
The Commonwealth of Massachusetts

September 2013 Investor Conference Call: Bi-Monthly Credit Review & Review of Major Spending Categories

September 13, 2013



Investor Conference Call Presentation Participants



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Agenda

1. Economic Update
2. Fiscal 2014 Revenue Collection Update
3. Fiscal 2013 Budget Update
4. Fiscal 2014 Budget Update
5. Big Topic: Review of Major Spending Categories
6. Debt / Capital & Series 2013 A, B & C Revenue Anticipation Notes
7. Questions



1. Economic Update



Economic Update

Wealth Measures:

- 2012 Per Capita Income in Massachusetts was \$54,687, or 128% of the US average
- Second highest measure in the country for 2012

Source: US Department of Commerce, Bureau of Economic Analysis

Unemployment:

- The 2012 unemployment rate average was 6.7% for MA vs. 8.1% for US
- Current unemployment rates are 7.2% for Massachusetts (July data) vs. the national average of 7.3% (August data)

Source: US Department of Commerce, Bureau of Economic Analysis; MA Dept Labor & Workforce Development

Economic Output:

- 2012 GDP growth in MA of 2.6% versus 2.8% for the U.S.
- For the most recent quarter (Q2 of calendar year 2013), real MA GDP is estimated to have grown at an annualized rate of 0.8% vs. 2.5% for the US (revised)

Source: US Department of Commerce, Bureau of Economic Analysis

Source: US Commerce Department, Bureau of Economic Analysis; and <http://www.MassBenchmarks.org>



Economic Update

Federal Reserve Bank of Philadelphia

State Coincident Indices

As of July 2013 Data (latest release)

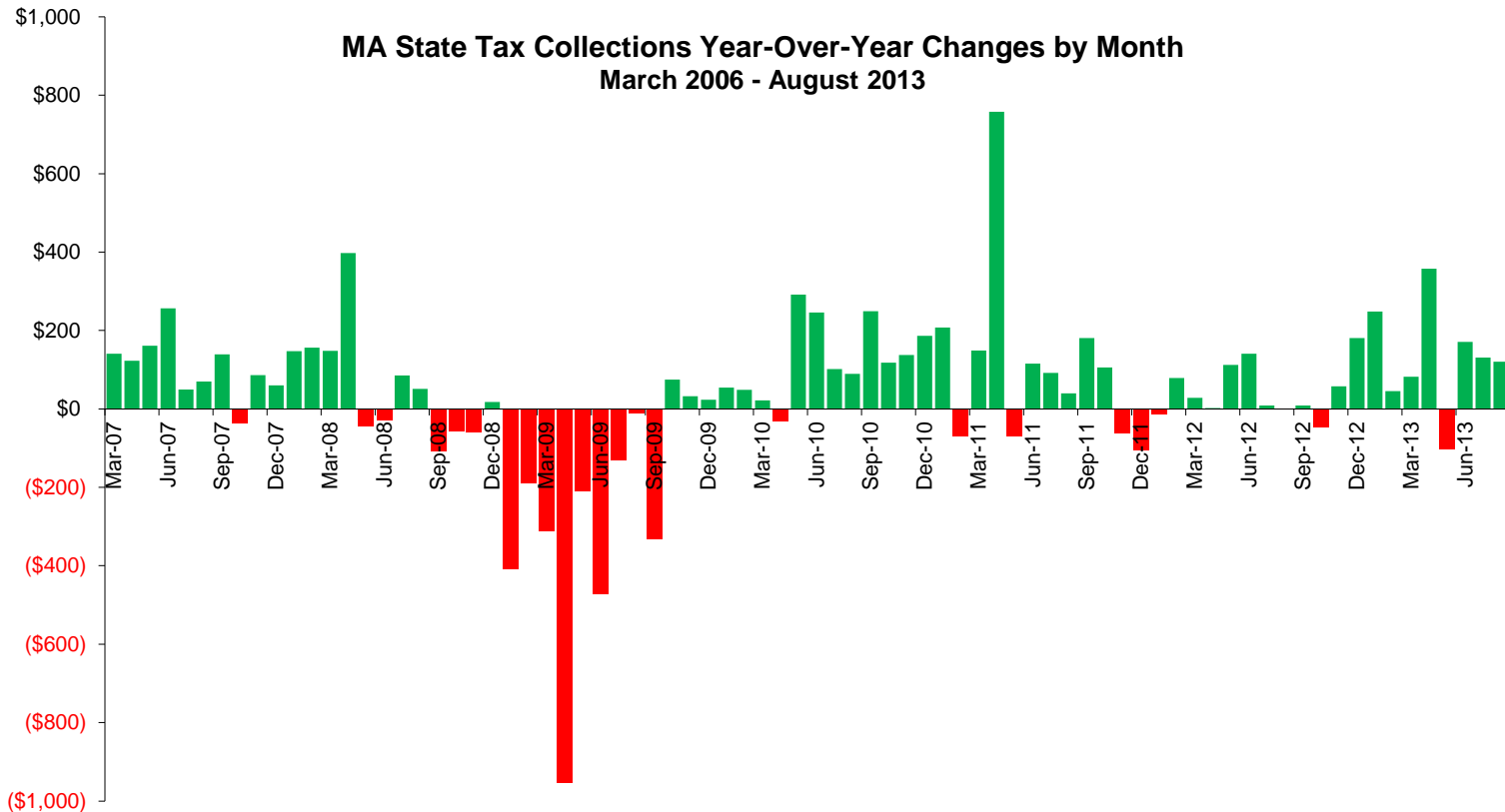
State	Current Level	(August 2012 - July 2013)	(August 2008 - July 2013)	State	Current Level	(August 2012 - July 2013)	(August 2008 - July 2013)
		12-month % Change	5-Year % Change			12-Month % Change	5-Year % Change
Alabama	134.4%	2.12%	-3.32%	Montana	168.4%	2.76%	-0.05%
Alaska	116.9%	-2.63%	-1.03%	Nebraska	162.0%	1.62%	0.69%
Arizona	182.2%	2.10%	-5.78%	Nevada	180.9%	0.90%	-15.53%
Arkansas	141.6%	0.82%	-1.78%	New Hampshire	195.7%	3.87%	4.76%
California	156.2%	2.59%	3.45%	New Jersey	154.1%	3.71%	2.02%
Colorado	183.1%	3.78%	2.12%	New Mexico	158.7%	0.75%	-6.86%
Connecticut	156.8%	3.60%	3.13%	New York	152.0%	2.94%	6.53%
Delaware	144.7%	2.32%	-3.84%	North Carolina	161.7%	2.73%	-0.16%
Florida	146.3%	2.09%	-2.56%	North Dakota	195.7%	3.58%	34.20%
Georgia	168.7%	3.72%	0.87%	Ohio	144.0%	2.42%	3.08%
Hawaii	109.5%	1.57%	-2.59%	Oklahoma	152.6%	1.13%	0.11%
Idaho	198.3%	3.39%	-3.83%	Oregon	208.0%	3.89%	2.37%
Illinois	146.3%	2.02%	-0.33%	Pennsylvania	143.8%	2.25%	1.12%
Indiana	148.7%	2.86%	3.58%	Rhode Island	149.8%	2.15%	-0.04%
Iowa	145.3%	2.22%	3.72%	South Carolina	155.0%	2.94%	-0.67%
Kansas	145.5%	1.79%	-1.79%	South Dakota	164.6%	2.93%	5.10%
Kentucky	142.4%	1.07%	0.20%	Tennessee	153.5%	2.48%	3.70%
Louisiana	126.5%	1.62%	0.29%	Texas	190.2%	3.53%	8.47%
Maine	138.1%	1.98%	-6.03%	Utah	200.5%	3.41%	4.94%
Maryland	151.0%	1.80%	0.51%	Vermont	150.5%	2.66%	2.01%
Massachusetts	178.8%	2.39%	8.28%	Virginia	151.1%	1.51%	0.27%
Michigan	129.7%	349.00%	0.64%	Washington	160.3%	3.39%	0.82%
Minnesota	157.5%	3.25%	5.12%	West Virginia	159.3%	1.77%	0.39%
Mississippi	144.4%	3.15%	1.49%	Wisconsin	142.6%	2.43%	0.41%
Missouri	136.9%	2.28%	-2.53%	Wyoming	165.8%	1.83%	-0.89%
				United States	155.7%	2.67%	4.83%

