



SUPPLEMENT DATED APRIL 28, 2022

TO

THE COMMONWEALTH OF MASSACHUSETTS
 INFORMATION STATEMENT
 DATED JANUARY 6, 2022

(as supplemented by the Information Statement Supplement dated January 31, 2022)

Except as specifically provided herein, the Commonwealth Information Statement dated January 6, 2022 (the “Original Information Statement”), as supplemented by the Supplement dated January 31, 2022 (the “January Supplement” and together with the Original Information Statement, the “Information Statement”) has not been updated or supplemented. The Original Information Statement contains information only through its date and the January Supplement contains information only as of its date, except as specifically set forth in this Supplement. The Information Statement, together with this Supplement, should be read in its entirety.

The Information Statement is supplemented as of the date hereof as set forth below.

COMMONWEALTH REVENUES

Under the heading “COMMONWEALTH REVENUES - Tax Revenue Forecasting,” the table entitled “Tax Revenue Forecasting” is hereby deleted and replaced with the following:

	Tax Revenue Forecasting (in millions)				Projected	Projected
	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 (1)</u>	<u>2023 (1)</u>
Consensus forecast (2)	\$27,072	\$27,594	\$29,299 (5)	\$31,151	\$30,120	\$36,915
GAA assumption of tax-related settlements and judgments exceeding \$10 million	125	25	50	50	50	
Total taxes per enacted budget (3)	<u>\$26,629</u>	<u>\$28,417 (4)</u>	<u>\$30,149 (6)</u>	<u>\$28,440</u>	<u>\$34,451</u>	
October revision (2)	-	-	-	27,592	-	
January revision (2)	26,661	28,592 (4)	30,289 (7)	29,090	35,948	
Actual budgeted operating tax revenues (3)	<u>\$27,787</u>	<u>\$29,741</u>	<u>\$29,633</u>	<u>\$34,156</u>		
Actual budgeted revenues as a percentage of consensus forecast	102.6%	107.8%	101.1%	109.6%		
Actual budgeted revenues as a percentage of total taxes per enacted budget	104.3%	104.7%	98.3%	120.1%		

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

- (1) The amounts for fiscal 2021 are unaudited and for fiscal years 2022 and 2023 are projected.
- (2) Excludes tax-related settlements exceeding \$10 million each.
- (3) Includes tax-related settlements exceeding \$10 million each.
- (4) Includes an estimated \$63 million from marijuana sales and excise taxes.
- (5) Does not include any revenue from marijuana sales or excise taxes.
- (6) Includes \$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) Includes an estimated \$132.5 million from marijuana sales and excise taxes.

Under the heading “COMMONWEALTH REVENUES – Fiscal 2021 and Fiscal 2022 Tax Revenues – Fiscal 2022,” the table entitled “Fiscal 2022 Tax Collections” and the paragraph following the table are deleted and replaced with the following:

Fiscal 2022 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	\$2,279.7	\$137.4	6.4%	\$113.6	\$100.3	\$2,065.8
August	2,492.4	528.2	26.9	107.8	94.5	2,290.1
September	3,993.0	834.4	26.4	105.6	92.3	3,795.1
October	2,444.0	354.8	17.0	105.7	92.4	2,245.9
November	2,414.0	286.9	13.5	115.4	102.1	2,196.6
December	4,236.4	1,379.3	48.3	75.3	61.9	4,099.2
January	4,025.8	678.2	20.3	124.8	111.4	3,789.6
February	1,832.5	(42.4)	(2.3)	102.2	88.8	1,641.5
March (1)	3,857.8	801.8	26.2	103.4	90.1	3,664.4
Total (2)	<u>\$27,575.6</u>	<u>\$4,958.7</u>	<u>21.9%</u>	<u>\$953.7</u>	<u>\$833.7</u>	<u>\$25,788.1</u>

SOURCE: Executive Office for Administration and Finance.

(1) Preliminary and subject to change.

(2) Totals may not add due to rounding.

The year-to-date fiscal 2022 tax revenue increase of approximately \$4.959 billion through March 31, 2022 from the same period in fiscal 2021 is, in part, due to an increase of approximately \$635 million, or 23.2%, in corporate and business tax collections, an increase of approximately \$995 million, or 8.9%, in withholding collections, an increase of approximately \$1.478 billion, or 83.0%, in income tax estimated payments, an increase of approximately \$700 million, or 110.6%, in income tax return and bill payments, an increase of approximately \$1.018 billion, or 18.8%, in sales and use tax collections, and an increase of approximately \$308 million, or 16.2%, in all other taxes, offset by an increase of approximately \$175 million, or 18.0%, in income tax cash refunds. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$30.6 million, fiscal 2022 year-to-date tax collections through March 31, 2022 were approximately \$27.545 billion, \$4.961 billion more than the collections in the same period in fiscal 2021, and \$2.184 billion above the year-to-date benchmark associated with the revised fiscal 2022 tax revenue estimate of \$35.948 billion. Approximately \$1.653 billion of the total increase in collections, including approximately \$1.188 billion of income tax estimated payments and \$465 million of income tax return payments, is due in part to the recently enacted elective pass-through entity (PTE) excise, which allows members of a PTE to avoid the federal limit on the deduction for state and local taxes by electing to pay tax on the PTE’s income at the entity-level, and then claim a credit equal to 90% of the PTE excise paid. Many PTEs paid their 2021 excise taxes in December 2021 in order to claim a deduction on their 2021 federal income tax return. In the coming months, PTE members who also paid estimated taxes themselves on PTE income will receive refunds due to the credits offsetting 90% of the PTE excise payments. As a result, the approximate \$1.653 billion increase in collections associated with the PTE excise is temporary.

After adjusting for PTE excise payments and the credits claimed through March 31, 2022 by the PTE members, fiscal 2022 year-to-date collections are \$3.324 billion, or 14.7%, more than collections in the same period of fiscal 2021 and \$1.515 billion, or 6.2%, more than the fiscal 2022 year-to-date benchmark.

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Under the heading “COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues – Lottery Revenues,” the table entitled “Fiscal 2022 Monthly Lottery Revenues and Profits” and the immediately preceding sentence are deleted and replaced with the following:

The following table shows Lottery revenues and profits for the first eight months of fiscal 2022.

**Fiscal 2022 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 (2)</u>
July	\$493,835	\$362,744	\$28,191	\$102,900	\$6,713	\$96,187
August	564,752	414,411	32,463	117,878	7,724	110,154
September	456,690	328,042	25,934	102,715	7,201	95,514
October	432,963	324,992	24,715	83,256	5,437	77,819
November	558,573	394,536	31,834	132,203	5,698	126,505
December	498,551	355,838	28,386	114,327	8,541	105,786
January	529,351	410,024	30,321	89,006	7,408	81,598
February	426,165	324,979	24,551	76,635	5,824	70,812
Total	\$3,960,880	\$2,915,566	\$226,395	\$818,920	\$54,546	\$764,374
YTD prize accrual – Estimated (1)	-	(3,237)	-	3,237	-	3,237
Adjusted Totals (1)	\$3,960,880	\$2,912,329	\$226,395	\$822,156	\$54,546	\$767,610

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

(1) Preliminary and subject to change.

(2) Totals may not sum due to rounding.

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Under the heading “COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues – Gaming Revenues,” the table entitled “Fiscal 2022 Monthly Gaming Revenues” and the immediately preceding sentence are deleted and replaced with the following:

The following table shows gaming collections revenues for the first nine months of fiscal 2022.

Fiscal 2022 Monthly Gaming Revenues (in thousands) (6)

Month	Category 1 Gross Gaming Revenue (1)	Category 1 Total Collected State Taxes (2)	Category 2 Slot Gross Gaming Revenue (1)	Category 2 Total Collected State Taxes (3)	Category 2 Race Horse Assessments (4)	Statewide Gross Gaming Revenue (5)	Statewide Budgetary Taxes & Race Horse Assessments (5)
July	\$82,761	\$20,690	\$12,952	\$5,181	\$1,165	\$95,713	\$27,036
August	79,652	19,913	12,732	5,093	1,145	92,384	26,151
September	76,824	19,206	11,997	4,798	1,079	88,821	25,083
October	84,240	21,060	11,741	4,696	1,056	95,981	26,812
November	71,188	17,797	10,972	4,388	987	82,160	23,172
December	84,618	21,154	11,048	4,419	994	95,666	26,567
January	72,560	18,139	9,842	3,936	885	82,402	22,960
February	74,673	18,667	10,950	4,380	985	85,623	24,032
March	89,147	22,286	12,937	5,174	1,164	102,084	28,624
Total	\$715,663	\$178,912	\$105,171	\$42,065	\$9,460	\$820,834	\$230,437

Source: Massachusetts Gaming Commission, Revenue Reports.

- (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) Totals may not sum due to rounding.
- (6) Amounts for fiscal 2022 are preliminary.

Under the heading “COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues – Gaming Revenues,” the last two paragraphs deleted and replaced with the following:

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 intervenor claim filed by Mohegan Sun 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 that the licensee remained suitable, and thereafter Mohegan Sun amended its complaint to add a challenge to that determination. Argument on Mohegan Sun’s motion for judgment was heard on September 21, 2021. By decision dated February 16, 2022, the Superior Court denied Mohegan Sun’s motion in its entirety and entered judgement for the Gaming Commission and individual Commissioners on all remaining claims asserted in the action.

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 requested 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. 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. On February 12, 2021, the Gaming Commission filed a motion for summary judgment. On June 16, 2021, the Superior Court granted the Gaming Commission’s motion for summary judgment and dismissed the case. The Superior Court also dismissed the Gaming Commission’s third-party claims against the Region A Category 1 licensee. The plaintiff has appealed the Superior Court’s decisions and the matter was briefed and argued before the Supreme Judicial Court on February 4, 2022.

SELECTED FINANCIAL DATA

Under the heading “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures,” the table entitled “Budgeted Operating Funds – Statutory Basis” is hereby deleted and replaced with the table on the following page.

Budgeted Operating Funds – Statutory Basis (in millions) (1)

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Projected Fiscal 2022</u>
Beginning Fund Balances					
Reserved or Designated	\$117.4	\$371.5	\$521.3	\$776.6	\$1,099.3
Stabilization Fund	1,300.7	2,001.3	3,424.4	3,501.2	4,626.4
Federal COVID-19 Response Fund	-	-	-	-	4,892.0
Transitional Escrow Fund	-	-	-	-	1,460.3
Undesignated	29.7	13.9	13.5	17.4	15.8
Total	\$1,447.8	\$2,386.7	\$3,959.2	\$4,295.2	\$12,093.8
Revenues and Other Sources					
Alcoholic Beverages	85.8	87.1	88.4	93.2	96.1
Banks	17.4	19.5	9.3	44.9	31.5
Cigarettes	471.2	439.8	416.3	316.1	314.0
Corporations	2,392.2	2,927.2	2,523.4	3,626.6	3,921.5
Deeds	284.5	318.3	314.2	397.2	419.5
Income	16,239.6	17,109.3	17,360.8	19,618.5	20,561.7
Inheritance and Estate	473.0	601.3	699.6	787.8	862.2
Insurance	430.9	470.6	495.9	558.8	558.6
Marijuana Excise	-	13.9	51.7	112.4	147.7
Motor Fuel	769.1	775.5	707.9	662.9	730.5
Public Utilities	(0.7)	-	(0.3)	1.5	1.6
Room Occupancy	158.7	168.8	146.6	88.7	169.0
Electronic Nicotine Delivery System	-	-	-	9.3	-
Sales:					
Regular	4,433.2	4,688.3	4,905.1	5,829.4	5,906.1
Meals	1,154.4	1,216.0	1,077.3	946.5	1,200.8
Motor Vehicles	866.3	894.0	828.0	1,054.3	1,004.7
Sub-Total-Sales	<u>6,453.9</u>	<u>6,798.3</u>	<u>6,810.4</u>	<u>7,830.2</u>	<u>8,111.6</u>
Miscellaneous	11.5	10.5	9.1	7.9	22.9
Settlements and Judgments (2)	-	-	-	-	50.0
Total Tax Revenues	\$27,787.2	\$29,740.1	\$29,633.3	\$34,156.0	\$35,998.4
MBTA Transfer	(1,007.9)	(1,053.2)	(1,077.3)	(1,261.4)	(1,265.7)
MSBA Transfer	(847.9)	(893.2)	(917.3)	(1,101.4)	(1,105.7)
Workforce Training Fund Transfer (3)	(24.7)	(25.1)	(25.7)	(21.4)	(24.5)
Total Budgeted Operating Tax Revenues	\$25,906.7	\$27,768.6	\$27,613.0	\$31,771.9	\$33,602.5
Federal Reimbursements	11,376.9	11,771.9	12,794.7	18,339.0 (4)	15,852.6
Departmental and Other Revenues	4,742.2	4,831.7	4,920.2	4,775.5	5,420.1
Inter-fund Transfers from Non-budgeted Funds and other sources (5)	<u>1,793.4</u>	<u>2,010.3</u>	<u>1,988.4</u>	<u>1,996.0</u>	<u>2,084.6</u>
Budgeted Revenues and Other Sources	\$43,819.2	\$46,382.5	\$47,316.1	\$56,882.4	\$56,959.9
Inter-fund Transfers	1,217.0	1,993.3	1,013.3	3,100.1	1,944.6
Total Budgeted Revenues and Other Sources	\$45,036.2	\$48,375.8	\$48,329.4	\$59,982.5	\$58,904.5
Expenditures and Uses					
Direct Local Aid	5,885.5	6,074.7	6,376.3	6,482.3	6,744.7
Medicaid	15,744.5	16,520.5	17,022.6	18,122.4	19,667.9
Other Health and Human Services	5,930.0	6,210.3	6,624.9	6,799.5	7,668.7
Group Insurance	1,634.0	1,644.2	1,662.0	1,720.9	1,903.3
Department of Elementary and Secondary Education	552.3	604.9	664.5	716.7	848.6
Higher Education	1,173.4	1,283.7	1,317.4	1,337.1	1,452.0
Department of Early Education and Care	564.3	607.5	712.2	784.5	1,043.6
Public Safety	1,102.0	1,168.1	1,478.6	1,410.4	1,388.2
Energy and Environmental Affairs	229.6	255.1	282.9	303.0	429.0
Debt Service	2,323.4	2,327.1	2,410.2	2,289.4	2,533.7
Post -Employment Benefits (6)	2,891.5	3,110.2	3,305.0	3,751.9	4,165.2

Other Program Expenditures	3,316.0	3,562.5	3,724.8	3,916.0	5,626.4
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$41,346.5</u>	<u>\$43,368.9</u>	<u>\$45,581.4</u>	<u>\$47,634.1</u>	<u>\$53,471.2</u>
<u>Inter-fund Transfers to Non-budgeted Funds</u>					
Commonwealth Care Trust Fund	-	45.8	-	-	35.0
Medical Assistance Trust Fund	579.9	363.1	505.8	505.3	751.5
Massachusetts Transportation Trust Fund	634.7	643.2	588.2	614.2	822.0
Other	319.2	389.0	304.7	324.9	569.0
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,533.8</u>	<u>\$1,441.1</u>	<u>\$1,398.7</u>	<u>\$1,444.4</u>	<u>\$2,177.5</u>
<u>Special Appropriated Funds</u>					
Federal COVID-19 Response Fund	-	-	-	-	1,490.0
Transitional Escrow Fund	-	-	-	-	681.3
Total Special Appropriated Funds	-	-	-	-	<u>2,171.3</u>
Budgeted Expenditures and Other Uses	<u>\$42,880.3</u>	<u>\$44,810.0</u>	<u>\$46,980.1</u>	<u>\$49,078.5</u>	<u>\$57,820.0</u>
Inter-fund Transfers	1,217.0	1,993.3	1,013.3	3,100.1	1,944.6
Total Budgeted Expenditures and Other Uses	<u>\$44,097.3</u>	<u>\$46,803.3</u>	<u>\$47,993.4</u>	<u>\$52,178.6</u>	<u>\$59,764.7</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$938.9</u>	<u>\$1,572.5</u>	<u>\$336.0</u>	<u>\$7,804.0 (9)</u>	<u>(\$860.2) (11)</u>
<u>Ending Fund Balances</u>					
Reserved or Designated (7)	371.5	521.3	776.6 (8)	1,099.3 (10)	1,154.3 (12)
Stabilization Fund	2,001.3	3,424.4	3,501.2	4,626.4	5,887.2
Federal COVID-19 Response Fund	-	-	-	4,892.0	3,402.0
Transitional Escrow Fund	-	-	-	1,460.3	779.0
Undesignated	13.9	13.5	17.4	21.1	11.3
Total	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$11,233.8</u>

SOURCES: Fiscal 2018-2021, Office of the Comptroller; fiscal 2022, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) For fiscal 2018 through fiscal 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) Includes one-time transfer of \$4.9 billion from the Coronavirus State and Local Fiscal Recovery Fund and one-time deposit of \$1.5 billion into the Transitional Escrow Fund.
- (5) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, abandoned property proceeds and other inter-fund transfers.
- (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)." Fiscal 2022 also includes a \$250 million supplemental transfer to the Pension Liability Fund.
- (7) Includes appropriations authorized to be expended in the following year.
- (8) Includes appropriations authorized in fiscal 2020 that were funded by federal funds in fiscal 2021.
- (9) Includes one-time transfer of \$4.9 billion from the Coronavirus State and Local Fiscal Recovery Fund and one-time deposit of \$1.5 billion into the Transitional Escrow Fund to be expended in the following years.
- (10) Includes appropriations authorized in fiscal 2021 that are expected to be funded by federal funds in fiscal 2022. Also includes \$252 million for a collective bargaining reserve to fund the retroactive and fiscal 2022 costs of certain agreements. See "FISCAL 2022 AND FISCAL 2023 – Fiscal 2022."
- (11) Fiscal 2022 "Deficiency of Revenues Versus Expenditures" reflects the carryforward from fiscal 2021 of \$4.9 billion from the federal Coronavirus State and Local Fiscal Recovery Fund, which was credited as operating revenue in fiscal 2021, as well as \$1.5 billion in the Transitional Escrow Fund from a fiscal 2021 tax surplus. Expenditures of these funds in fiscal 2022 are affordable from these sources, but as they are not matched with fiscal 2022 operating revenue, they appear as an operating deficit.
- (12) Includes appropriations anticipated to be authorized in fiscal 2022 and that are expected to be funded by federal funds in fiscal 2023.

