486	1,035,795	1,107,120
Less: current portion	—	(25,839)	(6,321)	(1,019,754)	(1,051,914)
Noncurrent receivables	\$ —	\$ —	\$ 39,165	\$ 16,041	\$ 55,206

B. TAX ABATEMENTS

As of June 30, 2020, 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 five types of tax credits to life sciences companies, with the purpose of creating and retaining jobs in the Massachusetts life sciences sector. Unless stated otherwise, if one of these tax credits is claimed by a taxpayer and exceeds the tax otherwise due, 90% of the balance of such credit may, at the option of the taxpayer and to the extent authorized by the MLSC, be refundable to the taxpayer. These tax credits, together with other life sciences tax incentives, are subject to an aggregate \$30 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.
- The Life Sciences Refundable Jobs Tax Credit is available to life sciences companies that 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 MLSC.
- The Life Sciences Research Tax Credit is equal to 10% of excess qualified research expenses, including expenditures for legally mandated clinical trial activities performed both inside and outside of Massachusetts, and 15% of basic research payments. The Life Sciences Research Tax Credit is not refundable.

The MLSC may also authorize life sciences companies to obtain refunds of the Research Credit authorized by M.G.L. c. 63, § 38M. Generally, the Research Credit authorized by M.G.L. c. 63, § 38M provides a credit for research expenses incurred in Massachusetts based on a formula that measures a taxpayer's 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.

- The Angel Investor Tax Credit is equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in M.G.L. c. 23A, § 3A. A taxpayer cannot claim more than \$50,000 of the credit for a single calendar year. The Angel Investor Tax Credit is not refundable.

Recipients of these tax credits agree to increase or maintain their employee headcount in Massachusetts, compared to their "baseline" employee headcount at the time of the award and the company's projected net increase in headcount in the tax year following the award. Baseline and projected headcounts are summed to create a "total projected headcount" metric that is used for MLSC agreement and compliance purposes.

A life sciences 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 credit 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 life sciences 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 life sciences 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 Refundable Jobs Tax Credit, failing to create at least 50 net new jobs, will be de-certified. More information on these job creation and recapture 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

M.G.L. c. 62, § 6(l) and M.G.L. c. 63, § 38X, provide tax credits to encourage the production in Massachusetts of films, television shows, commercials, and other motion pictures. 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 (not including the qualifying aggregate payroll 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 total Massachusetts production expenses during a consecutive twelve-month period to be eligible for the credits. 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 the statutes to recapture the film tax credits.

In addition to the tax credit, M.G.L. c. 64H, § 6(w) provides that 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 2020 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by
Economic Development Incentive Program (EDIP).....	\$ 1,735 (1)
Life Sciences Tax Incentive Program.....	18,570 (2)
Film Tax Incentive Program:	
Film Tax Credit.....	75,115 (3)
Sales Tax Exemption.....	322 (4)
Total.....	<u>\$ 95,742</u>

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2020.

(2) <https://www.masslifesciences.com/baker-polito-administration-announces-18-6-million-in-job-creation-incentives-for-31-massachusetts-life-sciences-companies/>, incentives awarded in FY2020.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2020.

(4) Massachusetts Department of Revenue, FY2021 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2020 (<https://www.mass.gov/doc/2021-tax-expenditure-budget/download>).

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	Coronavirus Relief	Other Governmental Funds	Total
Governmental funds:					
<u>Transfers in:</u>					
Debt service	\$ —	\$ —	\$ —	\$ 2,578,425	\$ 2,578,425
Transfers in	1,983,854	—	—	2,099,548	4,083,402
Subtotal	1,983,854	—	—	4,677,973	6,661,827
<u>Transfers out:</u>					
Appropriations	(1,519,070)	—	—	(14,006)	(1,533,076)
Transfer of bond proceeds	—	—	—	(146,155)	(146,155)
Debt service	(1,315,529)	—	—	(1,262,897)	(2,578,426)
Transfers out	(992,117)	(1,089,484)	(84,422)	(1,642,483)	(3,808,506)
Subtotal	(3,826,716)	(1,089,484)	(84,422)	(3,065,541)	(8,066,163)
Total governmental funds	\$ (1,842,862)	\$ (1,089,484)	\$ (84,422)	\$ 1,612,432	(1,404,336)
Proprietary funds:					
	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges	Total
<u>Transfers in:</u>					
Transfers in from governmental funds	\$ —	\$ 800,917	\$ 399,797	\$ 478,517	1,679,231
<u>Transfers out:</u>					
Transfers out to the General Fund	(5,554)	(169,218)	(56,582)	(43,541)	(274,895)
Total proprietary funds	\$ (5,554)	\$ 631,699	\$ 343,215	\$ 434,976	1,404,336
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 \$15 million at year end.

Remaining receivables and payables between funds as of June 30, 2020 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, 2020. 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, 2020 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds	\$ 523,066
Non-major Governmental Funds	Non-major Governmental Funds	67,685
Total Governmental Funds		\$ 590,751

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, 2019	Increases	Decreases and Reclassifications	Ending Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 933,152	\$ 8,977	\$ (168)	\$ 941,961
Construction in process	608,149	233,203	(127,633)	713,719
Total capital assets not being depreciated	1,541,301	242,180	(127,801)	1,655,680
Capital assets being depreciated:				
Buildings	6,144,333	95,452	(41,267)	6,198,518
Machinery and equipment	1,795,846	190,047	(265,964)	1,719,929
Infrastructure non - central artery/tunnel project	437,003	19,541	—	456,544
Total capital assets being depreciated	8,377,182	305,040	(307,231)	8,374,991
Less, accumulated depreciation:				
Buildings	(3,472,224)	(118,985)	27,525	(3,563,684)
Machinery and equipment	(1,360,666)	(126,773)	230,362	(1,257,077)
Infrastructure non - central artery/tunnel project	(278,063)	(9,008)	—	(287,071)
Total accumulated depreciation	(5,110,953)	(254,766)	257,887	(5,107,832)
Total capital assets being depreciated, net	3,266,229	50,274	(49,344)	3,267,159
Governmental activities capital assets, net	4,807,530	292,454	(177,145)	4,922,839
<i>Business - Type Activities</i>				
Capital assets not being depreciated:				
Land	228,778	—	—	228,778
Construction in process	518,842	311,613	(294,401)	536,054
Historical treasures	1,019	18,674	(264)	19,429
Total capital assets not being depreciated	748,639	330,287	(294,665)	784,261
Capital assets being depreciated:				
Buildings	11,260,322	403,329	(13,157)	11,650,494
Machinery and equipment	1,187,460	65,812	(46,038)	1,207,234
Library collections, not including historical treasures	64,666	261	(8,385)	56,542
Total capital assets being depreciated	12,512,448	469,402	(67,580)	12,914,270
Less, accumulated depreciation:				
Buildings	(4,394,578)	(373,290)	12,455	(4,755,413)
Machinery and equipment	(943,980)	(64,502)	41,495	(966,987)
Library collections, not including historical treasures	(15,622)	(228)	95	(15,755)
Total accumulated depreciation	(5,354,180)	(438,020)	54,045	(5,738,155)
Total capital assets being depreciated, net	7,158,268	31,382	(13,535)	7,176,115
Business - type activities capital assets, net	7,906,907	361,669	(308,200)	7,960,376
Total Primary Government capital assets, net	\$ 12,714,437	\$ 654,123	\$ (485,345)	\$ 12,883,215

Depreciation expense was charged to the various functions of governmental and business-type activities as follows (amounts in thousands):

Function	Amount
General government	\$ 123,121
Judiciary	20,750
Health and human services	26,310
Early elementary and secondary education	2,609
Public safety and homeland security	73,757
Housing and economic development	43
Labor and workforce development	8,176
	<hr/>
Total depreciation, governmental activities	\$ 254,766
	<hr/>
University of Massachusetts	\$ 288,667
State universities	104,034
Community colleges	45,319
	<hr/>
Total depreciation, business-type activities	\$ 438,020
	<hr/>

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 \$1.4 billion by selling RANs in October, 2019 in two separate \$500 million series and one \$400 million series. The two \$500 million notes were retired in April and May, 2020 while the \$400 million note was retired in June, 2020.

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth has entered into a line of credit with a syndicate of commercial banks in an amount up to \$1.75 billion. The Commonwealth also has enacted special legislation to authorize the Commonwealth to issue notes in anticipation of revenues or for which revenues are not otherwise available, which notes will mature no later than June 30, 2021. During FY20, the Commonwealth drew down \$500 million, which is recorded as a note payable in the general fund. The note was repaid in August, 2020.

The following schedule details short-term financing for all funds for the fiscal year (amounts in thousands):

	Beginning Balance July 1, 2019	Issued/ Drawn	Redeemed/ Repaid	Ending Balance June 30, 2020
General Fund:				
Revenue anticipation notes	\$ —	\$ 1,400,000	\$ (1,400,000)	\$ —
Notes payable	—	500,000	—	500,000
Total	<u>\$ —</u>	<u>\$ 1,900,000</u>	<u>\$ (1,400,000)</u>	<u>\$ 500,000</u>

B. CREDIT FACILITIES

During FY20, the Commonwealth maintained a credit facility to provide liquidity support for commercial paper notes totaling \$200 million with TD Bank which expires on April 18, 2023. Additionally, in lieu of issuing commercial paper, the Commonwealth has the capacity under a note purchase agreement to issue general obligation tax exempt bonds or revenue anticipation notes up to \$200 million with RBC Capital Markets, LLC, which will expire on February 8, 2024. 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, 2020, these agreements totaled \$419 million, were unused and will expire on various dates in FY21 through FY23. Agreements which expired in FY21 were not renewed or replaced by new liquidity agreements as the underlying VRDBs were refunded by fixed rate debt.

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 or through direct placement. 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, 2020, 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	\$ 25,620,142
General obligation bonds - direct placement, net proceeds	468,615
Special obligation bonds (including GANs) - public offering, net proceeds	4,612,665
Outstanding Commonwealth bonds, net proceeds	30,701,422
MSBA bonds, - public offering, net proceeds	6,570,341
Total governmental activities, net proceeds	37,271,763
Less:	
Unamortized premiums on general obligation bonds - public offering*	(2,135,597)
Unamortized premiums on special obligation bonds	(466,935)
Unamortized premiums on MSBA bonds	(516,394)
Total governmental activities, principal	\$ 34,152,837

* - As of June 30, 2020 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, 2020, 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, 2020, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds	\$ 21,966,379	91.7 %
Variable rate bonds	1,986,781	8.3 %
Total	<u>\$ 23,953,160</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
LIBOR index bonds	\$ 507,025	2.1 %
Direct purchase bonds	468,615	2.0 %
Variable rate demand bonds	418,950	1.7 %
Multi-Modal	400,000	1.7 %
College opportunity bonds	154,096	0.6 %
CPI-index bonds	38,095	0.2 %
Total	<u>\$ 1,986,781</u>	<u>8.3 %</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	\$ 785,680	3.3 %
Unhedged variable rate GO bonds	1,201,101	5.0 %
Total variable rate GO bonds	<u>\$ 1,986,781</u>	<u>8.3 %</u>

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2020, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds	\$ 4,117,345	99.3 %
Variable rate bonds	28,385	0.7 %
Total	<u>\$ 4,145,730</u>	<u>100.0 %</u>

All of the variable rate special obligation bonds are hedged as of June 30, 2020.

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	\$ 504,255
Special obligation revenue bonds, net proceeds:	
Fixed rate gas tax bonds	26,905
CPI variable rate gas tax bonds	28,385
Total gas tax bonds, net proceeds	55,290
Special obligation revenue bonds, net proceeds:	
Accelerated bridge program	1,800,062
Rail enhancement program	1,447,797
Total revenue bonds, net proceeds	3,247,859
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program	810,071
Total special obligation bonds, net proceeds	4,617,475
Less: unamortized premiums	(471,745)
Outstanding special obligation principal	<u>\$ 4,145,730</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, 2020, the Commonwealth had approximately \$154 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, 2020, approximately 91.7% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 8.3% 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, 2020, the

Commonwealth had approximately \$419 million in outstanding VRDBs. This accounts for approximately 1.7% of total GO debt and approximately 21.1% of total GO variable-rate debt. All of these bonds are uninsured. As of June 30, 2020, 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, 2020, the Commonwealth had \$469 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⁾	1 Month LIBOR/ Monthly Pay	State Street	5/12/2016	4/1/2021 ⁽³⁾
2001 Series B Refunding Bonds.....	48,250	1/1/2021 ⁽²⁾	1 Month LIBOR/ Monthly Pay	TD Bank	8/1/2017	1/1/2021 ⁽²⁾
2016 Series B.....	100,000	4/1/2036 ⁽¹⁾	1 Month LIBOR/ Monthly Pay	TD Bank	5/10/2016	4/1/2021 ⁽³⁾
2018 Series A Refunding Bonds.....	120,365	2/1/2021 ⁽²⁾	1 Month SIFMA/ Monthly Pay	RBC Capital	1/30/2018	2/1/2021 ⁽²⁾
Total.....	<u>\$ 468,615</u>					

(1) These issuances have a mandatory tender prior to their final maturity Put dates.

(2) These issuances were refunded prior to their final maturity dates and the liquidity facilities were no longer needed.

(3) The Commonwealth plans to extend or replace these agreements upon expiration.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2020, the Commonwealth had approximately \$38 million of bonds that pay interest based on the consumer price index (CPI); \$507 million of bonds that pay interest based on the three-month London Interbank Offered Rate (LIBOR), and \$400 million in Multi-Modal bonds. These bonds make up approximately 0.2%, 2.1%, and 1.7% of total outstanding general obligation indebtedness, respectively.

To fund the FY20 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$1.772 billion in new money long-term bonds; \$1.518 billion of which was general obligation debt and \$254 million of which was special obligation debt secured by federal highway reimbursements and/or motor fuels taxes and motor vehicle license and registration fees. In addition, \$1.225 billion in refunding bonds were issued in three separate transactions. Two of these transactions were executed as current refundings with the remaining executed as an advance refunding; all of which were executed for savings. The cash and present value savings of the refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2020, the MSBA had outstanding approximately \$6.570 billion of Dedicated Sales Tax bonds, which includes approximately \$516 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 \$6.054 billion of debt outstanding as of June 30, 2020, \$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 FY20, 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. During FY20, the Commonwealth issued approximately \$15 million in special obligation bonds under the Accelerated Bridge Program (ABP) and \$185 million under the Rail Enhancement Program (REP). These bonds mature from FY21 to FY49 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, 2020, approximately \$1.663 billion and \$1.261 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$1.071 billion and \$1.178 billion 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, 2020 bonds secured by these pledged funds totaled approximately \$55 million of principal. These bonds mature from FY21 to FY22 and were issued in multiple series. Principal and interest paid during FY20 amounted to approximately \$26 million and \$4 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 trust agreement 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, 2020, taxes within the Convention Center districts support approximately \$504 million of outstanding principal and approximately \$232 million of interest on debts related to these Convention Centers. Taxes collected in FY20 were approximately \$131 million, while debt service on the bonds was approximately \$52 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. During FY20, the Commonwealth issued approximately \$54 million in GANs for new money needs under the Commonwealth's Accelerated Bridge Program (ABP). As of June 30, 2020, total principal remaining to be paid is approximately \$662 million. Maturities are from FY21 through FY27. Debt service paid during FY20 was approximately \$112 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, 2020, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$562 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 \$2.015 billion, approximately \$814 million was hedged via floating-to-fixed interest rate swap agreements. Of this amount, \$786 million 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, 2020, 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 2021 to 2033. The swaps' total notional value of approximately \$814 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 3.85% 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 linked 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, 2020, 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	2020	2019	Change in Fair Value			
<i>General Obligation Bonds:</i>											
Series 2001B & C refunding	\$ —	2/20/2001	2/20/2001	4.15%	Cost of Funds	\$ —	\$ (6,009)	\$ 6,009	6/26/2020	Morgan Stanley Capital Services	NR/WR/-
Series 2016C, portion of Series 2016B	254,450	4/2/2009	4/2/2009	4.515%	67% 3-Month LIBOR	(78,452)	(64,493)	(13,959)	6/15/2033	Barclays Bank PLC	A/A1/A+
Series 2006C refunding	38,095	1/1/2007	1/1/2007	3.85%	CPI-based formula	(410)	(920)	510	11/1/2020**	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	26,250	10/8/2008	10/8/2008	3.936%	67% 3-Month LIBOR + 0.46%	(414)	(890)	476	11/1/2020**	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	348,380	10/8/2008	10/8/2008	4.083%	67% 3-Month LIBOR + 0.55%	(42,464)	(36,679)	(5,785)	11/1/2025	Bank of NY Mellon	AA-/Aa2/AA
Series 2018A refunding*	118,505	3/15/2005	3/15/2005	3.843% - 3.903%	SIFMA	(9,866)	(10,304)	438	2/1/2023	Wells Fargo Bank	A+/Aa2/AA-
Subtotal	785,680					(131,606)	(119,295)	(12,311)			
<i>Special Obligation Dedicated Tax Revenue Bonds:</i>											
Series 2005A (Gas Tax)	28,385	1/12/2005	1/12/2005	4.937% - 5.059%	CPI-based formula	(1,395)	(1,691)	296	6/1/2022	Merrill Lynch Capital Services	A-/A2/A+
Total	\$ 814,065					\$ (133,001)	\$ (120,986)	\$ (12,015)			

* - \$1.860 million is unhedged from SIFMA roll due February, 2021

** - Swaps associated with the Series 2006C refunding and the Series 2007A refunding bonds matured and expired on November 1, 2020.

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2020 was negative \$133 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, 2020 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 FY20, 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 \$119 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 \$254 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 are the only outstanding bonds that are 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, 2020 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, 2020. 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, 2020 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2021.....	\$ 78,905	\$ 9,658	\$ 23,195	\$ 111,758
2022.....	126,575	8,775	20,676	156,026
2023.....	142,290	6,950	16,304	165,544
2024.....	126,385	5,264	12,060	143,709
2025.....	131,780	3,176	8,803	143,759
2026 - 2030.....	135,010	5,789	23,260	164,059
2031 - 2033.....	73,120	980	4,075	78,175
Total.....	<u>\$ 814,065</u>	<u>\$ 40,592</u>	<u>\$ 108,373</u>	<u>\$ 963,030</u>

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2020, the fair value liability of the outstanding interest rate swaps was \$75 million.

Component Unit – Swapped Debt

At June 30, 2020, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$194 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, 2020 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs.....	\$ 662,270	2021 - 2027	\$ —
Capital projects:			
General.....	13,613,926	2021 - 2050	16,657,883
Highway.....	12,620,034	2021 - 2050	9,728,722
Local aid.....	698,405	2021 - 2039	11,105
Other.....	504,255	2021 - 2034	—
Subtotal.....	27,436,620		26,397,710
Subtotal - governmental activities debt (exclusive of MSBA).....	28,098,890		\$ 26,397,710
MSBA debt.....	6,053,947		
Governmental activities debt.....	\$ 34,152,837		

Interest rates on the Commonwealth's outstanding debt at the end of FY20 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, 2020 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2019.....	\$ 27,739,221	\$ 6,054,994	\$ 33,794,215	\$ 28,417,839
Plus: Increases in bonds authorized.....	—	—	—	32,618
General and special obligation bonds:				
Proceeds, defined as principal, plus premium, less discount.....	3,227,232	1,068,221	4,295,453	(2,052,747)
Less: Premium/discount.....	(223,684)	(52,801)	(276,485)	—
Less: Principal on refunded bonds.....	(1,260,210)	(747,690)	(2,007,900)	—
Less: Bonds retired.....	(1,383,669)	(268,777)	(1,652,446)	—
Outstanding principal June 30, 2020.....	\$ 28,098,890	\$ 6,053,947	\$ 34,152,837	\$ 26,397,710

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, 2020, 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					
2021	\$ 1,319,753	\$ 1,224,463	\$ 168,615	\$ 14,180	\$ 1,488,368	\$ 1,238,643	\$ 133,478	\$ 278,671	\$ (22,833)	\$ 184,951	\$ 185,296
2022	1,416,547	1,160,964	—	9,000	1,416,547	1,169,964	136,642	272,567	(24,213)	340,868	178,722
2023	1,263,346	1,096,067	—	9,000	1,263,346	1,105,067	163,281	266,835	(24,213)	187,543	172,178
2024	1,278,221	1,024,711	—	9,000	1,278,221	1,033,711	144,835	260,148	(24,213)	190,494	165,016
2025	1,298,600	964,017	—	9,000	1,298,600	973,017	183,205	253,592	(24,213)	180,578	158,668
2026 - 2030	5,503,237	3,994,958	80,000	41,000	5,583,237	4,035,958	1,216,151	1,109,455	(85,862)	947,830	677,127
2031 - 2035	4,573,414	2,788,390	100,000	26,500	4,673,414	2,814,890	1,434,410	774,970	(37,910)	925,000	457,213
2036 - 2040	4,321,038	1,839,109	60,000	13,500	4,381,038	1,852,609	1,411,045	451,502	(13,821)	915,098	262,284
2041 - 2045	4,341,465	932,496	50,000	5,450	4,391,465	937,946	907,350	191,576	—	591,343	96,864
2046 - 2050	2,314,654	209,951	10,000	250	2,324,654	210,201	323,550	32,971	—	180,124	21,507
2050 - 2054	—	—	—	—	—	—	—	—	—	24,088	507
Total long - term debt	27,630,275	15,235,126	468,615	136,880	28,098,890	15,372,006	6,053,947	3,892,287	(257,278)	4,667,917	2,375,382
Less: current portion	(1,319,753)	(1,224,463)	(168,615)	(14,180)	(1,488,368)	(1,238,643)	(133,478)	(278,671)	22,833	(184,951)	(185,296)
Long - term debt	\$ 26,310,522	\$ 14,010,663	\$ 300,000	\$122,700	\$ 26,610,522	\$14,133,363	\$5,920,469	\$3,613,616	\$ (234,445)	\$ 4,482,966	\$ 2,190,086

(1) FY20 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, 2020, approximately \$2.538 billion of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The University of Massachusetts (UMass) and 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, 2020, approximately \$281 million and \$337 million of bonds outstanding from advanced refunding transactions are considered defeased for UMass and MSCBA, respectively.

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 FY20 was approximately \$25.220 billion. Outstanding debt subject to the limit at June 30, 2020 was approximately \$22.510 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, 2020	\$ 28,098,890
Less amounts excluded:	
Central artery project bonds	(945,574)
Accelerated bridge program	(2,325,620)
MBTA forward funding	(207)
SMART bonds	(496,936)
Convention center bonds	(504,255)
Special obligation gas tax bonds	(55,290)
Rail enhancement program bonds	(1,260,565)
Outstanding direct debt June 30, 2020	<u>\$ 22,510,443</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 2020. 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 2020
Bond cap as approved by the Governor.....	\$ 2,430,000
Total annual debt service obligations	3,026,865
Statutory basis budgeted fund revenues	48,329,410
Debt service as % of budgeted revenues	6.3%

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	\$ 616,343	\$ 688,326	\$ (616,343)	\$ 688,326	\$ 485,510
Claims and judgments	33,241	8,288	(7,412)	34,117	14,117
Prizes payable	908,737	84,868	(138,282)	855,323	—
School construction grants payable	384,994	511,361	(661,111)	235,244	163,129
Environmental remediation liability	517,415	48,604	(5,639)	560,380	9,166
Lottery instant grand prizes	2,782	995	—	3,777	—
Workers' compensation	261,387	64,511	(61,028)	264,870	42,379
Arbitrage rebate - MSBA	1,727	132	—	1,859	—
Group insurance claims	151,273	1,651,080	(1,661,726)	140,627	137,819
Cost of living adjustment	130,000	—	(13,000)	117,000	—
Net pension liability	38,065,014	5,899,194	(3,127,523)	40,836,685	—
Net OPEB liability	16,181,676	1,269,991	(1,479,496)	15,972,171	—
Total other long-term obligations	57,254,589	10,227,350	(7,771,560)	59,710,379	852,120
Liability for derivative instruments	120,986	133,001	(120,986)	133,001	—
Bonded debt:					
Bonds and notes payable - non MSBA	27,739,221	3,003,548	(2,643,879)	28,098,890	1,488,368
Unamortized bond and note premiums - non MSBA	2,480,095	223,683	(101,246)	2,602,532	71,520
MSBA bonds and notes payable excluding premiums	6,054,994	1,015,420	(1,016,467)	6,053,947	133,478
Unamortized bond and note premiums - MSBA	586,526	52,801	(122,933)	516,394	45,457
MSBA other liabilities	668	244	(83)	829	514
Other financing arrangements:					
Capital leases	19,835	574	(3,295)	17,114	3,180
Total bonded debt and other financing arrangements	36,881,339	4,296,270	(3,887,903)	37,289,706	1,742,517
Long-term liabilities, governmental activities	\$ 94,256,914	\$ 14,656,621	\$ (11,780,449)	\$ 97,133,086	\$ 2,594,637

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	\$ 208,400	\$ 33,521	\$ (23,786)	\$ 218,135	\$ 156,880
Net pension liability	717,493	192,754	(103,780)	806,467	—
Net OPEB liability	1,562,365	233,202	(281,078)	1,514,489	—
Total other long-term obligations	2,488,258	459,477	(408,644)	2,539,091	156,880
Liability for derivative instruments	56,884	17,690	—	74,574	—
Bonded Debt:					
Bonds and notes payable, including MSCBA	4,284,704	941,593	(718,287)	4,508,010	184,951
Federal unemployment insurance borrowing	—	159,907	—	159,907	—
Other financing arrangements:					
Capital leases	9,589	2,307	(3,054)	8,842	2,670
Total bonded debt and other financing arrangements	4,294,293	1,103,807	(721,341)	4,676,759	187,621
Long-term liabilities, business - type activities	\$ 6,839,435	\$ 1,580,974	\$ (1,129,985)	\$ 7,290,424	\$ 344,501

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2020, 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%	2021 - 2047	\$ 7,550,440	\$ 1,341,837	\$ (1,440,932)	\$ 7,451,345	\$ 436,158
MCWT	2.00 - 5.25%	2021 - 2047	2,762,192	348,595	(386,443)	2,724,344	213,180
Nonmajor component units	3.00 - 6.11%	2021 - 2040	669,573	29,594	(60,858)	638,309	39,431
Total bonds and notes payable			10,982,205	1,720,026	(1,888,233)	10,813,998	688,769
Compensated absences, net			42,589	33,307	(23,188)	52,708	32,430
Net pension liability			2,227,990	473,546	(479,162)	2,222,374	—
Net OPEB liability			3,357,000	291,655	(454,839)	3,193,816	—
Total long term liabilities			<u>\$ 16,609,784</u>	<u>\$ 2,518,534</u>	<u>\$ (2,845,422)</u>	<u>\$ 16,282,896</u>	<u>\$ 721,199</u>

The net pension liability of the discretely presented component units of \$2.222 billion includes \$1.555 billion related to the MBTA and RTAs and \$667 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 [113-123](#) 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, 2020. 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.....	\$ (14,230)
Government Land Bank Fund.....	(35,033)
General Capital Projects Fund.....	(174,241)
Highway Capital Projects Fund.....	(711,523)
Federal Highway Construction Program Capital Projects Fund.....	(9,180)

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 as a fiduciary component unit 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 as a fiduciary component unit 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

Members who joined the system on or after April 2, 2012 will have their withholding rate reduced as follows after achieving 30 years of creditable service:

- SERS:
 - Members of Group 1 will have their withholding rate reduced to 6%.
- MTRS:
 - Members participating in Retirementplus will have their withholdings reduced to 8% otherwise their withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year.