2. Fiscal 2014 Revenue Collections Update



Fiscal 2014 Revenue Collections Update

- Monthly year-over-year changes in collections have mostly been on the positive side since October 2009, albeit the pace of revenue growth was slow most of 2012. The growth picked up recently (December 2012/January 2013 through August 2013).



Fiscal 2014 Revenue Collections Update

- **FY2013:** Preliminary fiscal 2013 tax revenues totaled approximately \$22.123 bn, an increase of approximately \$1.009 bn, or 4.8%, over fiscal 2012, \$627 mm above the benchmark. Surge in investment-related incomes (cap gains, dividends), one-time payments partly contributed to this growth
- **FY2014:** Strong revenue performance continued during the first two months of fiscal 2014.

August 2013 Tax Collection Summary (in \$ millions) (Preliminary as of September 5, 2013)

	----- Month of August -----					----- FY14 Year-to-Date -----				
	08/13 Collections	08/13 v. 08/12 \$ Change	08/13 v. 08/12 Actual % Change	08/13 v. 08/12 Baseline % Change	08/13 \$ Above/(Below) Benchmark Based on FY14 Estimate of \$22.797 Billion	08/13 FY14 YTD Collections	08/13 FY14 YTD \$ Change	08/13 FY14 YTD Actual % Change	08/13 FY14 YTD Baseline % Change	FY14 YTD \$ Above/(Below) Benchmark Based on FY14 Estimate of \$22.797 Billion
Income - Total	849	67	8.6%	6.9%	35	1,720	152	9.7%	8.5%	91
Income Withholding	809	61	8.2%	6.4%	33	1,587	99	6.7%	5.3%	30
Income Est. Payments (Cash)	21	(3)	-13.9%	-13.9%	(5)	45	(12)	-21.0%	-20.7%	0
Income Returns/Bills	40	8	24.1%	24.1%	6	127	75	142.2%	142.4%	72
Income Refunds (Cash)	21	(2)	-7.2%	-7.2%	(2)	40	8	25.7%	25.7%	8
Sales & Use - Total	463	27	6.2%	7.2%	17	951	54	6.1%	6.0%	24
Sales - Regular	310	21	7.4%	7.8%	15	643	35	5.7%	5.5%	18
Sales - Meals	86	2	2.1%	2.7%	(2)	173	6	3.4%	3.7%	(3)
Sales - Motor Vehicles	67	4	6.5%	10.8%	4	135	14	11.7%	11.7%	9
Corporate & Business - Total	34	(10)	-22.6%	-22.6%	(9)	103	(8)	-7.0%	-4.6%	(13)
All Other	197	36	22.6%	13.9%	21	354	53	17.7%	12.9%	37
Total Tax Collections	1,543	121	8.5%	6.9%	64	3,128	252	8.8%	7.6%	139

Fiscal 2014 Revenue Collections Update

- Fiscal 2014 tax collections through August totaled approximately \$3.128 bn, an increase of \$252 mm, or 8.8%, over the same period in fiscal 2013, \$139 mm above the year-to-date benchmark.
- July and August are relatively small tax collections months.
- A little more than half of the year-to-date surplus is due to one-time settlements (\$69.6 mm)
- Estate tax collections, which are difficult to forecast, have contributed \$36.4 mm to the year-to-date surplus.
- While income withholding payments and sales tax collection came in stronger than expected, it is too soon to say whether this could be a trend or simply a timing-related exception (some withholding payers submitting September payments in August)



Fiscal 2014 Revenue Collections Update

- Year-to-date withholding: \$1.587 bn, +\$99 mm, +6.7% actual, +5.3% baseline, \$30 mm above benchmark
 - Some of the withholding surplus might be borrowed from later months (September)
- Year-to-date income tax payments with bills and returns: \$127 mm, +\$75 mm, \$72 mm above benchmark
 - Significant portion of this surplus is due to one-time revenue settlement-related payments
- Year-to-date sales & use tax collections: \$951 bn, +\$54 mm, +6.1% actual, +6.0% baseline, \$24 mm above benchmark
- Among “All Other” tax categories, estate tax collections: \$71 mm, +\$37 mm, \$36 mm above benchmark
- Corporate and business collections: \$103 mm, down \$8 mm, -7.0% actual, and -4.6% baseline



Fiscal 2014 Revenue Estimate

- Fiscal 2014 Consensus Tax Revenue Estimate of \$22.334 bn
 - Agreed to on January 14, 2013
- Assumptions included:
 - 3.9% growth from the revised fiscal 2013 estimate of \$21.496 bn
 - A total of \$1.06 bn in capital gains tax
- By statute, the new updated capital gains tax threshold was set at \$1.023 bn for fiscal 2014
- Final Fiscal 2014 Tax Revenue Estimate of \$22.797 bn. Consensus estimate *plus* subsequently signed incremental tax law and administrative changes as a part of the GAA budget (July 12, 2013) (*), and the transportation finance bill(**), which was enacted on July 24, 2013