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Under the heading “SELECTED FINANCIAL DATA – GAAP Basis,” the table entitled “Governmental Fund Operations – GAAP Basis – Fund Perspective” is hereby deleted and replaced with the following:

Governmental Fund Operations – GAAP Basis – Fund Perspective (in millions)					
	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u> ⁽¹⁾	<u>Fiscal 2021</u> ^{(2) (3)}
Beginning fund balances	\$5,273.3	\$5,596.9	\$6,838.4	\$9,165.9	\$9,912.8
Revenues and Financing Sources	68,437.1	68,990.3	69,775.9	72,507.0	84,720.3
Expenditures and Financing Uses	68,113.5	67,749.0	67,503.0	72,615.4	80,815.8
Excess/(deficit)	<u>323.6</u>	<u>1,241.3</u>	<u>2,272.9</u>	<u>(108.4)</u>	<u>3,904.5</u>
Ending fund balances— GAAP fund perspective	<u>\$5,596.9</u>	<u>\$6,838.2</u>	<u>\$9,111.3</u>	<u>\$9,057.5</u>	<u>\$13,817.3</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.

(2) Beginning fund balance was restated in fiscal 2021 due to GASB 84 reclassification of custodial fund activity presented in error in prior year.

(3) Fiscal 2021 numbers are preliminary, unaudited, and subject to change.

Under the heading “SELECTED FINANCIAL DATA – Auditors’ Report on Annual Comprehensive Financial Report for Fiscal 2020,” the following paragraph is added at the end thereof:

The Commonwealth expects to issue its Annual Comprehensive Financial Report for Fiscal 2021 (the “2021 ACFR”) in early May 2022. The 2021 ACFR will be posted to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system as soon as it is available and is incorporated into this Information Statement by reference.

FISCAL 2022 AND FISCAL 2023

Under the heading “FISCAL 2022 AND FISCAL 2023 – Fiscal 2022,” the following paragraphs are added to the end thereof:

On February 12, 2022, the Governor signed legislation appropriating \$101 million in supplemental spending, including spending to purchase coronavirus rapid antigen tests and personal protective masks, and to fund a public information campaign related to unemployment assistance.

On April 1, 2022, the Governor signed legislation further supporting the Commonwealth’s on-going response to COVID-19 and funding investments in other areas with immediate need, such as human services, housing, and local infrastructure. In total, the legislation includes \$1.6 billion in supplemental appropriations, at a net state cost of \$859 million. The appropriations are supported through strong tax collections above what was originally projected for fiscal 2022. See “COMMONWEALTH REVENUES – Fiscal 2021 and Fiscal 2022 Tax Revenues – Fiscal 2022”.

The spending estimates contained in the table entitled “Budgeted Operating Funds – Statutory Basis” under the heading “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures” reflect the appropriations contained in both supplemental appropriation bills and currently expected additional spending in fiscal 2022.

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CASH FLOW

Under the heading “FISCAL 2022 AND FISCAL 2023 - Cash Flow,” the table entitled “Month-End General Fund Cash Balances” as well as the preceding paragraph are hereby deleted and replaced with the paragraph and table below. The revisions reflected in the table below are based on the fiscal 2022 cash flow statement dated April 7, 2022.

The following table provides General Fund ending cash balances by month for fiscal 2018 through fiscal 2022 and the tables on the following pages provide cash flow detail for fiscal 2022. The balance for July through January of fiscal 2022 is actual and the remainder of fiscal 2022 is projected.

Month-End General Fund Cash Balances (in millions)

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022 (1)</u>
July	\$1,307.3	\$2,269.5	\$3,613.7	\$4,659.2	\$11,598.0
August	2,304.1	3,143.8	2,794.4	4,081.8	11,163.0
September	2,328.6	4,125.0	3,706.0	4,621.8	11,859.0
October	2,147.2	3,645.3	4,558.2	3,904.4	12,198.0
November	1,841.5	2,592.1	3,929.0	3,247.2	11,781.0
December	1,897.8	2,816.3	3,884.1	4,626.0	12,412.0
January	2,582.3	3,276.0	3,360.8	5,945.1	13,180.0
February	2,165.8	2,593.5	2,958.0	5,483.1	12,306.0
March	1,775.8	2,913.6	3,537.9	5,746.1	12,200.0
April	2,897.4	4,603.0	4,809.9	6,524.3	14,211.2
May	2,666.2	4,239.6	3,573.5	13,548.1	13,062.6
June	3,607.9	4,497.4	3,358.5	12,691.1	12,367.8

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2022 ending balance for July through January is actual and the remaining months are projected.

Under the heading “FISCAL 2022 AND FISCAL 2023 - Cash Flow,” the table entitled “Overview of Fiscal 2022 Non-Segregated Operating Cash Flow” is hereby deleted and replaced with the table on the following page. The revisions reflected in the table are based on the fiscal 2022 cash flow statement dated April 7, 2022.

[Remainder of this page intentionally left blank.]

Overview of Fiscal 2022 Non-Segregated Operating Cash Flow (in millions) (1) (2)

	<u>Jul 21</u>	<u>Aug 21</u>	<u>Sep 21</u>	<u>Oct 21</u>	<u>Nov 21</u>	<u>Dec 21</u>	<u>Jan 22</u>	<u>Feb 22</u>	<u>Mar 22</u>	<u>Apr 22</u>	<u>May 22</u>	<u>Jun 22</u>	<u>Total FY 2022</u>
Opening Non-Segregated Operating Cash Balance:	\$12,691.1	\$11,598.0	\$11,163.0	\$11,859.0	\$12,198.0	\$11,781.0	\$12,412.0	\$13,180.0	\$12,306.0	\$12,200.0	\$14,211.2	\$13,062.6	\$12,691.1
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	(246.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(945.6)	(1,191.9)
Total Budgetary Revenue/Inflows	3,500.1	4,583.1	5,695.3	4,047.2	4,312.2	5,896.0	5,576.1	3,644.9	5,670.6	7,382.9	4,167.2	4,966.8	59,442.3
Total Budgetary Expenditures/Outflows	3,982.9	4,139.7	3,994.7	4,210.9	3,455.1	4,614.7	3,941.1	5,060.0	6,337.7	5,101.7	4,751.0	4,917.9	54,507.4
Net Budgetary Funds	(\$482.8)	\$443.4	\$1,700.6	(\$163.8)	\$857.1	\$1,281.3	\$1,635.0	(\$1,415.1)	(\$667.1)	\$2,281.2	(\$583.8)	\$48.9	\$4,934.9
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	1,239.1	1,541.6	1,047.4	1,226.4	483.2	1,280.6	804.6	2,054.6	2,150.7	899.0	878.8	1,037.5	14,643.7
Total Non-Budgetary Expenditures/Outflows	1,575.6	2,132.9	1,896.6	1,288.8	1,482.2	1,648.6	1,420.6	1,330.7	1,460.3	1,288.3	1,438.8	1,711.2	18,674.5
Net Non-Budgetary Funds	(336.6)	(591.3)	(849.2)	(62.4)	(999.0)	(367.9)	(616.0)	723.9	690.4	(389.3)	(559.9)	(673.7)	(4,030.8)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	1.5	2.5	2.3	2.4	20.2	2.8	3.1	2.0	2.0	2.0	2.0	2.0	44.7
Net Operating Activities	(\$817.9)	(\$145.3)	\$853.7	(\$223.8)	(\$121.7)	\$916.1	\$1,022.1	(\$689.1)	\$25.4	\$1,893.9	(\$1,141.7)	(\$622.8)	\$948.7
Federal Grants:													
Total Federal Grants Revenue/Inflows	242.3	359.2	359.3	464.5	410.5	365.1	411.1	242.9	261.0	221.1	255.7	317.3	3,910.0
Total Federal Grants Expenditures/Outflows	351.7	201.3	463.5	420.8	578.6	463.7	426.2	218.8	233.6	228.3	227.0	248.5	4,062.0
Net Federal Grants	(\$109.4)	\$158.0	(\$104.2)	\$43.7	(\$168.1)	(\$98.7)	(\$15.1)	\$24.1	\$27.4	(\$7.2)	\$28.7	\$68.8	(\$152.0)
Capital Funds:													
Total Capital Revenue/Inflows	235.6	86.9	140.7	746.9	259.2	64.6	49.4	77.4	304.0	372.3	339.1	367.9	3,044.2
Total Capital Expenditures/Outflows	401.4	534.5	194.2	227.7	386.5	250.4	223.3	286.4	462.8	247.8	374.7	508.7	4,098.5
Net Capital Funds	(\$165.8)	(\$447.5)	(\$53.5)	\$519.2	(\$127.3)	(\$185.9)	(\$173.9)	(\$209.0)	(\$158.8)	\$124.5	(\$35.6)	(\$140.8)	(\$1,054.3)
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Cash Flow Financing Activities Inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper / Line of Credit – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.5	65.1	0.0	0.0	0.0	0.0	0.0	65.6
<i>RANS – (Principal + Interest)</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 Cash Flow Financing Activities Outflows	0.0	0.0	0.0	0.0	0.0	0.5	65.1	0.0	0.0	0.0	0.0	0.0	65.6
Net Financing Activities	0.0	0.0	0.0	0.0	0.0	(0.5)	(65.1)	0.0	0.0	0.0	0.0	0.0	(65.6)
Ending Non-Segregated Operating Cash Balance:	\$11,598.0	\$11,163.0	\$11,859.0	\$12,198.0	\$11,781.0	\$12,412.0	\$13,180.0	\$12,306.0	\$12,200.0	\$14,211.2	\$13,062.6	\$12,367.8	\$12,367.8

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures for July through January are actual and all other months are projected.

PENSION AND OPEB FUNDING

Under the heading “PENSION AND OPEB FUNDING - Other Post-Employment Benefit Obligations (OPEB),” the table entitled “State Retiree Benefits Trust,” the paragraphs following such table and the table entitled “GASB 74 Information for the State Retirees’ Benefit Trust Schedule of Changes in Net OPEB Liability and Related Ratios” are hereby deleted and replaced with the following:

State Retiree Benefits Trust
(in thousands, except for percentages)

Actuarial Valuation as of June 30 (1):	Plan Net Position	Total OPEB Liability	Net (Unfunded) OPEB Liability	Funded Ratio	Covered Payroll (4)	Net OPEB liability as % of Covered Payroll
2021 (5)	\$1,910,940	\$17,910,405	\$15,999,465	10.7%	\$5,586,955	286.4%
2020	1,414,312	22,105,511	20,691,199	6.4	5,625,684	367.8
2019 (3)	1,368,548	19,662,106	18,293,558	7.0	5,491,215	333.1
2018 (3)	1,187,569	19,761,333	18,573,764	6.0	5,296,859	350.7
2017	996,407	18,480,936	17,484,529	5.4	5,259,298	332.4

Actuarial Valuation as of January 1 (2):	Actuarial Value of Plan Assets	Actuarial Liability	Accrued Unfunded Liability (UAAL)	Actuarial Ratio Covered	Funded Payroll (4)	Annual Covered Payroll as % of UAAL
2017	\$817,400	\$20,263,500	\$19,446,100	4.0%	\$5,259,298	369.7%
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.
- (4) Fiscal 2017 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable. Fiscal years prior to fiscal 2017 have not been restated and include such employees under funded payroll.
- (5) Fiscal 2021 numbers are preliminary, unaudited, and subject to change.

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 2021.

During the audit of the GASB 75 report as of the June 30, 2019 measurement date, 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 reflects the restated amounts. These restated amounts are reported in the Audited Financial Statements for fiscal 2020.

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

Fiscal Years 2021 through 2017
(in thousands, except for percentages)

	<u>Fiscal 2021</u> (6)	<u>Fiscal 2020</u>	<u>Fiscal 2019</u> (7)	<u>Fiscal 2018</u> (7)	<u>Fiscal 2017</u>
Total OPEB liability (as of July 1)	\$22,105,511	\$19,662,106	\$19,761,333	\$18,480,936	\$19,821,600
Service cost	992,669	785,689	806,023	792,135	950,800
Interest	521,143	732,808	796,880	691,630	591,900
Differences between expected and actual experience	(2,926,517)	(600,057)	715,192	218,891	(48,600)
Changes of assumptions (1), (2), (3), (4)	(2,297,649)	2,050,139	(1,935,139)	21,504	(2,393,700)
Benefit payments, including refunds of member contributions	<u>(484,752)</u>	<u>(525,174)</u>	<u>(482,183)</u>	<u>(443,763)</u>	<u>(441,064)</u>
Net change in total OPEB liability	<u>(4,195,106)</u>	<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>\$17,910,405</u>	<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	<u>\$1,414,312</u>	<u>\$1,368,548</u>	<u>\$1,187,569</u>	<u>\$996,407</u>	<u>\$866,043</u>
Contributions:					
Employer	569,989	547,611	594,916	542,896	465,449
Other additions	<u>200</u>	<u>122</u>	<u>188</u>	<u>133</u>	<u>784</u>
Total contributions	<u>570,189</u>	<u>547,733</u>	<u>595,104</u>	<u>543,029</u>	<u>466,233</u>
Net investment income	<u>411,438</u>	<u>23,380</u>	<u>68,229</u>	<u>93,308</u>	<u>105,822</u>
Benefit payments, including refunds of plan member contributions	(484,752)	(525,174)	(482,183)	(443,763)	(441,064)
Administrative expense	(247)	(175)	(171)	(150)	(127)
Other changes	-	-	-	<u>(1,262)</u>	<u>(500)</u>
Net change in plan fiduciary net position	<u>496,628</u>	<u>45,764</u>	<u>180,979</u>	<u>191,162</u>	<u>130,364</u>
Plan fiduciary net position, June 30	<u>\$1,910,940</u>	<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	<u>\$15,999,465</u>	<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	10.7%	6.4%	7.0%	6.0%	5.4%
Covered payroll (6)	<u>\$5,586,995</u>	<u>\$5,625,684</u>	<u>\$5,491,215</u>	<u>\$5,296,859</u>	<u>\$5,259,298</u>
Net OPEB liability as a percentage of covered employee payroll	286.4%	367.8%	333.1%	350.7%	332.4%

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 (i) removal of the excise tax, (ii) an update of the per capita claims costs, (iii) an update of the medical trend rate based on the SOA-Getzen trend rate model version 2020_b, (iv) change in the salary scale to be consistent with that of SERS, (v) a change in future retirees' plan participation rates, (vi) a change in medical plan election rates and (vii) a decrease in the discount rate from 3.63% to 2.28%
- (5) Fiscal 2017 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable.
- (6) Fiscal 2021 numbers are preliminary, unaudited, and subject to change.
- (7) Certain amounts were restated due to errors in calculations during subsequent audit procedures as more fully described in the paragraph preceding the table.