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, 2020:

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 FY2020 were 2.01% and 2.00% 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, 2020 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 45,725,000	\$ 57,862,841
Plan fiduciary net position	(28,567,300)	(29,317,997)
Net pension liability	<u>\$ 17,157,700</u>	<u>\$ 28,544,844</u>
Fiduciary net position as a percentage of the total pension liability	62.5%	50.7%

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, 2020, using the following actuarial assumptions:

1. The actuarial assumptions included: (a) 7.15% investment rate of return; (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.
 - a. 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 Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct)
- Post-retirement mortality reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct)
- For disabled members, the mortality rate is assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (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, 2020 (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.....	4.8%
Value Added Fixed Income.....	4.2%
Timberland/Natural Resources.....	4.1%
Real Estate.....	3.5%
Portfolio Completion Strategies.....	3.2%
Core Fixed Income.....	0.7%

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS was 7.15%. 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 7.15%, 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 (6.15%) or 1-percentage-point higher (8.15%) than the current rate (amounts in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
SERS net pension liability.....	\$ 22,606,331	\$ 17,157,700	\$ 12,679,351
MTRS net pension liability.....	35,411,955	28,544,844	22,908,510

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 \$14.634 billion, \$25.214 billion, and \$4.558 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2019. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to December 31, 2019. 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, 2019	94.7%	\$ 13,856,209
Massachusetts Teachers' Retirement System.....	June 30, 2019	100.0%	25,214,020
Boston Retirement System - Teachers.....	December 31, 2019	56.5%	2,572,923
Total net pension liability.....			<u>\$ 41,643,152</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, 2019	4.6%	<u>\$ 667,050</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 \$5.472 billion and the discretely presented component units recognized approximately \$328 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		
Change of assumptions.....	\$ 1,027,083	\$ —	\$ 2,255,228	\$ —	\$ 205,818	\$ —	\$ 178,880	\$ 4,150
Changes in proportion.....	164,321	129,340	—	—	—	—	1,404	37,635
Net difference between projected and actual earnings on pension plan investments ...	—	206,685	—	225,238	—	65,095	—	62,666
Differences between expected and actual experience.....	460,165	180,206	158,508	26,267	—	107,446	78,799	18,504
Payments made after the measurement date.....	1,011,991	—	1,553,433	—	—	—	101,564	—
Totals.....	<u>\$ 2,663,560</u>	<u>\$ 516,231</u>	<u>\$ 3,967,169</u>	<u>\$ 251,505</u>	<u>\$ 205,818</u>	<u>\$ 172,541</u>	<u>\$ 360,647</u>	<u>\$ 122,955</u>

The \$2.565 billion and \$102 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	
2021.....	\$ 571,486	\$ 962,653	\$ 14,374	\$ 85,663
2022.....	30,662	261,223	(15,164)	45,535
2023.....	235,938	422,774	36,367	24,587
2024.....	263,416	386,985	(22,239)	(21,167)
2025.....	33,836	118,302	19,939	1,581
Thereafter.....	—	10,294	—	(71)
Totals.....	<u>\$ 1,135,338</u>	<u>\$ 2,162,231</u>	<u>\$ 33,277</u>	<u>\$ 136,128</u>

The SERS and MTRS total pension liabilities were based on 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, (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, updated to reflect post-retirement mortality through January 1, 2017

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, 2019 using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.15% 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 of allowance 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 Pub-2010 Teacher Employee, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2019.
 - Disabled - reflects Pub-2010 Teacher, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2019.

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, 2019:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity.....	39.00%	4.90%
Core Fixed Income.....	15.00%	1.30%
Private Equity.....	13.00%	8.20%
Portfolio Completion Strategies.....	11.00%	3.90%
Real Estate.....	10.00%	3.60%
Value Added Fixed Income.....	8.00%	4.70%
Timber/Natural Resources.....	4.00%	4.10%
Total.....	<u>100.00%</u>	

* - 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 7.25% for SERS and MTRS as of the June 30, 2019 measurement date and 7.15% for BRS-Teachers as of the December 31, 2019 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 7.25% for SERS and MTRS and 7.15% for BRS-Teachers, 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 (6.25% for SERS and MTRS and 6.15% for BRS-Teachers) or 1-percentage-point higher (8.25% for SERS and MTRS and 8.15% for BRS-Teachers) than the current rate (amounts in thousands):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SERS net pension liability.....	\$ 18,446,234	\$ 13,856,209	\$ 9,938,670
MTRS net pension liability.....	31,232,100	25,214,020	20,062,500
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
BRS-Teachers net pension liability.....	\$ 3,091,677	\$ 2,572,923	\$ 2,142,147

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, 2020 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 93,951	\$ 88,086	\$ 182,037
Net investment in PRIT at fair value	28,375,373	29,148,613	57,523,986
Other receivables	127,358	87,002	214,360
Other assets	14	822	836
Total assets	28,596,696	29,324,523	57,921,219
LIABILITIES			
Accounts payable	29,396	6,526	35,922
Net position available for post-employment benefits	\$ 28,567,300	\$ 29,317,997	\$ 57,885,297
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,003,828	\$ —	\$ 1,003,828
Non-employer contributions - Commonwealth	38,381	1,553,433	1,591,814
Employer and non-employer contributions - other	9,718	—	9,718
Employee contributions	659,015	821,105	1,480,120
ERIP funding contribution - Commonwealth	28,724	—	28,724
Boston teachers' contributions from Commonwealth	—	157,041	157,041
Other additions	90,944	76,181	167,125
Total contributions	1,830,610	2,607,760	4,438,370
Net investment gain/(loss):			
Investment gain/(loss)	712,391	730,609	1,443,000
Less: investment expense	(145,072)	(148,961)	(294,033)
Net investment gain/(loss)	567,319	581,648	1,148,967
Total additions	2,397,929	3,189,408	5,587,337
DEDUCTIONS			
Administration	18,089	22,391	40,480
Retirement benefits and refunds	2,539,198	3,189,813	5,729,011
Payments to State Boston Retirement System	—	157,041	157,041
Other deductions	37,138	39,146	76,284
Total deductions	2,594,425	3,408,391	6,002,816
Change in net position	(196,496)	(218,983)	(415,479)
Net position available for post-employment benefits at beginning of year	28,763,796	29,536,980	58,300,776
Net position available for post-employment benefits at end of year	\$ 28,567,300	\$ 29,317,997	\$ 57,885,297

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, 2020 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 6,834,769	\$ 8,820,631	Active members' contribution balance
Annuity Reserve Fund.....	1,946,022	1,715,843	Retired members' contribution account
Special Military Service Fund..	34	314	Members' contribution account while on military leave
Pension Reserve Fund.....	19,786,475	18,781,209	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 28,567,300</u>	<u>\$ 29,317,997</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. The 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, 2020 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments.....	86,091
Inactive plan members entitled to but not yet receiving benefit payments.....	3,351
Active plan members.....	70,071
Total.....	<u>159,513</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, 2020 and as of the valuation date (January 1, 2020), 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 FY20 totaled approximately \$525 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 FY20, 10% of tobacco settlement proceeds or approximately \$23 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in FY20 was set at 10%, 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, 2020, 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 2020 was 1.75%. 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, 2020 are as follows (amounts in thousands):

	SRBT
Total OPEB liability.....	\$ 22,105,511
Plan fiduciary net position.....	(1,414,312)
Net OPEB liability.....	<u>\$ 20,691,199</u>
Fiduciary net position as a percentage of the total OPEB liability.....	6.4%

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, 2020 rolled forward to June 30, 2020, using the following actuarial assumptions:

1. The annual healthcare cost trend rates were developed based on the most recently published GAO-Getzen trend rate model, version 2020_b. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SAO-Getzen model was then used to determine the trend rates beginning in 2024 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Year	Medicare Benefits	Non-Medicare Benefits
2020	4.90%	6.70%
2021	4.80%	6.60%
2022	4.70%	6.50%
2023	4.60%	6.40%
2024	4.70%	6.20%
2030		5.18%
2040		5.18%
2050		5.18%
2060		4.84%
2070		4.38%
2075+		4.04%

Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.5%
 - Excess Medical Growth: 1.1%
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.
 3. Participation rates:
 - a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity/POS/PPO/HMO).

Future retirees are assumed to enroll in the existing plans in the same proportion as the current retiree mix, as show in the table below. These proportions are established separately for non-Medicare and Medicare coverage for each product type.

	Retirement Age	
	Under 65	Age 65+
Indemnity	28.0%	96.0%
POS/PPO	60.0%	—%
HMO	12.0%	4.0%

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 2.28%. This rate was based on a blend of the Bond Buyer Index rate (2.21%) 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 2028. Therefore, the long-term expected rate of return on plan investments of 7.15% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

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 2.28%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.28%) or 1-percentage-point higher (3.28%) than the current rate (amounts in thousands):

	1% Decrease (1.28%)	Current Discount Rate (2.28%)	1% Increase (3.28%)
Net OPEB liability	\$ 24,865,040	\$ 20,691,199	\$ 17,393,357

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 disclosed above (amounts in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 16,806,045	\$ 20,691,199	\$ 25,852,967

D. NET OPEB LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 75

The Commonwealth's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The Commonwealth's reporting entity reported the following net OPEB liability (amounts in thousands):

	Net OPEB Liability	
Primary government	\$ 17,486,660	(A)
Discretely presented component unit	3,193,816	(B)
Total net OPEB liability	\$ 20,680,476	

(A) - Of this amount \$1,585 (thousand) relates to business-type activities not participating in the Commonwealth's OPEB plan.

(B) - Of this amount \$2,385,333 (thousand) 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, 2019, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$891 million and \$145 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.....	\$ 336,081	\$ 288,892	\$ —	\$ 46,846
Differences between expected and actual experience.....	701,424	22,616	35,398	323,798
Change of assumptions.....	13,539	2,636,325	228,677	211,014
Net difference between projected and actual earnings on OPEB plan investments.....	205	8,049	1,107	1,847
Payments made after the measurement date.....	526,494	—	70,766	—
Totals.....	<u>\$ 1,577,743</u>	<u>\$ 2,955,882</u>	<u>\$ 335,948</u>	<u>\$ 583,505</u>

The \$526 million and \$71 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
2021.....	\$ (564,912)	\$ (88,227)
2022.....	(564,912)	(88,226)
2023.....	(472,551)	(82,100)
2024.....	(159,225)	(47,129)
2025.....	(139,862)	(10,328)
Thereafter.....	(3,171)	(2,313)
Total.....	<u>\$ (1,904,633)</u>	<u>\$ (318,323)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019 used the following actuarial assumptions:

1. The following annual healthcare cost trend rates: (1) 7.5%, decreasing by 0.5% each year to 5.5% in 2023 and 2024 and then decreasing 0.5% to an ultimate rate of 4.5% in 2026 for medical and (2) 4.5% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver Plans (EGWP), which are assumed to increase 5.0% per year until 2025, then decrease to 4.5% in 2026.
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:
 - a. 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.
 - b. 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.

- c. 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- d. Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity.....	25.0 %	85.0 %
POS/PPO.....	60.0 %	— %
HMO.....	15.0 %	15.0 %

Discount Rate

The discount rate used to measure the OPEB liability as of June 30, 2019 was 3.63%. This rate was based on a blend of the Bond Buyer Index rate of 3.51% as of the measurement date and the long-term expected rate of return on plan investments of 7.25%. 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 was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Investments

The long-term expected rate of return as of June 30, 2019 was 7.25%. 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, 2019 are summarized in the following table:

Asset Class	Target	Long-Term
	Allocation	Expected Real Rate of Return
Global Equity.....	39.0 %	4.9 %
Core Fixed Income.....	15.0 %	1.3 %
Private Equity.....	13.0 %	8.2 %
Portfolio Completion Strategies.....	11.0 %	3.9 %
Real Estate.....	10.0 %	3.6 %
Value Added Fixed Income.....	8.0 %	4.7 %
Timber/Natural Resources.....	4.0 %	4.1 %
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, 2019 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 19,761,333	\$ 1,187,569	\$ 18,573,764
Changes for the year:			
Service cost	806,023	—	806,023
Interest	796,880	—	796,880
Differences between expected and actual experience	715,192	—	715,192
Changes of assumptions	(1,935,139)	—	(1,935,139)
Contributions-employer	—	594,916	(594,916)
Net investment income	—	68,229	(68,229)
Benefit payments	(482,183)	(482,183)	—
Administrative expense	—	(171)	171
Other additions	—	188	(188)
Net changes	(99,227)	180,979	(280,206)
Balances at June 30, 2019	\$ 19,662,106	\$ 1,368,548	\$ 18,293,558

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 2.63%	Current Rate 3.63%	1% Increase 4.63%
Net OPEB liability	\$ 20,871,529	\$ 17,485,075	\$ 14,807,572

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 pages 124-125 of this report (amounts in thousands):

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 14,409,911	\$ 17,485,075	\$ 21,542,425

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 \$2 million).

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, 2020 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents	\$ 23,773
Net investment in PRIT at fair value	1,390,552
Total assets	1,414,325
LIABILITIES	
Accounts payable	13
Net position available for other post-employment benefits	\$ 1,414,312
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth	\$ 547,611
Other additions	122
Total contributions	547,733
Net investment gain/(loss):	
Investment gain/(loss)	30,597
Less: investment expense	(7,217)
Net investment gain/(loss)	23,380
Total additions	571,113
DEDUCTIONS	
Administration	175
Retirement benefits and refunds	525,174
Total deductions	525,349
Change in net position	45,764
Net position available for other post-employment benefits at beginning of year	1,368,548
Net position available for other post-employment benefits at end of year	\$ 1,414,312

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 FY20, these additions are approximately \$574 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, 2020 (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		Operating Leases	Business - Type Activities Total
	Principal	Interest				Principal	Interest		
2021	\$ 3,180	\$ 486	\$ 228,493	\$ 1,141	\$ 233,300	\$ 2,670	\$ 296	\$ 36,191	\$ 39,157
2022	3,133	479	165,626	1,166	170,404	2,322	215	30,727	33,264
2023	3,097	473	149,142	1,191	153,903	1,268	157	27,228	28,653
2024	3,115	475	130,580	1,215	135,385	920	109	22,132	23,161
2025	2,551	390	105,511	1,240	109,692	653	72	21,636	22,361
2026 - 2030	2,038	311	282,601	—	284,950	1,009	49	74,323	75,381
2031 - 2035	—	—	48,684	—	48,684	—	—	66,714	66,714
2036 - 2040	—	—	44,225	—	44,225	—	—	38,281	38,281
2041 - 2045	—	—	42,970	—	42,970	—	—	19,096	19,096
2046 - 2050	—	—	37,867	—	37,867	—	—	8,737	8,737
2051 - 2055	—	—	—	—	—	—	—	8,846	8,846
2056 - 2060	—	—	—	—	—	—	—	5,199	5,199
2061 - 2065	—	—	—	—	—	—	—	2,628	2,628
Total lease obligations	17,114	2,614	1,235,699	5,953	1,261,380	8,842	898	361,738	371,478
Less: current portion	(3,180)	(486)	(228,493)	(1,141)	(233,300)	(2,670)	(296)	(36,191)	(39,157)
Long-term lease obligations	<u>\$ 13,934</u>	<u>\$ 2,128</u>	<u>\$ 1,007,206</u>	<u>\$ 4,812</u>	<u>\$ 1,028,080</u>	<u>\$ 6,172</u>	<u>\$ 602</u>	<u>\$ 325,547</u>	<u>\$ 332,321</u>

Capital assets acquired under capital lease (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	\$ —	\$ 11,376
Machinery and equipment	27,587	14,844
Total assets	27,587	26,220
Less: accumulated depreciation	(10,426)	(16,779)
Total	<u>\$ 17,161</u>	<u>\$ 9,441</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, 2020 is estimated to be \$265 million of which approximately \$42 million is expected to be paid during FY20.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY20 and FY19 were (amounts in thousands):

	FY20	FY19
Claims liability, beginning of year	\$ 261,387	\$ 260,904
Increase in liability estimate	64,511	62,782
Payments and decreases in liability estimate	(61,028)	(62,299)
Claims liability, end of year	<u>\$ 264,870</u>	<u>\$ 261,387</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 FY20 and FY19 were (amounts in thousands):

	FY20	FY19
Claims liability, beginning of year	\$ 151,273	\$ 130,736
Increase in liability estimate	1,651,080	1,665,999
Payments and decreases in liability estimate	(1,661,726)	(1,645,462)
Claims liability, end of year	<u>\$ 140,627</u>	<u>\$ 151,273</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 FY20 and FY19 (amounts in thousands):

	FY20	FY19
Unpaid claims, beginning of year	\$ 33,241	\$ 22,498
Incurred claims	8,288	28,466
Claim payments and reductions	(7,412)	(17,723)
Unpaid claims end of year	<u>\$ 34,117</u>	<u>\$ 33,241</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 FY20, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities
Environmental remediation liability, beginning of year.....	\$ 517,415
Expected additional future outlays, changes in liability estimates.....	48,604
FY20 outlays for environmental remediation.....	<u>(5,639)</u>
Environmental remediation liability, end of year.....	<u>\$ 560,380</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 2020, there was a decrease of approximately \$13 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2020, the Commonwealth's liability for COLA was approximately \$117 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 FY20 totaled approximately \$101 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, 2020, totaling approximately \$142 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, 2020, the University of Massachusetts Building Authority has approximately \$3.171 billion, of outstanding debt, of which approximately \$109 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 FY20, the Commonwealth received approximately \$230 million, or 63.2% of the estimated amounts shown in the MSA. Amounts received in FY20 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, 2020, 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, 2020, the Commonwealth had commitments of approximately \$505 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, 2020 to be \$1.6 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, 2020 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, 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 the operation of tax-exempt pension plans.

The activities reviewed included (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 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 Year 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 which in 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. The withdrawal was agreed to by the IRS, as the proposed corrective action would not be completed until 2021 or later. A response from the IRS on the related proposal is currently pending.

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, 2020 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 1, 2020, the Massachusetts State College Building Authority (MSCBA) closed on approximately \$396 million of Refunding Revenue Bonds Series 2020A (Federally Taxable) for the purpose of providing budgetary relief to the nine State Universities in FY21 and FY22. These bonds were issued to refund/restructure approximately \$338 million of debt outstanding from multiple series of bonds. Since the transaction included advance refunding for series of bonds which must be issued on a taxable basis, no premium was generated. In addition to the advance refunded series, the May 1, 2021 principal and a portion of the May 1, 2022 principal from sixteen other series of bonds were included in the refunding escrow to provide budgetary relief. The reduction of the FY21 debt service assessment is approximately \$53 million. The reduction of the FY22 debt service assessment is approximately \$28 million. The overall impact through FY49 was an increase in gross debt service costs of approximately \$933 thousand. The refunding resulted in present value savings of approximately \$27 million or 7.9% of the par amount of the refunded bonds. The first principal payment is due on May 1, 2024, and the final term bond maturity is on May 1, 2049, which matches the final maturity of the Authority's outstanding debt prior to the 2020A. Interest is due semiannually each May 1st and November 1st. The bonds carry interest rates ranging from 1.044% in 2024 to 3.072% in 2049. The refunding escrow is invested in Treasuries and State and Local Government Series ("SLGS") to the various call dates or maturity dates for non-callable maturities. On August 18, 2020, the Authority's board approved the release of approximately \$16 million currently held in the Debt Service Reserve Fund to pay the November 1, 2020 interest payment on behalf of the State Universities. This distribution combines with the 2020A refunding and other reductions in assessments as a multi-faceted plan to reduce expenses in response to the impact of COVID-19 on the nine State Universities. As a result of the 2020A refunding, on July 1, 2020, a forward delivery agreement termination payment from SunTrust for \$4 million was deposited to the debt service fund. As part of the agreement, the Authority also retained the security held in the debt service reserve fund, which matures in October 2020.

On July 9, 2020, the Commonwealth issued approximately \$171 million in GO Refunding Bonds 2020, Series B. The bonds were issued to refund, on a current basis, approximately \$218 million of various GO bonds and carries interest rates of 4.00% to 5.00% with final maturity on July 1, 2034. The refunding resulted in reduced debt service of approximately \$39 million and a present value savings of approximately \$35 million over the life of the bonds.

On July 9, 2020, the Commonwealth issued approximately \$457 million in federally taxable GO Refunding Bonds 2020, Series C. The bonds were issued to advance refund approximately \$428 million of various GO bonds and carries interest rates of 0.386% to 2.514% with final maturity on July 1, 2041. The refunding resulted in reduced debt service of approximately \$117 million and a present value savings of approximately \$112 million over the life of the bonds.

On July 9, 2020, the Commonwealth issued \$775 million in GO Bonds, Consolidated Loan of 2020, Series D. These bonds carry an interest rate of 3.00% to 5.00%. The first principal payment is due on June 30, 2027 with final maturity on July 1, 2048.

On July 15, 2020, the MSBA issued \$350 million of Senior Dedicated Sales Tax Bonds (2020 Series A Bonds) (Social Bonds) for the purpose of funding school construction and renovation projects. The market generated premiums of approximately \$91 million on the bond issuance. The Bonds mature at various dates through August 2050 and interest is due semi-annually each February 15th and August 15th. The bonds carry an interest rates ranging from 3.00% to 5.00%.

On July 15, 2020, the MSBA advance refunded \$302 million of 2012 Series A Dedicated Sales Tax Refunding Bonds, \$591 million of 2012 Series B Dedicated Sales Tax Refunding Bonds, and \$96 million of 2013 Series A Dedicated Sales Tax Bonds by issuing \$1.1 billion of Senior Dedicated Sales Tax Refunding Bonds 2020 Series B Bonds (Federally taxable) (Social Bonds). The Bonds mature at various dates through August 15, 2035 and the interest is payable semi-annually February 15th and August 15th. The coupons on the bonds range from 0.349% to 2.103%. The refunding resulted in reduced debt service of approximately \$241 million and a net present value savings of \$198 million over the life of the debt.

On September 25, 2020, the MSBA executed an escrow restructure of the assets held in trust for refunding escrows related to the 2013 A Bonds. The MSBA sold approximately \$29 million par value of open market securities and replaced them with \$31 million par value of SLGS. The net portfolio cost of the restructure was \$146 thousand. This transaction results in \$29 million of the 2013 Series A Bonds being considered defeased.

On October 8, 2020, the MSBA advance refunded \$395 million of 2013 Series A Dedicated Sales Tax Bonds by issuing \$389 million of Senior Dedicated Sales Tax Refunding Bonds 2020 Series C Bonds (Federally taxable). The Bonds mature at various dates through May 15, 2043 and the interest is payable semi-annually May 15th and November 15th. The coupons on the bonds range from 0.45% to 2.95%. The refunding resulted in reduced debt service of \$126 million and a net present value savings of \$81 million over the life of the debt.

On October 28, 2020, the University of Massachusetts Building Authority issued federally taxable Revenue Refunding Bonds, Series 2020-4 for \$330 million to refund \$234 million of existing debt for Series 2013-1, 2014-1 2014-3 and 2015-1 and defer the November 2020 principal payment on outstanding debt. Principal and interest payments are due each May 1 and November 1, commencing May 2021, with interest rates varying between 0.43% and 3.01%.

On November 10, 2020, the Commonwealth issued approximately \$7 million in GO Bonds, Consolidated Loan of 2020 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2025 with final maturity on August 1, 2040.

On December 3, 2020, the Commonwealth issued approximately \$405 million in GO Refunding Bonds 2020, Series D. The bonds were issued to refund, on a current basis, approximately \$469 million of various GO bonds and carries interest rates of 3.00% to 4.00% with final maturity on November 1, 2042. The refunding resulted in reduced debt service of approximately \$51 million and a present value savings of approximately \$60 million over the life of the bonds.

On December 3, 2020, the Commonwealth issued \$600 million in GO Bonds, Consolidated Loan of 2020, Series E. These bonds carry a 5.00% interest rate. The first principal payment is due on November 1, 2022 with final maturity on November 1, 2050.

On December 3, 2020, the Commonwealth issued approximately \$444 million in federally taxable GO Refunding Bonds 2020, Series E. The bonds were issued to advance refund approximately \$432 million of various GO bonds and carries interest rates of 0.277% to 1.970% with final maturity on November 1, 2034. The refunding resulted in reduced debt service of approximately \$107 million and a present value savings of approximately \$90 million over the life of the bonds.

On December 16, 2020, the Commonwealth issued approximately \$1.5 billion in GO Revenue Anticipation Notes (RANS) in three separate series; 2020 Series A for \$500 million, 2020 Series B (Federally taxable) for \$400 million and 2020 Series C (Federally taxable) for \$600 million. The Series A notes carries an interest rate of 2.0% and matures on April 21, 2021, the Series B notes carries a 0.23% interest rate and matures on May 20, 2021 and the Series C notes carries a 0.25% interest rate and matures on June 17, 2021.

Between July 1, 2020 and March 12, 2021, the Department of Unemployment Insurance drew down an additional \$2.052 billion under Title XII of the Social Security Act.

All debt issues were sold as tax exempt, except as noted.