Notes: () Delay of FAS 109 deductions (\$45.9 mm), Amazon agreement (\$36.7 mm), Tax enhancements-administrative and technical provisions (\$35 mm)*

*(**) 1) Three cents increase in gas & special fuels tax (motor fuels tax); 2) Tying gas and special fuels tax to inflation (motor fuels tax); 3) Taxation of computer & software services (sales and use tax); 4) Tobacco/cigarette tax increase (tobacco tax); 5) Sales factor sourcing of services (corporate & business tax); 6) Elimination of public utility tax category and taxing them as corporations (corporate tax).*



Fiscal 2014 Revenue Collections Update

Personal income tax rate reduction:

- Two years ago, through a statutory certification process, it was determined that the growth in the state's inflation-adjusted baseline revenues exceeded the statutory growth thresholds
 - So, the state income tax rate was reduced from 5.30% to 5.25% (effective January 1, 2012)
- Last year, it was determined that there was not enough growth in inflation-adjusted baseline revenues
 - Therefore, the income tax reduction of 5.25% to 5.20% was not triggered
- The Department of Revenue is going through the same certification process this year
 - The result of that process will determine if the income tax rate reduction of 5.25% to 5.20% be triggered effective January 1, 2014.
- On September 4, 2013, the Commissioner of Revenue certified that fiscal 2013 inflation-adjusted baseline revenues grew by 3.99% from fiscal 2012, which exceeded the initial trigger (2.5%) for the income tax rate reduction.
- Further certifications for three-month periods through December 2013 are necessary.
- It will not be known if the rate reduction will be triggered until the Commissioner issues a final certification on December 16, 2013 as to whether or not all of the statutory triggers were met.
- If the rate reduction is triggered, the revenue impact for FY2014 would be between \$60 mm and \$70 mm (with a mid-point of \$65 mm) and the impact for FY2015 would be between \$125 mm and \$140 mm (mid-point of \$132.5 mm).

3. FY2013 Budget Update



Fiscal 2013 Budget Update

- Comptroller of the Commonwealth of Massachusetts is in the midst of closing the books on fiscal 2013.
- The Comptroller typically releases the Statutory Basis Financial Report, or SBFR (the Commonwealth's financial statement based on the statutory basis of accounting) in September or October.
- The Governor filed fiscal year-end supplemental budget legislation, worth approximately \$41.1 million, on August 1, 2013. The year-end legislation is usually enacted by the Legislature in the fall.
- The Administration projects that the fiscal 2013 Stabilization Fund ending balance after accounting for deposits and budgeted withdrawals is \$1.603 billion, which is \$49 million lower than the fiscal 2013 beginning balance of the fund.
- Adherence to the capital gains and one-time tax settlements and judgments laws played a significant role in maintaining a sizable Rainy Day fund balance, accounting for nearly \$500 million in net deposits to the fund.
- The recently signed fiscal 2014 budget provides that \$85 million of a potential fiscal 2013 surplus is to go to a handful of one-time items, such as the Massachusetts Community Preservation Trust Fund (\$25 million), Massachusetts Life Sciences Investment Fund (\$19.5 million) and to the Housing Stabilization Trust Fund (\$10 million).



4. FY2014 Budget Update



Fiscal 2014 Budget Update

- On July 12, 2013 Governor Patrick signed into the law the fiscal 2014 budget, totaling \$34.102 bn after accounting for approximately \$435 mm in veto overrides and fiscal 2014 legislation proposed by the Governor that included \$40.0 mm in supplemental appropriations
- The current projected fiscal 2014 ending balance for the Stabilization Fund is \$1.372 bn
- The Executive Office for Administration and Finance has launched its annual spending plan process with state agencies for fiscal 2014.
- State agencies are required to submit detailed spending and revenue projections for the fiscal year and identify any projected surpluses or deficiencies they may anticipate.
- Upon completion of its review of agency spending plans in September 2013, the Executive Office for Administration and Finance will identify any potential funding or revenue exposures in fiscal 2014.
- This is part of a periodic statewide review that the Executive Office for Administration executes throughout a fiscal year. These exercises supplement, and do not substitute, for the frequent (daily) coordination that occurs between the Office and state agencies.