COMMONWEALTH CAPITAL INVESTMENT PLAN

Under the heading “COMMONWEALTH CAPITAL INVESTMENT PLAN – Historical Capital Investment,” the table entitled “Commonwealth Historical Capital Spending,” is hereby deleted and replaced with the following:

Commonwealth Historical Capital Spending (in millions) ⁽¹⁾

Investment Category:	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u> ⁽²⁾
Information technology	\$154	\$185	\$174	\$94	\$122
Infrastructure/facilities	510	417	441	399	414
Environment	202	217	210	222	284
Housing	213	242	253	197	269
Public safety	17	18	19	17	22
Transportation	1,895	1,889	1,869	2,030	1,684
Other	<u>269</u>	<u>280</u>	<u>294</u>	<u>211</u>	<u>268</u>
Total	<u>\$3,260</u>	<u>\$3,248</u>	<u>\$3,260</u>	<u>\$3,170</u>	<u>\$3,063</u>

SOURCE: Office of the Comptroller.

- (1) Includes all spending funded by capital appropriations, including General Obligation Bonds, Special Obligation Bonds, project financing, and federal reimbursement spending.
- (2) Fiscal 2021 numbers are preliminary, unaudited, and subject to change.

LONG-TERM LIABILITIES

Under the heading “LONG-TERM LIABILITIES – General Obligation Debt,” the first paragraph thereof is deleted and replaced with the following:

As of March 31, 2022, the Commonwealth had \$24.9 billion in general obligation bonds outstanding, of which \$24.1 billion, or 96.8% was fixed rate debt and \$789.1 million, or 3.2%, was variable rate debt. As of March 31, 2022, \$20.6 billion, or 82.9%, of the Commonwealth’s general obligation debt was tax-exempt and \$4.3 billion, or 17.1%, was taxable.

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Under the heading “LONG-TERM LIABILITIES – Long-Term Operating Lease and Capital Leases,” the table entitled “Long-Term Leases” and the paragraph immediately preceding the table are deleted and replaced with following:

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, 2021 are set forth in the table below.

Long-Term Leases (in thousands)

<u>Fiscal Year</u>	<u>Leases (1)</u>
2022	\$231,718
2023	189,131
2024	162,737
2025	133,350
2026	98,699
2027	85,857
2028	76,967
2029	65,426
2030	44,410
2031 through 2050	<u>185,305</u>
Total	<u>\$1,273,600</u>

SOURCE: 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.
- (2) Fiscal 2021 numbers are preliminary, unaudited, and subject to change.

[Remainder of page intentionally left blank.]

LEGAL MATTERS

Under the heading “LEGAL MATTERS – Programs and Services,” the information under the subheading “In the Matter of the Massachusetts Department of Elementary and Secondary Education” is deleted in its entirety and replaced with the following:

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 million (\$42.8 million for fiscal 2010 and \$71.2 million 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. On August 2, 2021, the administrative law judge denied the motion to dismiss but continued to stay the matter based on an anticipated request for an interlocutory appeal of the decision. DESE timely appealed the denial to U.S. Education Secretary Cardona on August 17, 2021. Secretary Cardona granted the petition, briefing was completed by January 2022, and the matter is under advisement before the Secretary. DESE has filed its opening brief and reply brief. OSERS received leave to file a sur-reply brief, which was due January 3, 2022.

At this time, DESE cannot predict the timing or outcome of this matter, including whether a reduction in the allocation to the Commonwealth of IDEA special education funding would be in the full amount of the penalty claimed (\$114 million), or whether any penalty amount found to be due would be deducted in a single year or over multiple years.

Under the heading “LEGAL MATTERS – Taxes,” the two paragraphs thereof are deleted and replaced with the following:

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 of Revenue estimates a total of \$100.3 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 62, § 6(l), chapter 63, § 38X, and chapter 64H, § 6(w), 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 \$73.2 million, with one of the individual credit amount claims exceeding \$10 million.

SUPPLEMENT DATED JANUARY 31, 2022

TO

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

DATED JANUARY 6, 2022



Except as specifically provided herein, the Commonwealth Information Statement dated January 6, 2022 (the “Information Statement”) has not been updated or supplemented. The Information Statement contains information only through its date, except as specifically set forth in this Supplement. The Information Statement, together with this Supplement, should be read in its entirety.

The Information Statement is supplemented as of the date hereof as set forth below.

COMMONWEALTH REVENUES

Under the heading “COMMONWEALTH REVENUES - Tax Revenue Forecasting,” the table entitled “Tax Revenue Forecasting” and the paragraphs in such section following the table are hereby deleted and replaced with the following:

Tax Revenue Forecasting (in millions)

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Projected Fiscal 2022 (1)</u>	<u>Projected Fiscal 2023 (1)</u>
Consensus forecast (2)	\$27,072	\$27,594	\$29,299 (5)	\$31,151	\$30,120	\$35,915
GAA assumption of tax-related settlements and judgments exceeding \$10 million	125	25	50	50	50	
Total taxes per enacted budget (3)	<u>\$26,629</u>	<u>\$28,417 (4)</u>	<u>\$30,149 (6)</u>	<u>\$28,440</u>	<u>\$34,451</u>	
October revision (2)	-	-	-	27,592	-	
January revision (2)	26,661	28,592 (4)	30,289 (7)	29,090	35,948	
Actual budgeted operating tax revenues (3)	<u>\$27,787</u>	<u>\$29,741</u>	<u>\$29,633</u>	<u>\$34,156</u>		
Actual budgeted revenues as a percentage of consensus forecast	102.6%	107.8%	101.1%	109.6%		
Actual budgeted revenues as a percentage of total taxes per enacted budget	104.3%	104.7%	98.3%	120.1%		

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

- (1) The amounts for fiscal 2021 are unaudited and for fiscal years 2022 and 2023 are projected.
- (2) Excludes tax-related settlements exceeding \$10 million each.
- (3) Includes tax-related settlements exceeding \$10 million each.
- (4) Includes an estimated \$63 million from marijuana sales and excise taxes.
- (5) Does not include any revenue from marijuana sales or excise taxes.
- (6) Includes \$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) Includes an estimated \$132.5 million from marijuana sales and excise taxes.

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 actual fiscal 2022 budget assumes tax revenues in an amount higher than the fiscal 2022 consensus tax revenue estimate announced in January 2021. See “FISCAL 2022 AND FISCAL 2023 – Fiscal 2022.”

On January 14, 2022, the Secretary of Administration and Finance certified a revised fiscal 2022 tax revenue estimate of \$35.948 billion.

On January 14, 2022, a fiscal 2023 consensus tax revenue estimate of \$36.915 billion was agreed upon by the Secretary and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2023 consensus tax revenue estimate represented revenue growth of 2.7% from the revised fiscal 2022 estimate of \$35.948 billion. The \$36.915 billion amount for fiscal 2023 includes transfers of \$3.744 billion for pension funding, \$1.325 billion in dedicated sales tax receipts for the MBTA, \$1.165 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 \$6.259 billion.

The Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means also agreed upon a PGSP estimate of 3.6% for calendar year 2022, which is identical to the PGSP figure that was adopted for calendar years 2016 through 2021. The PGSP growth benchmark is to be referenced by the Health Policy Commission in establishing the Commonwealth’s health care cost growth benchmark for calendar year 2022. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; Health Care Cost Containment.”

FISCAL 2023

The heading “FISCAL 2022” is hereby revised to read “FISCAL 2022 AND FISCAL 2023” and the following new section is inserted under such heading after the section entitled “Fiscal 2022”:

FISCAL 2023

On January 14, 2022, a fiscal 2023 consensus tax revenue estimate of \$36.915 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 reflects a projection of 2.7% tax revenue growth over the revised projected fiscal 2022 tax revenue figure of \$35.948 billion. The estimate also incorporates the reinstatement of the charitable deduction effective January 1, 2023.

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 \$29.783 billion would be the maximum amount of tax revenue available for the fiscal 2023 budget. See “Commonwealth Revenues – Tax Revenue Forecasting.”

On January 26, 2022, the Governor filed his fiscal 2023 budget recommendation, providing for a total of \$48.5 billion in authorized spending, excluding projected transfers to the Medical Assistance Trust Fund. This represents an increase of 0.5% above fiscal 2022. The Governor’s budget proposal includes a supplemental transfer of \$250 million to the Pension Liability Fund. Under the Governor’s proposal, the Stabilization Fund is projected to grow to \$6.64 billion by the end of fiscal 2023.

Alongside the budget proposal, the Governor filed a comprehensive tax proposal to provide relief for housing and childcare costs, relieve the tax burden for very low-income taxpayers, and improve the state’s competitiveness. The Governor’s fiscal 2023 budget recommendation incorporates these tax proposals.

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

Under the former heading “FISCAL 2022 - Cash Flow,” the table entitled “Month-End General Fund Cash Balances” as well as the preceding paragraph are hereby deleted and replaced with the paragraph and table below. The revisions reflected in the table below are based on the fiscal 2022 cash flow statement dated January 28, 2022.

The following table provides General Fund ending cash balances by month for fiscal 2018 through fiscal 2022 and the tables on the following pages provide cash flow detail for fiscal 2022. The balance for July through November of fiscal 2022 is actual and the remainder of fiscal 2022 is projected.

Month-End General Fund Cash Balances (in millions)

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022 (1)</u>
July	\$1,307.3	\$2,269.5	\$3,613.7	\$4,659.2	\$11,598.0
August	2,304.1	3,143.8	2,794.4	4,081.8	11,163.0
September	2,328.6	4,125.0	3,706.0	4,621.8	11,859.0
October	2,147.2	3,645.3	4,558.2	3,904.4	12,291.0
November	1,841.5	2,592.1	3,929.0	3,247.2	11,739.0
December	1,897.8	2,816.3	3,884.1	4,626.0	12,400.0
January	2,582.3	3,276.0	3,360.8	5,945.1	12,424.2
February	2,165.8	2,593.5	2,958.0	5,483.1	10,763.4
March	1,775.8	2,913.6	3,537.9	5,746.1	10,501.2
April	2,897.4	4,603.0	4,809.9	6,524.3	12,501.9
May	2,666.2	4,239.6	3,573.5	13,548.1	11,620.4
June	3,607.9	4,497.4	3,358.5	12,691.1	12,467.5

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2022 ending balance for July through November is actual and the remaining months are projected.

Under the former heading “FISCAL 2022 - Cash Flow,” the table entitled “Overview of Fiscal 2022 Non-Segregated Operating Cash Flow” is hereby deleted and replaced with the table on the following page. The revisions reflected in the table are based on the fiscal 2022 cash flow statement dated January 28, 2022.

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Overview of Fiscal 2022 Non-Segregated Operating Cash Flow (in millions) (1) (2)

	<u>Jul 21</u>	<u>Aug 21</u>	<u>Sep 21</u>	<u>Oct 21</u>	<u>Nov 21</u>	<u>Dec 21</u>	<u>Jan 22</u>	<u>Feb 22</u>	<u>Mar 22</u>	<u>Apr 22</u>	<u>May 22</u>	<u>Jun 22</u>	<u>Total FY 2022</u>
Opening Non-Segregated Operating Cash Balance:	\$12,691.1	\$11,598.0	\$11,163.0	\$11,859.0	\$12,291.0	\$11,739.0	\$12,400.0	\$12,424.2	\$10,763.4	\$10,501.2	\$12,501.9	\$11,620.4	\$12,691.1
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	(246.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(246.3)
Total Budgetary Revenue/Inflows	3,500.1	4,583.1	5,695.3	4,047.2	4,312.2	4,870.2	4,924.0	3,648.4	5,586.4	7,198.4	4,152.6	5,836.7	58,354.5
Total Budgetary Expenditures/Outflows	3,982.9	4,139.7	3,994.7	4,210.9	3,455.1	4,442.8	4,132.4	5,072.5	5,144.1	4,805.8	4,251.6	4,540.3	52,172.7
Net Budgetary Funds	(\$482.8)	\$443.4	\$1,700.6	(\$163.8)	\$857.1	\$427.4	\$791.6	(\$1,424.1)	\$442.3	\$2,392.6	(\$99.0)	\$1,296.4	\$6,181.8
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	1,239.1	1,541.6	1,047.4	1,319.4	348.2	2,253.3	907.8	834.8	852.8	905.0	884.8	1,043.5	13,177.8
Total Non-Budgetary Expenditures/Outflows	1,575.6	2,132.9	1,896.6	1,288.8	1,482.2	1,743.8	1,463.5	1,330.7	1,460.3	1,288.3	1,438.8	1,711.2	18,812.6
Net Non-Budgetary Funds	(336.6)	(591.3)	(849.2)	30.6	(1,134.0)	509.5	(555.6)	(495.9)	(607.5)	(383.3)	(553.9)	(667.7)	(5,634.8)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	1.5	2.5	2.3	2.4	20.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	42.8
Net Operating Activities	(\$817.9)	(\$145.3)	\$853.7	(\$130.8)	(\$256.7)	\$938.9	\$238.0	(\$1,918.0)	(\$163.1)	\$2,011.3	(\$650.9)	\$630.7	\$589.8
Federal Grants:													
Total Federal Grants Revenue/Inflows	242.3	359.2	359.3	464.5	410.5	204.1	234.1	242.9	261.0	221.1	255.7	317.3	3,572.0
Total Federal Grants Expenditures/Outflows	351.7	201.3	463.5	420.8	578.6	226.8	228.6	218.8	233.6	228.3	227.0	248.5	3,627.5
Net Federal Grants	(\$109.4)	\$158.0	(\$104.2)	\$43.7	(\$168.1)	(\$22.7)	\$5.5	\$24.1	\$27.4	(\$7.2)	\$28.7	\$68.8	(\$55.4)
Capital Funds:													
Total Capital Revenue/Inflows	235.6	86.9	140.7	746.9	259.2	112.7	81.2	519.4	315.4	409.8	146.6	653.3	3,707.8
Total Capital Expenditures/Outflows	401.4	534.5	194.2	227.7	386.5	367.8	300.5	286.4	441.9	413.2	405.9	505.6	4,465.7
Net Capital Funds	(\$165.8)	(\$447.5)	(\$53.5)	\$519.2	(\$127.3)	(\$255.1)	(\$219.3)	\$233.0	(\$126.5)	(\$3.4)	(\$259.3)	\$147.7	(\$757.9)
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Cash Flow Financing Activities Inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper / Line of Credit – (Principal + Interest)</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>RANS – (Principal + Interest)</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 Cash Flow Financing Activities Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Financing Activities	0.0	0.0	0.0	0.0	0.0	0.0							
Ending Non-Segregated Operating Cash Balance:	\$11,598.0	\$11,163.0	\$11,859.0	\$12,291.0	\$11,739.0	\$12,400.0	\$12,424.2	\$10,763.4	\$10,501.2	\$12,501.9	\$11,620.4	\$12,467.5	\$12,467.5

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures for July through November are actual and all other months are projected.

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated January 6, 2022

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Charles D. Baker **Governor**
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

January 6, 2022

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 4, 2022. 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, 2021 and the Commonwealth’s Annual Comprehensive 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.