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, 2020

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 26,569,100	\$ 26,569,100	\$ 26,310,990	\$ (258,110)
Assessments	461,659	461,659	408,928	(52,731)
Federal grants and reimbursements	11,657,530	11,657,530	12,785,622	1,128,092
Tobacco settlement revenue	251,241	251,241	229,690	(21,551)
Departmental	3,222,141	3,222,141	3,658,139	435,998
Miscellaneous	479,615	479,615	384,855	(94,760)
Total revenues	42,641,286	42,641,286	43,778,224	1,136,938
Other financing sources:				
Fringe benefit cost recovery	468,841	468,841	573,874	105,033
Lottery reimbursements	121,075	121,075	110,928	(10,147)
Lottery distributions	1,022,477	1,022,477	967,263	(55,214)
Operating transfers in	196,749	196,749	216,386	19,637
Stabilization transfer	—	477,024	14,914	(462,110)
Other fund deficit support	—	—	207,606	207,606
Total other financing sources	1,809,142	2,286,166	2,090,971	(195,195)
Total revenues and other financing sources	44,450,428	44,927,452	45,869,195	941,743
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	113,462	113,462	70,381	43,081
Judiciary	1,029,154	1,044,151	1,018,791	25,360
Inspector General	5,856	5,856	5,762	94
Governor and Lieutenant Governor	8,523	8,523	7,330	1,193
Secretary of the Commonwealth	52,143	53,286	50,064	3,222
Treasurer and Receiver-General	2,453,779	252,018	237,778	14,240
Auditor of the Commonwealth	20,333	20,333	19,472	861
Attorney General	56,235	56,234	53,912	2,322
Ethics Commission	2,397	2,397	2,360	37
District Attorney	141,567	141,783	140,682	1,101
Office of Campaign & Political Finance	1,817	1,817	1,723	94
Sheriff's Departments	681,835	681,521	624,547	56,974
Disabled Persons Protection Commission	4,892	4,892	4,878	14
Massachusetts Gaming Commission	721	—	—	—
Board of Library Commissioners	30,493	30,493	30,382	111
Comptroller	16,018	16,018	14,498	1,520
Administration and Finance	9,548,094	3,292,980	2,359,299	933,681
Energy and Environmental Affairs	291,132	296,332	268,714	27,618
Health and Human Services	23,634,240	6,899,777	6,655,211	244,566
Executive Office of Technology Services and Security	161,948	161,942	135,079	26,863
Office of the Child Advocate	1,899	1,899	1,521	378
Cannabis Control Commission	1,000	—	—	—
Executive Office of Education	2,765,142	2,741,798	2,673,086	68,712
Center for Health Information and Analysis	30,070	20,070	19,930	140
Massachusetts Department of Transportation	900	900	900	—
Public safety and Homeland Security	1,779,544	1,778,824	1,531,677	247,147
Housing and Economic Development	658,457	672,614	626,860	45,754
Labor and Workforce Development	90,152	76,715	60,960	15,755
Direct local aid	—	6,250,677	6,249,547	1,130
Medicaid	—	17,022,818	17,022,624	194
Post employment benefits	—	3,295,332	3,295,357	(25)
Debt service:				
Principal retirement	26,193	759,614	728,949	30,665
Interest and fiscal charges	—	610,754	586,580	24,174
Total expenditures	43,607,996	46,315,830	44,498,854	1,816,976
Other financing uses:				
Fringe benefit cost assessment	—	—	5,676	(5,676)
Operating transfers out	—	485,436	495,595	(10,159)
Medical assistance transfer	—	505,785	505,785	—
Stabilization transfer	—	451,500	—	451,500
Total other financing uses	—	1,442,721	1,007,056	435,665
Total expenditures and other financing uses	43,607,996	47,758,551	45,505,910	2,252,641
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 842,432	\$ (2,831,099)	363,285	\$ 3,194,384
Fund balances/(deficits) at beginning of year			3,869,592	
Fund balances/(deficits) at end of year			<u>\$ 4,232,877</u>	

* Includes the General Fund, the Commonwealth Stabilization Fund and the Intragovernmental Services Fund, which are presented separately in the Statutory Basis Financial Report (SBFR)

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	\$ 43,778,224
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	99,034
Tax refunds and abatements payable, net	(6,393)
Federal reimbursements and other receivables	(564,399)
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(88,193)
Inflows from component units and other miscellaneous financing sources	12,671
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(74,639)
Certain revenue is reclassified for GAAP reporting	(5,000)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 43,151,305

OTHER FINANCING SOURCES

Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 2,090,971
Adjustments and Reclassifications:	
Proceeds of capital lease on GAAP basis	574
Consolidation of transfers between funds	(13,268)
Inflows from component units and other miscellaneous financing sources	(98,849)
Certain revenue is reclassified for GAAP reporting	5,000
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 1,984,428

EXPENDITURES

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 44,498,854
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	(542,649)
Compensated absences and other accrued liabilities	311,539
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	574
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	(1,315,529)
Higher education expenditures are reclassified for GAAP reporting	(1,607,262)
Expenditures to component units reported on a GAAP basis	(21,750)
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(74,639)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 41,249,138

OTHER FINANCING USES

Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 1,007,056
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(13,268)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,519,068
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	1,315,529
Transfers to component units reported on a GAAP basis	(1,669)
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 3,826,716

* Includes the General Fund, the Commonwealth Stabilization Fund and the Intragovernmental Services Fund, which are presented separately in the Statutory Basis Financial Report (SBFR)

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 FY20 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2019:		
Direct appropriations.....	\$ 44,339,800	\$ 42,894,259
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2019.....	—	1,811,582
Total original budget.....	44,339,800	44,705,841
Supplemental Acts of 2019:		
Chapter 142.....	—	24,525
Supplemental Acts of 2020:		
Chapter 31.....	—	122,994
Chapter 39.....	—	15,000
Chapter 124.....	—	1,140,793
Chapter 201.....	—	423,143
Total budgeted revenues and expenditures per Legislative action.....	—	1,726,455
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending.....	3,293,029	3,578,302
Budgeted revenues and expenditures as reported.....	\$ 47,632,829	\$ 50,010,598

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 <https://www.macomptroller.org/fiscal-year-budgetary-reports>.

Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2020	2019	2018	2017
Total pension liability, July 1	\$ 43,398,000	\$ 41,225,000	\$ 39,107,000	\$ 37,760,000
Service cost	963,828	897,600	856,200	855,440
Interest	3,124,187	2,965,890	2,852,239	2,813,374
Change in benefit terms	—	—	—	10,000
Differences between expected and actual experience	336,183	303,066	102,008	(428,232)
Changes of assumptions	442,000	434,000	622,000	304,000
Benefit payments, including refunds of member contributions	(2,539,198)	(2,427,556)	(2,314,447)	(2,207,582)
Net change in total pension liability	2,327,000	2,173,000	2,118,000	1,347,000
Total pension liability, June 30 (a)	<u>\$ 45,725,000</u>	<u>\$ 43,398,000</u>	<u>\$ 41,225,000</u>	<u>\$ 39,107,000</u>
Plan fiduciary net position, July 1	\$ 28,763,796	\$ 27,995,021	\$ 26,282,232	\$ 23,971,156
Contributions:				
Employers - Commonwealth and MassDOT	1,003,828	919,545	842,864	716,266
Non-employer contributions - Commonwealth	38,381	37,359	33,310	28,455
Employer and non-employer contributions - other	9,718	10,191	9,564	7,999
ERIP funding contribution - Commonwealth	28,724	28,724	28,724	29,093
Plan members	659,015	632,730	600,705	604,772
Other additions	90,944	104,765	118,124	232,548
Total contributions	1,830,610	1,733,314	1,633,291	1,619,133
Net investment income	567,319	1,543,398	2,460,748	2,987,632
Benefit payments, including refunds of member contributions	(2,539,198)	(2,427,556)	(2,314,447)	(2,207,582)
Administrative expense	(18,089)	(15,853)	(16,369)	(30,030)
Other changes	(37,138)	(64,528)	(50,434)	(58,077)
Net change in plan fiduciary net position	(196,496)	768,775	1,712,789	2,311,076
Plan fiduciary net position, June 30 (b)	<u>\$ 28,567,300</u>	<u>\$ 28,763,796</u>	<u>\$ 27,995,021</u>	<u>\$ 26,282,232</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 17,157,700</u>	<u>\$ 14,634,204</u>	<u>\$ 13,229,979</u>	<u>\$ 12,824,768</u>
Plan fiduciary net position as a percentage of the total pension liability	62.5%	66.3%	67.9%	67.2%
Covered payroll (as of the actuarial valuation date) *	\$ 6,354,473	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Net pension liability as a percentage of covered employee payroll	270.0%	230.3%	214.9%	216.4%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

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.

2016	2015	2014
\$ 35,425,414	\$ 31,355,000	\$ 29,988,000
813,975	700,012	631,634
2,638,929	2,411,551	2,405,204
400,000	230,302	—
589,009	275,000	—
—	2,330,000	102,000
(2,107,327)	(1,876,451)	(1,771,838)
2,334,586	4,070,414	1,367,000
<u>\$ 37,760,000</u>	<u>\$ 35,425,414</u>	<u>\$ 31,355,000</u>
\$ 24,042,585	\$ 23,930,895	\$ 21,084,958
660,818	601,931	550,483
21,830	18,040	21,293
16,642	15,808	6,048
29,093	—	—
591,948	549,493	501,106
397,077	92,503	68,967
1,717,408	1,277,775	1,147,897
422,938	800,886	3,551,012
(2,107,327)	(1,876,451)	(1,771,838)
(20,624)	(15,966)	(12,705)
(83,824)	(74,554)	(68,429)
(71,429)	111,690	2,845,937
<u>\$ 23,971,156</u>	<u>\$ 24,042,585</u>	<u>\$ 23,930,895</u>
<u>\$ 13,788,844</u>	<u>\$ 11,382,829</u>	<u>\$ 7,424,105</u>
63.5%	67.9%	76.3%
\$ 5,792,288	\$ 5,591,911	\$ 5,344,510
238.1%	203.6%	138.9%

NOTES TO THE SERS SCHEDULE

FY2020 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$442 million.

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).

(Continued)

NOTES TO THE SERS SCHEDULE

- 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.

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)

	2020	2019	2018	2017
Total pension liability, July 1.....	\$ 54,751,000	\$ 52,503,000	\$ 50,024,000	\$ 47,300,000
Service cost.....	1,019,331	949,262	901,234	891,760
Interest.....	3,927,724	3,763,191	3,633,027	3,505,761
Differences between expected and actual experience.....	495,599	50,910	92,317	47,046
Changes of assumptions.....	859,000	577,000	845,000	1,176,000
Benefit payments, including refunds of plan member contributions.....	(3,189,813)	(3,092,363)	(2,992,578)	(2,896,567)
Net change in total pension liability.....	3,111,841	2,248,000	2,479,000	2,724,000
Total pension liability, June 30 (a).....	<u>\$ 57,862,841</u>	<u>\$ 54,751,000</u>	<u>\$ 52,503,000</u>	<u>\$ 50,024,000</u>
Plan fiduciary net position, July 1.....	\$ 29,536,980	\$ 28,791,711	\$ 27,138,609	\$ 24,942,072
Contributions:				
Non-employer.....	1,553,433	1,443,710	1,314,783	1,235,515
Plan members.....	821,105	782,431	755,688	730,212
Other additions.....	233,222	234,532	231,734	223,746
Total contributions.....	2,607,760	2,460,673	2,302,205	2,189,473
Net investment income.....	581,648	1,584,770	2,542,576	3,100,352
Benefit payments, including refunds of plan member contributions.....	(3,189,813)	(3,092,363)	(2,992,578)	(2,896,567)
Administrative expense.....	(22,391)	(18,324)	(19,528)	(24,053)
Other changes.....	(196,187)	(189,487)	(179,573)	(172,668)
Net change in plan fiduciary net position.....	(218,983)	745,269	1,653,102	2,196,537
Plan fiduciary net position, June 30 (b).....	<u>\$ 29,317,997</u>	<u>\$ 29,536,980</u>	<u>\$ 28,791,711</u>	<u>\$ 27,138,609</u>
Plan net pension liability - June 30 (a) - (b).....	<u>\$ 28,544,844</u>	<u>\$ 25,214,020</u>	<u>\$ 23,711,289</u>	<u>\$ 22,885,391</u>
Plan fiduciary net position as a percentage of the total pension liability.....	50.7%	53.9%	54.8%	54.3%
Covered payroll (as of actuarial valuation date).....	\$ 7,074,960	\$ 7,074,960	\$ 6,829,012	\$ 6,583,871
Net pension liability as a percentage of covered employee payroll.....	403.5%	356.4%	347.2%	347.6%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

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.

2016	2015	2014
\$ 45,918,711	\$ 41,435,000	\$ 39,931,000
843,800	768,032	720,712
3,402,525	3,166,728	3,227,025
(74,025)	153,000	—
—	3,080,000	108,000
(2,791,011)	(2,684,049)	(2,551,737)
1,381,289	4,483,711	1,504,000
<u>\$ 47,300,000</u>	<u>\$ 45,918,711</u>	<u>\$ 41,435,000</u>
\$ 25,429,068	\$ 25,538,646	\$ 22,697,302
1,124,583	1,021,930	937,379
699,422	669,941	653,328
202,796	190,925	150,522
2,026,801	1,882,796	1,741,229
441,363	845,503	3,771,883
(2,791,011)	(2,684,049)	(2,551,737)
(24,220)	(23,444)	(20,499)
(139,929)	(130,384)	(99,532)
(486,996)	(109,578)	2,841,344
<u>\$ 24,942,072</u>	<u>\$ 25,429,068</u>	<u>\$ 25,538,646</u>
<u>\$ 22,357,928</u>	<u>\$ 20,489,643</u>	<u>\$ 15,896,354</u>
52.7%	55.4%	61.6%
\$ 6,388,732	\$ 6,204,274	\$ 5,962,650
350.0%	330.3%	266.6%

NOTES TO THE MTRS SCHEDULE

FY2020 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$559 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2020 Actuarial Valuation:

- Pre-retirement - was changed to Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
- Post-retirement - was changed to Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
- Disabled members - was changed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

These changes resulted in an increase to the total pension liability of approximately \$300 million.

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).

(Continued)

NOTES TO THE MTRS SCHEDULE

- 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.
- 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)

	2020	2019	2018	2017
Total OPEB liability, July 1.....	\$ 19,662,106	\$ 19,761,333	\$ 18,480,936	\$ 19,821,600
Service cost.....	785,689	806,023	792,135	950,800
Interest.....	732,808	796,880	691,630	591,900
Differences between expected and actual experience.....	(600,057)	715,192	218,891	(48,600)
Changes of assumptions.....	2,050,139	(1,935,139)	21,504	(2,393,700)
Benefit payments, including refunds of member contributions.....	(525,174)	(482,183)	(443,763)	(441,064)
Net change in total pension liability.....	2,443,405	(99,227)	1,280,397	(1,340,664)
Total OPEB liability, June 30 (a).....	<u>\$ 22,105,511</u>	<u>\$ 19,662,106</u>	<u>\$ 19,761,333</u>	<u>\$ 18,480,936</u>
Plan fiduciary net position, July 1.....	\$ 1,368,548	\$ 1,187,569	\$ 996,407	\$ 866,043
Contributions:				
Employer.....	547,611	594,916	542,896	465,449
Other additions.....	122	188	133	784
Total contributions.....	547,733	595,104	543,029	466,233
Net investment income.....	23,380	68,229	93,308	105,822
Benefit payments, including refunds of plan member contributions.....	(525,174)	(482,183)	(443,763)	(441,064)
Administrative expense.....	(175)	(171)	(150)	(127)
Other changes.....	—	—	(1,262)	(500)
Net change in plan fiduciary net position.....	45,764	180,979	191,162	130,364
Plan fiduciary net position, June 30 (b).....	<u>\$ 1,414,312</u>	<u>\$ 1,368,548</u>	<u>\$ 1,187,569</u>	<u>\$ 996,407</u>
Plan net OPEB liability - June 30 (a) - (b).....	<u>\$ 20,691,199</u>	<u>\$ 18,293,558</u>	<u>\$ 18,573,764</u>	<u>\$ 17,484,529</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	6.4%	7.0%	6.0%	5.4%
Covered payroll (as of actuarial valuation date).....	\$ 6,608,652	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Net OPEB liability as a percentage of covered employee payroll.....	313.1%	287.9%	301.8%	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

FY2020 Changes in Actuarial Assumptions

Change in discount rate

The discount rate was decreased to 2.28% (based on a blend of the Bond Buyer Index rate 2.21%) as of the measurement date and the expected rate of return on assets of 7.15%) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$4.272 billion.

Change in excise tax

The excise tax was removed. This resulted in a decrease in the total OPEB liability of approximately \$502 million.

Change in per capita claims costs

Per capita claims costs were updated based on changes in the underlying claims and benefit provisions. This change resulted in a decrease in the total OPEB liability of approximately \$1.749 billion.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2020_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax. The short-term assumptions were based on a review of the Commonwealth's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$706 million.

Change in salary scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS. This change resulted in a decrease in the total OPEB liability of approximately \$441 million.

Change in future retirees' plan participation rates

The proportion of future retirees cover a spouse was reduced from 80% to 60%, This resulted in a decrease in the total OPEB liability of approximately \$1.117 billion.

35% of employees currently opting out of active employee health coverage are assumed to enroll in retiree coverage. An 8% load was applied to the active liability to estimate the impact of its population. This resulted in an increase in the total OPEB liability of approximately \$531 million.

Change in medical plan election rates

Retirees and spouses (if covered) are assumed to be non-Medicare eligible prior to age 65 and Medicare eligible at age 65, unless their spouse is over age 65 and non-Medicare eligible. This resulted in an increase in the total OPEB liability of approximately \$350 million.

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 \$1.638 billion.

(Continued)

NOTES TO THE SRBT SCHEDULE

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 \$1.067 billion.

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 \$90 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 \$62 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 \$798 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 an increase to the total OPEB liability of approximately \$937 million.

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 an increase to the total OPEB liability of approximately \$88 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 \$2 million.

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 \$1.001 billion.

(Continued)

NOTES TO THE SRBT SCHEDULE

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						
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS.....	2.01 %	5.63 %	9.58 %	12.74 %	1.79 %	3.40 %	17.13 %
Annual money-weighted rate of return, net of investment expense - MTRS.....	2.00 %	5.62 %	9.58 %	12.75 %	1.78 %	3.40 %	17.12 %
Annual money-weighted rate of return, net of investment expense - SRBT.....	1.75 %	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	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)
Proportion of the net pension liability.....	94.7%	94.6%	94.5%	94.3%
Proportionate share of the net pension liability.....	\$ 13,856,209	\$ 12,520,028	\$ 12,122,363	\$ 12,996,818
Plan net position as a percentage of the total pension liability.....	66.3%	67.9%	67.2%	63.5%
Covered payroll.....	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985
Net pension liability as a percentage of covered payroll.....	245.6%	230.1%	224.6%	247.6%

Contributions	Fiscal Year Ending June 30				
	2020	2019	2018	2017	2016
Statutorily required contribution.....	\$ 1,042,209	\$ 956,904	\$ 876,174	\$ 744,721	\$ 682,648
Contributions in relation to the statutorily required contribution.....	1,042,209	956,904	876,174	744,721	682,648
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll.....	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985
Contributions as a percentage of covered payroll	18.0%	17.0%	16.1%	13.8%	13.0%

The State Employees' Retirement System (SERS) is included in this Annual Report 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

2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
93.8%	93.9%
\$ 10,682,765	\$ 6,972,443
67.9%	76.3%
\$ 5,136,405	\$ 4,975,346
208.0%	140.1%

2015	2014
\$ 619,971	\$ 571,776
619,971	571,776
\$ —	\$ —

\$ 5,136,405	\$ 4,975,346
12.1%	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	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)
Proportion of the net pension liability.....	100.0%	100.0%	100.0%	100.0%
Proportionate share of the net pension liability.....	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928
Plan net position as a percentage of the total pension liability.....	53.9%	54.8%	54.3%	52.7%

Contributions	Fiscal Year Ending June 30				
	2020	2019	2018	2017	2016
Statutorily required contribution.....	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583
Contributions in relation to the statutorily required contribution.....	1,553,433	1,443,710	1,314,783	1,235,515	1,124,583
Annual contribution deficiency/(excess).....	\$ —	\$ —	\$ —	\$ —	\$ —

The Massachusetts Teachers' Retirement System (MTRS) is included in this Annual Report 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

2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
100.0%	100.0%
\$ 20,489,643	\$ 15,896,354
55.4%	61.6%

2015	2014
\$ 1,021,930	\$ 937,379
1,021,930	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	2020 (measurement date December 31, 2019)	2019 (measurement date December 31, 2018)	2018 (measurement date December 31, 2017)	2017 (measurement date December 31, 2016)	2016 (measurement date December 31, 2015)
Proportion of the net pension liability.....	56.5%	55.6%	60.5%	55.9%	54.5%
Proportionate share of the net pension liability.....	\$ 2,572,923	\$ 2,551,190	\$ 2,433,199	\$ 2,325,286	\$ 2,402,267
Plan net position as a percentage of the total pension liability.....	61.9%	58.3%	62.7%	58.4%	55.8%
	Fiscal Year Ending December 31				
Contributions	2019	2018	2017	2016	2015
Statutorily required contribution.....	\$ 157,041	\$ 143,146	\$ 131,298	\$ 132,477	\$ 120,434
Contributions in relation to the statutorily required contribution.....	157,041	143,146	131,298	132,477	120,434
Annual contribution deficiency/(excess).....	\$ —	\$ —	\$ —	\$ —	\$ —

The Boston Retirement System (BRS) is included in the City of Boston's Comprehensive Annual Financial Report. The Boston Teachers' portion of the BRS total pension liability is reported in this Annual Report 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

2015
(measurement
date December
31, 2014)

53.7%

\$ 2,066,546

59.6%

<u>2014</u>	<u>2013</u>
\$ 109,485	\$ 99,532
<u>109,485</u>	<u>99,532</u>
<u>\$ —</u>	<u>\$ —</u>

**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 FY2020 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, 2018. The funding requirements are established for the employers' fiscal year ended June 30, 2019 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.....	17 years remaining as of January 1, 2019 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.....	7.15% 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			
	2020	2019	2018	2017
Statutorily required contribution.....	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	526,494	572,434	520,703	419,932
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll*.....	\$ 6,354,473	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Contributions as a percentage of covered payroll.....	8.3%	9.0%	8.5%	7.1%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

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 Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Combined General Fund

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 Fiduciary Net Position - Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial 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 Statement of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

Combined General Fund
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	General Fund				Stabilization Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 26,568,800	\$ 26,568,800	\$ 26,310,628	\$ (258,172)	\$ 300	\$ 300	\$ 362	\$ 62
Assessments	461,659	461,659	408,928	(52,731)	—	—	—	—
Federal grants and reimbursements	11,657,530	11,657,530	12,785,622	1,128,092	—	—	—	—
Tobacco settlement revenue	251,241	251,241	229,690	(21,551)	—	—	—	—
Departmental	3,222,141	3,222,141	3,203,982	(18,159)	—	—	—	—
Miscellaneous	435,442	435,442	323,326	(112,116)	44,173	44,173	61,529	17,356
Total revenues	42,596,813	42,596,813	43,262,176	665,363	44,473	44,473	61,891	17,418
Other financing sources:								
Fringe benefit cost recovery	468,841	468,841	573,874	105,033	—	—	—	—
Lottery reimbursements	121,075	121,075	110,928	(10,147)	—	—	—	—
Lottery distributions	1,022,477	1,022,477	967,263	(55,214)	—	—	—	—
Operating transfers in	196,749	196,749	216,386	19,637	—	—	—	—
Stabilization transfer	—	—	—	—	—	477,024	14,914	(462,110)
Other fund deficit support	—	—	207,606	207,606	—	—	—	—
Total other financing sources	1,809,142	1,809,142	2,076,057	266,915	—	477,024	14,914	(462,110)
Total revenues and other financing sources	44,405,955	44,405,955	45,338,233	932,278	44,473	521,497	76,805	(444,692)
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	113,462	113,462	70,381	43,081	—	—	—	—
Judiciary	1,029,154	1,044,151	1,018,791	25,360	—	—	—	—
Inspector General	5,856	5,856	5,762	94	—	—	—	—
Governor and Lieutenant Governor	8,406	8,406	7,213	1,193	—	—	—	—
Secretary of the Commonwealth	52,127	53,270	50,064	3,206	—	—	—	—
Treasurer and Receiver-General	2,453,779	252,018	237,778	14,240	—	—	—	—
Auditor of the Commonwealth	20,333	20,333	19,472	861	—	—	—	—
Attorney General	56,235	56,234	53,912	2,322	—	—	—	—
Ethics Commission	2,397	2,397	2,360	37	—	—	—	—
District Attorney	141,567	141,783	140,682	1,101	—	—	—	—
Office of Campaign & Political Finance	1,817	1,817	1,723	94	—	—	—	—
Sheriff's Departments	681,835	681,521	624,547	56,974	—	—	—	—
Disabled Persons Protection Commission	4,892	4,892	4,878	14	—	—	—	—
Massachusetts Gaming Commission	721	—	—	—	—	—	—	—
Board of Library Commissioners	30,493	30,493	30,382	111	—	—	—	—
Comptroller	9,485	9,485	9,414	71	—	—	—	—
Administration and finance	9,294,684	3,039,570	2,217,801	821,769	—	—	—	—
Energy and environmental affairs	287,982	293,182	265,648	27,534	—	—	—	—
Health and human services	23,497,410	6,762,947	6,539,351	223,596	—	—	—	—
Executive Office of Technology Services and Security	41,017	41,011	40,057	954	—	—	—	—
Office of the Child Advocate	1,899	1,899	1,521	378	—	—	—	—
Cannabis Control Commission	1,000	—	—	—	—	—	—	—
Executive Office of Education	2,763,282	2,739,938	2,672,996	66,942	—	—	—	—
Center for Health Information and Analysis	30,070	20,070	19,930	140	—	—	—	—
Massachusetts Department of Transportation	900	900	900	—	—	—	—	—
Public safety and homeland security	1,701,824	1,701,104	1,477,754	223,350	—	—	—	—
Housing and economic development	650,773	664,930	625,123	39,807	—	—	—	—
Labor and workforce development	90,152	76,715	60,960	15,755	—	—	—	—
Direct local aid	—	6,250,677	6,249,547	1,130	—	—	—	—
Medicaid	—	17,022,818	17,022,624	194	—	—	—	—
Post employment benefits	—	3,295,332	3,295,357	(25)	—	—	—	—
Debt service:								
Principal retirement	—	733,421	704,392	29,029	—	—	—	—
Interest and fiscal charges	—	610,754	586,580	24,174	—	—	—	—
Total expenditures	42,973,552	45,681,386	44,057,900	1,623,486	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	5,676	(5,676)	—	—	—	—
Operating transfers out	—	485,436	482,327	3,109	—	—	—	—
Medical assistance transfer	—	505,785	505,785	—	—	—	—	—
Stabilization transfer	—	451,500	—	451,500	—	—	—	—
Total other financing uses	—	1,442,721	993,788	448,933	—	—	—	—
Total expenditures and other financing uses	42,973,552	47,124,107	45,051,688	2,072,419	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 1,432,403	\$ (2,718,152)	286,545	\$ 3,004,697	\$ 44,473	\$ 521,497	76,805	\$ (444,692)
Fund balances/(deficits) at beginning of year	—	—	434,247	—	—	—	3,424,376	—
Fund balances/(deficits) at end of year	—	—	<u>\$ 720,792</u>	—	—	—	<u>\$ 3,501,181</u>	—