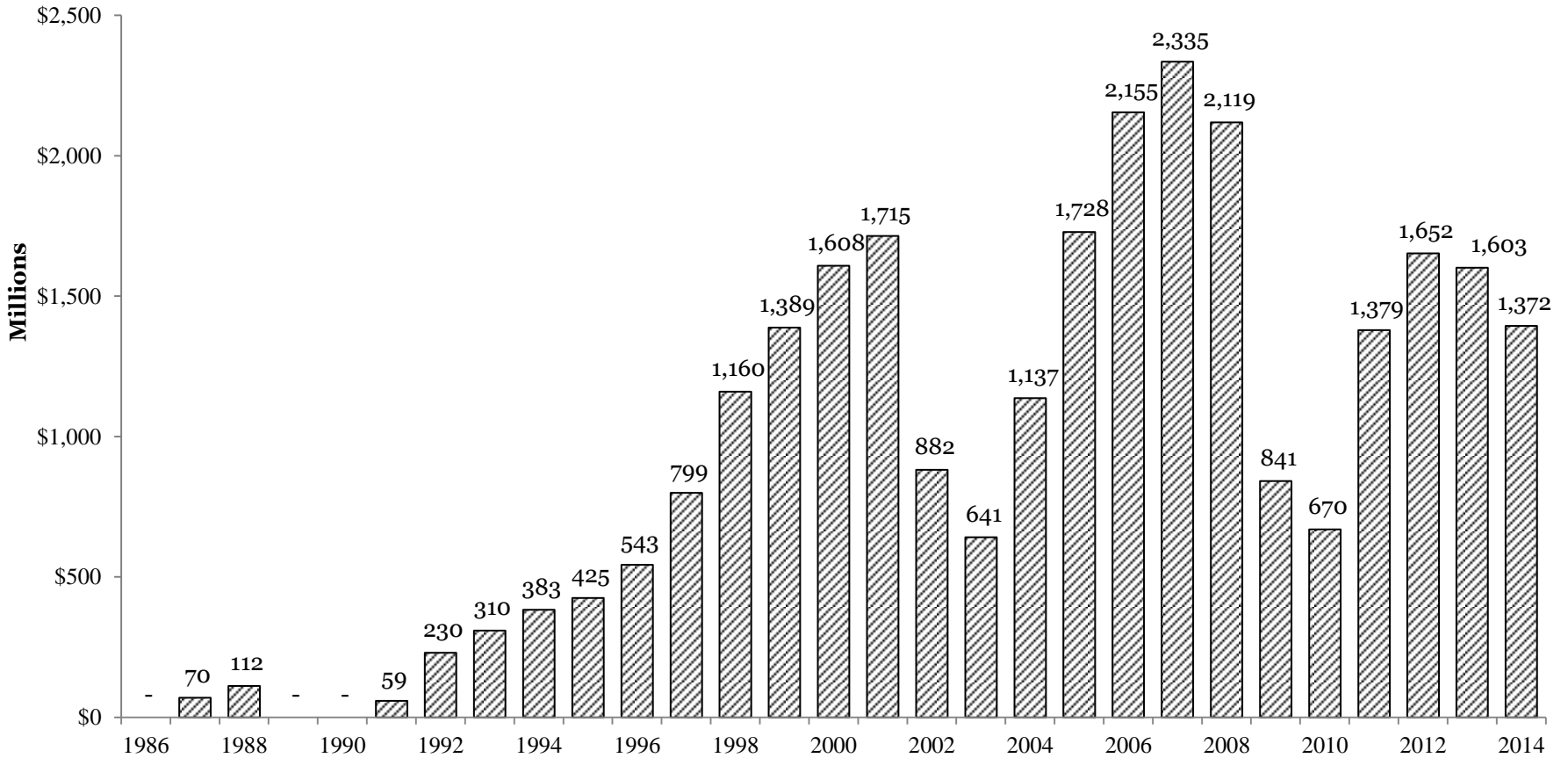
Fiscal 2014 Budget Update

- On October 15, January 15 and April 15, the Secretary is required to submit revised estimates for the current fiscal year (FY14) unless, in his opinion, no significant changes have occurred since the last estimate of total available revenues.
- On or before January 15 of each year, 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, in this case FY15.
- January 15, 2014 - The next triennial pension funding schedule is due to be filed by the Secretary of Administration and Finance.
- Late January – Governor Patrick files his FY15 budget recommendations (House 2)
- Early to mid-April – The House Committee on Ways & Means files its version of the budget. It is then debated and amended by the House later that month.
- Early to mid-May – The Senate Committee on Ways and Means files its version of the budget. It is then debated and amended by the Senate later that month.
- June – A House and Senate conference committee reports a final compromise bill to the House and Senate for a final vote of acceptance in each branch.
- June/July - The Governor has 10 days to review and take action on the enacted budget.



The Commonwealth of Massachusetts - Trend of Reserve Levels

Stabilization Fund Balance - Fiscal Year End
1986 - 2014 Projected (\$ millions)

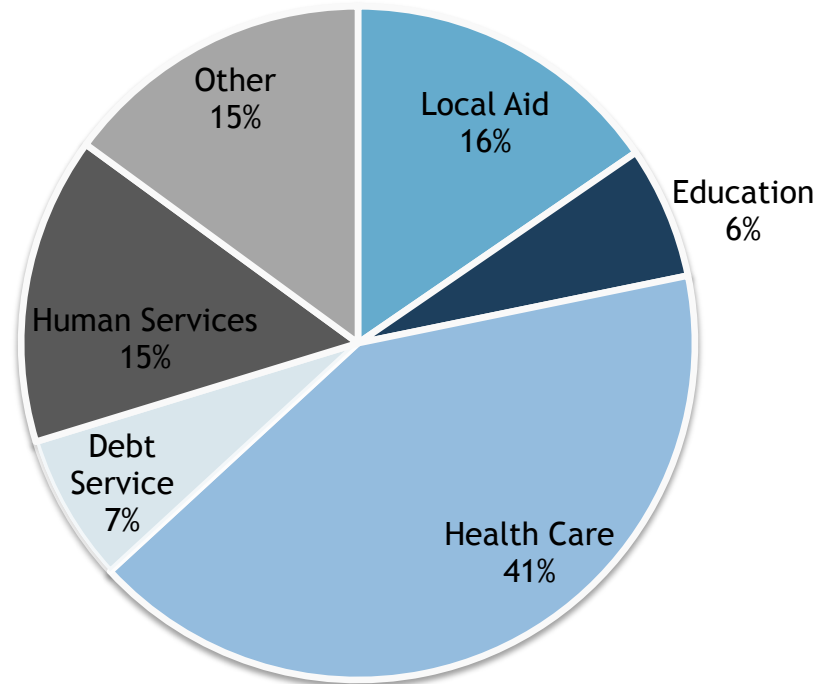


5. Big Topic: Review of Major Spending Categories



Big Topic: Review of Major Spending Categories

FY 2014 Budget (\$34.063 B)*



*reflects FY 2014 General Appropriations Act as signed by the Governor, inclusive of legislative overrides



Big Topic: Review of Major Spending Categories: Aid to Cities & Towns

Major Components:

- Unrestricted General Government Aid (UGGA), paid to every city and town in the Commonwealth based on historical distributions.
- Chapter 70 education aid, paid to local school districts to meet their foundation level funding called for by the 1993 education reform legislation.
- Other direct payments to cities and towns (notably veterans' benefits).

Funding Mechanism:

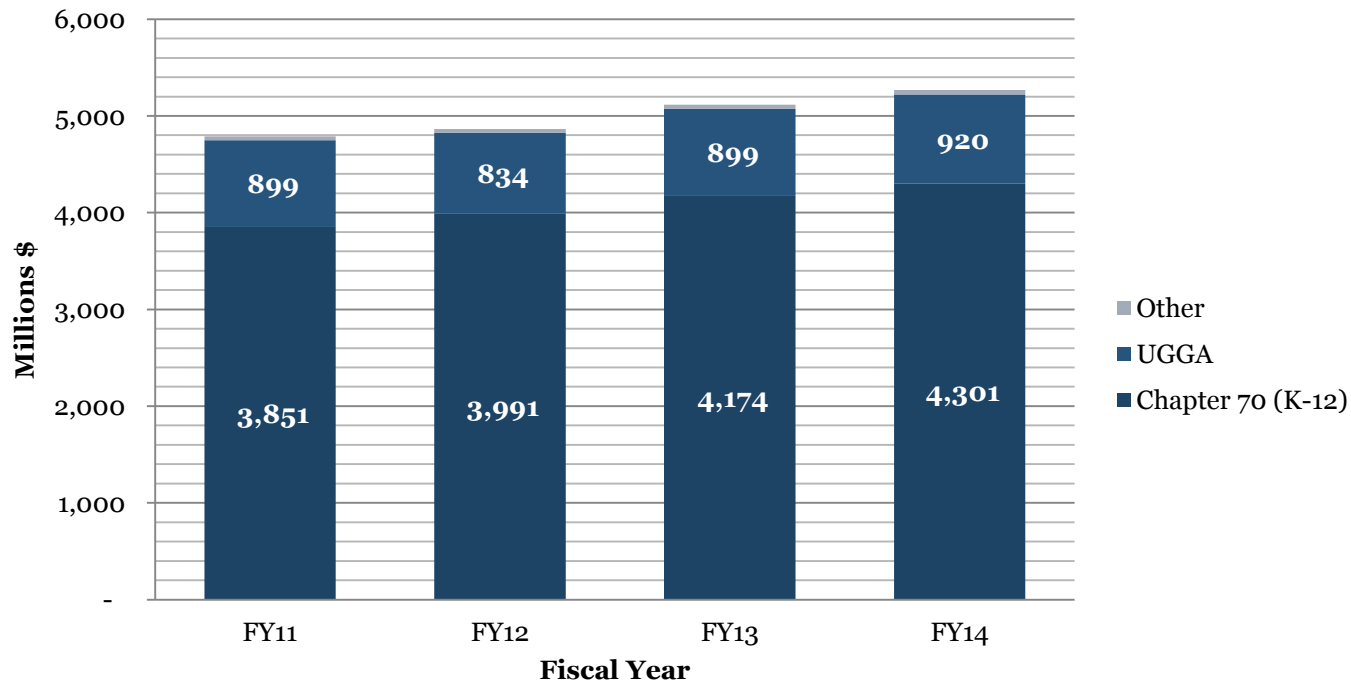
- All local aid spending is funded in the annual operating budget with no federal revenue offsets.



