

**THE  
COMMONWEALTH  
OF  
MASSACHUSETTS**



**INFORMATION STATEMENT SUPPLEMENT**

**Dated September 4, 2008**

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**THE COMMONWEALTH OF MASSACHUSETTS**



**CONSTITUTIONAL OFFICERS**

**Deval L. Patrick.....Governor**  
**Timothy P. Murray .....Lieutenant Governor**  
**William F. Galvin.....Secretary of the Commonwealth**  
**Martha Coakley..... Attorney General**  
**Timothy P. Cahill..... Treasurer and Receiver-General**  
**A. Joseph DeNucci..... Auditor**

**LEGISLATIVE OFFICERS**

**Therese Murray..... President of the Senate**  
**Salvatore F. DiMasi..... Speaker of the House**

**THE COMMONWEALTH OF MASSACHUSETTS**  
**INFORMATION STATEMENT SUPPLEMENT**

**September 4, 2008**

This supplement (“Supplement”) to the Information Statement of The Commonwealth of Massachusetts (the “Commonwealth”) dated August 22, 2008 (the “August Information Statement”) is dated September 4, 2008 and contains information which updates the information contained in the August Information Statement. The August Information Statement has been filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR) currently recognized by the Securities and Exchange Commission. This Supplement and the August Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through September 4, 2008. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the August Information Statement.

The August Information Statement includes three exhibits. Exhibit A is the Statement of Economic Information as of June 30, 2008, which sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibits B and C are, respectively, the Commonwealth’s Statutory Basis Financial Report for the year ended June 30, 2007 and the Commonwealth’s Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2007. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with each NRMSIR currently recognized by the Securities and Exchange Commission. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on “Publications and Reports” and then “Financial Reports.”

**RECENT DEVELOPMENTS**

**Fiscal 2008**

Approximately \$399.5 million in supplemental appropriations were approved for fiscal 2008. Based on historical trends and preliminary estimates of fiscal 2008, the Executive Office for Administration and Finance is anticipating approximately \$275.8 million in reversions on account of fiscal 2008 (\$116.7 million of which are anticipated to be carried forward into fiscal 2009). See the August Information Statement under the heading “FISCAL 2008 AND FISCAL 2009 - Fiscal 2008.”

**Fiscal 2009**

Preliminary tax revenue collections for the first two months of fiscal 2009, ended August 31, 2008, totaled \$2.690 billion, an increase of \$136.1 million, or 5.3%, over the same period in fiscal 2008. The following table shows the tax collections for the first two months of fiscal 2009 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 in fiscal 2009 that are dedicated to the Massachusetts Bay Transportation Authority and to the Massachusetts School Building Authority.

### Fiscal 2009 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>	Tax Collections: Net of MBTA and <u>MSBA</u>
July	\$1,382.8	\$86.8	6.7%	\$60.5	\$51.4	\$1,271.0
August(2)	1,308.6	50.5	4.0	56.9	48.4	1,203.4
September						
October						
November						
December						
January						
February						
March						
April						
May						
June						
<b>Total(2)</b>	<b><u>\$2,690.3</u></b>	<b><u>\$136.1</u></b>	<b><u>5.3%</u></b>	<b><u>\$117.4</u></b>	<b><u>\$99.8</u></b>	<b><u>\$2,473.1</u></b>

SOURCE: Executive Office for Administration and Finance.

(1) Details may not add to Total due to rounding.

(2) Figures are preliminary.

The year-to-date tax revenue increase of \$136.1 million through August 31, 2008 is attributable in large part to an increase of approximately \$98.1 million, or 7.2%, in withholding collections, an increase of approximately \$57.8 million, or 61.9%, in corporate and business tax collections which are partially offset by changes in other revenues (net of refunds) and by the decline of \$19 million, or 2.6%, in sales and use tax collections. The year-to-date fiscal 2009 collections (through August) were \$44 million above the benchmark estimate for the corresponding period, which was based on fiscal 2009 estimate of \$21.402 billion (consensus fiscal 2009 estimate of \$20.987 billion adjusted for subsequent tax law changes). However, almost all of the July growth over fiscal 2008 and more than the entire July surplus over benchmark was accounted for by a corporate settlement payment of \$80 million that was received in July. Without taking that corporate settlement into account, total collections year-to-date would be about \$36 million below benchmark.