See Independent Auditors' Report

Intragovernmental Services Fund				Total General Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ 26,569,100	\$ 26,569,100	\$ 26,310,990	\$ (258,110)
—	—	—	—	461,659	461,659	408,928	(52,731)
—	—	—	—	11,657,530	11,657,530	12,785,622	1,128,092
—	—	—	—	251,241	251,241	229,690	(21,551)
—	—	454,157	454,157	3,222,141	3,222,141	3,658,139	435,998
—	—	—	—	479,615	479,615	384,855	(94,760)
—	—	454,157	454,157	42,641,286	42,641,286	43,778,224	1,136,938
—	—	—	—	468,841	468,841	573,874	105,033
—	—	—	—	121,075	121,075	110,928	(10,147)
—	—	—	—	1,022,477	1,022,477	967,263	(55,214)
—	—	—	—	196,749	196,749	216,386	19,637
—	—	—	—	—	477,024	14,914	(462,110)
—	—	—	—	—	—	207,606	207,606
—	—	—	—	1,809,142	2,286,166	2,090,971	(195,195)
—	—	454,157	454,157	44,450,428	44,927,452	45,869,195	941,743
—	—	—	—	113,462	113,462	70,381	43,081
—	—	—	—	1,029,154	1,044,151	1,018,791	25,360
—	—	—	—	5,856	5,856	5,762	94
117	117	117	—	8,523	8,523	7,330	1,193
16	16	—	16	52,143	53,286	50,064	3,222
—	—	—	—	2,453,779	252,018	237,778	14,240
—	—	—	—	20,333	20,333	19,472	861
—	—	—	—	56,235	56,234	53,912	2,322
—	—	—	—	2,397	2,397	2,360	37
—	—	—	—	141,567	141,783	140,682	1,101
—	—	—	—	1,817	1,817	1,723	94
—	—	—	—	681,835	681,521	624,547	56,974
—	—	—	—	4,892	4,892	4,878	14
—	—	—	—	721	—	—	—
—	—	—	—	30,493	30,493	30,382	111
6,533	6,533	5,084	1,449	16,018	16,018	14,498	1,520
253,410	253,410	141,498	111,912	9,548,094	3,292,980	2,359,299	933,681
3,150	3,150	3,066	84	291,132	296,332	268,714	27,618
136,830	136,830	115,860	20,970	23,634,240	6,899,777	6,655,211	244,566
120,931	120,931	95,022	25,909	161,948	161,942	135,079	26,863
—	—	—	—	1,899	1,899	1,521	378
—	—	—	—	1,000	—	—	—
1,860	1,860	90	1,770	2,765,142	2,741,798	2,673,086	68,712
—	—	—	—	30,070	20,070	19,930	140
—	—	—	—	900	900	900	—
77,720	77,720	53,923	23,797	1,779,544	1,778,824	1,531,677	247,147
7,684	7,684	1,737	5,947	658,457	672,614	626,860	45,754
—	—	—	—	90,152	76,715	60,960	15,755
—	—	—	—	—	6,250,677	6,249,547	1,130
—	—	—	—	—	17,022,818	17,022,624	194
—	—	—	—	—	3,295,332	3,295,357	(25)
26,193	26,193	24,557	1,636	26,193	759,614	728,949	30,665
—	—	—	—	—	610,754	586,580	24,174
634,444	634,444	440,954	193,490	43,607,996	46,315,830	44,498,854	1,816,976
—	—	—	—	—	—	5,676	(5,676)
—	—	13,268	(13,268)	—	485,436	495,595	(10,159)
—	—	—	—	—	505,785	505,785	—
—	—	—	—	—	451,500	—	451,500
—	—	13,268	(13,268)	—	1,442,721	1,007,056	435,665
634,444	634,444	454,222	180,222	43,607,996	47,758,551	45,505,910	2,252,641
\$ (634,444)	\$ (634,444)	(65)	\$ 634,379	\$ 842,432	\$ (2,831,099)	363,285	\$ 3,194,384
—	—	10,969	—	—	—	3,869,592	—
—	—	\$ 10,904	—	—	—	\$ 4,232,877	—

Combining Balance Sheet
Other Governmental Funds
June 30, 2020
(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.....	\$ 849	\$ 32,255	\$ 455,659	\$ 27,159	\$ 2	\$ 3,261	\$ —
Restricted cash with fiscal agent.....	20,366	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:							
Taxes.....	59,252	—	14,017	68	—	—	—
Due from federal government.....	—	414,246	28	900	—	—	—
Loans receivable.....	—	—	—	—	—	—	—
Other receivables.....	61	—	30,477	263	—	—	—
Due from other funds.....	—	—	—	—	—	—	—
Total assets.....	\$ 80,528	\$ 446,501	\$ 500,181	\$ 28,390	\$ 2	\$ 3,261	\$ —
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 849	\$ 255,205	\$ 48,942	\$ 971	\$ —	\$ 1,988	\$ —
Accrued payroll.....	—	7,930	176	374	—	214	—
Tax refunds and abatements payable.....	74	—	—	—	—	—	—
Due to other funds.....	—	72,903	—	—	—	—	—
Due to component units.....	4,396	—	28,023	—	—	—	—
Other accrued liabilities.....	—	—	23,073	—	—	—	—
Total liabilities.....	5,319	336,038	100,214	1,345	—	2,202	—
Deferred inflows of resources.....	—	—	18,193	—	—	—	—
Total liabilities and deferred inflows of resources.....	5,319	336,038	118,407	1,345	—	2,202	—
Fund balances:							
Restricted.....	20,366	110,463	—	—	2	—	—
Committed.....	54,843	—	381,774	15,645	—	1,059	—
Assigned.....	—	—	—	11,400	—	—	—
Unassigned (deficits).....	—	—	—	—	—	—	—
Fund balances (deficits).....	75,209	110,463	381,774	27,045	2	1,059	—
Total liabilities and fund balances.....	\$ 80,528	\$ 446,501	\$ 500,181	\$ 28,390	\$ 2	\$ 3,261	\$ —

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	Department of Industrial Accidents
\$ 96,827	\$ 39,245	\$ 2,969	\$ 5,893	\$ 215,866	\$ 8,693	\$ 50,514	\$ 60,084	\$ 12,204
—	—	—	—	—	—	—	—	—
88,410	2,209	—	—	—	—	—	3,576	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	104	—	—	17,383
—	—	—	—	—	—	—	—	—
\$ 185,237	\$ 41,454	\$ 2,969	\$ 5,893	\$ 215,866	\$ 8,797	\$ 50,514	\$ 63,660	\$ 29,587
\$ 88,201	\$ 55,684	\$ 204	\$ 74	\$ 17,243	\$ 6,995	\$ 3,209	\$ 10,120	\$ 345
—	—	17	218	327	134	96	—	—
365	—	—	—	—	—	—	62	—
—	—	—	—	—	—	—	—	—
96,671	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
185,237	55,684	221	292	17,570	7,129	3,305	10,182	345
—	—	—	—	—	—	—	—	—
185,237	55,684	221	292	17,570	7,129	3,305	10,182	345
—	—	—	—	—	—	—	—	—
—	—	2,748	5,601	198,296	—	47,209	53,478	29,242
—	—	—	—	—	—	—	—	—
—	(14,230)	—	—	—	1,668	—	—	—
—	(14,230)	2,748	5,601	198,296	1,668	47,209	53,478	29,242
\$ 185,237	\$ 41,454	\$ 2,969	\$ 5,893	\$ 215,866	\$ 8,797	\$ 50,514	\$ 63,660	\$ 29,587

continued

Combining Balance Sheet
Other Governmental Funds
June 30, 2020
(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.....	\$ 167,299	\$ 3,775	\$ 4,010	\$ 664,815	\$ 297,470	\$ 298
Restricted cash with fiscal agent.....	159,764	87,153	—	—	—	244
Receivables, net of allowance for uncollectibles:						
Taxes.....	1,641	—	—	—	6,659	—
Due from federal government.....	—	67,685	—	—	—	6,897
Loans receivable.....	—	—	—	—	12,818	—
Other receivables.....	—	—	—	35,885	649	—
Due from other funds.....	—	—	—	—	—	—
Total assets.....	\$ 328,704	\$ 158,613	\$ 4,010	\$ 700,700	\$ 317,596	\$ 7,439
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable.....	\$ 13,759	\$ —	\$ 214	\$ 42,478	\$ 13,212	\$ —
Accrued payroll.....	—	—	27	2,842	1,299	—
Tax refunds and abatements payable.....	—	—	—	—	1	—
Due to other funds.....	—	67,685	—	—	—	—
Due to component units.....	—	—	—	—	—	—
Other accrued liabilities.....	—	—	—	—	—	—
Total liabilities.....	13,759	67,685	241	45,320	14,512	—
Deferred inflows of resources.....	—	—	—	—	—	—
Total liabilities and deferred inflows of resources.....	13,759	67,685	241	45,320	14,512	—
Fund balances:						
Restricted.....	—	—	—	196,606	—	7,439
Committed.....	314,945	90,928	3,769	298,601	324,934	—
Assigned.....	—	—	—	160,173	13,183	—
Unassigned (deficits).....	—	—	—	—	(35,033)	—
Fund balances (deficits).....	314,945	90,928	3,769	655,380	303,084	7,439
Total liabilities and fund balances.....	\$ 328,704	\$ 158,613	\$ 4,010	\$ 700,700	\$ 317,596	\$ 7,439

See Independent Auditors' Report

Capital Projects

General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ 116,368	\$ 8,393	—	\$ 1,404	\$ —	\$ 2,275,312
—	—	—	—	—	267,527
—	—	—	—	—	175,832
—	—	—	—	—	489,756
—	—	—	—	—	12,818
—	—	—	—	—	84,822
—	—	—	67,685	—	67,685
\$ 116,368	\$ 8,393	\$ —	\$ 69,089	\$ —	\$ 3,373,752
\$ 288,141	\$ —	\$ —	\$ 1	\$ —	\$ 847,835
1,571	—	—	—	—	15,225
—	—	—	—	—	502
—	—	450,163	—	—	590,751
897	—	261,360	78,268	—	469,615
—	—	—	—	—	23,073
290,609	—	711,523	78,269	—	1,947,001
—	—	—	—	—	18,193
290,609	—	711,523	78,269	—	1,965,194
—	8,393	—	—	—	343,269
—	—	—	—	—	1,823,072
—	—	—	—	—	184,756
(174,241)	—	(711,523)	(9,180)	—	(942,539)
(174,241)	8,393	(711,523)	(9,180)	—	1,408,558
\$ 116,368	\$ 8,393	\$ —	\$ 69,089	\$ —	\$ 3,373,752

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
REVENUES							
Taxes	\$ 1,235,752	\$ —	\$ 134,768	\$ 899	\$ —	\$ —	\$ 187,870
Assessments	22,590	—	629,946	—	—	—	—
Federal grants and reimbursements	—	4,047,816	481,826	8,982	—	—	—
Departmental	598,017	—	303,971	40,514	—	27,957	—
Miscellaneous	853	205	2,050	70	—	—	—
Total revenues	1,857,212	4,048,021	1,552,561	50,465	—	27,957	187,870
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—	—
Issuance of advance refunding bonds	—	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—	—
Transfers in	258,543	31,283	719,820	218	—	—	—
Total other financing sources	258,543	31,283	719,820	218	—	—	—
Total revenues and other financing sources	2,115,755	4,079,304	2,272,381	50,683	—	27,957	187,870
EXPENDITURES							
Current:							
Judiciary	—	2,881	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	1,078	—	—	—	—	—
Treasurer and Receiver-General	—	1,626	—	—	—	49	—
Auditor of the Commonwealth	—	—	—	—	—	—	—
Attorney General	—	46,791	—	—	—	1,342	—
District Attorney	—	3,434	—	—	—	—	—
Sheriff's Departments	—	5,192	—	—	—	—	—
Disabled Person Protection Commission	—	922	—	—	—	—	—
Board of Library Commissioners	—	2,555	—	—	—	—	—
Massachusetts Gaming Commission	—	—	5,284	—	—	25,467	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	125,000	7,530	5,179	12,598	—	—	—
Energy and Environmental Affairs	—	42,736	—	16,814	—	—	—
Health and Human Services	—	1,928,384	19,402	—	1	—	—
Executive Office of Technology Services	—	—	—	—	—	—	—
Massachusetts Department of Transportation	583,096	625	—	—	—	—	—
Office of the Child Advocate	—	59	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—
Executive Office of Education	—	1,035,342	—	—	—	—	—
Center for Health and Information Analysis	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	126,210	—	—	—	20	—
Housing and Economic Development	—	544,723	—	—	—	—	—
Labor and Workforce development	—	132,981	—	—	—	—	—
Medicaid	—	—	2,178,812	—	—	—	—
Post employment benefits	9,618	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—	—
Total expenditures	717,714	3,883,069	2,208,677	29,412	1	26,878	—
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	—	—	—	—	—
Transfers out	338,472	118,127	29,821	25,691	2	5,805	187,870
Transfers of appropriations	—	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—	—
Transfers out for debt service	1,094,634	—	—	—	—	—	—
Total other financing uses	1,433,106	118,127	29,821	25,691	2	5,805	187,870
Total expenditures and other financing uses	2,150,820	4,001,196	2,238,498	55,103	3	32,683	187,870
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(35,065)	78,108	33,883	(4,420)	(3)	(4,726)	—
Fund balances/(deficits) at beginning of year, as restated	110,274	32,355	347,891	31,465	5	5,785	—
Fund balances/(deficits) at end of year	\$ 75,209	\$ 110,463	\$ 381,774	\$ 27,045	\$ 2	\$ 1,059	\$ —

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
REVENUES						
Taxes	\$ 130,867	\$ —	\$ 10,000	\$ —	\$ 73,220	\$ —
Assessments	—	—	—	73,290	40,525	—
Federal grants and reimbursements	—	637,894	—	11,249	1,292	37,929
Departmental	—	—	—	38,860	88,943	—
Miscellaneous	2,036	2,543	—	470,819	28,487	2
Total revenues	132,903	640,437	10,000	594,218	232,467	37,931
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	42,783
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	366,675
Issuance of advance refunding bonds	—	—	—	—	—	858,435
Transfers in for debt service	—	—	—	—	—	2,578,425
Transfers in	—	29,745	1,491	45,584	296,939	—
Total other financing sources	—	29,745	1,491	45,584	296,939	3,846,318
Total revenues and other financing sources	132,903	670,182	11,491	639,802	529,406	3,884,249
EXPENDITURES						
Current:						
Judiciary	—	—	—	360	—	—
Inspector General	—	—	—	6	—	—
Governor and Lieutenant Governor	—	—	50	52	—	—
Secretary of the Commonwealth	—	—	—	—	11,681	—
Treasurer and Receiver-General	—	—	—	132,048	810	3,271
Auditor of the Commonwealth	—	—	—	26	—	—
Attorney General	—	—	—	3,725	1,509	—
District Attorney	—	—	—	5,512	90	—
Sheriff's Departments	—	—	—	1,498	741	—
Disabled Person Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	13,471	—
Comptroller	—	—	—	453	1,947	—
Administration and Finance	51,200	—	—	29,408	43,434	—
Energy and Environmental Affairs	—	—	—	80,944	36,648	—
Health and Human Services	—	—	—	138,921	111,409	—
Executive Office of Technology Services	—	—	—	16	2,893	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	12,597	—
Executive Office of Education	—	—	—	22,998	12,556	—
Center for Health and Information Analysis	—	—	—	8	—	—
Public Safety and Homeland Security	—	—	—	6,247	7,766	—
Housing and Economic Development	—	—	9,827	13,597	13,237	—
Labor and Workforce development	—	—	—	60,534	8,261	—
Medicaid	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Direct local aid	—	—	—	—	126,774	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	2,617,974
Principal on current refundings	—	—	—	—	—	408,891
Total expenditures	51,200	—	9,877	496,353	405,824	3,030,136
OTHER FINANCING USES						
Payments to refunding bond escrow agent	—	—	—	—	—	855,731
Transfers out	—	559,409	466	155,843	35,491	—
Transfers of appropriations	—	—	—	3,381	10,625	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	52,222	111,218	—	—	4,823	—
Total other financing uses	52,222	670,627	466	159,224	50,939	855,731
Total expenditures and other financing uses	103,422	670,627	10,343	655,577	456,763	3,885,867
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	29,481	(445)	1,148	(15,775)	72,643	(1,618)
Fund balances/(deficits) at beginning of year, as restated	285,464	91,373	2,621	671,155	230,441	9,057
Fund balances/(deficits) at end of year	\$ 314,945	\$ 90,928	\$ 3,769	\$ 655,380	\$ 303,084	\$ 7,439

See Independent Auditors' Report

Capital Projects				
General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Total
\$ —	\$ —	\$ —	\$ —	\$ 2,938,005
—	—	—	—	965,257
74,009	—	—	3,955	5,371,231
—	—	—	1,385	1,326,761
—	—	494	—	508,428
74,009	—	494	5,340	11,109,682
87,359	—	93,541	—	223,683
909,955	—	861,931	—	1,771,886
—	—	—	—	366,675
—	—	—	—	858,435
—	—	—	—	2,578,425
—	—	—	679,380	2,099,548
997,314	—	955,472	679,380	7,898,652
1,071,323	—	955,966	684,720	19,008,334
—	—	—	—	3,241
—	—	—	—	6
—	—	—	—	102
—	—	—	—	12,759
2,821	—	3,687	—	1,414,712
—	—	—	—	26
—	—	—	—	53,367
—	—	—	—	9,036
—	—	—	—	16,477
—	—	—	—	922
—	—	—	—	2,555
—	—	—	—	44,222
—	—	—	—	2,400
—	—	—	—	330,018
—	—	—	—	197,345
—	—	—	—	2,198,162
—	—	—	—	5,417
88,142	—	1,139,918	669,184	2,480,965
—	—	—	—	59
—	—	—	—	12,597
—	—	—	—	1,070,896
—	—	—	—	8
—	—	—	—	231,836
—	—	—	—	589,224
—	—	—	—	218,986
—	—	—	—	2,256,815
—	—	—	—	9,618
—	—	—	—	126,774
1,043,623	—	6,556	1,123	1,051,302
—	—	—	—	2,617,974
—	—	—	—	408,891
1,134,586	—	1,150,161	670,307	15,366,712
—	—	—	—	855,731
18,756	—	119,971	12,536	1,642,483
—	—	—	—	14,006
146,155	—	—	—	146,155
—	—	—	—	1,262,897
164,911	—	119,971	12,536	3,921,272
1,299,497	—	1,270,132	682,843	19,287,984
(228,174)	—	(314,166)	1,877	(279,650)
53,933	8,393	(397,357)	(11,057)	1,688,208
\$ (174,241)	\$ 8,393	\$ (711,523)	\$ (9,180)	\$ 1,408,558

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, 2020

(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	\$ 1,452,500	\$ 1,452,500	\$ 1,249,176	\$ (203,324)	\$ 1,000	\$ 1,000	\$ 916	\$ (84)
Assessments	22,967	22,967	22,623	(344)	—	—	—	—
Federal grants and reimbursements	—	—	—	—	7,900	7,900	9,065	1,165
Departmental	669,544	669,544	598,017	(71,527)	38,872	38,872	40,428	1,556
Miscellaneous	—	—	852	852	60	60	69	9
Total revenues	<u>2,145,011</u>	<u>2,145,011</u>	<u>1,870,668</u>	<u>(274,343)</u>	<u>47,832</u>	<u>47,832</u>	<u>50,478</u>	<u>2,645</u>
Other financing sources:								
Operating transfers in	245,558	245,558	258,543	12,985	190	190	218	28
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>245,558</u>	<u>245,558</u>	<u>258,543</u>	<u>12,985</u>	<u>190</u>	<u>190</u>	<u>218</u>	<u>28</u>
Total revenues and other financing sources	<u>2,390,569</u>	<u>2,390,569</u>	<u>2,129,211</u>	<u>(261,358)</u>	<u>48,022</u>	<u>48,022</u>	<u>50,696</u>	<u>2,674</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	311,638	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	8	—	8
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	125,000	—	—	—	25,741	25,741	12,598	13,143
Energy and Environmental Affairs	—	—	—	—	20,442	20,442	16,816	3,626
Health and Human services	—	—	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—	—
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	—	9,618	9,618	—	—	—	—	—
Debt service:								
Principal retirement	—	583,594	552,038	31,556	—	—	—	—
Interest and fiscal charges	—	555,886	542,596	13,290	—	—	—	—
Total expenditures	<u>563,638</u>	<u>1,276,098</u>	<u>1,231,252</u>	<u>44,846</u>	<u>46,183</u>	<u>46,191</u>	<u>29,414</u>	<u>16,777</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	4,073	(4,073)
Operating transfers out	461,529	616,274	619,590	(3,316)	—	21,617	21,617	—
Other fund deficit support	—	—	305,412	(305,412)	—	—	—	—
Total other financing uses	<u>461,529</u>	<u>616,274</u>	<u>925,002</u>	<u>(308,728)</u>	<u>—</u>	<u>21,617</u>	<u>25,690</u>	<u>(4,073)</u>
Total expenditures and other financing uses	<u>1,025,167</u>	<u>1,892,372</u>	<u>2,156,254</u>	<u>(263,882)</u>	<u>46,183</u>	<u>67,808</u>	<u>55,104</u>	<u>12,704</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 1,365,402</u>	<u>\$ 498,197</u>	<u>(27,043)</u>	<u>\$ (525,240)</u>	<u>\$ 1,839</u>	<u>\$ (19,786)</u>	<u>(4,408)</u>	<u>\$ 15,378</u>
Fund balances at beginning of year			47,409				30,222	
Fund balances at end of year			<u>\$ 20,366</u>				<u>\$ 25,814</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,050	1,050	940	(110)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,050	1,050	940	(110)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	107,141	107,141	68,556	(38,585)
—	—	—	—	—	—	—	—	—	—	38,549	38,549
—	—	—	—	—	—	—	—	107,141	107,141	107,105	(36)
1,050	1,050	940	(110)	—	—	—	—	107,141	107,141	107,105	(36)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	6	5	1	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	6	6	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	453	447	6	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	107,106	107,105	1
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	465	458	7	—	—	—	—	—	107,106	107,105	1
—	—	68	(68)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	68	(68)	—	—	—	—	—	—	—	—
—	465	526	(61)	—	—	—	—	—	107,106	107,105	1
<u>\$ 1,050</u>	<u>\$ 585</u>	414	<u>\$ (171)</u>	<u>\$ —</u>	<u>\$ —</u>	—	<u>\$ —</u>	<u>\$ 107,141</u>	<u>\$ 35</u>	—	<u>\$ (35)</u>
		<u>\$ 414</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, 2020

(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	30,163	30,163	20,880	(9,283)	—	—	—	—
Other fund deficit support	—	—	11,103	11,103	—	—	—	—
Total other financing sources	30,163	30,163	31,983	1,820	—	—	—	—
Total revenues and other financing sources	30,163	30,163	31,983	1,820	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	—	10,374	10,374	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	19,669	19,669	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	—	30,043	30,043	—	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	3,679	(3,679)	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing uses	—	—	3,679	(3,679)	—	—	—	—
Total expenditures and other financing uses	—	30,043	33,722	(3,679)	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 30,163	\$ 120	(1,739)	\$ (1,859)	\$ —	\$ —	—	\$ —
Fund balances at beginning of year			1,739				50	
Fund balances at end of year			\$ —				\$ 50	

See Independent Auditors' Report

Gaming Economic Development Fund				Local Capital Projects Fund				Marijuana Regulation Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 83,800	\$ 83,800	\$ 51,685	\$ (32,115)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	14,469	14,469	17,058	2,589
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	98,269	98,269	68,743	(29,526)
20,468	20,468	14,168	(6,300)	9,695	9,695	6,711	(2,984)	—	—	3	3
—	—	10,720	10,720	—	—	4,081	4,081	—	—	33,353	33,353
20,468	20,468	24,888	4,420	9,695	9,695	10,792	1,097	—	—	33,356	33,356
20,468	20,468	24,888	4,420	9,695	9,695	10,792	1,097	98,269	98,269	102,099	3,830
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	311	297	14
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	1,869	1,869	455	1,414
—	—	—	—	—	—	—	—	354	90,635	85,567	5,068
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	12,866	13,866	12,597	1,269
—	12,969	10,665	2,304	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	394	394	—
2,000	2,000	99	1,901	2,699	12,390	9,691	2,699	—	133	119	14
—	12,687	5,802	6,885	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
2,000	27,656	16,566	11,090	2,699	12,390	9,691	2,699	15,089	107,208	99,429	7,779
—	—	—	—	—	—	—	—	—	—	2,095	(2,095)
—	7,000	7,000	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	7,000	7,000	—	—	—	—	—	—	—	2,095	(2,095)
2,000	34,656	23,566	11,090	2,699	12,390	9,691	2,699	15,089	107,208	101,524	5,684
<u>\$ 18,468</u>	<u>\$ (14,188)</u>	1,322	<u>\$ 15,510</u>	<u>\$ 6,996</u>	<u>\$ (2,695)</u>	1,101	<u>\$ 3,796</u>	<u>\$ 83,180</u>	<u>\$ (8,939)</u>	575	<u>\$ 9,514</u>
		7,462				1,598				1,125	
		<u>\$ 8,784</u>				<u>\$ 2,699</u>				<u>\$ 1,700</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, 2020

(Amounts in thousands)

	Behavioral Health Outreach Access and Support Trust Fund				Totals			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,537,300	\$ 1,537,300	\$ 1,301,777	\$ (235,523)
Assessments	—	—	—	—	22,967	22,967	22,623	(344)
Federal grants and reimbursements	—	—	—	—	7,900	7,900	9,065	1,165
Departmental	—	—	—	—	723,935	723,935	656,443	(67,492)
Miscellaneous	—	—	—	—	60	60	921	861
Total revenues	—	—	—	—	2,292,162	2,292,162	1,990,829	(301,333)
Other financing sources:								
Operating transfers in	—	—	2,500	2,500	413,215	413,215	371,579	(41,636)
Other fund deficit support	—	—	—	—	—	—	97,806	97,806
Total other financing sources	—	—	2,500	2,500	413,215	413,215	469,385	56,170
Total revenues and other financing sources	—	—	2,500	2,500	2,705,377	2,705,377	2,460,214	(245,163)
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	—	—	—	—	311,638	—	—	—
Attorney General	—	—	—	—	—	8	—	8
Sheriffs' Department	—	—	—	—	—	317	302	15
Administration and Finance	—	—	—	—	150,741	25,741	12,598	13,143
Energy and Environmental Affairs	—	—	—	—	22,311	22,311	17,271	5,040
Health and Human services	—	—	—	—	354	90,635	85,567	5,068
Executive Office of Technology Services and Security	—	—	—	—	—	6	6	—
Massachusetts Department of Transportation	—	—	—	—	127,000	127,000	127,000	—
Cannabis Control Commission	—	—	—	—	12,866	13,866	12,597	1,269
Executive Office of Education	—	—	—	—	—	23,343	21,039	2,304
Public Safety and Homeland Security	—	—	—	—	—	847	841	6
Housing and Economic Development	—	—	—	—	4,699	14,523	9,909	4,614
Labor and Workforce Development	—	—	—	—	—	12,687	5,802	6,885
Direct local aid	—	—	—	—	—	126,775	126,774	1
Post employment benefits	—	—	—	—	—	9,618	9,618	—
Debt service:								
Principal retirement	—	—	—	—	—	583,594	552,038	31,556
Interest and fiscal charges	—	—	—	—	—	555,886	542,596	13,290
Total expenditures	—	—	—	—	629,609	1,607,157	1,523,958	83,199
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	9,915	(9,915)
Operating transfers out	—	—	—	—	461,529	644,891	648,207	(3,316)
Other fund deficit support	—	—	—	—	—	—	305,412	(305,412)
Total other financing uses	—	—	—	—	461,529	644,891	963,534	(318,643)
Total expenditures and other financing uses	—	—	—	—	1,091,138	2,252,048	2,487,492	(235,444)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	\$ —	2,500	\$ 2,500	\$ 1,614,239	\$ 453,329	(27,278)	\$ (480,607)
Fund balances at beginning of year			—				89,605	
Fund balances at end of year			\$ 2,500				\$ 62,327	

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Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Commonwealth Transportation Fund	Environmental Funds	Public Safety Trust Fund*	Community First Trust Fund
Total actual revenues - budgetary basis (pages 182-186)	\$ 1,870,668	\$ 50,478	\$ 940	\$ —
Adjustments:				
Taxes receivable, net	(14,051)	(17)	—	—
Tax refunds and abatements payable, net	627	—	—	—
Federal grants receivables, net	—	(83)	—	—
Departmental and other receivables, net	(32)	87	—	—
Miscellaneous adjustments	—	—	—	—
Total actual revenues - GAAP basis (pages 178-181)	<u>\$ 1,857,212</u>	<u>\$ 50,465</u>	<u>\$ 940</u>	<u>\$ —</u>
Total actual other financing sources - budgetary basis (pages 182-186)	\$ 258,543	\$ 218	\$ —	\$ —
Adjustments:				
Miscellaneous adjustments	—	—	—	—
Total actual other financing sources - GAAP basis (pages 178-181)	<u>\$ 258,543</u>	<u>\$ 218</u>	<u>\$ —</u>	<u>\$ —</u>
Total actual expenditures- budgetary basis (pages 182-186)	\$ 1,231,252	\$ 29,414	\$ 458	\$ —
Adjustment:				
Due to component units accrual, net	(5,434)	—	—	—
Miscellaneous adjustments	1	(2)	—	1
Reclassification:				
MassDOT transfers out is reclassified to expenditures	586,529	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,094,634)	—	—	—
Total actual expenditures - GAAP basis (pages 178-181)	<u>\$ 717,714</u>	<u>\$ 29,412</u>	<u>\$ 458</u>	<u>\$ 1</u>
Total actual other financing uses - budgetary basis (pages 182-186)	\$ 925,002	\$ 25,690	\$ 68	\$ —
Adjustment:				
Miscellaneous adjustments	(1)	1	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(586,529)	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,094,634	—	—	—
Nonbudgeted fund included on a GAAP basis	—	—	—	2
Total actual other financing uses - GAAP basis (pages 178-181)	<u>\$ 1,433,106</u>	<u>\$ 25,691</u>	<u>\$ 68</u>	<u>\$ 2</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 Local Capital Projects 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 \$232,467, \$296,939, \$405,824 and \$50,939, respectively (all amounts in thousands).