Big Topic: Review of Major Spending Categories: Aid to Cities & Towns

FY 2014 Budget Outlook:

- In fiscal 2014, \$5.27 bn of the Commonwealth's budget is allocated to local aid. In fiscal 2013, approximately \$5.112 bn of the budget was allocated to direct local aid.
- The amount included in the fiscal 2014 budget for cities and towns in unrestricted general government aid provides a 3% increase in funding over the fiscal 2013 levels to all municipalities.
- Chapter 70 receives a \$1.27 bn, 3%, increase in funding over the FY13 levels to \$4.301 bn in fiscal 2014.



Big Topic: Review of Major Spending Categories: Education

Major Components:

- Early Education (EEC), provides early education and child care services for children from birth to age 16.
- Chapter 70 (discussed previously) and statewide programs for Kindergarten through High School students.
- Higher Education, supports the University of Massachusetts, 9 state universities and 15 community colleges, as well as programmatic funding including scholarships and workforce development initiatives administered statewide.

Funding Mechanism:

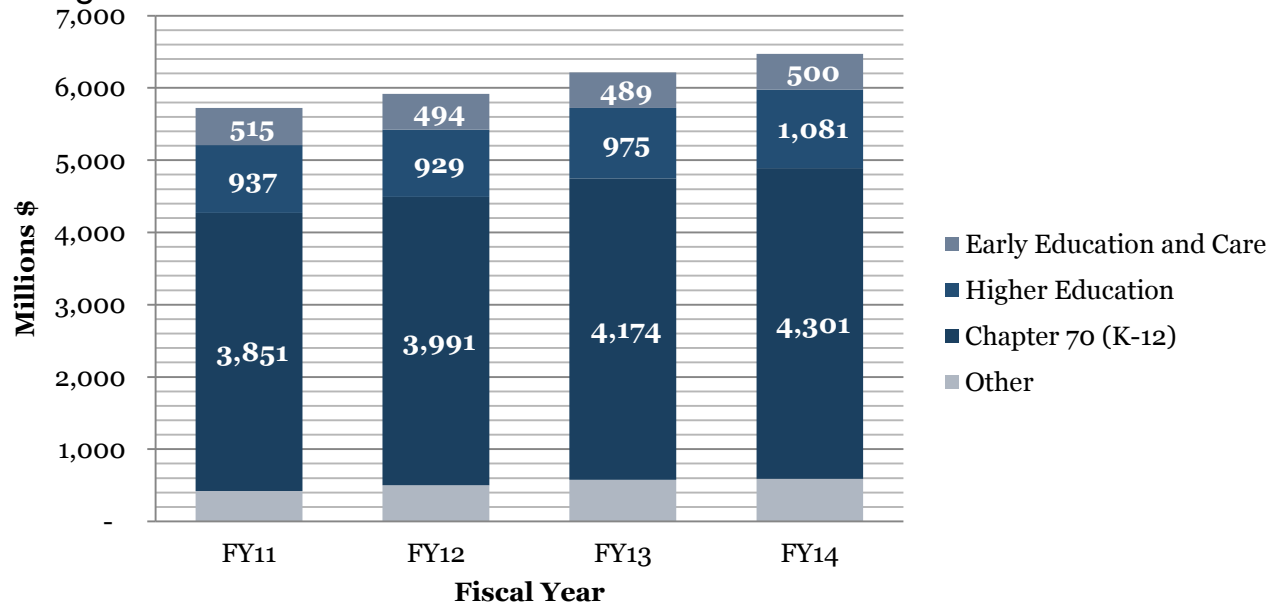
- Early education funding is included in the annual budget. Some EEC spending receives federal reimbursement. That revenue is deposited into the General Fund and is budgeted as part of our annual budget development process.
- Higher education funding is included in the annual budget. Campus student tuition is collected in the General Fund and is budgeted as part of our annual budget process. Campuses also directly collect and retain student fees and federal funding to support their operations. Education programmatic initiatives at the Department of Higher Education are funded by the annual operating budget.



Big Topic: Review of Major Spending Categories: Education

FY 2014 Budget Outlook:

- The fiscal 2014 budget directs \$500 mm to early education, including a \$15 mm investment to reduce the waitlist for high-quality early education programs and provide access for 1,000 new qualified children. The amount included in the fiscal 2014 budget provides a 2% increase in funding over the fiscal 2013 level.
- The fiscal 2014 budget invests \$1.081 bn in higher education, including over \$97 mm in new funding to the University of Massachusetts, the State Universities, and Community Colleges to enable the campuses to deliver high-quality educational and extracurricular opportunities to students and avoid increases in tuition and fees. The amount included in the fiscal 2014 budget provides an 11% increase in funding over the fiscal 2013 level.



Big Topic: Review of Major Spending Categories: Health Care

Major Components:

- MassHealth is the state's Medicaid program which provides subsidized coverage to our neediest residents (generally at or below 133% of the federal poverty level).
- The Commonwealth Connector is the state's insurance exchange and provider of subsidized coverage for some residents (generally 133% - 300% of the federal poverty level).
- The Group Insurance Commission (GIC) is the state's coverage program for current and retired state employees.