In response to the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, and the declaration by the World Health Organization on March 11, 2020 of a COVID-19 pandemic, in March 2020 Governor Baker declared a state of emergency in the Commonwealth due to COVID-19. 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 COVID-19 pandemic continued to evolve, Governor Baker’s administration curtailed certain measures while retaining the 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 2020 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. In December 2020, the Commonwealth also began phased vaccination efforts across Massachusetts.

As public health measures continued to trend in a positive direction, and the Commonwealth experienced significant declines in average daily COVID-19 cases and hospitalizations, and increasing rates of vaccination within the Commonwealth, the Administration continued to implement the reopening plan, and by the end of May 2021, nearly all COVID-19 restrictions were lifted and all industries were permitted to open. On June 15, 2021, the state of emergency in the Commonwealth related to COVID-19 was terminated. Based on information submitted to the Massachusetts Immunization Information System as of December 29, 2021, and using the University of Massachusetts Donahue Institute 2019 Population Estimates, more than 5.0 million people within the Commonwealth, or approximately 73.7% of the Commonwealth's population, are fully vaccinated.

The Administration is continuing to monitor public health data relating to COVID-19 and expects to take additional measures to control the spread of COVID-19 within the Commonwealth, if needed, as new variants of the virus emerge. At this time, the Commonwealth cannot predict whether additional measures will be needed to control the spread of COVID-19 or the nature or duration of any such measures.

The ultimate impact of the COVID-19 pandemic on the Commonwealth's economy remains unknown. In response to the pandemic, international, federal, state and local governments, as well as private businesses and organizations, implemented numerous measures intended to mitigate the spread and effects of COVID-19. The continued spread of COVID-19, the mitigation measures implemented, and the responses of individuals, businesses, and organizations to the disease and the mitigation measures implemented have caused and may continue to cause, severe disruptions in global, national, and local economies, as well as to global financial markets and the U.S. stock and bond markets. Many businesses have experienced and may continue to experience decreases in operations and revenues. The impacts of COVID-19 resulted in unprecedented rates of unemployment in the Commonwealth, causing, among other things, a depletion of the Commonwealth's Unemployment Trust Fund and the need for the Commonwealth to borrow federal funds to ensure a continuation of unemployment benefits, which Commonwealth employers will need to repay. See "Unemployment Insurance Claims and Trust Fund Solvency" below. The extent to which businesses that have completely or partially closed will reopen, travel and tourism activity will return to pre-pandemic levels, and businesses and organizations will allow employees to work from home is still unknown. The extent of these and other impacts on the Commonwealth's economy will depend on future developments and numerous 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, among other things, 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 a variety of programs, including approximately \$150 billion for state and local governments; 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, former 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 reimbursements from the Federal Emergency Management Agency's Public Assistance program (FEMA PA) for the costs of emergency protective measures. As of January 3, 2022, the Commonwealth has been awarded over \$469 million in reimbursement grants.

On December 27, 2020, federal legislation was signed into law providing \$900 billion in aid, providing for, among other things, small business assistance through additional funding for forgivable Paycheck Protection Program (PPP) 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.

On March 11, 2021, the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (ARPA) was signed into law. The Commonwealth has received \$5.28 billion under ARPA through the Coronavirus State Fiscal Recovery Fund (CSFRF) to support certain costs resulting from the public health emergency caused by COVID-19 and other eligible uses. The Commonwealth allocated approximately \$394.1 million from the CSFRF to provide additional aid to four of the Commonwealth's hardest-hit communities, create a temporary COVID-19 Emergency Paid Sick Leave program to eliminate job-related obstacles to recovering from, quarantining for, and/or being vaccinated against COVID-19 for all residents, and fund a lottery to motivate all Massachusetts residents to be vaccinated against COVID-19. Further, Massachusetts county and municipal governments have been allocated \$3.4 billion in direct support under the ARPA.

On June 28, 2021, Governor Baker signed legislation making the balance of the CSFRF – approximately \$4.9 billion – subject to legislative appropriation. At the same time, the Governor proposed certain projects to the Legislature that would use \$2.9 billion of this funding. On December 13, 2021, the Governor signed legislation appropriating \$2.55 billion from the CSFRF toward a variety of programs and projects. See "FISCAL 2022."

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 16.4% (seasonally adjusted) in April 2020, compared to 2.7% (seasonally adjusted) in March 2020. During fiscal 2021, the unemployment rate began to decline, and in November 2021 the unemployment rate was 5.4% (seasonally adjusted). A total of approximately 1.14 million initial claims for regular Unemployment Insurance (UI) were filed from July 2020 through November 2021. In November there were approximately 230,000 continued claimants. 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 November 30, 2021, the Commonwealth had outstanding approximately \$2.3 billion in federal UI advances. Governor Baker's administration will continue to monitor unemployment claims and request federal advances as necessary to ensure payment of all compensation due. The last federal advance made was in June 2021.

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. 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 trust fund solvency. Any such special obligation bonds issued would be secured by a special assessment on employers; no such bonds have been issued to date.

On May 28, 2021, Governor Baker signed into law legislation that provides additional UI rate relief to Commonwealth employers by reducing calendar year 2021 employer UI rates further. Costs associated with this reduction will be repaid by employers over time through an employer special assessment and the regular UI rate-setting process.

The legislation appropriating the ARPA and Fiscal 2021 budget surplus funding signed by the Governor on December 13, 2021 includes \$500 million of funding for the Unemployment Insurance Trust Fund.

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 funding received from certain federal programs 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 legislation signed by the Governor on December 13, 2021 excludes federal PPP loans, EIDL advances, and certain debt relief subsidies paid by the Small Business Administration, shuttered venue operator grants, and restaurant revitalization grants from taxable income for individual taxpayers for tax years beginning on or after January 1, 2021. The legislation also excludes emergency COVID-19 small business relief, including grants and any portion of a loan that is subsequently forgiven, administered through the Massachusetts Growth Capital Corporation after March 10, 2020 from taxable income for both individual and corporate excise taxpayers for taxable years beginning on or after January 1, 2021. The measures did not have a material impact on the Commonwealth's budget for fiscal 2021 and are not expected to have a material impact on the Commonwealth's budget for fiscal 2022, as the tax benchmarks used for budgeting purposes did not assume tax revenue associated with federal or state relief programs.

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 Annual Comprehensive Financial Report, or ACFR). The Statutory Basis Financial Report for the year ended June 30, 2021, attached hereto as Exhibit B, was reviewed by the Commonwealth's independent external auditors, CliftonLarsonAllen (CLA). The Annual Financial Report for the year ended June 30, 2020, attached hereto as Exhibit C, was audited by the Commonwealth's independent external auditors at that time, KPMG LLP, as stated in its reports appearing therein. Neither CLA nor KPMG LLP have been engaged to perform, and have not performed, since the respective dates of their reports included herein, any procedures on the financial statements addressed in such reports, nor have they 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 Annual Comprehensive Financial Report, 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 2021 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 2021.

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, the Behavioral Health Outreach, Access and Support Trust Fund, the Federal COVID-19 Response Fund, and the Transitional Escrow 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 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 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 – Annual Comprehensive 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 are unaudited and for 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 and other budgeted operating funds. Revenues deposited in such funds are referred to as budgeted operating revenues in this Information Statement. In fiscal 2021, on a statutory basis, approximately 53.0% of the Commonwealth’s budgeted operating revenues and other financing sources were derived from state taxes. In addition, the federal government provided approximately 30.6% of such revenues, with the remaining 16.5% 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 56.6% of total budgeted tax revenues in fiscal 2021, the sales and use tax, which accounted for approximately 22.7% of total budgeted tax revenues in fiscal 2021, and the corporations and other business and excise taxes (including taxes on insurance companies and financial institutions), which accounted for approximately 12.2% of total budgeted tax revenues in fiscal 2021. Other tax and excise sources accounted for the remaining 8.5% of total budgeted tax revenues in fiscal 2021.

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.

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.

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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 reduced to 5.0% effective January 1, 2020, the state charitable deduction was to be reinstated effective January 1, 2021. However, the fiscal 2021 budget included a one-year delay in the reinstatement of this deduction. The fiscal 2022 budget further delayed the charitable deduction for an additional year. See “FISCAL 2022.” The Department of Revenue estimates that the revenue loss impact due to the reinstatement of the state charitable deduction is approximately \$64 million for fiscal 2023 and approximately \$300 million annually in fiscal 2024 and thereafter.

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 the 2021-2022 constitutional convention and will 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%, 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 \$1.1 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-remittance 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.

Since the outbreak of COVID-19, returns and payments for regular sales tax, meals tax, and room occupancy excises for eligible small businesses have been deferred several times. Businesses that collected in the 12-month period ending February 29, 2020, less than \$150,000 in regular sales, plus meals taxes or less than \$150,000 in room occupancy excises could defer until October 30, 2021, the returns for and payments of such taxes and excises otherwise due from March 20, 2020, through June 1, 2021. For these eligible businesses, no penalties or interest accrued during this extension period.

The fiscal 2021 budget included provisions requiring certain vendors and operators of lodging accommodations to remit an advance payment of room occupancy excise, sales tax, including sales tax on meals, use tax, and local sales tax on meals. Effective for tax periods ending after April 1, 2021, certain vendors, including marketplace facilitators and marijuana retailers, and operators of lodging accommodations, including intermediaries, must remit on or before the 25th day of the monthly filing period any tax or excise collected on or before the 21st day of such filing period. Payment of the remaining amount for the filing period is due with the applicable return on the 30th day after the end of the filing period. The advance payment requirement does not apply to vendors or operators whose cumulative Massachusetts sales and use tax liability or room occupancy excise liability in the immediately preceding calendar year is equal to or less than \$150,000. For these vendors and operators, full payment for the monthly filing period is due with the return on the 30th day after the end of such filing period.

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 \$109.5 million in fiscal 2021 and will be approximately \$105 million in fiscal 2022.

On September 30, 2021, the Massachusetts legislature passed legislation overriding the Governor's veto of the pass-through entity excise, which was originally included in the fiscal 2022 budget. The pass-through entity excise provides a work-around for the federal limitation on the amount of state and local taxes individuals may deduct on their federal income tax returns. The pass-through entity excise allows pass-through entities, including S-corporations, partnerships, and certain trusts, to pay an optional 5% excise on the income that flows through to shareholders, partners, or beneficiaries subject to the personal income tax. The qualified member may claim a nontransferable, refundable credit equal to 90% of his or her allocable share of the entity's excise due. The legislation became effective for taxable years beginning on or after January 1, 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.

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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.

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, up from an annual cap of \$25 million, 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 resulted in revenue reductions of \$12.0 million in fiscal 2018, \$16.1 million in fiscal 2019, \$16.5 million in fiscal 2020, and \$18.0 million in fiscal 2021. The Massachusetts Life Sciences Center board has approved \$19.5 million in tax incentives that are expected to be utilized in fiscal 2022.

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 years 2017 to 2021 and provides forecasts for fiscal 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)						
	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Projected Fiscal 2022 (1)</u>
Consensus forecast (2)	\$26,860	\$27,072	\$27,594	\$29,299 (5)	\$31,151	\$30,120
GAA assumption of tax-related settlements and judgments exceeding \$10 million	125	125	25	50	50	50
Total taxes per enacted budget (3)	<u>\$26,356</u>	<u>\$26,629</u>	<u>\$28,417 (4)</u>	<u>\$30,149 (6)</u>	<u>\$28,440</u>	<u>\$34,451</u>
October revision (2)	26,056	-	-	-	27,592	-
January revision (2)	-	26,661	28,592 (4)	30,289 (7)	29,090	-
Actual budgeted operating tax revenues (3)	<u>\$25,662</u>	<u>\$27,787</u>	<u>\$29,741</u>	<u>\$29,633</u>	<u>\$34,156</u>	-
Actual budgeted revenues as a percentage of consensus forecast	95.5%	102.6%	107.8%	101.1%	109.6%	
Actual budgeted revenues as a percentage of total taxes per enacted budget	97.4%	104.3%	104.7%	98.3%	120.1%	

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

- (1) The amounts for fiscal 2021 are unaudited and for fiscal 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.

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.

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 actual fiscal 2022 budget assumes tax revenues in an amount higher than the fiscal 2022 consensus tax revenue estimate announced in January 2021. See "FISCAL 2021 AND FISCAL 2022 – Fiscal 2022."

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 2021 and Fiscal 2022 Tax Revenues

Fiscal 2021. The following table shows the actual tax collections for 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 amounts 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	1,874.9	359.9	23.8	93.3	80.0	1,701.6
March	3,056.0	396.3	14.9	91.8	78.4	2,885.8
April	3,864.7	1,883.8	95.1	148.0	134.7	3,581.9
May	4,001.2	2,263.4	130.2	109.9	96.6	3,794.8
June (2)	3,673.3	(1,153.5)	(23.9)	120.5	107.2	3,445.7
Total (3)	<u>\$34,156.1</u>	<u>\$4,523.0</u>	<u>15.3%</u>	<u>\$1,261.4</u>	<u>\$1,101.4</u>	<u>\$31,793.3</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 fiscal 2021 tax revenue increase of approximately \$4.523 billion from fiscal 2020 is attributable to an increase of approximately \$592.0 million, or 25.2%, in income tax estimated payments, an increase of approximately \$983.2 million, or 7.2%, in withholding collections, an increase of approximately \$632.5 million, or 20.7%, in income tax payments with returns or bills, a decrease of approximately \$49.9 million, or 2.8%, in income tax cash refunds, an increase of approximately \$1.206 billion, or 40.9%, in corporate and business tax collections, an increase of approximately \$1.020 billion, or 15.0%, in sales and use tax collections, and a net increase of approximately \$39.8 million, or 1.6%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$32.9 million, fiscal 2021 tax collections were approximately \$34.123 billion, \$4.514 billion more than the collections in the same period in fiscal 2020, and \$5.033 billion above the year-to-date benchmark associated with the revised fiscal 2021 tax revenue estimate of \$29.090 billion.

Fiscal 2022. The following table shows the actual tax collections for the first six months of fiscal 2022 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 amounts of tax collections during the first six months of the fiscal year that are dedicated to the MBTA and the MSBA.

Fiscal 2022 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	\$2,279.7	\$137.4	6.4%	\$113.6	\$100.3	\$2,065.8
August	2,492.4	528.2	26.9	107.8	94.5	2,290.1
September	3,993.0	834.4	26.4	105.6	92.3	3,795.1
October	2,444.0	354.8	17.0	105.7	92.4	2,245.9
November	2,415.9	288.8	13.6	115.4	102.1	2,198.5
December (1)	4,234.5	1,377.5	48.2	119.3	106.0	4,009.2
Total (2)	<u>\$17,859.6</u>	<u>\$3,521.2</u>	<u>24.6%</u>	<u>\$667.5</u>	<u>\$587.5</u>	<u>\$16,604.6</u>

SOURCE: Executive Office for Administration and Finance.

(1) Preliminary and subject to change.

(2) Totals may not add due to rounding.

The year-to-date fiscal 2022 tax revenue increase of approximately \$3.5 billion through December 31, 2021 from the same period in fiscal 2021 is, in part, due to an increase of approximately \$433 million, or 27.4%, in corporate and business tax collections, an increase of approximately \$692 million, or 9.9%, in withholding collections, an increase of approximately \$1.1 million, or 135.3%, in income tax estimated payments, an increase of approximately \$234 million, or 65.5%, in income tax return and bill payments, an increase of approximately \$770 million, or 21.4%, in sales and use tax collections, and an increase of approximately \$363 million, or 30.4%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$13.6 million, fiscal 2022 year-to-date tax collections through December 31, 2021 were approximately \$17.846 billion, \$3.549 billion more than the collections in the same period in fiscal 2021, and \$2.142 billion above the year-to-date benchmark associated with the fiscal 2022 tax revenue estimate of \$34.401 billion. Approximately \$876 million of the total increase in collections (mostly in income estimated payments and income return payments) is due in part to the recently enacted elective pass-through entity (PTE) excise, which allows members of a PTE to avoid the federal limit on the deduction for state and local taxes by electing to pay tax on the PTE’s income at the entity-level, and then claim a credit equal to 90% of the PTE excise paid. Many PTEs paid their 2021 excise taxes in December 2021 in order to claim a deduction on their 2021 federal income tax return. In the coming months, PTE members who also paid estimated taxes themselves on PTE income will receive refunds due to the credits offsetting 90% of the PTE excise payments. As a result, most of the increase in collections associated with the PTE excise is temporary.