See Independent Auditors' Report

Gaming Local Aid Fund*	Education Fund*	Local Aid Stabilization Fund*	Gaming Economic Development Fund*	Local Capital Projects Fund*	Marijuana Regulation Fund*	Behavioral Health Outreach, Access and Support Trust Fund*	Totals
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 68,743	\$ —	\$ 1,990,829
—	—	—	—	—	6,007	—	(8,061)
—	—	—	—	—	—	—	627
—	—	—	—	—	—	—	(83)
—	—	—	—	—	—	—	55
—	—	—	—	—	(1)	—	(1)
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 74,749</u>	<u>\$ —</u>	<u>\$ 1,983,366</u>
\$ 107,105	\$ 31,983	\$ —	\$ 24,888	\$ 10,792	\$ 33,356	\$ 2,500	\$ 469,385
—	—	—	1	1	—	—	2
<u>\$ 107,105</u>	<u>\$ 31,983</u>	<u>\$ —</u>	<u>\$ 24,889</u>	<u>\$ 10,793</u>	<u>\$ 33,356</u>	<u>\$ 2,500</u>	<u>\$ 469,387</u>
\$ 107,105	\$ 30,043	\$ —	\$ 16,566	\$ 9,691	\$ 99,429	\$ —	\$ 1,523,958
—	—	—	—	—	—	—	(5,434)
—	—	—	—	—	(1)	—	(1)
—	—	—	—	—	—	—	586,529
—	(10,374)	—	—	—	—	—	(10,374)
—	—	—	—	—	—	—	(1,094,634)
<u>\$ 107,105</u>	<u>\$ 19,669</u>	<u>\$ —</u>	<u>\$ 16,566</u>	<u>\$ 9,691</u>	<u>\$ 99,428</u>	<u>\$ —</u>	<u>\$ 1,000,044</u>
\$ —	\$ 3,679	\$ —	\$ 7,000	\$ —	\$ 2,095	\$ —	\$ 963,534
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	(586,529)
—	10,374	—	—	—	—	—	10,374
—	—	—	—	—	—	—	1,094,634
—	—	—	—	—	—	—	2
<u>\$ —</u>	<u>\$ 14,053</u>	<u>\$ —</u>	<u>\$ 7,000</u>	<u>\$ —</u>	<u>\$ 2,095</u>	<u>\$ —</u>	<u>\$ 1,482,015</u>

Combining Statement of Net Position Available for Post-Employment Benefits

Pension and OPEB Trust Funds

June 30, 2020

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ASSETS				
Cash and cash equivalents.....	\$ 93,951	\$ 88,086	\$ 23,773	\$ 205,810
Net investment in PRIT at fair value.....	28,375,373	29,148,613	1,390,552	58,914,538
Other receivables.....	127,358	87,002	—	214,360
Other assets.....	14	822	—	836
Total assets.....	28,596,696	29,324,523	1,414,325	59,335,544
LIABILITIES				
Accounts payable.....	29,396	6,526	13	35,935
Net position available for post-employment benefits.....	\$ 28,567,300	\$ 29,317,997	\$ 1,414,312	\$ 59,299,609

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, 2020

(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.....	\$ 1,003,828	\$ —	\$ 547,611	\$ 1,551,439
Non-employer contributions - Commonwealth.....	38,381	1,553,433	—	1,591,814
Employer and non-employer contributions - other.....	9,718	—	—	9,718
ERIP funding contribution - Commonwealth.....	28,724	—	—	28,724
Employee contributions.....	659,015	821,105	—	1,480,120
Boston teachers' contribution from Commonwealth.....	—	157,041	—	157,041
Other additions.....	90,944	76,181	122	167,247
Total contributions.....	1,830,610	2,607,760	547,733	4,986,103
Net investment gain/(loss):				
Investment gain/(loss).....	712,391	730,609	30,597	1,473,597
Less: investment expense.....	(145,072)	(148,961)	(7,217)	(301,250)
Net Investment gain/(loss).....	567,319	581,648	23,380	1,172,347
Total additions.....	2,397,929	3,189,408	571,113	6,158,450
DEDUCTIONS				
Administration.....	18,089	22,391	175	40,655
Retirement benefits and refunds.....	2,539,198	3,189,813	525,174	6,254,185
Payments to State Boston Retirement System.....	—	157,041	—	157,041
Other deductions.....	37,138	39,146	—	76,284
Total deductions.....	2,594,425	3,408,391	525,349	6,528,165
Change in net position.....	(196,496)	(218,983)	45,764	(369,715)
Net position available for post-employment benefits at beginning of year.....	28,763,796	29,536,980	1,368,548	59,669,324
Net position available for post-employment benefits at end of year.....	\$ 28,567,300	\$ 29,317,997	\$ 1,414,312	\$ 59,299,609

See Independent Auditors' Report

Combining Statement of Net Position Held in Trust for Pool Participants
External Investment Trust Funds

June 30, 2020

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 6,284,230	\$ —	\$ 6,284,230
Short-term investments	41,892	—	41,892
Net investment in PRIT at fair value	—	16,066,756	16,066,756
Receivables, net of allowance for uncollectibles:			
Other receivables	2,060	—	2,060
Total assets	6,328,182	16,066,756	22,394,938
LIABILITIES			
Accounts payable	19,703	—	19,703
Net position held in trust for pool/pension participants	\$ 6,308,479	\$ 16,066,756	\$ 22,375,235

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, 2020

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions	\$ —	\$ 1,384,408	\$ 1,384,408
Proceeds from sale of units	31,845,776	—	31,845,776
Total contributions	31,845,776	1,384,408	33,230,184
Net investment gain/(loss):			
Investment gain/(loss)	107,145	606,302	713,447
Less: investment expense	(2,716)	(310,970)	(313,686)
Net Investment gain/(loss)	104,429	295,332	399,761
Total additions	31,950,205	1,679,740	33,629,945
DEDUCTIONS			
Cost of units redeemed	30,764,859	—	30,764,859
Distributions to unit holders from net interest income	102,991	—	102,991
Retirement benefits and refunds	45	1,218,250	1,218,295
Total deductions	30,867,895	1,218,250	32,086,145
Change in net position	1,082,310	461,490	1,543,800
Net position held in trust for pool/participants at beginning of year	5,226,169	15,605,266	20,831,435
Net position held in trust for pool/participants at end of year	\$ 6,308,479	\$ 16,066,756	\$ 22,375,235

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position

Custodial Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Court					Total Custodial Funds
	Central Agency Funds	Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	
	ASSETS					
Cash and cash equivalents	\$ 181,158	\$ 142,544	\$ 39,925	\$ 111,632	\$ 20	\$ 475,279
Investments, restricted investments and annuity contracts	855,323	—	—	532,940	—	1,388,263
Receivables, net of allowance for uncollectibles:						
Taxes	34,132	—	—	—	—	34,132
Other receivables	61,742	—	188,877	—	—	250,619
Due from federal government	—	—	3,816	—	—	3,816
TOTAL ASSETS	<u>1,132,355</u>	<u>142,544</u>	<u>232,618</u>	<u>644,572</u>	<u>20</u>	<u>2,152,109</u>
LIABILITIES						
Accounts payable	49,817	342	4,268	—	—	54,427
Due to cities and towns	20,575	—	—	—	—	20,575
Due to federal government	1	—	—	—	—	1
Other liabilities	19,495	—	—	—	—	19,495
Lottery prizes payable	855,323	—	—	—	—	855,323
TOTAL LIABILITIES	<u>945,211</u>	<u>342</u>	<u>4,268</u>	<u>—</u>	<u>—</u>	<u>949,821</u>
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	<u>\$ 187,144</u>	<u>\$ 142,202</u>	<u>\$ 228,350</u>	<u>\$ 644,572</u>	<u>\$ 20</u>	<u>\$ 1,202,288</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Court					Total Custodial Funds
	Central Agency Funds	Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	
	ADDITIONS					
Sales tax collections for other governments	596,237	—	—	—	—	596,237
Child support collections	—	—	736,677	—	—	736,677
Other additions	759,287	141,240	929	637,639	—	1,539,095
Investment income:						
Interest, dividends and other investment income	—	747	153	36,405	—	37,305
Less: investment expense	—	—	—	(21,107)	—	(21,107)
Net investment income	—	747	153	15,298	—	16,198
TOTAL ADDITIONS	1,355,524	141,987	737,759	652,937	—	2,888,207
DEDUCTIONS						
Sales tax payments to other governments	596,237	—	—	—	—	596,237
Child support payments to individuals	—	—	665,999	—	—	665,999
Other deductions	796,353	151,505	19,791	644,499	6	1,612,154
TOTAL DEDUCTIONS	1,392,590	151,505	685,790	644,499	6	2,874,390
Change in fiduciary net position	(37,066)	(9,518)	51,969	8,438	(6)	13,817
Net position - beginning, as restated	224,210	151,720	176,381	636,134	26	1,188,471
Net position - ending	\$ 187,144	\$ 142,202	\$ 228,350	\$ 644,572	\$ 20	\$ 1,202,288

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2020
(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	\$ 18,598	\$ 38,947	\$ 25,291	\$ 1,106	\$ 89,003	\$ 64,798	\$ 41,996	\$ 279,739
Short-term investments	—	89,417	113,127	1,473	26,187	14,825	36,787	281,816
Restricted cash and investments	587	95,559	21,316	20,045	—	122,673	3,426	263,606
Assets held in trust	36,082	—	—	—	—	1,770	—	37,852
Receivables, net of allowance for uncollectibles:								
Loans	451	16,208	2,953	—	33,018	19,187	—	71,817
Other receivables	2,435	8,949	16,502	2,724	2,762	5,263	11,671	50,306
Due from primary government	10,261	1,112	—	3,251	—	4,811	53	19,488
Inventory	—	—	—	—	—	70	—	70
Other current assets	1,920	4,808	306	525	—	371	597	8,527
Total current assets	70,334	255,000	179,495	29,124	150,970	233,768	94,530	1,013,221
Noncurrent assets:								
Cash and cash equivalents - restricted	—	16,861	—	6,714	—	—	—	23,575
Long - term investments	—	67,289	—	—	—	—	803,950	871,239
Restricted investments	—	—	—	—	—	—	66,439	66,439
Accounts receivables, net	—	917	—	111	—	2,154	11,974	15,156
Loans receivables, net	15,130	65,515	—	—	509,146	49,153	—	638,944
Non-depreciable capital assets	208,403	9,329	5,787	—	—	—	23,898	247,417
Depreciable capital assets, net	424,337	81,162	130,833	54,434	1,201	19,896	48,414	760,277
Other noncurrent assets	—	10,525	—	—	1,424	3,635	6,329	21,913
Total noncurrent assets	647,870	251,598	136,620	61,259	511,771	74,838	961,004	2,644,960
Total assets	718,204	506,598	316,115	90,383	662,741	308,606	1,055,534	3,658,181
Deferred outflows of resources:								
Deferred change in fair value of interest rate swaps	—	—	—	—	21,199	—	—	21,199
Deferred outflows related to pension	6,346	—	—	—	—	—	—	6,346
Deferred outflows related to OPEB	1,107	—	—	—	—	—	—	1,107
Total deferred outflows of resources	7,453	—	—	—	21,199	—	—	28,652
Total assets and deferred outflows	725,657	506,598	316,115	90,383	683,940	308,606	1,055,534	3,686,833
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	5,747	11,013	6,640	4,810	1,010	23,254	22,883	75,357
Accrued payroll	—	—	—	—	1,547	646	—	2,193
Compensated absences	1,164	1,302	229	—	—	659	—	3,354
Accrued interest payable	—	216	—	—	1,856	—	—	2,072
Due to primary government	—	12,545	—	—	—	—	345	12,890
Unearned revenue	11,302	23,313	—	3,397	—	31,232	4,252	73,496
Bonds, notes payable and other obligations	—	425	—	—	28,548	9,602	856	39,431
Total current liabilities	18,213	48,814	6,869	8,207	32,961	65,393	28,336	208,793
Noncurrent liabilities:								
Compensated absences	1,361	—	—	337	—	248	—	1,946
Due to primary government	—	6,795	—	—	—	—	—	6,795
Unearned revenue	—	—	—	—	—	16,171	—	16,171
Bonds, notes payable and other obligations	—	4,854	—	—	496,252	80,767	17,005	598,878
Net pension liability	42,837	—	—	—	—	—	—	42,837
Net OPEB liability	926	—	—	—	—	—	—	926
Liability for derivative instruments	—	—	—	—	18,623	—	—	18,623
Other noncurrent liabilities	—	14,374	—	403	68,167	3,632	4,148	90,724
Total noncurrent liabilities	45,124	26,023	—	740	583,042	100,818	21,153	776,900
Total liabilities	63,337	74,837	6,869	8,947	616,003	166,211	49,489	985,693
Deferred inflows of resources:								
Deferred service concession arrangements	—	—	—	—	—	302	3	305
Deferred inflows related to pension	3,810	—	—	—	—	—	—	3,810
Deferred inflows related to OPEB	1,474	—	—	—	—	—	—	1,474
Total deferred inflows of resources	5,284	—	—	—	—	302	3	5,589
Total liabilities and deferred inflows	68,621	74,837	6,869	8,947	616,003	166,513	49,492	991,282
NET POSITION								
Net investment in capital assets	632,741	80,312	136,619	54,434	1,201	23,502	53,160	981,969
Restricted for:								
Other purposes	36,651	169,719	35,182	23,973	23,002	61,025	868,148	1,217,700
Unrestricted	(12,356)	181,730	137,445	3,029	43,734	57,566	84,734	495,882
Total net position	\$ 657,036	\$ 431,761	\$ 309,246	\$ 81,436	\$ 67,937	\$ 142,093	\$ 1,006,042	\$2,695,551

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Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Discretely Presented Component Units

Fiscal Year Ended June 30, 2020

(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	\$ 49,542	\$ 53,071	\$ 4,247	\$ 7,033	\$ 10,611	\$ 97,622	\$ 19,804	\$ 241,930
Other	7,087	4,890	21,340	14,765	—	2,498	28,351	78,931
Total operating revenues.....	56,629	57,961	25,587	21,798	10,611	100,120	48,155	320,861
Operating expenses:								
Cost of services	43,267	48,306	30,423	19,551	765	98,169	—	240,481
Administration costs	44,037	25,677	10,056	—	9,011	18,577	53,112	160,470
Depreciation	44,025	7,479	3,928	5,225	197	2,100	2,584	65,538
Total operating expenses.....	131,329	81,462	44,407	24,776	9,973	118,846	55,696	466,489
Operating income/(loss).....	(74,700)	(23,501)	(18,820)	(2,978)	638	(18,726)	(7,541)	(145,628)
Nonoperating revenues/(expenses):								
Operating grants	31,228	369	88	—	494	13,000	—	45,179
Interest income/(loss).....	41	8,279	—	561	1,569	997	3,863	15,310
Other nonoperating revenue/(expense)	2,040	(593)	6,012	—	1,593	(7,697)	38,417	39,772
Nonoperating revenues/(expenses), net..	33,309	8,055	6,100	561	3,656	6,300	42,280	100,261
Income/(loss) before contributions.....	(41,391)	(15,446)	(12,720)	(2,417)	4,294	(12,426)	34,739	(45,367)
Capital contributions	18,968	6,304	13,867	—	—	31,450	—	70,589
Change in net position/(deficits).....	(22,423)	(9,142)	1,147	(2,417)	4,294	19,024	34,739	25,222
Net position - beginning	679,459	440,903	308,099	83,853	63,643	123,069	971,303	2,670,329
Net position - ending.....	\$ 657,036	\$ 431,761	\$ 309,246	\$ 81,436	\$ 67,937	\$ 142,093	\$ 1,006,042	\$ 2,695,551

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Statistical Section

(Unaudited)

Schedule of Net Position by Component – Last Ten Fiscal Years
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Massachusetts General Information

Statistical Section Narrative and Table of Contents

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Financial Trends

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)

	2020	2019	2018	2017	2016
Governmental activities					
Net investment in capital assets	\$ (1,705,745)	\$ (1,433,294)	\$ (1,446,934)	\$ (1,320,834)	\$ (1,067,098)
Restricted	1,543,264	1,270,844	1,546,202	1,926,716	1,538,662
Unrestricted	(77,514,884)	(73,917,902)	(74,253,756)	(63,992,403)	(59,111,068)
Total governmental activities net position	<u>\$ (77,677,365)</u>	<u>\$ (74,080,352)</u>	<u>\$ (74,154,488)</u>	<u>\$ (63,386,521)</u>	<u>\$ (58,639,504)</u>
Business-type activities					
Net investment in capital assets	\$ 3,938,922	\$ 3,868,576	\$ 3,777,515	\$ 3,623,966	\$ 3,311,658
Restricted	1,319,929	2,271,721	1,833,109	1,735,575	1,745,840
Unrestricted	(581,700)	(490,819)	(595,311)	722,923	678,667
Total business-type activities net position	<u>\$ 4,677,151</u>	<u>\$ 5,649,478</u>	<u>\$ 5,015,313</u>	<u>\$ 6,082,464</u>	<u>\$ 5,736,165</u>
Commonwealth net position					
Net investment in capital assets	\$ 2,233,177	\$ 2,435,282	\$ 2,330,581	\$ 2,303,132	\$ 2,244,560
Restricted	2,863,193	3,542,565	3,379,311	3,662,291	3,284,502
Unrestricted	(78,096,584)	(74,408,721)	(74,849,067)	(63,269,480)	(58,432,401)
Total Commonwealth net position	<u>\$ (73,000,214)</u>	<u>\$ (68,430,874)</u>	<u>\$ (69,139,175)</u>	<u>\$ (57,304,057)</u>	<u>\$ (52,903,339)</u>

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2015	2014	2013	2012	2011
\$ (768,411)	\$ (502,370)	\$ (592,483)	\$ (849,338)	\$ (722,469)
1,541,566	1,455,704	1,386,416	1,456,715	1,520,702
(55,626,250)	(53,381,659)	(26,733,592)	(24,904,848)	(23,630,855)
\$ (54,853,095)	\$ (52,428,325)	\$ (25,939,659)	\$ (24,297,471)	\$ (22,832,622)
\$ 3,055,444	\$ 2,794,845	\$ 2,605,263	\$ 2,366,038	\$ 2,026,223
1,539,785	1,590,545	1,209,630	1,576,865	1,364,646
697,056	675,796	1,026,230	969,309	978,043
\$ 5,292,285	\$ 5,061,186	\$ 4,841,123	\$ 4,912,212	\$ 4,368,912
\$ 2,287,033	\$ 2,292,475	\$ 2,012,780	\$ 1,516,700	\$ 1,303,754
3,081,351	3,046,249	2,596,046	3,033,580	2,885,348
(54,929,194)	(52,705,863)	(25,707,362)	(23,935,539)	(22,652,812)
\$ (49,560,810)	\$ (47,367,139)	\$ (21,098,536)	\$ (19,385,259)	\$ (18,463,710)

**Changes in Net Position
Last Ten Fiscal Years**

(Amounts in thousands)

	2020	2019	2018	2017	2016
EXPENSES					
Governmental Activities:					
General government	\$ 2,923,397	\$ 2,766,272	\$ 2,792,959	\$ 2,764,634	\$ 2,616,051
Judiciary	1,396,370	1,221,969	1,162,698	1,226,221	1,154,038
Direct local aid	6,390,233	6,089,548	5,900,634	5,734,682	5,598,687
Medicaid	19,206,749	18,093,807	18,105,722	17,182,691	16,825,110
Group health insurance	1,651,357	1,670,238	1,648,278	1,668,100	1,632,703
Energy and environmental	824,062	701,950	732,161	720,182	1,069,510
Housing and economic development	1,599,085	1,574,628	1,544,103	1,411,189	1,367,957
Health and human services	9,645,198	8,662,012	8,298,704	8,131,843	7,912,817
Transportation and public works	2,806,861	2,554,289	2,483,768	2,535,121	2,711,910
Early elementary and secondary education	6,618,282	5,607,240	6,101,603	6,243,115	5,420,052
Public safety and homeland security	3,962,024	3,006,893	2,757,266	2,913,849	2,746,612
Labor and workforce development	342,418	298,930	295,061	312,510	324,678
Lottery	4,306,512	4,445,654	4,325,321	4,128,209	4,299,592
Interest (unallocated)	1,491,983	1,522,183	1,419,910	1,384,248	1,250,004
Total governmental activities	63,164,531	58,215,613	57,568,188	56,356,594	54,929,721
Business-type Activities:					
Unemployment compensation	11,948,319	1,483,901	1,552,404	1,514,002	1,499,811
Family and employment security	5,434	—	—	—	—
Higher Education:					
University of Massachusetts	3,446,910	3,282,171	3,307,087	3,167,596	3,151,215
State Universities	1,150,987	1,145,531	1,089,551	1,063,196	1,002,577
Community Colleges	886,593	917,967	887,223	936,241	928,067
Total business-type activities	17,438,243	6,829,570	6,836,265	6,681,035	6,581,670
Total Commonwealth expenses	\$ 80,602,774	\$ 65,045,183	\$ 64,404,453	\$ 63,037,629	\$ 61,511,391
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 926,889	\$ 611,834	\$ 652,138	\$ 594,132	\$ 565,434
Judiciary	69,737	81,567	91,500	95,937	100,568
Medicaid	1,388,195	1,129,343	1,054,698	897,542	841,697
Group health insurance	822,420	808,194	941,946	802,628	799,011
Energy and environmental	280,252	279,267	273,504	249,565	289,738
Housing and economic development	225,908	163,315	213,530	194,940	173,941
Health and human services	822,920	1,411,918	1,292,584	1,359,519	1,224,967
Transportation and public works	568,028	627,941	625,595	596,200	577,292
Early elementary and secondary education	7,365	8,445	7,846	7,919	7,508
Public safety and homeland security	370,568	338,099	248,234	280,400	284,264
Labor and workforce development	203,992	307,506	269,293	40,652	38,581
Lottery	5,391,167	5,644,440	5,436,551	5,254,468	5,405,128
Total charges for services	11,077,441	11,411,869	11,107,419	10,373,902	10,308,129
Operating grants and contributions	18,661,840	16,253,915	16,230,934	15,519,380	15,158,087
Capital grants and contributions	77,964	66,085	99,002	58,354	85,759
Total governmental activities	29,817,245	27,731,869	27,437,355	25,951,636	25,551,975
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,833,362	1,852,195	1,617,394	1,468,492	1,611,096
Family and employment security	840,600	—	—	—	—
Higher Education:					
University of Massachusetts	1,844,180	1,860,268	1,907,824	1,882,899	1,875,144
State Universities	644,932	679,801	658,608	654,170	616,025
Community Colleges	221,732	237,288	259,156	274,868	274,252
Operating grants and contributions	9,250,714	976,096	931,780	909,228	891,823
Capital grants and contributions	145,646	112,033	160,201	238,621	265,714
Total business-type activities	14,781,166	5,717,681	5,534,963	5,428,278	5,534,054
Total Commonwealth program revenues	\$ 44,598,411	\$ 33,449,550	\$ 32,972,318	\$ 31,379,914	\$ 31,086,029
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 30,482,040	\$ 30,609,957	\$ 27,964,093	\$ 25,949,577	\$ 25,676,303
Investment earnings and miscellaneous	1,169,416	1,513,855	1,283,283	995,073	1,161,089
Transfers, net	(1,404,336)	(1,565,932)	(1,123,731)	(1,286,709)	(1,246,055)
Total governmental activities	30,247,120	30,557,880	28,123,645	25,657,941	25,591,337
Business-type Activities:					
Investment earnings and miscellaneous	333,608	145,483	423,379	312,347	245,441
Other losses	—	—	—	—	—
Transfers, net	1,404,336	1,565,932	1,123,731	1,286,709	1,246,055
Total business-type activities	1,737,944	1,711,415	1,547,110	1,599,056	1,491,496
Total Commonwealth general revenues	\$ 31,985,064	\$ 32,269,295	\$ 29,670,755	\$ 27,256,997	\$ 27,082,833
CHANGES IN NET POSITION					
Governmental activities	\$ (3,100,166)	\$ 74,136	\$ (2,007,188)	\$ (4,747,017)	\$ (3,786,409)
Business-type activities	(919,133)	599,526	245,808	346,299	443,880
Total changes in net position including restatements	\$ (4,019,299)	\$ 673,662	\$ (1,761,380)	\$ (4,400,718)	\$ (3,342,529)