Funding Mechanism:

- MassHealth funding is included in the annual budget. Most MassHealth spending is reimbursed at 50% by the federal government. That revenue is deposited into the General Fund and is budgeted as part of our annual budget development process.
- The Commonwealth Connector operates as a trust fund, which is funded in part by a transfer of operating dollars in the annual budget. The trust fund also receives other revenue resources including certain cigarette tax revenues and revenues generated as part of Massachusetts health care reform policies.
- The GIC is funded in the annual budget, including spending on both state active and retired members as well as active members in participating municipalities. Municipal and quasi spending typically accounts for approximately 35% of GIC spending. The GIC collects revenue from municipalities and quasi-public agencies that cover their employees through the state; that revenue is deposited into the General Fund.



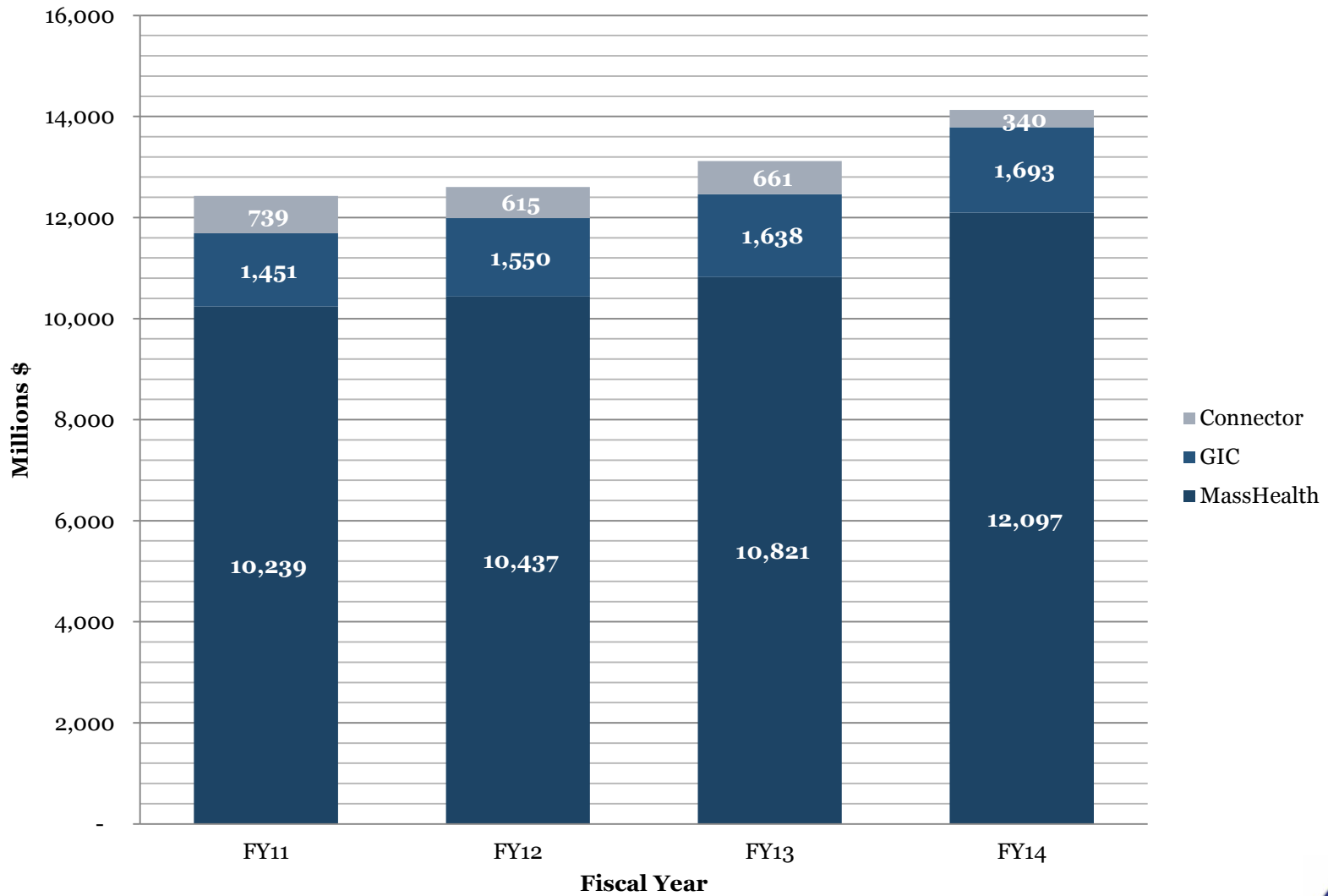
Big Topic: Review of Major Spending Categories: Health Care

FY 2014 Budget Outlook:

- The fiscal 2014 budget includes \$12.097 bn for the MassHealth program. Estimated spending in fiscal 2013 is \$10.814 bn for MassHealth programs. This is approximately 12%, or \$1.28 bn, higher than fiscal 2013 spending.
 - The spending growth is largely driven by the expansion of the eligible population due to the Affordable Care Act (ACA) beginning January 1, 2014. Revenues will be higher than spending, resulting in a net benefit to the Commonwealth, due to higher federal reimbursement rates (75-100%) for newly eligible members.
 - In addition to ACA implementation, the spending growth in the MassHealth budget is driven by base enrollment increases (2.8% over fiscal 2013), utilization increases, and a variety of investments.
- The fiscal 2014 budget provides \$340 mm from the General Fund for both the current programs at the Health Connector and the new State Wrap. In fiscal 2013 the Health Connector received \$661 mm in a transfer from the General Fund. The 48% reduction in the General Fund contribution between fiscal 2013 and the fiscal 2014 budget is largely driven by the ACA-driven transition of members to MassHealth coverage and the addition of new dedicated revenues to the Commonwealth Care Trust.
- The fiscal 2014 budget provides \$1.693 bn from the General Fund for health insurance coverage from the Group Insurance Commission. This represents a \$55.1 million or 3% increase from fiscal 2013 and is the result of higher health insurance rate increases and the addition of new participating municipalities to GIC coverage.



Big Topic: Review of Major Spending Categories: Health Care



Big Topic: Review of Major Spending Categories: Debt Service

Major Components:

- Long-term debt, contract assistance and costs of short term debt issuance.
- Debt service is carefully managed through the Debt Affordability policy which is tied to the state's Five-Year Capital Plan.
- The Commonwealth's Debt Affordability policy for setting the amount of "Bond Cap" is based on two factors:
 1. Debt service does not exceed 8% of budgeted revenues in any given year; and
 2. The total increase in a given year will not be more than \$125 mm per year.
- The Debt Affordability Analysis projects the FY14 Bond Cap to be \$2 bn. The Executive Office for Administration and Finance will be releasing its FY14-FY18 Capital Plan within the next few weeks.