After adjusting for PTE excise payments, fiscal 2022 year-to-date collections are \$2.674 billion, or 18.7%, more than collections in the same period of fiscal 2021 and \$1.549 billion, or 10.0%, more than the fiscal 2022 year-to-date benchmark.

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 \$13.303 billion in fiscal 2021, and are projected to be \$14.722 billion in fiscal 2022. 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 2021, budgeted fund departmental and other non-tax revenues were \$5.362 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2021 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, \$623 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

\$5.074 billion in fiscal 2022. 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 \$1.136 billion, \$1.097 billion, \$1.206 billion, \$1.090 billion, and \$1.212 billion in fiscal 2017 through 2021, respectively.

The following table shows Lottery revenues and profits for the first five months of fiscal 2022.

Fiscal 2022 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	\$493,835	\$362,744	\$28,191	\$102,900	\$6,713	\$96,187
August	564,752	414,411	32,463	117,878	7,724	110,154
September	456,690	328,042	25,934	102,715	7,201	95,514
October	432,963	324,992	24,715	83,256	5,437	77,819
November	558,573	394,536	31,834	132,203	5,698	126,505
Total	\$2,506,812	\$1,824,725	\$143,136	\$538,952	\$32,773	\$506,179
YTD prize accrual – Estimated (1)	-	512	-	(512)	-	(512)
Adjusted Totals (1)	\$2,506,812	\$1,825,237	\$143,136	\$538,440	\$32,773	\$505,666

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 and a projection for fiscal 2022 are shown in the following table.

Lottery Revenues and Profits
(in thousands)

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Net Operating Revenues</u>	<u>Net Profits</u>
2022 (1)	\$5,688,913	\$1,118,099	\$995,766
2021	5,828,527	1,212,023	1,112,576
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

SOURCE: State Lottery Commission

- (1) Fiscal 2022 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	-	229.7	229.7
2021	-	245.6	245.6
Total	\$434.0	\$5,352.1	\$5,786.1

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 \$111.6 million in fiscal 2017, \$36.6 million in fiscal 2018, \$48.8 million in fiscal 2019, \$42.0 million in fiscal 2020, and \$43.9 million in fiscal 2021. The threshold applicable in fiscal 2022 is \$56.6 million (average of fiscal 2017 through fiscal 2021).

On November 9, 2022, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received \$13.6 million in one-time settlement and judgment payments exceeding \$10 million each during the first five months of fiscal 2022.

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 table shows gaming collections revenues for the first five months of fiscal 2022.

Fiscal 2022 Monthly Gaming Revenues (in thousands) (6)

<u>Month</u>	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	\$82,761	\$20,690	\$12,952	\$5,181	\$1,165	\$95,713	\$27,036
August	79,652	19,913	12,732	5,093	1,145	92,384	26,151
September	76,824	19,206	11,997	4,798	1,079	88,821	25,083
October	84,240	21,060	11,741	4,696	1,056	95,981	26,812
November	71,188	17,797	10,972	4,388	987	82,160	23,172
Total	\$394,665	\$98,666	\$60,394	\$24,156	\$5,432	\$455,059	\$128,254

Source: Massachusetts Gaming Commission, Revenue Reports.

- (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) Totals may not sum due to rounding.
- (6) Amounts for fiscal 2022 are preliminary.

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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</u> <u>Total Collected</u> <u>State</u>	<u>Category 2</u> <u>Total Collected</u> <u>State</u>	<u>Category 2</u> <u>Race</u> <u>Horse</u> <u>Assessments (5)</u>
	<u>Taxes (3)</u>	<u>Taxes (4)</u>	
2021 (1)	\$173,082	\$49,040	\$11,029
2020 (2)	148,058	38,449	8,649
2019	62,304	67,470	15,181
2018	-	68,006	15,301
2017	-	63,370	14,244

Source: Massachusetts Gaming Commission.

- (1) Fiscal 2021 is unaudited.
- (2) 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."
- (3) 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.
- (4) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (5) 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. On December 22, 2021, the Department of the Interior issued a new decision finding that: statutory authority for acquiring the land in question exists under Section 5 of the Indian Reorganization Act; the 2015 decision to acquire such land in trust should be affirmed (with modifications); the land

is eligible for gaming under the Indian Gaming Regulatory Act; and the Department of the Interior will retain the land in trust as the Tribe’s reservation.

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. Argument on Mohegan Sun’s motion for judgment was heard on September 21, 2021. The matter remains ongoing.

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 requested 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. 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. On February 12, 2021, the Commission filed a motion for summary judgment. On June 16, 2021, the Court granted the Gaming Commission’s motion for summary judgment and dismissed the case. The Court also dismissed the Gaming Commission’s third-party claims against the Region A Category 1 licensee. The plaintiff has appealed the Court’s decisions.

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 2017 through fiscal 2021.

	<u>Net State Tax Revenues</u>	<u>Allowable State Tax Revenues</u>	<u>Net State Tax Revenues (under) Allowable State Tax Revenues</u>
2021	\$34,655,837,068	\$36,789,926,416	(\$2,134,089,348)
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)

SOURCE: State Auditor’s Office.

COMMONWEALTH EXPENDITURES

This section contains a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2021 are unaudited and for fiscal 2022 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 2022 budget provides \$7.092 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 2022 budget includes state funding for so-called “Chapter 70” public education aid of \$5.503 billion. The fiscal 2022 budget also includes a transfer of \$350 million into a trust for the purposes of implementing the provisions of the Student Opportunity Act in future years.

The other major component of direct local aid is unrestricted general governmental aid, which provides unrestricted funds for municipal use. The fiscal 2022 budget provides for \$1.168 billion in unrestricted general government aid.

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 2022, the aggregate property tax levy across all cities and towns grew from \$3.347 billion to \$19.746 billion, a compound annual growth rate of 4.42%.

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 2.1 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 2022 budget includes \$19.6 billion in funding for non-administrative spending for the MassHealth program. The \$19.6 billion includes \$19.0 billion in programmatic spending. The \$19.6 billion also includes approximately \$470 million to support supplemental payments to providers. Fiscal 2022 estimated programmatic spending is \$19.2 billion, which will require a supplemental appropriation, but programmatic spending is projected to be below the budgeted amount on a net basis. The reported spending levels do not include \$415 million in estimated spending from the American Rescue Plan Home and Community-Based Services (HCBS) reserve.

During the COVID-19 pandemic, MassHealth implemented a number of measures to provide flexibility for members and providers. MassHealth 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 submitted an emergency Section 1115 waiver request, which was approved by CMS on December 30, 2020, and six Appendix K requests to grant the Commonwealth certain flexibilities for the operation of HCBS waivers, which have been approved. In addition, MassHealth submitted numerous Disaster State Plan Amendment requests, many of which have been approved, but a number of which remain pending. On July 15, 2021, MassHealth submitted a second emergency Section 1115 waiver request, which is pending approval. 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, all but two of which have been approved. MassHealth may submit additional requests for federal flexibility and additional managed care directed payment requests prior to the expiration of the national public health emergency.

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Budgeted Operating Funds Medicaid Expenditures and Enrollment (in millions)

	<u>Fiscal 2017</u>	<u>Fiscal 2018 (1)</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (4)</u>	<u>Projected Fiscal 2022 (4)</u>
Medicaid program expenses	\$15,251.7	\$15,744.5	\$16,520.5	\$17,022.6	\$18,119.8	\$19,213.6
Medicaid administrative expenses	\$97.3	\$98.3	\$103.4	\$112.4	\$112.3	\$120.6
Total expenditures (2)	\$15,349.0	\$15,842.8	\$16,623.9	\$17,135.0	\$18,232.0	\$19,334.2
Annual percentage growth in total expenditures	2.7%	3.2%	4.9%	3.1%	6.4%	6.0%
Enrollment (in average member months) (3)	1,892,804	1,856,196	1,799,990	1,803,350	1,978,981	2,154,142
Annual percentage growth in enrollment	1.6%	(1.9%)	(3.0%)	0.2%	9.7%	8.9%

SOURCE: Fiscal 2017-2021 (excluding Medicaid administrative expense and enrollment), Office of the Comptroller; fiscal 2017-2021 (Medicaid administrative expense and enrollment only) and fiscal 2022, 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 unaudited and for fiscal 2022 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*. The Health Connector and its programs are supported by the Commonwealth Care Trust Fund (CCTF), which is supported by dedicated revenue sources, as well as carrier administrative fees. 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. Qualifying individuals can be eligible for federal tax credits to lower their health insurance premiums, 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 lawfully present immigrants 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 state’s pre-ACA Commonwealth Care program.

The fiscal 2022 budget for the Health Connector reflects \$123.3 million in gross spending from the CCTF. Net of federal revenue, fiscal 2022 expenditures are estimated to be \$84.5 million, a decrease of \$94.5 million compared to fiscal 2021. These estimates reflect the extension of the national public health emergency, as well as other changes to eligibility and benefit levels resulting from the passage of the ARPA.

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. EOHHS has submitted a request to CMS to further extend the 1115 waiver from July 1, 2022 to June 30, 2027.

As noted above, two emergency Section 1115 waivers were also 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 2021 Cost Trends Report provides that total health care expenditures per capita in the Commonwealth grew from 2018 to 2019 by 4.3%, compared to 3.6% growth from 2017 to 2018.

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.

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Other Health and Human Services

Other Health and Human Services - Budgeted Operating Funds (in millions)

<u>Expenditure Category</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u> (4)	<u>Projected Fiscal 2022</u> (4)
Office of Health Services						
Department of Mental Health	\$739.2	\$749.1	\$831.7	\$884.0	\$878.7	\$984.9
Department of Public Health	<u>553.8</u>	<u>586.4</u>	<u>589.5</u>	<u>625.0</u>	<u>646.0</u>	<u>869.7</u>
Sub Total	\$1,293.0	\$1,335.5	\$1,421.2	\$1,509.0	\$1,524.7	\$1,854.6
Office of Children, Youth, and Family Services						
Department of Children and Families	\$958.9	\$974.2	\$1,006.8	\$1,035.3	\$1,055.6	\$1,163.3
Department of Transitional Assistance	608.1	593.7	614.9	681.5	669.7	828.3
Department of Youth Services	171.7	169.1	168.9	160.2	160.6	176.2
Office for Refugees and Immigrants	<u>1.3</u>	<u>1.1</u>	<u>1.4</u>	<u>2.2</u>	<u>22.3</u>	<u>2.1</u>
Sub Total	\$1,740.0	\$1,738.1	\$1,792.0	\$1,879.2	\$1,888.2	\$2,169.9
Office of Disabilities and Community Services						
Department of Developmental Services	\$1,813.5	\$1,858.3	\$1,939.5	\$2,106.3	\$2,096.8	\$2,351.7
Other (1)	<u>86.0</u>	<u>82.0</u>	<u>97.3</u>	<u>97.5</u>	<u>102.3</u>	<u>110.4</u>
Sub Total	\$1,899.5	\$1,940.4	\$2,036.8	\$2,203.8	2,199.1	\$2,462.1
Executive Office of Elder Affairs (2)	\$308.2	\$527.4	\$546.6	\$563.0	\$589.2	\$640.8
Executive Office of Health and Human Services (3)	295.2	323.7	344.6	394.4	522.8	449.6
Department of Veterans' Services (4)	<u>65.5</u>	<u>65.3</u>	<u>69.1</u>	<u>75.5</u>	<u>75.5</u>	<u>93.4</u>
Sub Total	668.9	\$916.4	\$960.3	\$1,032.9	\$1,187.5	\$1,183.8
Budgeted Expenditures	\$5,601.4	\$5,930.5	\$6,210.3	\$6,624.9	\$6,799.5	\$7,670.4

SOURCES: Fiscal 2017-2021 Office of the Comptroller; fiscal 2022, 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.
- (2) Account restructuring in fiscal 2018 budget shifted spending for the Choices program from MassHealth to Elder Affairs.
- (3) Includes Medicaid program administration.
- (4) Amounts for fiscal 2021 are unaudited and for fiscal 2022 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; Emergency Aid to the Elderly, Disabled and Children; and the State Supplemental Program 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 the state funded Healthy Incentives Program and 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. Historically, 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. EEC also historically 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. As a result of the COVID-19 pandemic, the number of licensed programs and children served have decreased, although overall program expenditures have not decreased.

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,

historically 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, 2021, 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 2022 GIC appropriations total \$1.827 billion, approximately \$629 million of which is offset by municipal revenue and \$229 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 2022 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 2022. The aggregate fiscal 2022 premium rates for GIC state and municipal members increased 5.52% over the aggregate premium rates in effect in fiscal 2021.

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 2022 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 2017 through 2021. Projections for fiscal 2022 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 2017 through fiscal 2021, and projected revenues and expenditures for fiscal 2022. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS,” “COMMONWEALTH REVENUES – Tax Revenue Forecasting,” and “FISCAL 2022.”

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Budgeted Operating Funds – Statutory Basis (in millions) (1)

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Projected Fiscal 2022</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$126.0	\$117.4	\$371.5	\$521.3	\$776.6	\$1,099.3
Stabilization Fund	1,291.5	1,300.7	2,001.3	3,424.4	3,501.2	4,626.4
Federal COVID-19 Response Fund	-	-	-	-	-	4,892.0
Transitional Escrow Fund	-	-	-	-	-	1,460.3
Undesignated	<u>64.5</u>	<u>29.7</u>	<u>13.9</u>	<u>13.5</u>	<u>17.4</u>	<u>21.1</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>\$12,099.2</u>
<u>Revenues and Other Sources</u>						
Alcoholic Beverages	85.4	85.8	87.1	88.4	93.2	94.6
Banks	(0.1)	17.4	19.5	9.3	44.9	41.3
Cigarettes	490.3	471.2	439.8	416.3	316.1	314.8
Corporations	2,196.7	2,392.2	2,927.2	2,523.4	3,626.6	3,436.8
Deeds	297.2	284.5	318.3	314.2	397.2	389.1
Income	14,683.7	16,239.6	17,109.3	17,360.8	19,618.5	19,940.7
Inheritance and Estate	336.6	473.0	601.3	699.6	787.8	694.3
Insurance	421.9	430.9	470.6	495.9	558.8	571.6
Marijuana Excise	-	-	13.9	51.7	112.4	124.7
Motor Fuel	769.4	769.1	775.5	707.9	662.9	737.9
Public Utilities	(0.1)	(0.7)	-	-0.3	1.5	-
Room Occupancy	156.7	158.7	168.8	146.6	88.7	154.7
Electronic Nicotine Delivery System	-	-	-	-	9.3	-
Sales:						
Regular	4,226.1	4,433.2	4,688.3	4,905.1	5,829.4	5,762.1
Meals	1,132.5	1,154.4	1,216.0	1,077.3	946.5	1,139.3
Motor Vehicles	<u>852.5</u>	<u>866.3</u>	<u>894.0</u>	<u>828.0</u>	<u>1,054.3</u>	<u>962.2</u>
Sub-Total–Sales	6,211.1	6,453.9	6,798.3	6,810.4	7,830.2	7,863.6
Miscellaneous	12.9	11.5	10.5	9.1	7.9	36.5
Settlements and Judgments (2)	-	-	-	-	-	50.0
Total Tax Revenues	<u>\$25,661.7</u>	<u>\$27,787.2</u>	<u>\$29,740.1</u>	<u>\$29,633.3</u>	<u>\$34,156.0</u>	<u>\$34,450.6</u>
MBTA Transfer	(992.2)	(1,007.9)	(1,053.2)	(1,077.3)	(1,261.4)	(1,235.9)
MSBA Transfer	(816.8)	(847.9)	(893.2)	(917.3)	(1,101.4)	(1,075.9)
Workforce Training Fund Transfer (3)	(24.4)	(24.7)	(25.1)	(25.7)	(21.4)	(24.5)
Total Budgeted Operating Tax Revenues	<u>\$23,828.3</u>	<u>\$25,906.7</u>	<u>\$27,768.6</u>	<u>\$27,613.0</u>	<u>\$31,771.9</u>	<u>\$32,114.3</u>
Federal Reimbursements	10,857.8	11,376.9	11,771.9	12,794.7	18,339.0 (4)	14,722.5
Departmental and Other Revenues	4,382.1	4,742.2	4,831.7	4,920.2	4,775.5	5,073.8
Inter-fund Transfers from Non-budgeted Funds and other sources (5)	<u>2,099.1</u>	<u>1,793.4</u>	<u>2,010.3</u>	<u>1,988.4</u>	<u>1,996.0</u>	<u>2,042.1</u>
Budgeted Revenues and Other Sources	<u>\$41,167.3</u>	<u>\$43,819.2</u>	<u>\$46,382.5</u>	<u>\$47,316.1</u>	<u>\$56,882.4</u>	<u>\$53,952.7</u>
Inter-fund Transfers	617.4	1,217.0	1,993.3	1,013.3	3,100.1	1,862.9
Total Budgeted Revenues and Other Sources	<u>\$41,784.7</u>	<u>\$45,036.2</u>	<u>\$48,375.8</u>	<u>\$48,329.4</u>	<u>\$59,982.5</u>	<u>\$55,815.6</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	5,703.0	5,885.5	6,074.7	6,376.3	6,482.3	6,744.6
Medicaid	15,251.7	15,744.5	16,520.5	17,022.6	18,122.4	19,213.6
Other Health and Human Services	5,601.4	5,930.0	6,210.3	6,624.9	6,799.5	7,670.4
Group Insurance	1,662.5	1,634.0	1,644.2	1,662.0	1,720.9	1,903.3
Department of Elementary and Secondary Education	523.2	552.3	604.9	664.5	716.7	847.5
Higher Education	1,168.3	1,173.4	1,283.7	1,317.4	1,337.1	1,450.2
Department of Early Education and Care	540.0	564.3	607.5	712.2	784.5	1,043.6
Public Safety	1,059.6	1,102.0	1,168.1	1,478.6	1,410.4	1,385.5
Energy and Environmental Affairs	222.1	229.6	255.1	282.9	303.0	352.4
Debt Service	2,284.7	2,323.4	2,327.1	2,410.2	2,289.4	2,533.7
Post -Employment Benefits (6)	2,659.7	2,891.5	3,110.2	3,305.0	3,751.9	4,190.6
Other Program Expenditures	<u>3,235.0</u>	<u>3,316.0</u>	<u>3,562.5</u>	<u>3,724.8</u>	<u>3,916.0</u>	<u>4,468.4</u>
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$39,911.2</u>	<u>\$41,346.5</u>	<u>\$43,368.9</u>	<u>\$45,581.4</u>	<u>\$47,634.1</u>	<u>\$51,803.8</u>