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	2015	2014	2013	2012	2011
\$	2,703,519	\$ 2,521,454	\$ 2,571,881	\$ 2,384,167	\$ 2,312,298
	1,026,429	1,007,234	983,314	936,113	1,000,902
	5,469,412	5,353,521	5,179,104	4,991,532	4,845,738
	15,086,742	14,034,862	12,286,342	11,708,397	12,124,261
	1,657,018	1,403,590	1,282,661	1,218,079	1,113,544
	671,801	615,854	524,632	568,898	689,258
	1,314,980	1,289,156	1,250,008	1,246,213	1,365,368
	7,605,180	7,308,295	7,737,736	7,619,987	7,139,948
	2,689,975	2,379,178	1,868,020	1,759,589	2,270,136
	4,654,161	4,714,555	4,493,537	4,336,326	3,585,958
	2,486,107	2,451,881	2,391,982	2,323,452	2,295,561
	309,091	352,454	385,757	472,044	498,560
	4,109,611	3,980,980	3,982,700	3,877,305	3,661,834
	1,263,218	1,197,709	1,206,542	1,202,772	1,177,569
	51,047,244	48,610,723	46,144,216	44,644,874	44,080,935
	1,598,084	2,036,431	2,718,447	3,466,500	4,388,360
	—	—	—	—	—
	2,809,062	2,925,013	2,759,488	2,684,039	2,865,015
	994,341	922,383	864,161	851,118	834,453
	891,906	852,946	814,245	801,038	772,883
	6,293,393	6,736,773	7,156,341	7,802,695	8,860,711
\$	57,340,637	55,347,496	53,300,557	52,447,569	52,941,646
\$	634,289	\$ 361,105	\$ 352,291	\$ 458,320	\$ 443,869
	105,521	108,766	111,384	114,170	120,293
	1,052,170	1,226,108	471,539	297,566	258,032
	755,712	660,359	619,982	495,377	431,078
	253,856	262,339	228,019	214,340	270,449
	164,438	165,365	150,690	142,320	142,387
	405,710	483,080	1,143,551	931,535	896,328
	577,430	530,853	567,348	505,842	502,004
	7,649	10,067	6,748	6,783	6,645
	256,596	228,730	218,643	205,546	193,983
	175,130	150,394	246,577	237,772	142,731
	5,193,545	5,049,536	5,041,329	4,940,151	4,630,205
	9,582,046	9,236,702	9,158,101	8,549,722	8,038,004
	13,950,227	13,121,648	12,836,122	12,909,908	14,217,481
	81,475	30,699	18,726	79,733	168,912
	23,613,748	22,389,049	22,012,949	21,539,363	22,424,397
	1,492,067	1,897,495	1,923,476	1,982,602	1,945,801
	—	—	—	—	—
	1,602,043	1,697,585	1,640,296	1,519,496	1,685,386
	583,669	558,170	533,347	523,979	530,078
	266,956	270,512	281,428	275,778	250,341
	936,917	1,347,423	1,791,196	2,525,342	3,500,210
	206,128	122,081	123,396	162,271	42,819
	5,087,780	5,893,266	6,293,139	6,989,468	7,954,635
\$	28,701,528	28,282,315	28,306,088	28,528,831	30,379,032
\$	25,209,826	\$ 23,319,168	\$ 22,599,332	\$ 21,403,426	\$ 21,066,430
	1,251,288	1,131,848	985,810	1,393,192	991,519
	(1,429,174)	(1,205,141)	(1,096,061)	(1,155,955)	(860,904)
	25,031,940	23,245,875	22,489,081	21,640,663	21,197,045
	7,536	306,690	271,832	214,056	652,489
	—	—	—	—	(10,746)
	1,429,174	1,205,141	1,096,061	1,155,955	860,904
	1,436,710	1,511,831	1,367,893	1,370,011	1,502,647
\$	26,468,650	24,757,706	23,856,974	23,010,674	22,699,692
\$	(2,401,556)	\$ (2,975,800)	\$ (1,642,187)	\$ (1,464,850)	\$ (459,493)
	231,099	668,324	504,691	556,784	596,571
\$	(2,170,457)	(2,307,476)	(1,137,496)	(908,066)	137,078

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2020	2019	2018	2017	2016
Fund balances:					
Restricted ⁽¹⁾	\$ 1,294,124	\$ 1,316,707	\$ 1,519,833	\$ 1,926,716	\$ 1,377,671
Committed ⁽²⁾	5,325,797	5,007,488	3,302,222	2,351,687	2,422,088
Assigned ⁽³⁾	1,682,922	1,256,717	955,830	684,655	845,567
Unassigned.....	754,673	1,530,423	1,060,559	634,324	628,420
Total governmental fund balances.....	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>	<u>\$ 5,273,746</u>

(1) Restricted fund balance decreased from FY20 mainly due to reclassification of governmental funds to fiduciary funds as a result of the implementation of GASB Statement No. 84.

(2) The increase in the committed fund balance from FY20 is due to an increase of approximately \$77 million in the ending balance of the Commonwealth's stabilization fund, an increase of approximately \$142 million in the other special revenue funds and an increase of approximately \$67 million due to reclassification of fiduciary funds to governmental funds as a result of the implementation of GASB Statement No. 84.

(3) Assigned fund balance increased from FY20 as a result of an increase in authorizations reappropriated from prior years of approximately \$286 million and an approximately \$111 million increase in the amounts held by the Massachusetts School Building Authority (MSBA) for grants and loans to other governmental entities.

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2015	2014	2013	2012	2011
\$ 1,792,461	\$ 1,518,671	\$ 1,558,842	\$ 2,196,201	\$ 1,675,969
2,375,367	2,250,157	2,324,445	2,404,475	2,020,252
576,632	510,353	595,085	574,621	750,462
561,105	340,505	391,795	1,143,978	821,188
\$ 5,305,565	\$ 4,619,686	\$ 4,870,167	\$ 6,319,275	\$ 5,267,871

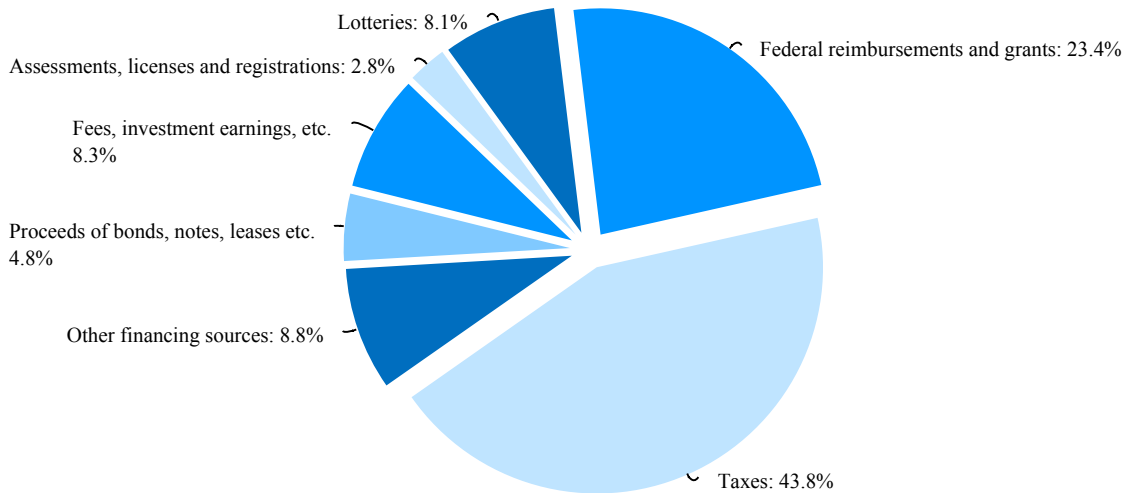
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2020		2019		2018		2017		2016	
	Total	%	Total	%	Total	%	Total	%	Total	%
Taxes	\$ 30,266	41.7	\$ 30,618	43.8	\$ 28,243	41.1	\$ 25,828	37.7	\$ 25,746	38.0
Federal reimbursements	14,427	19.9	12,650	18.1	12,647	18.3	11,932	17.4	11,577	17.1
Federal grants	4,048	5.6	3,678	5.3	3,684	5.3	3,635	5.3	3,656	5.4
Lotteries	5,395	7.4	5,652	8.1	5,442	7.9	5,258	7.7	5,406	8.0
Assessments	1,378	1.9	1,377	2.0	1,354	2.0	1,219	1.8	1,104	1.6
Motor vehicle licenses and registrations	515	0.7	566	0.8	566	0.8	554	0.8	546	0.8
Fees, investment earnings, etc.	5,527	7.6	5,794	8.3	5,518	8.0	4,966	7.3	4,957	7.3
Issuance of general and special obligation bonds	2,787	3.8	2,008	2.9	2,779	4.0	3,464	5.1	3,969	5.9
Issuance of refunding bonds	1,225	1.7	819	1.2	993	1.4	1,853	2.7	1,463	2.2
Bond premiums	276	0.4	470	0.7	562	0.8	812	1.2	613	0.9
Proceeds of capital lease	1	—	—	—	—	—	1	—	31	—
Other financing sources	6,662	9.2	6,143	8.8	7,202	10.4	8,915	13.0	8,682	12.8
Total revenues and other financing sources	\$ 72,507	100.0	\$ 69,775	100.0	\$ 68,990	100.0	\$ 68,437	100.0	\$ 67,750	100.0

See Independent Auditors' Report

**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2020**



2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
\$ 25,258	41.7	\$ 23,786	41.6	\$ 22,391	40.5	\$ 21,533	39.6	\$ 20,854	38.7
10,462	17.2	9,417	16.5	8,981	16.2	8,934	16.4	10,066	18.8
3,583	5.9	3,730	6.5	3,887	7.0	4,051	7.5	4,311	8.0
5,194	8.6	5,049	8.8	5,042	9.1	4,944	9.1	4,631	8.6
1,026	1.7	1,080	1.8	1,093	2.0	1,024	1.9	980	1.8
546	0.9	495	0.9	487	0.9	474	0.9	461	0.9
4,540	7.5	4,152	7.3	3,750	6.8	3,823	7.0	3,246	6.0
3,761	6.2	2,360	4.1	1,471	2.7	2,902	5.3	2,233	4.1
632	1.0	1,236	2.2	1,913	3.5	388	0.7	888	1.6
379	0.6	193	0.3	398	0.7	260	0.5	130	0.2
31	0.1	11	—	1	—	4	—	12	—
5,247	8.6	5,701	10.0	5,876	10.6	6,033	11.1	6,086	11.3
<u>\$ 60,659</u>	<u>100.0</u>	<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>

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

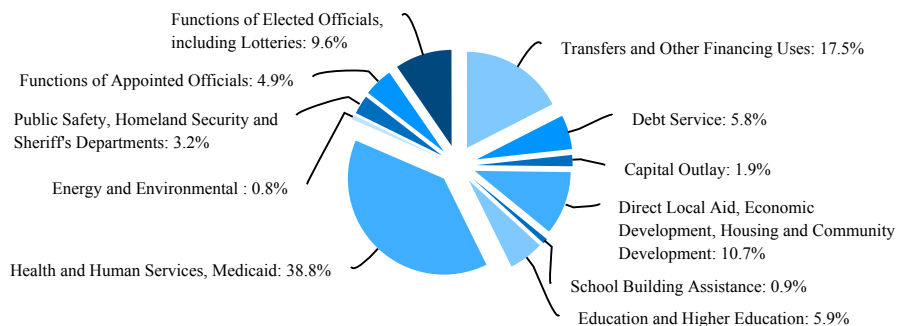
(Amounts in millions)

	2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Legislature	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1	\$ 61	0.1
Judiciary	1,022	1.4	985	1.5	921	1.4	908	1.3	880	1.3
Inspector General	6	—	5	—	5	—	4	—	5	—
Governor and Lieutenant Governor	7	—	7	—	7	—	7	—	7	—
Secretary of the Commonwealth	63	0.1	55	0.1	45	0.1	51	0.1	44	0.1
Treasurer and Receiver-General	5,961	8.2	6,092	9.0	5,854	8.6	5,657	8.2	5,799	8.7
Auditor of the Commonwealth	19	—	18	—	19	—	18	—	19	—
Attorney General	108	0.2	107	0.2	98	0.1	76	0.1	67	0.1
Ethics Commission	2	—	2	—	2	—	2	—	2	—
District Attorney	150	0.2	138	0.2	129	0.2	130	0.2	124	0.2
Office of Campaign and Political Finance	2	—	3	—	2	—	2	—	2	—
Sheriff's Department	718	1.0	672	1.0	635	0.9	624	0.9	616	0.9
Disabled Persons Protection Commission	6	—	5	—	4	—	3	—	3	—
Board of Library Commissioners	33	—	30	—	28	—	28	—	28	—
Massachusetts Gaming Commission	44	0.1	50	0.1	44	0.1	37	0.1	34	0.1
Comptroller	17	—	16	—	16	—	17	—	17	—
Administration and Finance	2,490	3.4	2,311	3.4	2,475	3.7	2,444	3.6	2,416	3.6
Energy and Environmental	466	0.6	477	0.7	445	0.7	405	0.6	436	0.6
Health and Human Services	8,817	12.1	8,054	12.0	7,813	11.5	7,463	11.0	7,402	10.9
Executive Office of Technology Services	140	0.2	116	0.2	81	0.1	—	—	—	—
Massachusetts Department of Transportation	2,486	3.4	2,349	3.5	2,387	3.5	2,391	3.5	2,595	3.8
Office of the Child Advocate	2	—	1	—	1	—	1	—	1	—
Cannabis Control Commission	13	—	10	—	2	—	—	—	—	—
Executive Office of Education*	4,323	6.0	3,972	5.9	3,723	5.5	3,589	5.3	3,478	5.1
Center for Health and Information Analysis	20	—	20	—	21	—	23	—	27	—
Massachusetts School Building Assistance	713	1.0	572	0.9	550	0.8	621	0.9	626	0.9
Public Safety and Homeland Security	2,066	2.8	1,463	2.2	1,400	2.1	1,374	2.0	1,385	2.0
Housing and Economic Development*	1,223	1.7	1,157	1.7	1,089	1.6	1,021	1.5	1,048	1.5
Labor and Workforce Development*	280	0.4	258	0.4	255	0.4	259	0.4	277	0.4
Medicaid	19,207	26.5	18,094	26.8	18,106	26.9	17,183	25.2	16,825	24.9
Pension	1,384	1.9	1,368	2.0	1,294	1.9	1,127	1.7	1,103	1.6
Direct local aid	6,390	8.8	6,090	9.0	5,901	8.7	5,735	8.4	5,599	8.3
Capital outlay:										
Local aid	—	—	—	—	—	—	—	—	1	—
Capital acquisition and construction	1,051	1.5	1,310	1.9	1,253	1.8	1,202	1.8	1,162	1.7
Debt service:										
Principal/commercial paper repayment	1,948	2.7	1,480	2.2	3,706	5.5	4,676	6.9	4,487	6.6
Interest	1,238	1.7	1,484	2.2	1,381	2.0	1,262	1.9	1,248	1.8
Principal on current refunding	409	0.6	956	1.4	522	0.8	188	0.3	250	0.4
Other financing uses:										
Payments to refunding bond escrow agent	1,655	2.3	—	—	628	0.9	2,304	3.4	2,613	3.9
Transfers	8,067	11.1	7,709	11.4	6,838	10.1	7,215	10.6	7,094	10.5
Total expenditures and other financing uses	\$ 72,616	100.0	\$ 67,503	100.0	\$ 67,748	100.0	\$ 68,114	100.0	\$ 67,781	100.0
Change in Governmental Fund Balance	\$ (108)		\$ 2,273		\$ 1,241		\$ 324		\$ (32)	
Ratio of debt service expenditures to total noncapital expenditures	5.8%		6.7%		9.5%		10.7%		10.5%	

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

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Apportionment of Expenditures - Fiscal Year Ended June 30, 2020



	2015	% Total	2014	% Total	2013	% Total	2012	% Total	2011	% Total
\$	61	0.1	\$ 56	0.1	\$ 57	0.1	\$ 58	0.1	\$ 58	0.1
	845	1.4	816	1.4	792	1.4	757	1.4	771	1.4
	5	—	6	—	6	—	3	—	4	—
	6	—	5	—	6	—	7	—	5	—
	50	0.1	51	0.1	49	0.1	41	0.1	45	0.1
	5,602	9.6	5,327	9.5	5,307	9.5	5,282	9.9	5,084	9.6
	18	—	18	—	18	—	17	—	18	—
	41	0.1	88	0.2	76	0.1	55	0.1	34	0.1
	2	—	2	—	2	—	2	—	2	—
	119	0.2	115	0.2	115	0.2	110	0.2	104	0.2
	3	—	1	—	1	—	1	—	3	—
	593	1.0	565	1.0	541	1.0	529	1.0	514	1.0
	3	—	2	—	2	—	2	—	2	—
	28	—	25	—	25	—	24	—	25	—
	23	—	23	—	14	—	1	—	—	—
	16	—	16	—	14	—	14	—	14	—
	2,490	4.2	2,296	4.0	2,295	4.1	1,949	3.7	1,852	3.3
	417	0.7	410	0.7	365	0.6	351	0.7	368	0.7
	7,211	12.0	6,957	12.1	7,384	13.1	7,301	13.6	6,791	12.8
	—	—	—	—	—	—	—	—	—	—
	2,611	4.4	2,296	4.0	1,785	3.1	1,679	3.1	2,086	3.9
	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—
	3,320	5.5	3,201	5.6	3,008	5.3	3,069	5.8	3,232	6.1
	28	—	26	—	9	—	—	—	—	—
	732	1.2	869	1.5	1,037	1.8	975	1.8	791	1.5
	1,334	2.2	1,274	2.2	1,296	2.3	1,208	2.3	1,146	2.2
	1,021	1.7	1,035	1.8	988	1.7	999	1.9	1,082	2.0
	269	0.4	330	0.6	350	0.6	455	0.9	478	0.9
	15,087	25.2	14,035	24.4	12,286	21.7	11,708	22.0	12,124	22.8
	902	1.5	865	1.5	878	1.5	801	1.5	744	1.4
	5,469	9.1	5,353	9.3	5,179	9.1	4,991	9.4	4,846	9.1
	—	—	—	—	—	—	—	—	—	—
	1,205	2.0	999	1.7	854	1.5	847	1.6	885	1.7
	—	—	—	—	—	—	—	—	—	—
	1,781	3.0	1,546	2.7	1,525	2.7	1,297	2.4	1,071	2.0
	1,187	2.0	1,223	2.1	1,229	2.2	1,207	2.3	1,149	2.2
	203	0.3	159	0.3	230	0.4	—	—	—	—
	615	1.0	562	1.0	2,046	3.6	388	0.7	945	1.8
	6,676	11.1	6,907	12.0	6,972	12.3	7,189	13.5	6,947	13.1
\$	59,973	100.0	\$ 57,461	100.0	\$ 56,739	100.0	\$ 53,319	100.0	\$ 53,217	100.0
\$	686		\$ (251)		\$ (1,448)		\$ 1,051		\$ 681	
	6.2%		6.0%		6.4%		5.6%		5.0%	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2019	2018	2017	2016	2015
Total personal income	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636
Unearned income.....	126,165	118,567	111,017	108,349	97,728
Farm earnings.....	108	103	129	151	195
Nonfarm earnings.....	385,061	364,763	339,816	334,000	317,713
Private earnings	369,080	349,476	323,875	319,931	272,533
Agricultural services, forestry, fishing.....	625	659	716	677	406
Mining.....	144	274	608	379	276
Construction.....	23,397	23,177	20,609	19,473	17,197
Manufacturing	28,568	27,271	26,550	27,181	26,497
Durable goods.....	20,020	19,239	18,709	18,894	18,193
Nondurable goods.....	8,548	8,032	7,841	8,287	8,304
Transportation and utilities.....	11,724	9,667	8,649	8,330	7,600
Wholesale trade.....	15,254	15,102	14,830	14,621	13,938
Retail trade.....	17,438	16,432	15,982	15,520	14,716
Services.....	271,930	256,894	235,931	233,750	191,903
Government	44,549	42,557	42,492	41,130	39,921
Federal, civilian.....	5,647	5,458	5,477	5,427	5,202
Military.....	1,003	900	891	860	860
State and local.....	37,899	36,199	36,124	34,843	33,859
Personal income tax revenue (fiscal year, statutory basis).....	\$ 17,361	\$ 17,109	\$ 16,240	\$ 14,394	\$ 14,449
Total personal income.....	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636
Average Effective Rate.....	3.40 %	3.54 %	3.60 %	3.25 %	3.48 %
Highest Earned Income Tax Rate.....	5.00 %	5.05 %	5.10 %	5.10 %	5.15 %

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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2014	2013	2012	2011	2010
\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243	\$ 336,400
94,494	91,615	87,333	83,338	81,190
178	151	150	136	186
301,534	289,505	276,461	268,769	255,024
262,843	252,939	243,503	236,764	223,785
354	373	426	409	383
270	201	113	124	97
15,481	14,759	13,426	12,526	11,687
25,921	25,341	26,375	25,388	25,108
18,224	17,977	19,223	18,319	18,053
7,697	7,364	7,152	7,069	7,055
7,295	7,083	6,742	6,604	6,208
13,546	13,483	12,979	13,082	12,501
14,137	13,565	13,333	12,891	12,599
185,839	178,134	170,109	165,740	155,202
38,691	36,567	32,959	32,006	31,241
5,007	4,792	5,442	5,426	5,431
874	943	1,221	1,245	1,260
32,810	30,832	26,296	25,335	24,550

\$ 13,202	\$ 12,831	\$ 11,911	\$ 11,576	\$ 10,110
\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243	\$ 336,400
3.33 %	3.37 %	3.27 %	3.29 %	3.01 %
5.20 %	5.25 %	5.25 %	5.30 %	5.30 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2018 and 2009

(Amounts, except income level are in thousands)

Calendar Year 2018 (or Fiscal Year 2019)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher.....	882,231	22.3%	\$ 12,096,957	75.2%
\$75,001 - \$100,000.....	330,998	8.4%	1,224,083	7.6%
\$50,001 - \$75,000.....	530,596	13.4%	1,335,804	8.3%
\$25,001 - \$50,000.....	841,854	21.3%	1,109,661	6.9%
\$10,001 - \$25,000.....	655,358	16.6%	282,342	1.8%
\$10,000 and lower.....	709,323	18.0%	36,980	0.2%
Total.....	<u>3,950,360</u>	<u>100.0%</u>	<u>\$ 16,085,827</u>	<u>100.0%</u>

Calendar Year 2009 (or Fiscal Year 2010)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher.....	566,632	16.7%	\$ 6,243,928	64.3%
\$75,001 - \$100,000.....	280,986	8.3%	1,049,714	10.8%
\$50,001 - \$75,000.....	450,828	13.3%	1,146,189	11.8%
\$25,001 - \$50,000.....	750,699	22.2%	991,818	10.2%
\$10,001 - \$25,000.....	633,736	18.7%	251,436	2.6%
\$10,000 and lower.....	704,168	20.8%	28,052	0.3%
Total.....	<u>3,387,049</u>	<u>100.0%</u>	<u>\$ 9,711,137</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2018 is the most recent tax year for which complete data is available.

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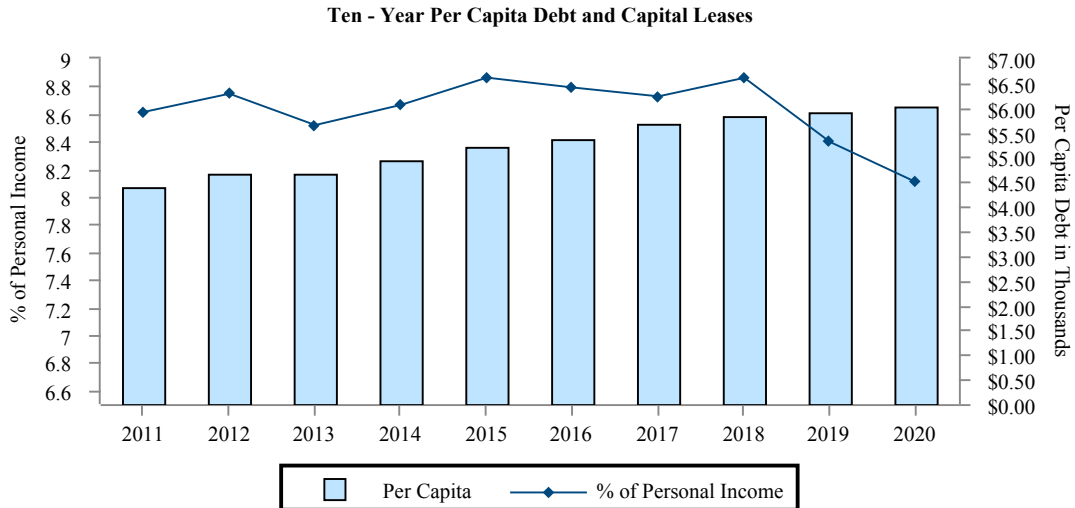
Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

(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						
2020	\$ 30,701,422	\$ 17,114	\$ 6,053,947	\$ 4,667,917	\$ 8,842	\$ 41,449,242	\$ 511,333,665	6,893	8.1 %	\$ 6.01	
2019	30,219,316	19,835	6,054,994	4,284,704	9,589	40,588,438	483,433,495	6,883	8.4 %	5.90	
2018	29,496,401	22,492	5,990,554	4,438,502	9,825	39,957,774	450,961,579	6,860	8.9 %	5.82	
2017	28,216,650	30,856	5,828,790	4,529,353	8,979	38,614,628	442,500,000	6,824	8.7 %	5.66	
2016	26,422,941	41,302	5,624,275	4,438,282	9,887	36,536,687	415,636,000	6,794	8.8 %	5.38	
2015	24,790,909	42,928	5,714,410	4,553,105	9,895	35,111,247	396,206,000	6,763	8.9 %	5.19	
2014	23,090,434	55,878	5,632,470	4,243,731	14,529	33,037,042	381,271,000	6,713	8.7 %	4.92	
2013	22,001,693	50,831	5,195,160	3,736,432	19,299	31,003,415	363,943,750	6,663	8.5 %	4.65	
2012	21,907,683	60,457	5,443,265	3,370,389	23,327	30,805,121	352,242,750	6,614	8.7 %	4.66	
2011	21,210,133	60,975	4,395,390	3,277,413	31,105	28,975,016	336,399,750	6,566	8.6 %	4.41	

- (1) Excludes Massachusetts School Building Authority debt. Bonded debt for each fiscal year includes unamortized premiums or discounts.
- (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 Federal Unemployment insurance borrowing under Title XII of the Social Security Act, notes payable of the Institutions of Higher Education and unamortized premiums or discounts.
- (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 (US Census Bureau.)*

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Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2020 (3)	2019 (3)	2018 (3)	2017 (3)	2016 (3)
Outstanding principal as of June 30 (1).....	\$ 28,098,890	\$ 27,739,221	\$ 27,360,819	\$ 26,445,665	\$ 25,079,591
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs.....	—	—	—	—	—
Total net proceeds/principal.....	28,098,890	27,739,221	27,360,819	26,445,665	25,079,591
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds.....	(945,574)	(1,013,492)	(1,092,519)	(1,110,195)	(1,150,296)
Accelerated bridge program.....	(2,325,620)	(2,349,950)	(2,429,000)	(2,380,740)	(2,192,930)
County debt assumed.....	—	—	—	—	—
(Premium)/discount.....	—	—	—	—	—
Grant anticipation notes (2).....	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds.....	(496,936)	(574,902)	(598,985)	(632,348)	(652,197)
Convention center bonds.....	(504,255)	(527,635)	(552,110)	(575,420)	(597,630)
MBTA forward funding bonds.....	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds.....	(55,290)	(80,930)	(105,230)	(128,270)	(170,735)
Rail enhancement program bonds (4).....	(1,260,565)	(1,104,610)	(1,131,105)	(644,540)	—
Outstanding direct debt, net proceeds/principal.....	22,510,443	22,087,495	21,451,663	20,973,945	20,315,596
Statutory debt limit*.....	25,220,164	24,019,204	22,875,433	21,786,126	20,748,692
Debt margin (debt limit less direct debt).....	<u>\$ 2,709,721</u>	<u>\$ 1,931,709</u>	<u>\$ 1,423,770</u>	<u>\$ 812,181</u>	<u>\$ 433,096</u>
Debt margin as a percentage of direct debt limit.....	<u>10.7%</u>	<u>8.0%</u>	<u>6.2%</u>	<u>3.7%</u>	<u>2.1%</u>