#### Cash Flow

A cash flow report for fiscal 2008 and forecast for fiscal 2009, dated September 2, 2008, has been released by the State Treasurer and the Secretary of Administration and Finance. The fiscal 2008 cash flow report incorporates actual spending and revenue through June 30, 2008. See the August Information Statement under the heading "FISCAL 2008 AND FISCAL 2009 - Cash Flow."

The September 2, 2008 cash flow reports an actual cash balance on June 30, 2008 of \$1.198 billion, approximately \$393 million lower than the July 1, 2007 cash balance of \$1.591 billion that opened the fiscal year.

The fiscal 2009 cash flow projection is based upon the fiscal 2009 budget signed on July 13, 2008 (including the value of all vetoes and subsequent overrides), all supplemental appropriations either filed, enacted or anticipated and all prior appropriations continued into fiscal 2009. Fiscal 2009 projections are based on actual spending and revenue through July, 2008 and estimates for the remainder of fiscal 2009. The fiscal 2009 budget provides for spending of \$28.165 billion and is based upon a tax estimate of \$21.402 billion (original consensus revenue estimate of \$20.987 billion adjusted for subsequent tax law changes). The fiscal 2009 projections are also based on the five-year capital investment plan published in August, 2007 by the Executive Office for Administration and Finance. Given the national economic climate and projections of slower rates of economic growth for the Commonwealth, the Executive Office for Administration and Finance continues to closely monitor fiscal 2009 tax

receipts and is developing contingency plans in the event that state tax revenue growth slows to a level that would require a downward revision of the fiscal 2009 estimate. The fiscal 2009 tax estimate includes \$1.465 billion dedicated to the Commonwealth's pension obligations, \$768 million in sales tax revenues dedicated to the Massachusetts Bay Transportation Authority and \$702 million in sales tax revenues dedicated to the Massachusetts School Building Authority. The fiscal 2009 budget assumes total net transfers from the State Lottery of \$1.028 billion, which is an insufficient amount to fully fund local aid to cities and towns. The fiscal 2009 cash flow projection also assumes the receipt of \$288.5 million on April 15, 2009 pursuant to the tobacco master settlement agreement.

The Commonwealth's next cash flow projection is expected to be released on or before December 1, 2008.

Based on the September 2, 2008 projections, the fiscal 2009 forecast shows an overall decline in the non-segregated cash balance from \$1.198 billion to \$676 million. Several factors affect the overall decline in the cash balance, including general obligation bond proceeds received in fiscal 2008 which are projected to be spent in fiscal 2009, fiscal 2008 appropriations carried forward and authorized to be expended in fiscal 2009 and some anticipated transfers that may result from the fiscal 2008 consolidated net surplus calculation. The month-end balance for July, 2008 was \$832 million, compared to a balance of \$1.292 billion for July, 2007.

**Overview of Fiscal 2008 Non-Segregated Operating Cash Flow (in millions) (1)**  
(as of September 2, 2008)

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<b>Opening Balance</b>	\$1,590.8	\$1,291.8	\$1,186.9	\$724.7	\$456.8	\$393.4	\$499.3	\$1,238.9	\$573.2	\$314.9	\$1,369.2	\$1,286.7
<b>CP /RANs Issuance</b>	-	-	-	200.0	300.0	900.0	-	-	400.0	-	-	-
<b>Total Receipts</b>	2,687.8	3,055.6	3,491.6	2,558.7	3,130.8	3,449.9	3,343.6	3,112.5	4,209.7	4,812.26	3,774.1	4,549.9
<b>Total Expenditures</b>	2,987.1	3,173.4	3,953.4	3,026.1	3,400.8	4,483.6	3,100.8	3,376.6	4,939.7	3,757.7	3,856.4	4,641.1
<b>Central Artery Settlement</b>	-	-	-	-	-	-	401.2	(401.2)	-	-	-	-
<b>Stabilization Transfers</b>	-	-	-	-	(92.9)	240.0	-	-	72.0	-	-	3.0
<b>Closing Balance</b>	<u>\$1,291.5</u>	<u>\$1,187.4</u>	<u>\$725.1</u>	<u>\$457.2</u>	<u>\$393.8</u>	<u>\$499.7</u>	<u>\$1,239.3</u>	<u>\$573.6</u>	<u>\$315.2</u>	<u>\$1,369.5</u>	<u>\$1,286.9</u>	<u>\$1,198.5</u>