Funding Mechanism:

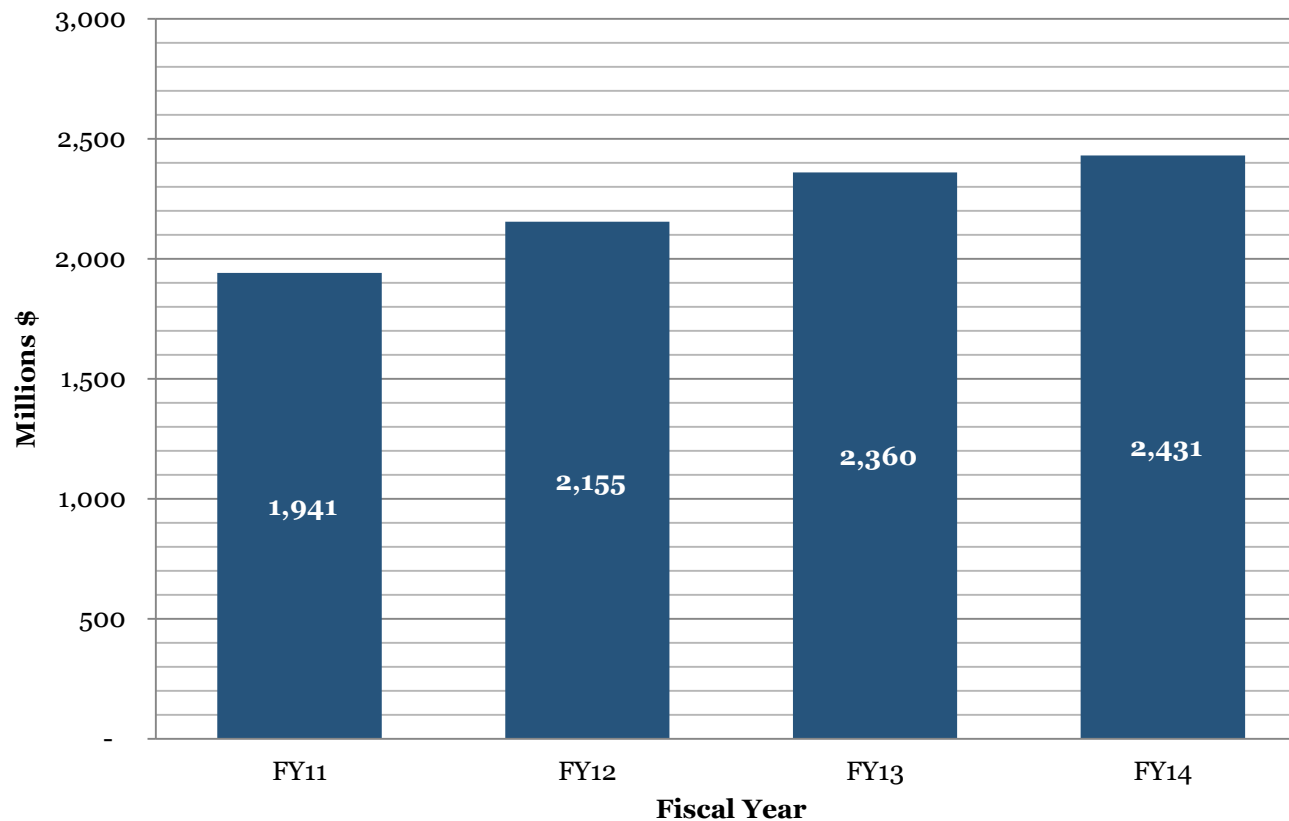
- The Commonwealth's debt service needs are funded through the annual operating budget.



Big Topic: Review of Major Spending Categories: Debt Service

FY2014 Budget Outlook:

- The fiscal 2014 budget provides \$2.430 bn from the General Fund for debt service obligations, representing a 4% increase over the fiscal year 2013 spending level.



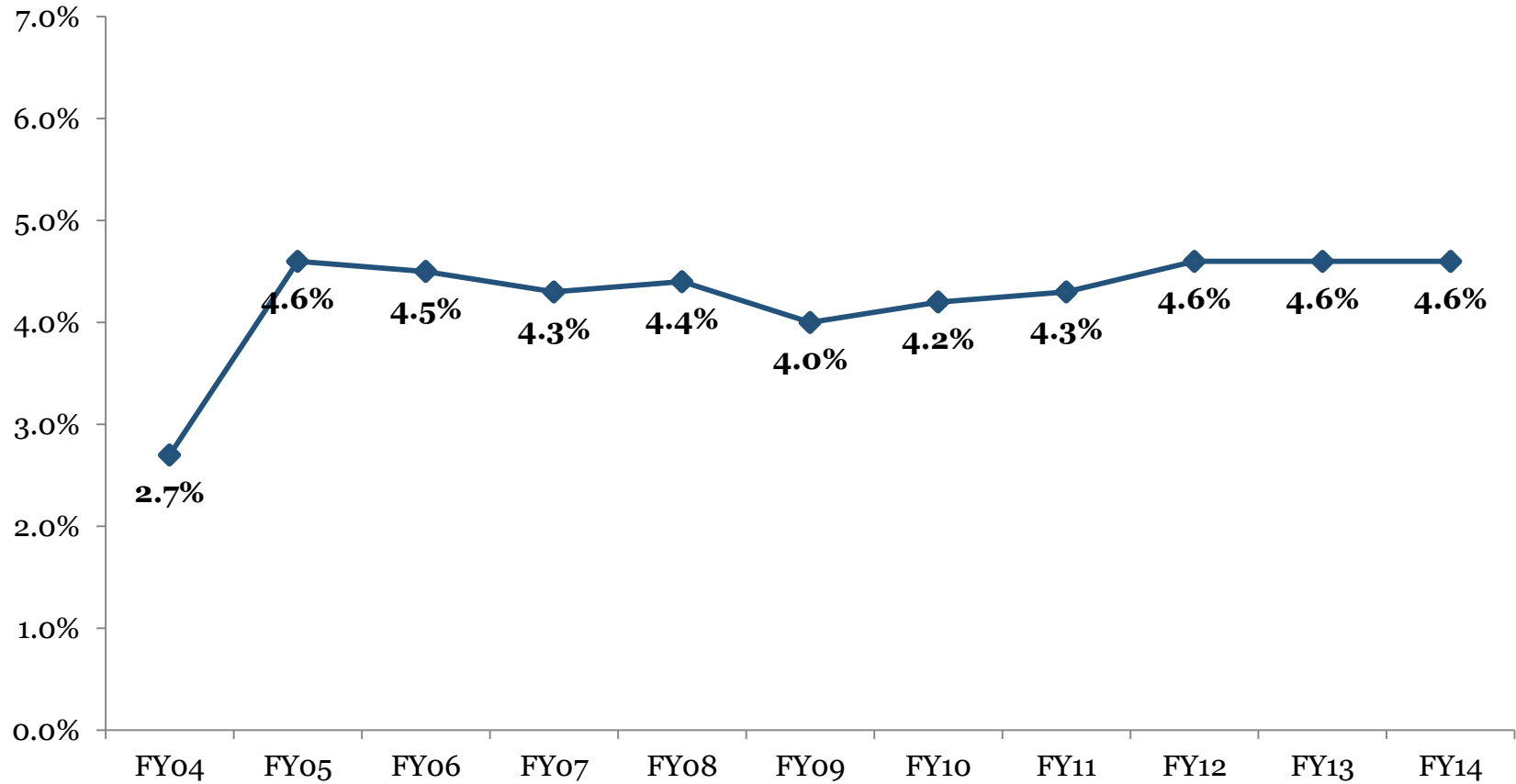
Big Topic: Review of Major Spending Categories: Pension