(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

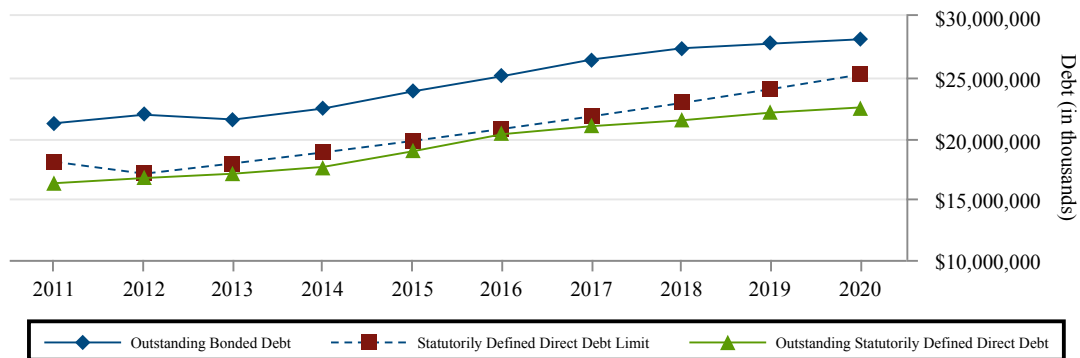
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are 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
2011 - 2020**



2015 (3)	2014 (3)	2013 (3)	2012	2011
\$ 23,826,301	\$ 22,419,852	\$ 21,513,039	\$ 21,433,553	\$ 20,875,056
—	—	—	474,130	335,078
23,826,301	22,419,852	21,513,039	21,907,683	21,210,134
(1,197,127)	(1,241,263)	(1,303,013)	(1,342,841)	(1,356,606)
(2,195,004)	(1,756,395)	(1,088,605)	(1,095,385)	(676,125)
—	—	—	(75)	(150)
—	—	—	(474,130)	(335,078)
—	(178,390)	(349,100)	(510,385)	(666,790)
(689,446)	(723,917)	(764,337)	(795,009)	(824,279)
(618,705)	(638,700)	(638,700)	(638,700)	(643,715)
(207)	(207)	(207)	(207)	(44,472)
(210,635)	(249,705)	(296,395)	(337,545)	(371,665)
—	—	—	—	—
18,915,177	17,631,275	17,072,682	16,713,406	16,291,254
19,760,659	18,819,675	17,923,500	17,070,000	18,042,424
\$ 845,482	\$ 1,188,400	\$ 850,818	\$ 356,594	\$ 1,751,170
4.3%	6.3%	4.7%	2.1%	9.7%

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)

	2020	2019	2018	2017	2016
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.					
<u>Pre-2010 Bond Issues</u>					
Tax Receipts	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820	\$ 190,803
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820	\$ 190,803
Annual Debt Service	\$ 29,822	\$ 29,818	\$ 29,825	\$ 51,276	\$ 50,906
Debt Service Coverage Ratio	5.85	6.46	6.41	3.74	3.75
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA
<u>Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)</u>					
Receipts	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734	\$ 1,294,357
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734	\$ 1,294,357
Annual Debt Service	\$ 184,361	\$ 176,189	\$ 149,968	\$ 129,024	\$ 94,859
Debt Service Coverage Ratio	6.78	7.79	9.09	10.28	13.65
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	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	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789	\$ 134,806
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789	\$ 134,806
Annual Debt Service	\$ 52,222	\$ 54,601	\$ 54,473	\$ 54,540	\$ 54,540
Debt Service Coverage Ratio	2.79	3.01	2.70	2.45	2.47
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A	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.					
<u>Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds)</u>					
Receipts	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397	\$ 1,707,187
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397	\$ 1,707,187
Annual Debt Service	\$ 86,858	\$ 86,093	\$ 83,804	\$ 80,486	\$ 76,049
Debt Service Coverage Ratio	19.64	20.57	20.96	21.55	22.45
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA

*Uninsured rating, if available.

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2015	2014	2013	2012	2011
\$ 187,913	\$ 187,467	\$ 186,638	\$ 190,129	\$ 189,763
N/A	N/A	N/A	N/A	N/A
\$ 187,913	\$ 187,467	\$ 186,638	\$ 190,129	\$ 189,763
\$ 52,225	\$ 52,228	\$ 58,922	\$ 58,939	\$ 59,453
3.60	3.59	3.17	3.23	3.19
AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA, Aa1, AAA
\$ 1,283,248	\$ 1,210,405	\$ 1,170,297	\$ 1,121,709	\$ 626,619
N/A	N/A	N/A	N/A	N/A
\$ 1,283,248	\$ 1,210,405	\$ 1,170,297	\$ 1,121,709	\$ 626,619
\$ 81,054	\$ 69,921	\$ 58,108	\$ 32,623	\$ 14,318
15.83	17.31	20.14	34.38	43.76
NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA
\$ 124,937	\$ 109,879	\$ 100,631	\$ 94,234	\$ 84,905
N/A	N/A	N/A	N/A	N/A
\$ 124,937	\$ 109,879	\$ 100,631	\$ 94,234	\$ 84,905
\$ 52,852	\$ 34,486	\$ 34,486	\$ 34,486	\$ 34,486
2.36	3.19	2.92	2.73	2.46
NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A
\$ 1,556,243	\$ 1,562,732	\$ 1,575,266	\$ 1,674,485	\$ 909,546
N/A	N/A	N/A	N/A	N/A
\$ 1,556,243	\$ 1,562,732	\$ 1,575,266	\$ 1,674,485	\$ 909,546
\$ 33,472	\$ 4,268	\$ 4,973	\$ 4,271	\$ 2,039
46.49	366.15	316.76	392.06	446.07
AA+, Aa1, AAA	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)

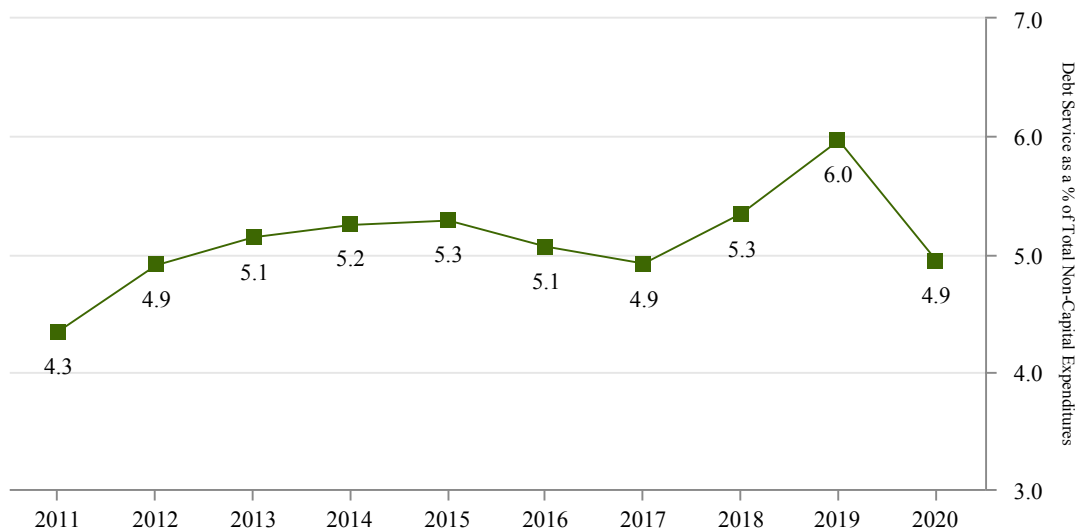
Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2020	\$ 3,026,865	\$ 61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
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

(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.

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Debt Service to Non-Capital Expenditures Ratio 2011 - 2020



**Component Units Revenue Bond Coverage
For the Last Ten Fiscal Years**

(Amounts in thousands)

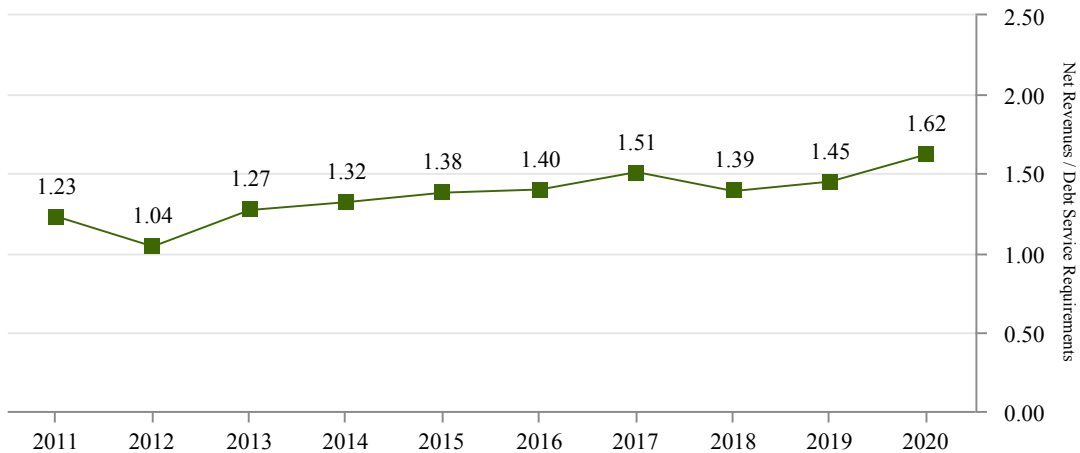
Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2020	\$ 2,194,836	\$ 1,352,565	1.62
2019	2,073,011	1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40
2015	1,950,292	1,417,420	1.38
2014	1,481,374	1,126,392	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

- (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 2011 - 2020



Ten-Year Schedule of Massachusetts and United States Resident Population

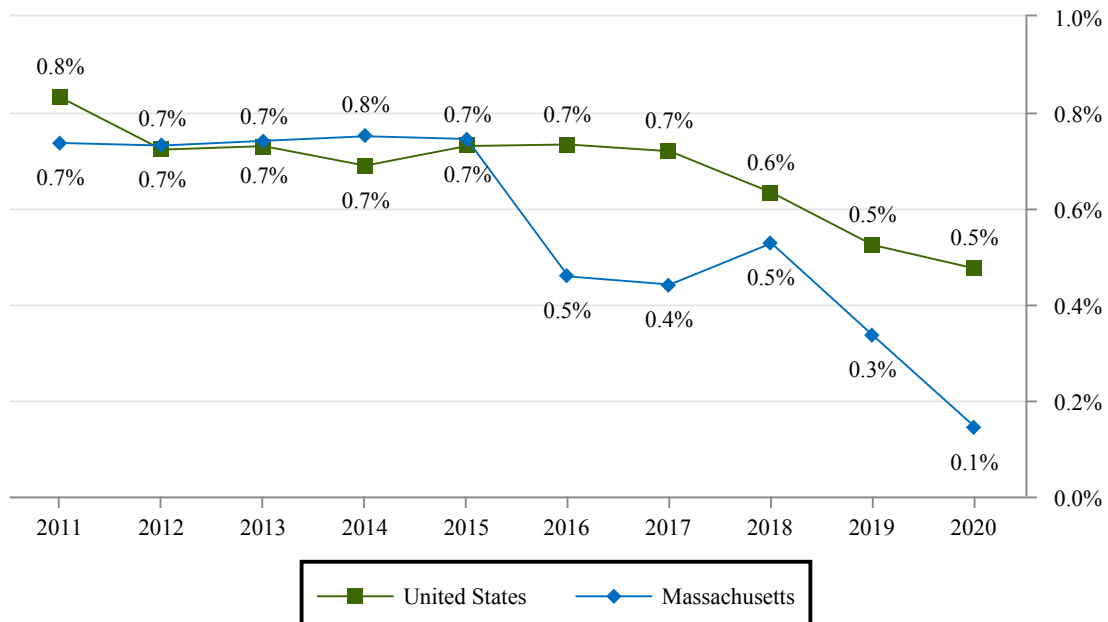
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population ⁽¹⁾	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2020	6,893	0.1%	328,240	0.5%	2.1%
2019	6,883	0.3%	326,688	0.5%	2.1%
2018	6,860	0.5%	324,986	0.6%	2.1%
2017	6,824	0.4%	322,941	0.7%	2.1%
2016	6,794	0.5%	320,635	0.7%	2.1%
2015	6,763	0.7%	318,301	0.7%	2.1%
2014	6,713	0.8%	315,994	0.7%	2.1%
2013	6,663	0.7%	313,831	0.7%	2.1%
2012	6,614	0.7%	311,557	0.7%	2.1%
2011	6,566	0.7%	309,322	0.8%	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
2011 - 2020**



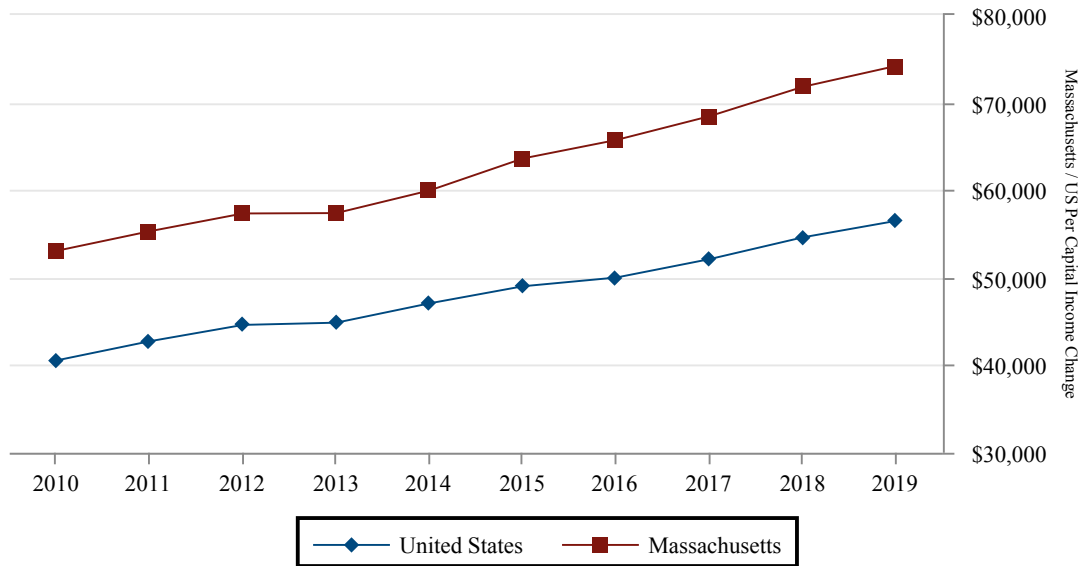
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2019	\$ 74,187	3.3 %	\$ 56,490	3.5 %	131.3 %
2018	71,801	4.9 %	54,606	4.8 %	131.5 %
2017	68,442	4.1 %	52,118	4.2 %	131.3 %
2016	65,725	3.3 %	50,015	2.0 %	131.4 %
2015	63,618	6.1 %	49,019	4.1 %	129.8 %
2014	59,963	4.5 %	47,071	4.9 %	127.4 %
2013	57,377	0.1 %	44,860	0.6 %	127.9 %
2012	57,333	3.7 %	44,605	4.4 %	128.5 %
2011	55,302	4.2 %	42,739	5.4 %	129.4 %
2010	53,062	4.1 %	40,547	3.2 %	130.9 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on September 24, 2020.

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Massachusetts and United States Estimated Per Capita Net Income
2010 - 2019



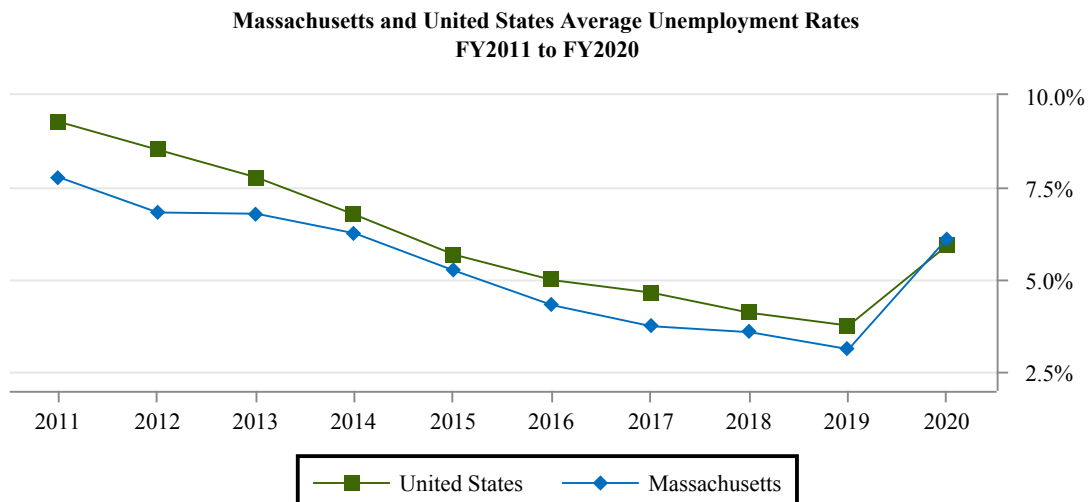
**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**

(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 %	
2020	3,754	230	6.1%	162,611	9,653	5.9%	103.4%
2019	3,805	119	3.1%	162,665	6,125	3.8%	83.1%
2018	3,736	134	3.6%	161,174	6,627	4.1%	87.2%
2017	3,654	137	3.7%	159,800	7,444	4.7%	80.5%
2016	3,591	155	4.3%	158,034	7,895	5.0%	86.4%
2015	3,595	189	5.3%	156,626	8,908	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%

Source: Federal Bureau of Labor Statistics, October 2020. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics

See Independent Auditors' Report



Largest Private Sector Massachusetts Employers 2020 and 2011
(Alphabetical Order)

2020			2011		
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
The Children's Hospital Corporation	Boston	Hospital	The Children's Hospital Corporation	Boston	Hospital
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
General Hospital Corporation	Boston	Hospital	EMC Corporation	Hopkinton	Computer Storage & Peripherals
Harvard University	Cambridge	University	General Hospital Corporation	Boston	Hospital
Massachusetts Institute of Technology	Cambridge	University	Harvard University	Cambridge	University
Partners Healthcare Systems, Inc.	Boston	Hospital	Massachusetts Institute of Technology	Cambridge	University
Raytheon Company	Lexington	Electronics / Defense	Partners Healthcare Systems, Inc.	Boston	Hospital
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Raytheon Company	Lexington	Electronics / Defense
The Stop & Shop Supermarkets, Co.	Quincy	Supermarket	S & S Credit Company, Inc. (Stop & Shop)	Quincy	Supermarket
State Street Bank and Trust Company	Boston	Banking	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
The TJX Companies, Inc.	Framingham	Retail	Southcoast Hospitals Group	New Bedford	Hospital
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	State Street Bank and Trust Company	Boston	Banking
Wayfair, LLC	Boston	Retail	UMASS Memorial Medical Center, Inc.	Worcester	Hospital

Source: Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2020 survey. In addition, Amazon.Com Services, Inc., 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.

See Independent Auditors' Report

Full Time Equivalent Employees
By Function/Program
Last Ten Years

Functions/Programs	2020	2019	2018	2017	2016
General government.....	6,890	6,900	6,855	6,905	7,018
Judiciary.....	7,217	7,164	7,229	7,208	7,264
Energy and environmental affairs.....	2,626	2,614	2,533	2,509	2,539
Health and human services.....	22,218	22,209	22,104	21,817	21,557
Transportation and construction.....	3,584	3,555	3,527	3,482	4,004
Education.....	887	852	821	815	907
Public safety and homeland security.....	16,907	16,676	16,502	16,522	16,868
Housing and economic development.....	936	922	918	818	844
Higher Education:					
University of Massachusetts.....	15,324	15,193	14,737	15,032	15,130
State universities.....	5,136	5,219	5,233	5,186	5,050
Community colleges.....	4,858	4,816	4,917	5,066	5,032
Totals.....	86,583	86,120	85,376	85,360	86,213
Percentage change.....	0.5 %	0.9 %	— %	(1.0)%	(1.8)%

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.

See Independent Auditors' Report

2015	2014	2013	2012	2011	Change - 2020 from 2011
7,696	7,637	7,627	7,408	8,020	(16.8)%
7,264	7,195	7,297	7,087	7,111	(2.3)%
2,689	2,629	2,684	2,685	2,737	(5.6)%
22,060	21,496	21,996	21,042	21,011	3.8 %
4,357	4,301	4,243	4,230	4,209	(13.2)%
970	1,099	928	922	1,037	(43.7)%
17,057	17,215	16,907	16,503	15,785	6.6 %
884	891	868	845	831	10.6 %
14,670	14,066	14,688	14,159	14,159	9.2 %
5,036	4,969	4,856	4,747	4,487	19.9 %
5,077	4,990	5,111	4,834	4,684	13.6 %
87,760	86,488	87,205	84,462	84,071	2.0 %
1.5 %	(0.8)%	3.2 %	0.5 %	(0.9)%	

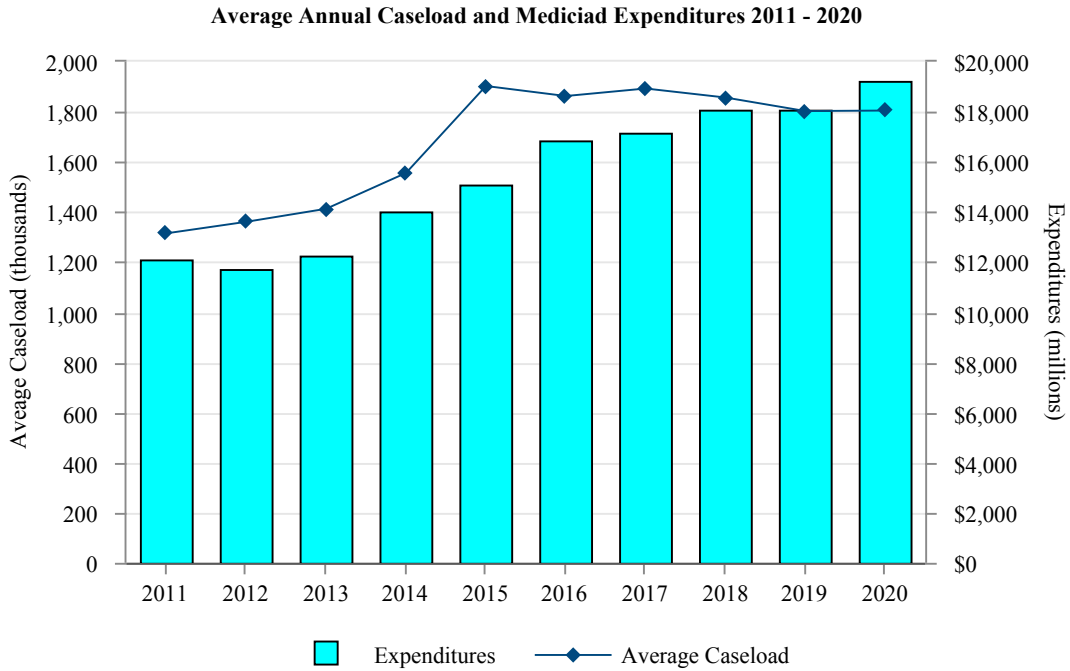
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
2020*	1,805	\$19,207	\$10,641
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

* Includes members in transitional coverage program starting January 1, 2014.