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

**Overview of Fiscal 2009 Non-Segregated Operating Cash Flow (in millions) (1)**  
(as of September 2, 2008)

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<b>Opening Balance</b>	\$1,198.2	\$832.5	\$549.9	\$674.7	\$680.8	\$394.9	\$98.0	\$693.3	\$477.2	\$186.2	\$1,186.5	\$791.6
<b>CP /RANs Issuance</b>	-	500.0	750.0	-	300.0	283.1	-	-	-	-	-	-
<b>Total Receipts</b>	2,942.4	2,701.1	4,757.7	3,244.9	2,933.7	3,972.7	3,932.1	3,128.3	4,403.7	5,102.4	3,419.5	4,770.4
<b>Total Expenditures</b>	3,307.9	3,483.5	4,633.0	3,238.7	3,519.6	4,670.6	3,336.7	3,344.3	4,694.6	4,102.0	3,814.4	4,886.1
<b>Central Artery Settlement</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Stabilization Transfers</b>	-	-	-	-	-	401.0	-	-	-	-	-	-
<b>Closing Balance</b>	<u>\$832.7</u>	<u>\$550.2</u>	<u>\$674.7</u>	<u>\$680.9</u>	<u>\$395.0</u>	<u>\$98.0</u>	<u>\$693.3</u>	<u>\$477.2</u>	<u>\$186.3</u>	<u>\$1,186.6</u>	<u>\$791.7</u>	<u>\$675.9</u>

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

## COMMONWEALTH EXPENDITURES

### Medicaid

The federal section 1115 demonstration project waiver under which the Commonwealth operates the majority of its Medicaid program is currently authorized through September 22, 2008. The Commonwealth is actively working with the federal government to secure a renewal of this authority through June 30, 2011; while prior authority was set to expire on June 30, 2008, the Commonwealth and the federal Centers for Medicare and Medicaid Services (CMS) agreed to extend the current terms for a seventh two-week period in order to provide appropriate time in which to complete discussions. The Commonwealth will evaluate the need for additional short-term extensions as negotiations progress. See the August Information Statement under the heading "COMMONWEALTH EXPENDITURES - Medicaid."

### Office of Disability and Community Services

Under the settlement agreement approved June 16, 2008 in *Rolland v. Patrick et al.*, the Commonwealth expects to devote an additional \$17 million each year to pay for the placement of the affected individuals and the provision of active treatment. See the August Information Statement under the headings "COMMONWEALTH EXPENDITURES - Office of Disabilities and Community Services" and "LEGAL MATTERS."

## MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of general and special laws and of other documents set forth or referred to in the August Information Statement and this Supplement 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.

The August Information Statement and this Supplement contain 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 the August Information Statement and this Supplement 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 the August Information Statement and this Supplement 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 the August Information Statement and this Supplement are subject to change without notice. Neither the delivery of this Supplement nor any sale made pursuant to any official statement of which the August Information Statement and this Supplement are 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 Supplement, except as expressly stated.

## **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 becomes available by 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, Room 909, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller's web site located at <http://www.mass.gov/osc> by clicking on "Financial Reports/Audits."

On behalf of the Commonwealth, the State Treasurer will provide to each NRMSIR within the meaning of Rule 15c2-12 of the SEC, 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 said Rule 15c2-12, together with audited financial statements of the Commonwealth for such fiscal year. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to the general obligation debt of the Commonwealth and has not failed in the last six years to comply with its continuing disclosure undertakings with respect to its special obligation debt and federal grant anticipation notes. However, the annual filings relating to the fiscal year ended June 30, 2001 for the Commonwealth's special obligation debt and for the Commonwealth's federal highway grant anticipation notes were filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the Nationally Recognized Municipal Securities Information Repositories and the Municipal Securities Rulemaking Board.

The Department of the State Auditor audits all agencies, departments and authorities of the Commonwealth at least every two years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133.



**AVAILABILITY OF OTHER FINANCIAL INFORMATION**

Questions regarding the August Information Statement or this Supplement requests for additional information concerning the Commonwealth should be directed to Colin MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Karol Ostberg, Director of Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to the August Information Statement or this Supplement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Timothy P. Cahill  
Timothy P. Cahill  
Treasurer and Receiver-General

By /s/ Leslie A. Kirwan  
Leslie A. Kirwan  
Secretary of Administration and Finance

September 4, 2008

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