<u>Inter-fund Transfers to Non-budgeted Funds</u>						
Commonwealth Care Trust Fund	-	-	45.8	-	-	35.0
Medical Assistance Trust Fund	403.4	579.9	363.1	505.8	505.3	751.5
Massachusetts Transportation Trust Fund	484.7	634.7	643.2	588.2	614.2	624.0
Other	402.3	319.2	389.0	304.7	324.9	564.0
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,290.4</u>	<u>\$1,533.8</u>	<u>\$1,441.1</u>	<u>\$1,398.7</u>	<u>\$1,444.4</u>	<u>\$1,974.5</u>
<u>Special Appropriated Funds</u>						
Federal COVID-19 Response Fund	-	-	-	-	-	1,490.0
Transitional Escrow Fund	-	-	-	-	-	681.3
Total Special Appropriated Funds	-	-	-	-	-	<u>\$2,171.3</u>
Budgeted Expenditures and Other Uses	<u>\$41,201.6</u>	<u>\$42,880.3</u>	<u>\$44,810.0</u>	<u>\$46,980.1</u>	<u>\$49,078.5</u>	<u>\$55,949.6</u>
Inter-fund Transfers	617.4	1,217.0	1,993.3	1,013.3	3,100.1	1,862.9
Total Budgeted Expenditures and Other Uses	<u>\$41,819.0</u>	<u>\$44,097.3</u>	<u>\$46,803.3</u>	<u>\$47,993.4</u>	<u>\$52,178.6</u>	<u>\$57,812.5</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(\$34.3)</u>	<u>\$938.9</u>	<u>\$1,572.5</u>	<u>\$336.0</u>	<u>\$7,804.0</u>	<u>(\$1,996.9)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (7)	117.4	371.5	521.3	776.6 (8)	1,099.3 (9)	114.5
Stabilization Fund	1,300.7	2,001.3	3,424.4	3,501.2	4,626.4	5,794.6
Federal COVID-19 Response Fund	-	-	-	-	4,892.0	3,402.0
Transitional Escrow Fund	-	-	-	-	1,460.3	779.0
Undesignated	29.7	13.9	13.5	17.4	21.1	12.3
Total	<u>\$1,447.8</u>	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$10,102.4</u>

SOURCES: Fiscal 2017-2021, Office of the Comptroller; fiscal 2022, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) For fiscal 2017 through fiscal 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) Includes \$4.9 billion transferred from the Coronavirus State and Local Fiscal Recovery Fund.
- (5) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, abandoned property proceeds and other inter-fund transfers.
- (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)." Fiscal 2022 also includes a \$250 million supplemental transfer to the Pension Liability Fund.
- (7) Includes appropriations authorized to be expended in the following year.
- (8) Includes appropriations authorized in fiscal 2020 that were funded by federal funds in fiscal 2021.
- (9) Includes appropriations authorized in fiscal 2021 that are expected to be funded by federal funds in fiscal 2022. Also includes \$252 million for a collective bargaining reserve to fund the retroactive and fiscal 2022 costs of certain agreements. See "Fiscal 2022."

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 2017 through fiscal 2021.

Stabilization Fund Sources and Uses (in thousands)

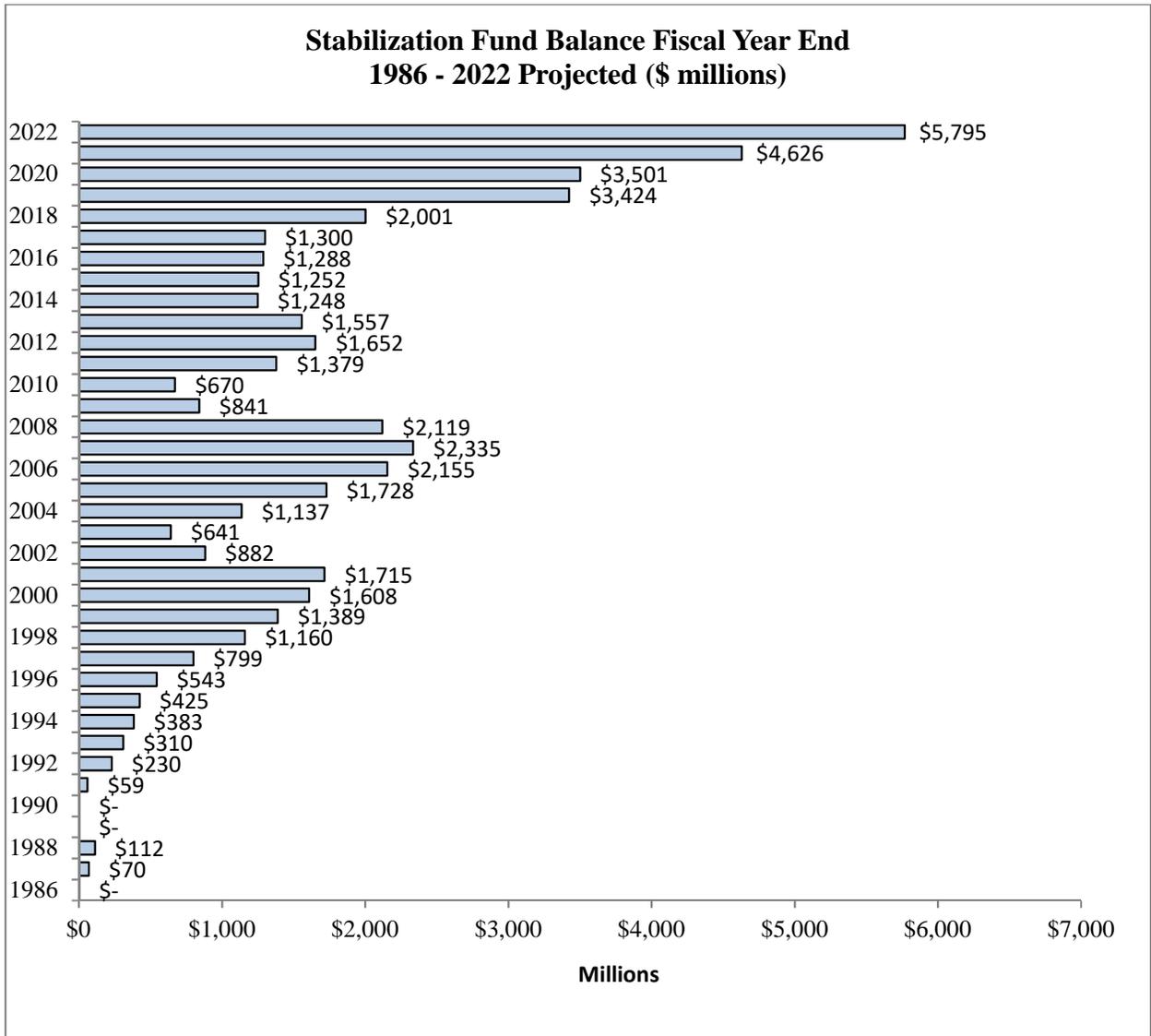
	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (5)</u>
Beginning Fund Balances	\$1,291,514	\$1,300,678	\$2,001,299	\$3,424,376	\$3,501,181
Revenues and Other Sources					
Deposit of the remaining consolidated net surplus	-	209,287	592,722	-	-
Deposits from growth in abandoned property receipts (1)	-	13,450	3,673	-	-
Deposits from gaming tax revenues	-	-	9,781 (2)	14,914	17,458
Capital gains tax transfers in excess of threshold (3)	-	513,908	848,399	-	1,098,140
Deposits due to judgments and settlements in excess of \$10 million	-	-	-	-	-
Lottery transfer taxes	377	272	429	362	323
Investment income	8,787	15,094	52,913	61,529	9,317
Total Revenues and Other Sources	<u>9,164</u>	<u>752,011</u>	<u>1,507,917</u>	<u>76,805</u>	<u>1,125,238</u>
Total Expenditures and Other Uses	-	<u>51,390 (4)</u>	<u>84,840 (4)</u>	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>9,164</u>	<u>700,621</u>	<u>1,423,077</u>	-	-
Ending Fund Balances	<u>\$1,300,678</u>	<u>\$2,001,299</u>	<u>\$3,424,376</u>	<u>\$3,501,181</u>	<u>\$4,626,419</u>
Allowable Stabilization Fund Balance	<u>\$6,175,099</u>	<u>\$6,572,883</u>	<u>\$6,957,381</u>	<u>\$7,097,420</u>	<u>\$8,532,366</u>

SOURCE: 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. The fiscal 2017 specified threshold was \$1.278 billion; however, capital gains tax collections for fiscal 2017 did not exceed this amount. A Legislative enactment in 2020 retained all fiscal 2020 capital gains tax revenue in the General Fund.
- (4) Represents transfers of 5% capital gains tax revenue to the State Pension Fund and OPEB Trust Fund per statute.
- (5) Unaudited.

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The following chart shows the Stabilization Fund balance from fiscal 1986 through fiscal 2021 (actual), and fiscal 2022 (projected). See "FISCAL 2022."



SOURCE: Fiscal 1986-fiscal 2021, Office of the Comptroller; fiscal 2022 (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	452.6
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>(1,750.1)</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, unamortized 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)		
	Governmental Activities	Business Type Activities	Government Wide
Total net position/(deficit):			
Fiscal 2019, restated	<u>(\$74,577,199)</u>	<u>\$5,596,284</u>	<u>(\$68,980,915)</u>
Fiscal 2020	<u>(77,677,365)</u>	<u>4,677,151</u>	<u>(73,000,214)</u>
Change in net position/(deficit)	<u>(\$3,100,166)</u>	<u>(\$919,133)</u>	<u>(\$4,019,299)</u>

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 Annual Comprehensive Financial Report (ACFR). The SBFR is usually published by the Comptroller on or before October 31 and the ACFR is usually published by the Comptroller by the second Wednesday in January. As a result of the COVID-19 pandemic, the fiscal 2021 SBFR was issued on November 19, 2021, and the ACFR will be delayed.

The SBFR for the year ended June 30, 2021 and the ACFR 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 2021 and the ACFR 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 ACFRs, 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 ACFR 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 ACFR 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, 2021 and the ACFR for the year ended June 30, 2020, attention is called in particular to the portion of the ACFR under the heading "Management's Discussion and Analysis."

Auditors' Report on Annual Comprehensive Financial Report for Fiscal 2020

The basic financial statements included in the ACFR 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 ACFR 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 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 fiscal 2022 budget, as approved by the Governor on July 16, 2021, includes approximately \$47.6 billion in authorized spending, excluding transfers to the Medical Assistance Trust Fund, a \$250 million supplemental transfer to the Pension Liability Fund, a one-time \$350 million transfer to a new Student Opportunity Act Investment Fund, and other interfund transfers. The fiscal 2022 budget reflects approximately 3.6% growth in authorized spending over fiscal 2021. The fiscal 2022 budget as approved by the Governor incorporates an increased \$34.350 billion tax revenue forecast before various tax initiatives, which represents an increase of \$4.230 billion over the fiscal 2022 consensus tax revenue estimate of \$30.120 billion announced in January 2021, due to better-than-expected actual tax collections in recent months. The fiscal 2022 budget as enacted is in structural balance, with no planned Stabilization Fund withdrawal.

The Governor vetoed \$7.9 million in gross spending, vetoed an outside section that would have delayed the implementation of the charitable tax deduction, and returned with amendment another tax initiative. These were subsequently overridden or rejected by the Legislature.

On December 13, 2021, the Governor signed legislation appropriating approximately \$4 billion to support COVID-19 recovery needs, including \$2.55 billion from the Commonwealth’s federal allocation of the American Rescue Plan Act Coronavirus State Fiscal Recovery Fund and \$1.45 billion from the state’s fiscal 2021 budget surplus held in the Transitional Escrow Fund. The legislation includes approximately \$1.1 billion in health and human services spending, \$624 million in investments to expand homeownership and other housing initiatives, a \$500 million deposit to the Unemployment Insurance Trust Fund, a \$500 million program for essential workers that performed in-person work during the pandemic, \$422 million in water, sewer, and other environmental infrastructure, and \$853 million for a range of other smaller initiatives. The funds are available through June 30, 2027.

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 the following liquidity support: a \$500 million line of credit and a Note Purchase Agreement which permits the issuance of up to \$200 million of either revenue anticipation notes or bond anticipation notes. As of November 30, 2021, there was no balance outstanding under either of these facilities. See “LONG-TERM LIABILITIES – Liquidity Facilities.”

For cash flow needs, the State Treasurer has historically issued revenue anticipation notes (RANs). As of November 30, 2021, there were no RANs outstanding and the State Treasurer does not anticipate issuing RANs in fiscal 2022.