- 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 most recently approved pension funding schedule for payments into the Commonwealth’s Pension Liability Fund was filed by the Secretary of Administration and Finance on January 18, 2011.
- The schedule is based on the valuation of assets and liabilities as of January 1, 2010, an annual rate of return on assets of 8.25%, and an increase in the appropriation level of 5% per year in fiscal years 2013 and 2014 and 6% per year during fiscal years 2015 to 2017.
- The fiscal 2012 budget required that the pension funding amounts for fiscal 2012 through fiscal 2017 must be equal to or greater than the amounts for those years specified in the funding schedule filed in January, 2011.
- The next triennial funding schedule is due to be filed by the Secretary of Administration and Finance on January 15, 2014.



Big Topic: Review of Major Spending Categories: Pension

- The FY14 pension appropriation represents about 4.6% of the state budget.



6. Debt & Capital Update



Debt / Capital

- The State Treasurer's Office (STO) continues to issue debt periodically to fund the state's capital budget, following the guidelines of the Executive Office for Administration & Finance's (A&F) Debt Affordability Analysis
- For Fiscal 2014, the STO is preparing to borrow \$2.85 bn
- This is broken down by the following:
 - \$2.48 bn General Obligation bonds (\$2 bn Bond Cap and \$151.9 mm project financing)
 - \$704 mm Special Obligation bonds for the Accelerated Bridge Program (Commonwealth Transportation Fund bonds and Federal Highway Grant Anticipation Notes)
- The STO has completed its FY14 Plan of Finance, which outlines the expected schedule, structure and sizing of each new-money borrowing in the fiscal year
- The STO's initial FY2014 funding of the capital budget was a \$600 mm competitive bond sale in July



Debt / Capital

- In mid-September the STO plans to sell the Commonwealth's annual cash flow notes
 - The FY2014 cash flow note borrowing is \$800 mm of fixed-rate, General Obligation Revenue Anticipation Notes
 - The par amount for the FY14 borrowing is down more than 30% from prior years
 - From FY2010 – FY2013 the Commonwealth sold \$1.2 bn in RANs in each of those fiscal years to enhance the state's cash as a result of the timing differences caused by tax collections
- The STO expects to issue bonds for the Accelerated Bridge Program in October 2013
 - The \$704 mm in total borrowing is expected to be broken down into \$329 mm in GANs and \$375 mm in CTF bonds (preliminary and subject to change)
 - Initial and preliminary sale date is October 30th
- In terms of general obligation issuance, the STO expects to issue next in November
- The November G.O. financing is expected to include variable rate bonds



Debt / Capital

- The \$800 mm G.O. RANs Series 2013 A, Series B, and Series C are scheduled to be sold on Wednesday, September 18th
- The RANs will be sold via competitive auction with the Series A sold at 10:00 AM, Series B at 10:15, and the Series C at 10:30
- The RANs are being broken down into three series to maximize coverage on the repayment dates
 - \$200 mm Series A due 4/24/14 (209/360 days)
 - \$300 mm Series B due 5/29/14 (244/360 days)
 - \$300 mm Series C due 6/26/14 (271/360 days)
 - Single coupon of 2.0% for all three series
- RANs are non-callable
- Expect ratings on Monday 9/16

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy any securities, nor shall it be relied upon in connection with any offer to sell or a solicitation of an offer to buy any securities, nor shall it be used in any jurisdiction where it is not lawful to do so.

OFFICIAL NOTICE OF SALE AND PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 11, 2013

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX EXEMPTION" herein.



THE COMMONWEALTH OF MASSACHUSETTS

\$800,000,000
General Obligation Revenue Anticipation Notes
\$200,000,000 2013 Series A
\$300,000,000 2013 Series B
\$300,000,000 2013 Series C

The Notes will be issued by means of a book-entry-only system evidencing ownership and transfer of the Notes on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants. Details of payment of the Notes are more fully described in this Official Statement. The Notes will bear interest from their date of delivery and interest will be payable at maturity, calculated on the basis of a 30-day month and a 360-day year, as more fully described herein. The Notes are not subject to redemption prior to maturity.

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

The Notes are offered when, as and if issued and received by the original purchasers, and subject to the unqualified approving opinion as to legality of Edwards Wildman Palmer 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. Settlement of the issue is expected at DTC in New York, New York, on or about September 25, 2013.

The Notes are offered on a competitive sale basis as described herein under "COMPETITIVE SALE OF NOTES" and pursuant to the Official Notice of Sale dated September 11, 2013 and attached hereto as Appendix C.

September __, 2013



Disclosure Enhancements

Investor Communication & Outreach

- The Commonwealth will continue to hold live investor calls approximately one week after each disclosure update
 - Regular updates on the economy, revenues, budgets, forward calendar/ capital plans, as well as one “big topic” per call
 - Access to senior leadership of the state
- Twitter feed for investors: @BuyMassBonds
- Hold the Date: 2013 Massachusetts Investor Conference Thursday, December 12th

Commonwealth of Massachusetts 2013 Investor Disclosure & Conference Call Schedule

Disclosure Update	Targeted Investor Conference Call	"Big Topic"	Participants
9-Jan-13	11-Jan-13	Review of FY 2012 Financial Statements	State Comptroller
7-Mar-13	15-Mar-13	Review of New Investor Website	Treasury
7-May-13	14-May-13	Review of the Five-Year Capital Plan / Debt Portfolio	A&F / Treasury
22-Jul-13	29-Jul-13	Review of FY13 Revenue Collections	Dept. of Revenue
9-Sep-13	16-Sep-13	Review of Major Spending Categories	State Budget Director
7-Nov-13	14-Nov-13	Review of Pension Actuarial Report	State Actuary / PERAC

7. Questions & Follow-Up



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To receive e-mail notifications of our investor events please send us an email at: ***massbondholders@tre.state.ma.us***

or follow us on Twitter @ “Buy Mass Bonds”