See Independent Auditors' Report



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
2019	3,168	15,613	9,049	45,183	73,013	1.10%	84.8%	14.2%
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%

Source: Massachusetts Highway Department, Bureau of Transportation Planning and Development Annual Road Inventory Reports, Lane Miles Table 8. Exclusive of shoulders

See Independent Auditors' Report

Massachusetts Real Property Owned and Leased
Annual Inventory, Acreage, Improvements and Square Footage
Last Ten Years

Functions/Programs	Survey Year 2020	Survey Year 2019	Survey Year 2018	Survey Year 2017	Survey Year 2016
General Government:					
Total Acreage	4,615	4,812	5,108	4,964	2,488
Number of Improvements	330	307	287	268	118
Gross square footage	5,602,706	6,056,184	5,848,109	6,054,449	4,808,125
Judiciary:					
Total Acreage	154	152	155	154	153
Number of Improvements	74	69	73	75	75
Gross square footage	5,129,991	4,763,973	4,935,067	5,224,810	4,843,949
Energy and environmental affairs:					
Total Acreage	753,328	692,352	689,821	688,129	680,310
Number of Improvements	3,329	2,625	2,352	2,184	2,186
Gross square footage	83,595,589	12,292,810	8,410,119	8,214,843	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	67,412	78,012	78,012	78,012	78,012
Health and human services:					
Total Acreage	2,569	2,560	2,760	2,862	5,568
Number of Improvements	463	462	455	455	627
Gross square footage	8,088,467	7,908,283	8,390,655	8,131,022	8,361,435
Transportation and public works:					
Total Acreage	6,957	6,951	7,160	7,195	6,968
Number of Improvements	1,008	971	965	952	930
Gross square footage	6,519,615	6,296,235	6,273,557	6,123,984	5,820,282
Education:					
Total Acreage	208	208	220	208	208
Number of Improvements	30	30	40	40	40
Gross square footage	508,706	223,706	207,633	207,633	207,633
Public safety and homeland security:					
Total Acreage	10,198	10,336	12,071	19,271	19,150
Number of Improvements	1,035	1,129	1,100	1,118	1,063
Gross square footage	14,483,439	15,394,170	15,176,714	14,998,157	13,845,503
Higher Education:					
Total Acreage	5,924	5,923	5,715	6,770	7,244
Number of Improvements	1,178	1,185	1,136	1,101	1,078
Gross square footage	42,039,298	42,092,601	40,434,772	43,339,713	38,443,057
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	783,955	723,296	723,012	729,555	722,091
Number of Improvements	7,453	6,784	6,414	6,199	6,123
Gross square footage	166,035,223	95,105,974	89,754,638	92,372,623	84,542,138
Percentage Change for Commonwealth:					
Acreage	8.4 %	— %	(0.9)%	1.0 %	0.9 %
Improvement	9.9 %	5.8 %	3.5 %	1.2 %	— %
Gross square footage	74.6 %	6.0 %	(2.8)%	9.3 %	(0.7)%

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>

See Independent Auditors' Report

Survey Year 2015	Survey Year 2014	Survey Year 2013	Survey Year 2012	Survey Year 2011
2,574	3,114	3,101	3,039	2,993
173	513	333	279	255
6,803,498	10,916,681	9,076,550	7,690,761	7,206,548
153	149	148	148	141
75	74	73	73	68
4,843,949	5,310,049	4,700,920	4,700,920	4,787,564
674,046	668,631	652,400	642,799	627,286
2,186	1,806	2,192	2,191	2,182
8,134,142	6,507,161	7,287,961	7,283,666	7,295,922
2	0	2	2	2
6	4	5	5	6
78,012	57,812	68,412	68,412	77,642
5,623	5,834	5,829	6,407	6,449
627	907	792	855	866
8,360,310	10,995,096	9,759,611	10,923,090	10,834,266
6,966	7,014	6,965	6,972	7,013
929	675	921	919	918
4,919,282	1,989,583	4,876,689	4,876,689	4,873,783
208	208	208	208	233
40	40	43	43	43
207,633	205,503	272,352	272,352	272,352
19,150	19,166	19,169	19,172	19,158
1,014	1,083	997	990	991
13,376,555	14,402,161	12,213,112	12,191,229	12,141,396
7,243	7,128	7,473	7,254	7,178
1,076	873	1,009	1,007	987
38,411,260	29,666,140	32,594,800	32,523,400	32,144,815
715,965	711,244	695,295	686,001	670,453
6,126	5,975	6,365	6,362	6,316
85,134,641	80,050,186	80,850,407	80,530,519	79,634,288
0.7 %	2.3 %	1.4 %	2.3 %	0.6 %
2.5 %	(6.1)%	— %	0.7 %	— %
6.4 %	(1.0)%	0.4 %	1.1 %	(0.1)%

Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years

Academic Year	Fall 2019	Fall 2018	Fall 2017	Fall 2016	Fall 2015
ENROLLMENT					
University System					
Undergraduate (FTE).....	53,103	56,544	56,275	51,209	50,816
Graduate (FTE).....	12,907	18,161	18,284	12,769	12,517
System Enrollment	66,010	74,705	74,559	63,978	63,333
State University System					
Undergraduate (FTE).....	34,807	35,081	36,074	35,909	34,700
Graduate (FTE).....	6,003	6,169	5,694	5,641	8,007
System Enrollment	40,810	41,250	41,768	41,550	42,707
Community College System					
Undergraduate (FTE).....	47,190	47,891	52,306	55,336	59,827
DEGREES CONFERRED					
	2020	2019	2018	2017	2016
University System					
Certificates (MD).....	604	573	571	505	423
Associates.....	80	93	82	73	85
Bachelors.....	13,061	13,118	13,036	12,754	12,124
Masters.....	4,074	4,099	4,013	3,771	3,669
Doctoral.....	662	665	599	602	575
Certificate of Advance Graduate Study.....	49	67	71	76	86
Post-Baccalaureate Certificate.....	658	696	708	842	769
First Professional.....	58	47	49	50	53
Total Degrees	19,246	19,358	19,129	18,673	17,784
State University System					
Certificates.....	54	39	28	35	40
Bachelors.....	8,516	8,692	8,867	8,775	8,762
Masters.....	2,876	2,693	2,388	2,283	2,353
Certificate of Advance Graduate Study.....	138	92	85	83	73
Post-Baccalaureate Certificate.....	259	370	302	359	283
Total Degrees	11,843	11,886	11,670	11,535	11,511
Community College System					
Certificates.....	2,311	2,886	3,332	3,147	3,131
Associates.....	9,413	10,276	10,416	11,067	11,317
Total Degrees	11,724	13,162	13,748	14,214	14,448
Total All Systems - Degrees	42,813	44,406	44,547	44,422	43,743

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

See Independent Auditors' Report

Fall 2014	Fall 2013	Fall 2012	Fall 2011	Fall 2010	Change - 2019 from 2010
49,725	48,893	48,136	47,432	48,018	10.6 %
12,576	12,442	12,202	12,048	11,734	10.0 %
62,301	61,335	60,338	59,480	59,752	10.5 %
35,507	35,429	34,773	35,639	36,721	(5.2)%
7,507	7,704	7,894	6,224	7,227	(16.9)%
43,014	43,133	42,667	41,863	43,948	(7.1)%
58,764	64,584	62,445	64,586	64,971	(27.4)%
2015	2014	2013	2012	2011	% Change - 2020 from 2011
435	376	426	348	246	145.5 %
103	96	121	97	100	(20.0)%
11,841	11,544	10,910	10,399	9,958	31.2 %
3,787	3,559	3,442	3,360	3,242	25.7 %
504	501	486	450	414	59.9 %
81	77	62	89	87	(43.7)%
738	691	664	659	550	19.6 %
64	79	103	43	47	23.4 %
17,553	16,923	16,214	15,445	14,644	31.4 %
29	34	37	29	35	54.3 %
8,534	8,184	8,024	7,722	7,190	18.4 %
2,116	2,478	2,327	2,404	2,376	21.0 %
63	113	108	143	116	19.0 %
304	327	371	362	408	(36.5)%
11,046	11,136	10,867	10,660	10,125	17.0 %
3,288	3,365	2,929	2,888	3,020	(23.5)%
11,517	11,341	10,772	10,404	9,693	(2.9)%
14,805	14,706	13,701	13,292	12,713	(7.8)%
43,404	42,765	40,782	39,397	37,482	14.2 %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2020
(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	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus).....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Stabilization Balance Reconciliation:

Balance as of July 1, 2020	\$ 3,424,376
Certain tax revenues	362
Transfer of 10% of casino gaming tax revenue (MGM and Encore)	14,914
Stabilization Fund investment income	61,529
Stabilization Fund Balance as of June 30, 2020	\$ 3,501,181
Memo: Change in Stabilization Fund Balance, FY19-20	\$ 76,805

* Excludes funds with no FY20 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, 2020

(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.....	\$ 3,501,181
Allowable Stabilization Fund balance.....	<u>7,097,420</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund.....	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance.....	\$ 3,501,181
Transfer to Tax Reduction Fund.....	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund.....	<u>\$ 3,501,181</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>

See Independent Auditors' Report

MASSACHUSETTS GENERAL INFORMATION

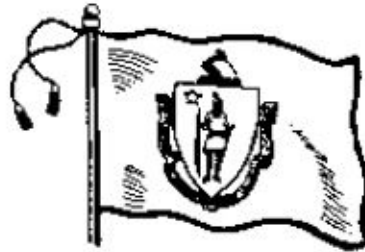
Admitted to Union (6th State): 1788
Population: 6,882,635

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."

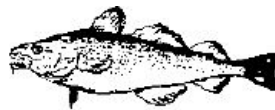
The State Flag is white, a representation of the coat of arms on both sides. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



The Mayflower

The State Fish



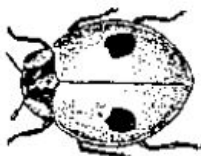
The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

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



PREPARED BY
THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH

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PROPOSED FORMS OF OPINION OF BOND COUNSEL

Upon delivery of the applicable series of Bonds described below, Bond Counsel proposes to deliver an opinion in substantially the following form:



28 State Street
 Boston, MA 02109-1775
 p: 617-345-9000 f: 617-345-9020
 hinckleyallen.com

[Date of Delivery]

The Honorable Deborah B. Goldberg
 Treasurer and Receiver-General
 The Commonwealth of Massachusetts
 State House, Room 227
 Boston, Massachusetts 02133

\$200,000,000
 The Commonwealth of Massachusetts
 General Obligation Bonds
 Consolidated Loan of 2021, Series A
 Dated Date of Delivery

We have acted as bond counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

With respect to questions of fact material to our opinion, we have relied upon representations and covenants of the Commonwealth contained in the certified proceedings relating to the Bonds and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds 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 Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws established a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Commonwealth with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Commonwealth has covenanted to comply with all such requirements. Failure by the Commonwealth to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

▶ ALBANY ▶ BOSTON ▶ HARTFORD ▶ MANCHESTER ▶ NEW YORK ▶ PROVIDENCE

HINCKLEY, ALLEN & SNYDER LLP, ATTORNEYS AT LAW

3. Interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

HINCKLEY, ALLEN & SNYDER LLP



28 State Street
Boston, MA 02109-1775
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[Date of Delivery]

The Honorable Deborah B. Goldberg
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House, Room 227
Boston, Massachusetts 02133

\$400,000,000
The Commonwealth of Massachusetts
General Obligation Bonds
Consolidated Loan of 2021, Series B
Dated Date of Delivery

We have acted as bond counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

With respect to questions of fact material to our opinion, we have relied upon representations and covenants of the Commonwealth contained in the certified proceedings relating to the Bonds and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds 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 Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws established a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Commonwealth with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Commonwealth has covenanted to comply with all such requirements. Failure by the Commonwealth to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no

The Honorable Deborah B. Goldberg
Treasurer and Receiver-General
[Date of Delivery]
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opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

HINCKLEY, ALLEN & SNYDER LLP

FORM OF CONTINUING DISCLOSURE UNDERTAKING

[to be included in bond form]

The Commonwealth of Massachusetts

\$200,000,000
 General Obligation Bonds
 Consolidated Loan of 2021, Series A

\$400,000,000
 General Obligation Bonds
 Consolidated Loan of 2021, Series B

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds 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"), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2021, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated April 12, 2021 (the "Information Statement"), and substantially in the same level of detail as is found in the referenced section of the Information Statement. The Information Statement has been filed with EMMA.

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year.	"SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures"
2. Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	"SELECTED FINANCIAL DATA – GAAP Basis"
3. Summary presentation on a five-year comparative basis of lottery revenues and profits	"COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; <i>Lottery Revenues</i> "
4. Summary presentation of payments received pursuant to the tobacco master settlement agreement	"COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; <i>Tobacco Settlement</i> "
5. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES – Limitations on Tax Revenues"

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
6. Summary description of the retirement systems for which the Commonwealth is responsible, including membership and contribution rates	“PENSION AND OPEB FUNDING – Retirement Systems” and “PENSION AND OPEB FUNDING – Employee Contributions.”
7. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“PENSION AND OPEB FUNDING – Funding Schedule.”
8. Summary presentation on a ten-year comparative basis of actuarial valuations of pension fund assets, liabilities and funding progress	“PENSION AND OPEB FUNDING – Actuarial Valuations.”
9. Summary presentation on a five-year comparative basis of pension contributions made and the cost impact of a minimal traditional schedule	“PENSION AND OPEB FUNDING – Annual Required Contributions.”
10. Summary presentation on a five-year comparative basis of PRIT Fund asset allocation and investment returns	“PENSION AND OPEB FUNDING – PRIT Fund Investments.”
11. Summary presentation of actuarial valuations of OPEB assets, liabilities and funding progress	“PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB).”
12. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
13. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL INVESTMENT PLAN”
14. Statement of general and special obligation long-term debt issuance and repayment analysis on a five-year comparative basis through the end of the prior fiscal year	“LONG-TERM LIABILITIES – General and Special Obligation Long-Term Debt Issuance and Repayment Analysis”
15. Statement of outstanding Commonwealth debt on a five-year comparative basis through the end of the prior fiscal year	“LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt”
16. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“LONG-TERM LIABILITIES – Debt Service Requirements”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
17. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	“LONG-TERM LIABILITIES – General Obligation Contract Assistance Liabilities”
18. Annual fiscal year long-term leasing liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES – Long-Term Operating Leases and Capital Leases”
19. Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES – Authorized And Unissued Debt”
20. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“LONG-TERM LIABILITIES – General Authority to Borrow; <i>Statutory Limit on Direct Debt</i> ”
21. Summary presentation of the then-current, Commonwealth interest rate swap agreements	“LONG-TERM LIABILITIES – Interest Rate Swaps”
22. Summary presentation of the then-current, Commonwealth liquidity facilities	“LONG-TERM LIABILITIES – Liquidity Facilities”

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to EMMA. The Commonwealth’s annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time and shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Bonds to provide in a timely manner, not in excess of ten business days after occurrence of the event, to EMMA notice of any of the following events with respect to the Bonds (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 Bonds, or other material events affecting the tax status of the Bonds;

⁽¹⁾ Not applicable to the Bonds, since there is no debt service reserve fund securing the Bonds.

- (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 Bonds, if material;⁽²⁾
- (xi) rating changes;
- (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 obligation⁽⁵⁾ 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 obligation⁽⁵⁾ 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 Bond 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 Bond, 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 Bonds, 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

⁽²⁾ Not applicable to the Bonds, since there is no property securing repayment of the Bonds that could be released, substituted or sold.

⁽³⁾ As 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.

⁽⁴⁾ Not applicable to the Bonds.

⁽⁵⁾ As 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.

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 Bonds 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 Bond 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 Bonds, (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, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) 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) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, 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 Bonds, 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 Bonds affected thereby at or prior to the time of such amendment.

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OFFICIAL NOTICE OF SALE
THE COMMONWEALTH OF MASSACHUSETTS

\$200,000,000*
General Obligation Bonds
Consolidated Loan of 2021, Series A

April 27, 2021

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the “State Treasurer”), for the purchase of The Commonwealth of Massachusetts (the “Commonwealth”) General Obligation Bonds, Consolidated Loan of 2021, Series A, to be sold in an aggregate principal amount of \$200,000,000* (the “Series 2021A Bonds”). Bids for the purchase of the Series 2021A Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions “Time” and “Procedures for Electronic Bidding.”

The Series 2021A Bonds will constitute 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 Series 2021A Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity on May 4, 2021 at 11:00 a.m. (Boston, Massachusetts time) for the Series 2021A Bonds, subject to the provisions described below under the caption “Procedures for Electronic Bidding,” or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) (“TM3”), as described herein under the caption “Change of Bid Date or Time.” If no legal bid or bids are received for the Series 2021A Bonds on May 4, 2021, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series 2021A Bonds. The Series 2021A Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder.

Interest on the Series 2021A Bonds is payable semiannually on March 1 and September 1 in each year and at maturity, beginning September 1, 2021. The Series 2021A Bonds shall mature on the dates and in the principal amounts shown below, subject to change as set forth in this Official Notice of Sale.

<u>Maturity Date*</u>	<u>Principal Amount*</u>
March 1, 2035	\$25,000,000
March 1, 2036	25,000,000
March 1, 2037	25,000,000
March 1, 2038	25,000,000
March 1, 2039	25,000,000
March 1, 2040	25,000,000
March 1, 2041	25,000,000
March 1, 2042	25,000,000

* Preliminary, subject to change.

The Series 2021A Bonds will be issued as serial bonds in accordance with the bid submitted by the successful bidder (see “Bidding Parameters” below).

The Series 2021A Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.*

The Series 2021A Bonds will be subject to redemption prior to their stated maturity dates on and after March 1, 2031 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series 2021A Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the Series 2021A Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) will be ANNOUNCED on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series 2021A Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER(S) MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder(s) will be adjusted to reflect any adjustments in the aggregate principal amount of the Series 2021A Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Series 2021A Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder(s) for each maturity will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder(s) by 10:00 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series 2021A Bonds offered and must offer to pay an aggregate price for all maturities of not less than 100% of the aggregate principal amount of the Series 2021A Bonds.

Bids may provide for all of the Series 2021A Bonds to be issued as serial bonds only.

Bids must state a single fixed interest rate for each maturity of the Series 2021A Bonds. The rate of interest stated for any given maturity of the Series 2021A Bonds shall be in a multiple of one-twentieth or one-eighth of one percent per annum. No maturity may have an interest rate of more than 5.00%.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series 2021A Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series 2021A Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder’s bid for the purchase of the Series 2021A Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series 2021A Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Series 2021A Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series 2021A Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's municipal advisor, Acacia Financial Group, Inc. ("Acacia"), by telephone at (609) 922-1436.

Electronic bids must be submitted for the purchase of the Series 2021A Bonds (all or none) via Parity by 11:00 a.m. (Boston, Massachusetts time) on May 4, 2021. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 11:00 a.m. (Boston, Massachusetts time), on May 4, 2021. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series 2021A Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series 2021A Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Basis of Award. The Series 2021A Bonds will be awarded to the bidder offering to purchase all of the Series 2021A Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series 2021A Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series 2021A Bonds (May 18, 2021). If this procedure produces a tie, the Series 2021A Bonds will be awarded and sold to bidders at the discretion of the Commonwealth.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated April 27, 2021 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder(s), within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder(s) and members of its bidding group initially sell the Series 2021A Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and

the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. The successful bidder(s) shall assist the Commonwealth in establishing the issue price of the Series 2021A Bonds and shall execute and deliver to the Commonwealth at Closing an “issue price” certificate setting forth the reasonably expected initial offering price to the public of the Series 2021A Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached to the Preliminary Official Statement as Appendix E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Commonwealth and Bond Counsel. All actions to be taken by the Commonwealth under this Official Notice of Sale to establish the issue price of the Series 2021A Bonds may be taken on behalf of the Commonwealth by the Commonwealth’s municipal advisor identified herein and any notice or report to be provided to the Commonwealth may be provided to the Commonwealth’s municipal advisor. The Commonwealth intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series 2021A Bonds) will apply to the initial sale of the Series 2021A Bonds (the “competitive sale requirements”) because (i) the Commonwealth shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (ii) all bidders shall have an equal opportunity to bid; (iii) the Commonwealth expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (iv) the Commonwealth anticipates awarding the sale of the Series 2021A Bonds to the bidder who submits a firm offer to purchase the Series 2021A Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale. Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Series 2021A Bonds, as specified in the bid, and the bidder certifies that it is an underwriter with an established industry reputation for underwriting municipal bonds.

In the event that the competitive sale requirements are not satisfied, the Commonwealth will reject all bids and cancel the sale. Bidders should prepare their bids on the assumption that the issue price of the Series 2021A Bonds will be the reasonably expected initial offering price to the public.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series 2021A Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix C of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder(s) will be under no obligation to pay the Commonwealth’s issuance costs. The Commonwealth will not pay any expenses of the successful bidder(s) in connection with the purchase of the Series 2021A Bonds.

Settlement. The Series 2021A Bonds will be delivered on May 18, 2021, in New York, New York, at DTC against payment of the purchase price therefor. The successful bidder(s) must make payment of the purchase price of Series 2021A Bonds by 10:00 a.m. (Boston, Massachusetts time) on May 18, 2021 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Series 2021A Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series 2021A Bonds are issued, or affecting the validity of the Series 2021A Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series 2021A Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Series 2021A Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Series 2021A Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” and in Appendix B and Appendix E, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series 2021A Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series 2021A Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Hinckley, Allen & Snyder LLP, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series 2021A Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Hinckley, Allen & Snyder LLP, Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "THE BONDS," "SECURITY FOR THE BONDS" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series 2021A Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the Series 2021A Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series 2021A Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Series 2021A Bonds on the inside cover page of the Final Official Statement, any other information concerning the reoffering of the Series 2021A Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings "BOOK-ENTRY-ONLY SYSTEM," "RATINGS," and "COMPETITIVE SALE OF BONDS" and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series 2021A Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of April 12, 2021, or, as it may have been supplemented as of the date of sale of the 2021A Bonds, as of said date of sale or as of the date of settlement of the Series 2021A Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by Acacia, as municipal advisor to the Commonwealth, with respect to the Series 2021A Bonds. The Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series 2021A Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series 2021A Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series 2021A Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series 2021A Bonds shall be paid for by the successful bidder.

Right to Modify or Amend Official Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the applicable series of Series 2021A Bonds will be communicated by posting on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series 2021A Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 9:30 a.m. (Boston, Massachusetts time) on the announced bid date. If any date and/or time fixed for the receipt of bids and the sale of the Series 2021A Bonds is changed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series 2021A Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series 2021A Bonds is contained in the Preliminary Official Statement dated April 27, 2021, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

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



OFFICIAL NOTICE OF SALE
THE COMMONWEALTH OF MASSACHUSETTS

\$400,000,000*
General Obligation Bonds
Consolidated Loan of 2021, Series B

April 27, 2021

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of The Commonwealth of Massachusetts (the "Commonwealth") General Obligation Bonds, Consolidated Loan of 2021, Series B, to be sold in an aggregate principal amount of \$400,000,000* (the "Series 2021B Bonds"). Bids for the purchase of the Series 2021B Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Series 2021B Bonds will constitute 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 Series 2021B Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity on May 4, 2021 at 11:30 a.m. (Boston, Massachusetts time) for the Series 2021B Bonds, subject to the provisions described below under the caption "Procedures for Electronic Bidding," or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Change of Bid Date or Time." If no legal bid or bids are received for the Series 2021B Bonds on May 4, 2021, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series 2021B Bonds. The Series 2021B Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder.

Interest on the Series 2021B Bonds is payable semiannually on April 1 and October 1 in each year and at maturity, beginning October 1, 2021. The Series 2021B Bonds shall mature on the dates and in the principal amounts shown below, subject to change as set forth in this Official Notice of Sale.

<u>Maturity Date (April 1)*</u>	<u>Principal Amount*</u>
April 1, 2047	\$50,000,000
April 1, 2048	75,000,000
April 1, 2049	75,000,000
April 1, 2050	100,000,000
April 1, 2051	100,000,000

The Series 2021B Bonds will be issued as serial bonds in accordance with the bid submitted by the successful bidder (see "Bidding Parameters" below).

The Series 2021B Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof

* Preliminary, subject to change.

on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.*

The Series 2021B Bonds will be subject to redemption prior to their stated maturity dates on and after April 1, 2031 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series 2021B Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the Series 2021B Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) will be ANNOUNCED on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series 2021B Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER(S) MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder(s) will be adjusted to reflect any adjustments in the aggregate principal amount of the Series 2021B Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Series 2021B Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder(s) for each maturity will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder(s) by 10:00 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series 2021B Bonds offered and must offer to pay an aggregate price for all maturities of not less than 100% of the aggregate principal amount of the Series 2021B Bonds.

Bids may provide for all of the Series 2021B Bonds to be issued as serial bonds only.

Bids must state a single fixed interest rate for each maturity of the Series 2021B Bonds. The rate of interest stated for any given maturity of the Series 2021B Bonds shall be in a multiple of one-twentieth or one-eighth of one percent per annum. No maturity may have an interest rate of more than 5.00%.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series 2021B Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series 2021B Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder’s bid for the purchase of the Series 2021B Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series 2021B Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for

any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Series 2021B Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series 2021B Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's municipal advisor, Acacia Financial Group, Inc. ("Acacia"), by telephone at (609) 922-1436.

Electronic bids must be submitted for the purchase of the Series 2021B Bonds (all or none) via Parity by 11:30 a.m. (Boston, Massachusetts time) on May 4, 2021. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 11:30 a.m. (Boston, Massachusetts time), on May 4, 2021. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series 2021B Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series 2021B Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Basis of Award. The Series 2021B Bonds will be awarded to the bidder offering to purchase all of the Series 2021B Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series 2021B Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series 2021B Bonds (May 18, 2021). If this procedure produces a tie, the Series 2021B Bonds will be awarded and sold to bidders at the discretion of the Commonwealth.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated April 27, 2021 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder(s), within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder(s) and members of its bidding group initially sell the Series 2021B Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. The successful bidder(s) shall assist the Commonwealth in establishing the issue price of the Series 2021B Bonds and shall execute and deliver to the Commonwealth at Closing an “issue price” certificate setting forth the reasonably expected initial offering price to the public of the Series 2021B Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached to the Preliminary Official Statement as Appendix E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Commonwealth and Bond Counsel. All actions to be taken by the Commonwealth under this Official Notice of Sale to establish the issue price of the Series 2021B Bonds may be taken on behalf of the Commonwealth by the Commonwealth’s municipal advisor identified herein and any notice or report to be provided to the Commonwealth may be provided to the Commonwealth’s municipal advisor. The Commonwealth intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series 2021B Bonds) will apply to the initial sale of the Series 2021B Bonds (the “competitive sale requirements”) because (i) the Commonwealth shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (ii) all bidders shall have an equal opportunity to bid; (iii) the Commonwealth expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (iv) the Commonwealth anticipates awarding the sale of the Series 2021B Bonds to the bidder who submits a firm offer to purchase the Series 2021B Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale. Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Series 2021B Bonds, as specified in the bid, and the bidder certifies that it is an underwriter with an established industry reputation for underwriting municipal bonds.

In the event that the competitive sale requirements are not satisfied, the Commonwealth will reject all bids and cancel the sale. Bidders should prepare their bids on the assumption that the issue price of the Series 2021B Bonds will be the reasonably expected initial offering price to the public.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series 2021B Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix C of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder(s) will be under no obligation to pay the Commonwealth’s issuance costs. The Commonwealth will not pay any expenses of the successful bidder(s) in connection with the purchase of the Series 2021B Bonds.

Settlement. The Series 2021B Bonds will be delivered on May 18, 2021, in New York, New York, at DTC against payment of the purchase price therefor. The successful bidder(s) must make payment of the purchase price of Series 2021B Bonds by 10:00 a.m. (Boston, Massachusetts time) on May 18, 2021 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Series 2021B Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series 2021B Bonds are issued, or affecting the validity of the Series 2021B Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series 2021B Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Series 2021B Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Series 2021B Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” and in Appendix B and Appendix E, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series 2021B Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series 2021B Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Hinckley, Allen & Snyder LLP, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series 2021B Bonds, will be furnished to

the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Hinckley, Allen & Snyder LLP, Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "THE BONDS," "SECURITY FOR THE BONDS" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series 2021B Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the Series 2021B Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series 2021B Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Series 2021B Bonds on the inside cover page of the Final Official Statement, any other information concerning the reoffering of the Series 2021B Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings "BOOK-ENTRY-ONLY SYSTEM," "RATINGS," and "COMPETITIVE SALE OF BONDS" and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series 2021B Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of April 12, 2021, or, as it may have been supplemented as of the date of sale of the Series 2021B Bonds, as of said date of sale or as of the date of settlement of the Series 2021B Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by Acacia, as municipal advisor to the Commonwealth, with respect to the Series 2021B Bonds. The Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series 2021B Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series 2021B Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series 2021B Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series 2021B Bonds shall be paid for by the successful bidder.

Right to Modify or Amend Official Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the applicable series of Series 2021B Bonds will be communicated by posting on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series 2021B Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 9:30 a.m. (Boston, Massachusetts time) on the announced bid date. If any date and/or time fixed for the receipt of bids and the sale of the Series 2021B Bonds is changed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series 2021B Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series 2021B Bonds is contained in the Preliminary Official Statement dated April 27, 2021, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg

Treasurer and Receiver-General

FORM OF ISSUE PRICE CERTIFICATE

\$[PRINCIPAL AMOUNT]
 THE COMMONWEALTH OF MASSACHUSETTS
 GENERAL OBLIGATION BONDS
 CONSOLIDATED LOAN OF 2021, SERIES [A][B]

The undersigned, on behalf of [NAME OF SUCCESSFUL BIDDER] (the “Bond Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Bond Underwriter are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Bond Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Bond Underwriter to purchase the Bonds.

(b) The Bond Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Bond Underwriter constituted a firm bid to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or

Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 4, 2021.

(d) *Underwriter* means (i) any person, including the Bond Underwriter, that agrees pursuant to a written contract with the Commonwealth (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Bond Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Commonwealth with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Hinckley, Allen & Snyder LLP, as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Commonwealth from time to time relating to the Bonds.

[SUCCESSFUL BIDDER], as Bond Underwriter
 By: _____
 Name: _____
 Title: _____

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