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 October 31, 2021, the Cash Portfolio holdings were made up of Certificate of Deposit 32.1%, Asset Backed Commercial Paper 22.3%, Non-Negotiable Time Deposit 14.6%, Financial Company Commercial Paper 13.7%, U.S. Government Agency Repurchase Agreement 8.4%, U.S. Treasury Debt 3.8%, Non-Financial Company Commercial Paper 2.9%, Tender Option Bond 1.8%, Variable Rate Demand Note 0.3%, Other Municipal Securities 0.1%. As of November 30, 2021, the Cash Portfolio’s monthly weighted average life was 65 days, and the monthly weighted average maturity was 45 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 October 31, 2021, the Short-Term Bond Fund holdings were made up of U.S. Treasury Securities 48.1%, Financial Inst. - Banking 5.3%, Auto Receivables 4.6%, FNMA MBS 4.3%, Utility - Electric 4.0%, Consumer Non-Cyclical Pharmaceuticals 2.4%, Consumer Cyclical – Automotive 1.8%, Financial Inst.- Insurance - Life 1.8%, Consumer Non-Cyclical Food/Beverage 1.6%, Equipment Lease 1.5 %, Other 24.6%. 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 2021, the Governor announced the five-year capital investment plan for fiscal 2022 through fiscal 2026. The plan projects \$4.97 billion of spending in fiscal 2022 on capital projects, including \$2.66 billion of administrative bond cap spending, \$1.11 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 \$1.21 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 2018 through fiscal 2022 and the tables on the following pages provide cash flow detail for fiscal 2022. The balance for July of fiscal 2022 is actual and the remainder of fiscal 2022 is projected.

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Month-End General Fund Cash Balances (in millions)

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022 (1)</u>
July	\$1,307.3	\$2,269.5	\$3,613.7	\$4,659.2	\$11,693.0
August	2,304.1	3,143.8	2,794.4	4,081.8	11,200.0
September	2,328.6	4,125.0	3,706.0	4,621.8	12,200.0
October	2,147.2	3,645.3	4,558.2	3,904.4	12,264.4
November	1,841.5	2,592.1	3,929.0	3,247.2	10,820.2
December	1,897.8	2,816.3	3,884.1	4,626.0	10,963.1
January	2,582.3	3,276.0	3,360.8	5,945.1	11,136.7
February	2,165.8	2,593.5	2,958.0	5,483.1	9,784.9
March	1,775.8	2,913.6	3,537.9	5,746.1	9,656.3
April	2,897.4	4,603.0	4,809.9	6,524.3	12,030.1
May	2,666.2	4,239.6	3,573.5	13,548.1	11,685.0
June	3,607.9	4,497.4	3,358.5	12,691.1	13,057.4

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2022 ending balance for July is actual and the remaining months are projected.

The fiscal 2021 and 2022 cash flow statement released on October 19, 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>	<u>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>	Total FY 2021
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	\$5,945.1	\$5,483.1	\$5,746.1	\$6,524.2	\$13,548.1	\$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	(851.9)	(851.9)
Total Budgetary Revenue/Inflows (4)	5,707.1	3,947.4	4,343.7	3,797.6	3,461.3	5,692.3	4,784.1	3,406.4	4,818.8	6,085.4	5,556.5	9,973.1	61,573.8
Total Budgetary Expenditures/Outflows	4,218.1	3,680.1	3,354.7	4,040.0	3,530.9	3,511.7	3,596.4	3,725.8	4,076.9	4,134.9	3,946.2	4,174.7	45,990.4
Net Budgetary Funds	\$1,489.0	\$267.4	\$989.0	(\$242.3)	(69.6)	\$2,180.6	\$1,187.7	(\$319.4)	\$741.8	\$1,950.5	\$1,610.3	\$5,798.5	\$15,583.4
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	953.4	(662.5)	1,778.3	1,175.4	875.9	1,033.8	1,870.6	484.8	11,749.2
Total Non Budgetary Expenditures/Outflows	1,422.4	1,346.2	1,061.4	1,566.0	1,575.9	1,758.8	1,500.8	1,746.2	1,534.7	1,326.0	1,340.4	1,995.2	18,174.0
Net Non Budgetary Funds	(179.5)	(299.5)	(377.4)	(300.1)	(622.5)	(2,421.3)	277.5	(570.8)	(658.9)	(292.2)	530.1	(1,510.3)	(6,424.8)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	2.5	3.4	3.0	4.1	2.6	4.9	2.3	2.3	2.2	2.2	12.1	6.6	48.3
Net Operating Activities	\$1,311.9	(\$28.7)	\$614.7	(\$538.2)	(\$689.5)	(\$235.8)	\$1,467.5	(\$887.9)	\$85.1	\$1,660.5	\$2,152.5	\$4,294.7	\$9,206.9
Federal Grants:													
Total Federal Grants Revenue/Inflows	240.6	180.3	190.1	158.4	263.8	296.1	151.1	713.3	615.4	289.8	5,599.8	(4,422.5)	4,276.2
Total Federal Grants Expenditures/Outflows	211.2	203.2	183.2	202.1	241.3	289.6	262.4	275.1	324.1	455.9	334.7	570.8	3,553.7
Net Federal Grants	\$29.4	(\$22.9)	\$6.9	(\$43.7)	\$22.5	\$6.5	(\$111.4)	\$438.2	\$291.3	(\$166.1)	\$5,265.1	(\$4,993.4)	\$722.5
Capital Funds:													
Total Capital Revenue/Inflows	298.0	345.2	195.6	187.1	304.6	423.5	216.6	214.4	164.5	29.5	308.5	734.5	3,422.0
Total Capital Expenditures/Outflows	338.7	371.0	277.2	322.5	294.9	315.3	253.7	226.6	278.0	242.4	301.8	292.0	3,514.2
Net Capital Funds	(\$40.7)	(\$25.8)	(\$81.6)	(\$135.5)	\$9.7	\$108.2	(\$37.1)	(\$12.2)	(\$113.5)	(\$212.8)	\$6.6	\$442.5	(\$92.2)
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	\$5,945.1	\$5,483.1	\$5,746.1	\$6,524.2	\$13,548.1	\$12,691.1	\$12,691.1

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) Includes federal reimbursements such as the CARES Act and ARPA funds.

Overview of Fiscal 2022 Non-Segregated Operating Cash Flow (in millions) (1) (2)

	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sep-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>	<u>Jan-22</u>	<u>Feb-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>May-22</u>	<u>Jun-22</u>	<u>Total FY 2022</u>
Opening Non-Segregated Operating Cash Balance:	\$12,691.1	\$11,693.0	\$11,200.0	\$12,200.0	\$12,264.4	\$10,820.2	\$10,963.1	\$11,136.7	\$9,784.9	\$9,656.3	\$12,030.1	\$11,685.0	\$12,691.1
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	\$0.0	(\$246.3)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$246.3)
Total Budgetary Revenue/Inflows	\$3,500.1	\$3,961.8	\$5,136.7	\$4,069.3	\$3,496.5	\$5,124.9	\$4,619.1	\$3,613.7	\$5,078.6	\$7,368.9	\$4,128.9	\$5,977.8	\$56,076.3
Total Budgetary Expenditures/Outflows	\$3,982.9	\$4,788.1	\$3,894.3	\$4,247.4	\$4,152.3	\$4,134.9	\$3,965.1	\$4,371.9	\$4,677.7	\$4,491.0	\$3,963.9	\$4,198.5	\$50,867.9
Net Budgetary Funds	(\$482.8)	(\$826.3)	\$1,242.4	(\$178.1)	(\$655.8)	\$990.0	\$654.0	(\$758.2)	\$400.9	\$2,877.9	\$165.0	\$1,779.3	\$5,208.3
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	\$1,334.1	\$2,114.3	\$1,740.2	\$1,069.4	\$1,051.9	\$974.7	\$907.8	\$834.8	\$852.8	\$905.0	\$884.8	\$1,043.5	\$13,713.3
Total Non Budgetary Expenditures/Outflows	\$1,575.6	\$1,527.5	\$1,835.3	\$1,424.7	\$1,595.4	\$1,743.8	\$1,463.5	\$1,330.7	\$1,460.3	\$1,288.3	\$1,438.8	\$1,711.2	\$18,394.9
Net Non Budgetary Funds	(\$241.6)	\$586.9	(\$95.1)	(\$355.3)	(\$543.4)	(\$759.1)	(\$555.6)	(\$495.9)	(\$607.5)	(\$383.3)	(\$553.9)	(\$667.7)	(\$4,681.6)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	\$1.5	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$23.5
Net Operating Activities	(\$722.9)	(\$237.4)	\$1,149.3	(\$531.4)	(\$1,197.2)	\$222.8	\$100.4	(\$1,252.1)	(\$204.5)	\$2,496.6	(\$386.9)	\$1,113.6	\$550.2
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$242.3	\$211.6	\$195.0	\$168.6	\$181.0	\$204.1	\$234.1	\$242.9	\$261.0	\$221.1	\$255.7	\$317.3	\$2,734.7
Total Federal Grants Expenditures/Outflows	\$351.7	\$227.4	\$151.7	\$210.4	\$207.6	\$226.8	\$228.6	\$218.8	\$233.6	\$228.3	\$227.0	\$248.5	\$2,760.4
Net Federal Grants	(\$109.4)	(\$15.8)	\$43.3	(\$41.8)	(\$26.6)	(\$22.7)	\$5.5	\$24.1	\$27.4	(\$7.2)	\$28.7	\$68.8	(\$25.7)
Capital Funds:													
Total Capital Revenue/Inflows	\$235.6	\$93.2	\$167.0	\$877.9	\$81.6	\$310.5	\$368.2	\$162.5	\$490.4	\$297.6	\$419.0	\$695.6	\$4,199.3
Total Capital Expenditures/Outflows	\$401.4	\$332.9	\$359.6	\$240.3	\$302.0	\$367.8	\$300.5	\$286.4	\$441.9	\$413.2	\$405.9	\$505.6	\$4,357.5
Net Capital Funds	(\$165.8)	(\$239.7)	(\$192.6)	\$637.6	(\$220.4)	(\$57.3)	\$67.7	(\$123.9)	\$48.5	(\$115.6)	\$13.1	\$190.0	(\$158.3)
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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper / Line of Credit – (Principal + Interest)</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>RANS – (Principal + Interest)</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 Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$11,693.0	\$11,200.0	\$12,200.0	\$12,264.4	\$10,820.2	\$10,963.1	\$11,136.7	\$9,784.9	\$9,656.3	\$12,030.1	\$11,685.0	\$13,057.4	\$13,057.4

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures for July are actual and all other months 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 2017</u>	<u>June 2018</u>	<u>June 2019</u>	<u>June 2020</u>	<u>June 2021</u>
Executive Office	74	77	84	83	83
Executive Departments					
Administration and Finance	2,274	2,214	2,191	2,172	2,143
Energy and Environmental Affairs	1,736	1,725	1,784	1,825	1,877
Health and Human Services	19,849	20,162	20,362	20,363	20,125
Housing and Economic Development	640	748	752	762	783
Labor and Workforce Development	231	234	237	354	375
Executive Office of Education	507	523	561	580	609
Public Safety and Security	7,994	8,042	8,064	8,238	8,108
Technology Services and Security	333	354	395	402	466
Federal Grant, Trust and Capital Funded (2)	<u>8,139</u>	<u>8,133</u>	<u>8,070</u>	<u>7,984</u>	<u>7,940</u>
Subtotal under Governor's Authority	<u>41,777</u>	<u>42,212</u>	<u>42,500</u>	<u>42,763</u>	<u>42,509</u>
Judiciary	7,208	7,229	7,164	7,217	7,061
Higher Education	25,283	24,887	25,229	25,318	24,437
Other (3)	<u>11,092</u>	<u>11,048</u>	<u>11,227</u>	<u>11,285</u>	<u>11,167</u>
Total	<u>85,360</u>	<u>85,376</u>	<u>86,120</u>	<u>86,583</u>	<u>85,174</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 35,438 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, runs from July 1, 2020 through June 30, 2023, providing salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$97.5 million.

2. The contract with the American Federation of State, County and Municipal Employees (AFSCME), representing Unit 2, runs from July 1, 2020 through June 30, 2023, providing annual salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$54.8 million.

3. The contract with the Massachusetts Correction Officers Federated Union (MCOFU), representing Unit 4, ran from July 1, 2018 through June 30, 2021. Subject to legislative approval, a new contract with MCOFU will run from July 1, 2021 through June 30, 2024, providing annual salary increases of 2.5% in 2021, 2% in 2022, and 2% in 2023, effective July 1 of each year. Eligible employees will receive a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$43.5 million.

4. The contract with the New England Police Benevolent Association (NEPBA), representing Unit 4A, ran from July 1, 2017 through June 30, 2020. Subject to legislative approval, a new contract with NEPBA will run from July 1, 2020 through June 30, 2023, providing annual salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees will receive a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$1.2 million.

5. The contract with the Coalition of Public Safety (COPS), representing Unit 5, ran from July 1, 2018 through June 30, 2021, and provided salary increases of 1% (2% if fiscal 2018 revenues exceeded \$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 was \$1.7 million. This contract has expired and negotiations are ongoing.

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 (MNA), representing Unit 7, runs from January 1, 2021 through December 31, 2023, providing annual salary increases of 2.5% in 2021, 2% in 2022, and 2% in 2023, effective January 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$29.0 million.

8. The contract with the Service Employees International Union (SEIU), representing Units 8 and 10, runs from January 1, 2020 through December 31, 2022, providing salary increases of 2.5% in 2020, 2% in 2021, and

2% in 2022, effective January 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$90 million.

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. Subject to legislative approval, a new contract with MOSES will run from July 1, 2020 through June 30, 2023, providing annual salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees will receive a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$15.7 million.

10. The contract with the International Association of Fire Fighters (IAFF), 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	9,787	6/30/23
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	7,600	6/30/23
4	Massachusetts Correction Officers Federated Union	Corrections	3,398	6/30/21 (3)
4A	New England Police Benevolent Association	Corrections	69	6/30/20 (3)
5	Coalition of Public Safety	Law enforcement	216	6/30/21 (2)
5A	State Police Association of Massachusetts	State Police	2,134	12/31/20 (2)
7	Massachusetts Nurses Association	Health professionals	1,650	12/31/23
8, 10	Alliance/Service Employees International Union	Social workers, Secondary Education	8,576	12/31/22)
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	1,951	6/30/20 (3)
11	International Association of Fire Fighters	Fire fighters	58	12/31/20 (2)
		Total	35,438	

SOURCE: Executive Office for Administration and Finance.

- (1) Numbers represent full-time equivalent filled positions (FTEs) in the standard workforce as of July 3, 2021, 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.
- (3) This contract has expired. A new contract has been ratified and funding for the new contract will be duly submitted to the Legislature for approval.

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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, 2021, 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	66,901	68,780
Terminated employees entitled to benefits but not yet receiving them	<u>4,570</u>	<u>N/A</u>
Subtotal	71,471	68,780
Current Members	<u>87,136</u>	<u>96,527</u>
Total	158,607	165,307

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 2022 has been determined to be \$179.4 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 2022 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. Discussions with the IRS are ongoing.

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):

Employee Contribution Rates

<u>MTRS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	36	0.0%
1975-1983	7	190	0.2
1984-June 30, 1996	8	4,343	4.5
July 1, 1996-Present	9	14,020	14.5
July 1, 2001-Present	11	<u>77,938</u>	<u>80.8</u>
Totals		<u>96,527</u>	<u>100.0%</u>

SOURCE: Public Employee Retirement Administration Commission. Membership data from Teachers' Retirement System January 1, 2021 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.

<u>MSERS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	195	0.2%
1975-1983	7	1,635	1.9
1984-June 30, 1996	8	11,848	13.6
July 1, 1996-Present	9	72,264	82.9
State Police 1996-Present	12	<u>1,194</u>	<u>1.4</u>
Totals		<u>87,136</u>	<u>100.0%</u>

SOURCE: Public Employee Retirement Administration Commission. Membership data from State Retirement Board January 1, 2021 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, 2021. The assumptions underlying the funding schedule include valuation of assets and liabilities as of January 1, 2020, 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>
2022	\$3,415,154	2030	\$7,125,997
2023	3,744,033	2031	7,812,230
2024	4,104,584	2032	8,564,548
2025	4,499,855	2033	9,389,314
2026	4,933,191	2034	10,293,505
2027	5,408,258	2035	11,284,770
2028	5,929,073	2036	12,364,051
2029	6,500,043	2037	1,554,984

SOURCE: Executive Office for Administration and Finance

In addition to the funding schedule above, the fiscal 2022 budget includes a supplemental \$250 million transfer to the Pension Liability Fund.

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 21, 2021, is available at: <https://www.mass.gov/doc/commonwealth-valuation-report-2021/download>. In this report, the unfunded actuarial accrued liability for the Commonwealth's total pension obligation as of January 1, 2021, based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2020, was approximately \$45.575 billion, including approximately \$15.334 billion for MSERS, \$27.659 billion for MTRS, \$2.477 billion for Boston teachers that are members of the BRS, and \$105.0 million for cost-of-living increases reimbursable to local systems. This valuation estimates the total actuarial accrued liability as of January 1, 2021 to be approximately \$108.982 billion (comprising \$45.704 billion for MSERS, \$58.830 billion for MTRS, \$4.342 billion for Boston teachers and \$105.0 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately \$63.407 billion based on a five-year average valuation method (comprising \$30.370 billion for MSERS, \$31.171 billion for MTRS and \$1.866 billion for Boston teachers), which equaled 93.1% of the December 31, 2020 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. Since the last valuation, there was an overall actuarial gain of \$3.22 billion, consisting of a non-investment related gain on actuarial liability of approximately \$924 million and a gain of approximately \$2.296 billion on the actuarial value of assets.

The January 1, 2021 valuation report used a 7.00% investment return assumption, reduced from the 7.25% assumption used in the January 1, 2019 valuation. The investment return assumption had previously decreased consistently from 8.25% as of January 1, 2012 to 7.25% as of January 1, 2019. The most recent change in the investment return assumption from 7.25% to 7.00% increased the total actuarial accrued liability by approximately \$2.85 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 2017 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. There was a small adjustment for disability retirees of MSERS in the January 1, 2018 valuation. PERAC maintained these assumptions in the January 1, 2019 valuation. In 2020, PERAC performed an analysis of mortality for retirees of MSERS and MTRS. Based on this analysis, PERAC adopted the Pub-2010 Teachers mortality table (headcount weighted) for MTRS and made no changes to MSERS. The most recent change in the mortality assumption reduced the total actuarial accrued liability by approximately \$759 million.

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.

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, 2021 was 93.1% of the market value. This figure was 102.8% as of January 1, 2019.

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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>
2021	\$63,407	\$68,090	93.1%	58.2%	62.5%
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

SOURCE: Public Employee Retirement Administration Commission.
 (1) Based on five-year average smoothing methodology.

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 (excluding fiscal 2020 as no valuation was completed), 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 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						
2021	\$30,370,096	\$45,704,298	\$15,334,202	66.5%	\$6,544,575	234.3%
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
MTRS						
Actuarial Valuation as of Jan. 1						
2021	\$31,170,723	\$58,829,999	\$27,659,276	53.0%	\$7,670,306	360.6%
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

**Aggregate
Commonwealth
Pension
Obligations (1)**
Actuarial Valuation
as of Jan. 1

2021	\$63,406,551	\$108,981,772	\$45,575,221	58.2%	\$14,851,350	306.9%
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

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.

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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						
2021	\$32,611,969	\$45,704,298	\$13,092,329	71.4%	\$6,544,575	200.0%
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
MTRS						
Actuarial Valuation as of Jan. 1						
2021	\$33,473,661	\$58,829,999	\$25,356,338	56.9%	\$7,670,306	330.6%
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
Aggregate Commonwealth Pension Obligations (1)						
Actuarial Valuation as of Jan. 1						
2021	\$68,089,639	\$108,981,772	\$40,892,133	62.5%	\$14,851,350	275.3%
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

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> (3)	<u>2022</u>
Annual required contribution (ARC) (1)	\$3,292,000	\$3,500,000	\$3,800,000	\$4,125,000	\$4,230,000
Contributions made (2)	\$2,394,000	\$2,608,000	\$2,841,525	\$3,115,164	\$3,415,154
% of ARC funded for the fiscal year	73%	75%	75%	76%	80.7%

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.
- (2) The amounts shown for contributions include the costs associated with the 2015 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.

Assumption changes made in the 2018 and 2019 valuations affected 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%. Assumption changes made in the 2021 valuations affect the percentage of the ARC funded in fiscal 2022; if there had been no assumption changes in the 2021 valuation, the percentage of the ARC funded would have been 85%. 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 Annual Comprehensive Financial Report 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 ACFR for fiscal 2020. See Exhibit C – Annual Comprehensive 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 ACFR 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 ACFR 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 ACFR for fiscal 2020. Additional information regarding the inflows and outflows that under GASB 68 are recognized either in the ACFR for fiscal 2020 or are deferred and projected to be recognized in the ACFRs for future fiscal years can be found in Note 9C to Basic Financial Statements to the ACFR for fiscal 2020. See Exhibit C – Annual Comprehensive 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 ACFR 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 ACFR 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 ACFR for fiscal 2020. Pension valuation information as of June 30, 2020 will be used in the ACFR 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 ACFR for fiscal 2020. Pension valuation information as of June 30, 2020 will be used in the ACFR 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 used 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 2023 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. The actual fiscal 2022 ADC for MSERS, MTRS and Boston teachers were provided in a memorandum dated May 13, 2021 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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Target Ranges</u>
Global Equity	45.7%	41.9%	43.2%	42.0%	42.7%	34.0 – 44.0%
Core Fixed Income	12.0	12.8	13.6	15.7	15.3	12.0 – 18.0
Value-Added Fixed Income	8.1	8.0	7.9	7.5	6.9	5.0 – 11.0
Private Equity	10.6	10.8	11.3	11.4	14.5	11.0 – 17.0
Real Estate	9.1	9.0	9.4	9.2	8.3	7.0 – 13.0
Timber/Natural Resources	3.7	3.4	3.9	3.7	3.0	1.0 – 7.0
Portfolio Completion Strategies	9.5	13.4	10.0	9.7	8.3	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>
2021	29.91%	2016	2.29%
2020	2.38	2015	3.86
2019	6.12	2014	17.53
2018	9.97	2013	12.69
2017	13.20	2012	(0.08)
	3yr annualized		12.17%
	5yr annualized		11.93%
	10yr annualized		9.47%

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 ACFR for fiscal 2015.

The GASB 74 actuarial valuation for fiscal year ended June 30, 2020, which was issued on March 12, 2021, as revised on April 14, 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 2017, 2018, 2019, 2020 and 2021, the required transfer was modified to 30%, 10%, 30%, 10% and 10%, respectively, of annual tobacco settlement payments. The fiscal 2022 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⁾⁽⁴⁾	77.3	-	-
2017⁽³⁾	25.4	-	-
2018	53.1	19.8	26.0
2019	38.9	32.1	42.4
2020⁽⁴⁾	23.0	-	-
2021⁽⁵⁾	24.6	-	61.0

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.
- (3) Capital gains tax revenues did not exceed statutory capital gains threshold in fiscal 2017, therefore no deposit was made.
- (4) In fiscal years 2016 and 2020, the Commonwealth temporarily suspended the requirement to transfer 5% of capital gains tax collections above the threshold.
- (5) Unaudited.

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 ACFR 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 2020.

During the audit of the GASB 75 report as of the June 30, 2019 measurement date (which is reported in the ACFR 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 ACFR 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 ACFR for fiscal 2020 pursuant to GASB 75, as well as the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2020 or are deferred and projected to be recognized in the ACFR 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 ACFR 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 ACFR 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 ACFR for fiscal 2020. OPEB valuation information as of June 30, 2020 will be used in the ACFR for fiscal 2021. Additional information regarding the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2020 or are deferred and projected to be recognized in the ACFRs for future fiscal years is in Note 10D to Basic Financial Statements to the ACFR for fiscal 2020. See Exhibit C –Annual Comprehensive 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 ACFR for fiscal 2020. OPEB valuation information as of June 30, 2020 will be used in the ACFR 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.

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 2021, the Governor announced the five-year capital investment plan for fiscal years 2022 through 2026, with an administrative bond cap of \$2.655 billion for fiscal 2022. This represents a 4.9% increase over the administrative bond cap recommendation in fiscal 2021.

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 2022 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 2022.

Fiscal 2022 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	\$76.3	\$5.0	-	\$31.1	\$112.4
Capital Asset Management	558.2	6.3	\$39.9	97.3	701.7
Education	19.0	-	-	16.8	35.8
Energy and Environmental Affairs	308.9	-	41.3	33.8	384.0
Housing and Community Development	255.6	-	-	-	255.6
Housing and Economic Development	208.6	-	0.3	34.5	243.3
Technology Services and Security	161.5	20.9	98.2	-	280.6
Public Safety	26.9	7.7	0.8	-	35.3
MassDOT	<u>1,040.1</u>	<u>-</u>	<u>1,024.9</u>	<u>856.6</u>	<u>2,921.6</u>
Total (1)	\$2,655.0	\$39.9	\$1,205.3	\$1,070.0	\$4,970.2

SOURCE: Executive Office for Administration and Finance as of June 14, 2021.

(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 2022 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> <p><i>Next Generation Bridge GANs</i> – Borrowing backed by federal highway grant anticipation notes (GANs) to support the MassDOT Highway Division’s bridge program.</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	\$94
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 14, 2021, 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 2023. The Committee determined that \$2.78 billion of general obligation debt may prudently be issued by the Commonwealth for fiscal 2023. This amount represents an increase of 4.7% or \$125 million, over the Committee's recommended bond cap for fiscal 2022.

Cybersecurity

The Commonwealth, like many other large public and private entities, relies on a large and complex information technology (IT) environment to conduct its operations. While the Commonwealth has made significant progress in the past few years in standardizing and centralizing policies and procedures, a number of state agencies, departments, and branches continue to maintain their own distinct IT infrastructure.

In August 2017 Governor Baker established the Executive Office of Technology Services and Security (EOTSS). EOTSS maintains much of the Executive Branch's enterprise infrastructure in the form of two datacenters that host agency and statewide business applications, the Commonwealth-wide area network, and internet service. Since its formation, EOTSS has been working to standardize the Commonwealth's IT infrastructure by adopting and implementing a standard operating environment, and strengthening the Commonwealth's cybersecurity posture. While several Executive Branch entities still operate distinct data centers and networks, EOTSS is working with these entities to transfer their enterprise infrastructure services to EOTSS. Enterprise Information Security Policies and Standards have been published for all Executive Offices and their agencies and other agencies that rely on EOTSS services, and the Executive Offices that maintain separate environments are obligated to adhere to these security policies and standards. EOTSS also has worked closely with each Executive Office to make critical improvements in the areas of IT policies, procedures, infrastructure and services. EOTSS provides annual cybersecurity awareness training for Commonwealth employees.

EOTSS also provides a set of enterprise-wide cybersecurity services, including operating a Security Incident Response Team (SIRT) at the direction of the Commonwealth Chief Information Security Officer (CISO), which is aligned within EOTSS' Security Operations Center (SOC). Incident reporting and responses are coordinated through the SOC. The SIRT monitors, alerts, responds to and mitigates security threats to all stakeholders and partners. Additional security services include vulnerability management and mitigation scanning services, threat analysis, threat management and information sharing programs. EOTSS maintains an integrated security technology framework that includes multi-factor authentication for applications and users, enhanced cloud and mail security tools, network monitoring and analytical tools, and a suite of specialized enterprise security technologies and services to protect the Commonwealth's assets.

To ensure that the Commonwealth's IT investments are guided by a strategic planning process, EOTSS created an IT Investment Advisory Board, comprising security, IT and business operation executives from across state government to review IT capital proposals and projections. Additionally, the Commonwealth Chief Information Officer (CCIO) maintains authority and oversight over all Executive Branch IT planning, procurement, and projects. Agencies are obligated to report on these matters to the CCIO on an annual basis. The fiscal 2022 capital budget includes \$162 million for EOTSS.

In addition to EOTSS, the Office of the Comptroller's (CTR) Statewide Risk Management Team maintains a Cyber Center which works to identify key cybersecurity internal control elements, to create best practices protocols and procedures for all Commonwealth agencies to include in their internal controls, and to promote cybersecurity awareness. CTR's Risk Management Team works closely with EOTSS to assist agencies with remediation and corrective measures in the event of reported security incidents

As a recipient and provider of personal, private and sensitive information, the Commonwealth is subject to multiple cyber threats, including but not limited to hacking, viruses, malware and other attacks on IT networks and systems. While the Commonwealth continues to enhance its IT infrastructure and security systems to address these issues, no assurances can be given that the Commonwealth's efforts to mitigate cyber threats will be successful or that such attacks will not materially impact the Commonwealth.

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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 of 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 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (4)</u>	<u>Fiscal 2022 (5)</u>
Total principal balance	\$27,360,819	\$27,739,221	\$28,098,890	\$29,048,457	\$28,888,621
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)	(657,340)	(608,565)	(559,545)	(508,030)	(508,030)
Accelerated bridge program	(1,680,555)	(1,665,205)	(1,663,350)	(1,555,219)	(1,555,219)
Rail enhancement program (2)	(1,131,105)	(1,104,610)	(1,260,565)	(1,637,221)	(1,637,221)
Federal grant anticipation notes (1)	(748,445)	(684,745)	(662,270)	(582,550)	(582,550)
MBTA forward funding	(207)	(207)	(207)	(207)	(207)
Transportation Infrastructure Fund	(1,036,935)	(1,013,492)	(945,574)	(847,789)	(691,674)
School Building Assistance (SBA)	(598,985)	(574,902)	(496,936)	(430,926)	(337,411)
Outstanding direct debt, principal (3)	<u>\$21,507,247</u>	<u>\$22,087,495</u>	<u>\$22,510,443</u>	<u>\$23,486,513</u>	<u>\$23,576,310</u>
Statutory Debt Limit	<u>\$22,875,433</u>	<u>\$24,019,204</u>	<u>\$25,220,164</u>	<u>\$26,481,173</u>	<u>\$27,805,231</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 June 30, 2021; unaudited.
- (5) Amounts are as of November 30, 2021.

General Obligation Debt

As of November 30, 2021, the Commonwealth had \$24.6 billion in general obligation bonds outstanding, of which \$23.6 billion, or 96.1% was fixed rate debt and \$966.3 million, or 3.9%, was variable rate debt. As of November 30, 2021, \$20.2 billion, or 82.0%, of the Commonwealth's general obligation debt was tax-exempt and \$4.4 billion, or 18.0%, 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 "U. Plan" College Opportunity Bonds (COBS), 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.

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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 (\$132.4 million), direct purchase agreements in various interest rate modes (\$300 million), multi-modal bonds currently in the Term Mode (\$377.2 million), and college opportunity bonds (\$156.7 million). Of all Commonwealth variable rate debt outstanding, the interest rates on \$239.9 million, or approximately 1.0% 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 \$726.4 million or approximately 3.0% of the total outstanding general obligation debt, is unhedged and, accordingly, floats with interest rates re-set on a periodic basis.

As of November 30, 2021, the Commonwealth had outstanding approximately \$156.7 million (\$81.9 million of original principal and including a discount equal to \$74.8 million) of variable rate COBS, 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) may be 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 November 30, 2021, the Commonwealth did not have any 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 November 30, 2021, the Commonwealth had outstanding approximately \$28.4 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 November 30, 2021, the Commonwealth had outstanding approximately \$3.2 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 \$1.6 billion of which have been issued in support of the REP.

In January 2021, Governor Baker signed a new transportation bond act, Chapter 383 of the Acts of 2020 (Transportation Bond Bill or Chapter 383), which authorizes approximately \$16.2 billion of total capital authorization to improve the Commonwealth's transportation infrastructure. The Transportation Bond Bill 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. Included in the \$16.2 billion total authorization is \$5.1 billion to support the MBTA, which is proposed as CTF Bonds, although such authorization also is eligible to be issued as general obligation bonds. Also included is authorization for \$1.25 billion of federal highway grant anticipation notes (GANs) to fund repairs, rehabilitation or replacement of the Commonwealth's bridges. The new GANs will provide funding to increase the level of annual funding to help achieve long-term bridge condition targets. An additional \$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. The remaining authorization includes \$4.4 billion for federally aided highway projects, with \$880 million eligible to be issued as either general obligation 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). As of November 30, 2021, the only bonds outstanding pursuant to such authorization are certain special obligation bonds issued in 2005 (the Series 2005 Bonds) currently outstanding in the amount of \$479.6 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 November 30, 2021, the balance of the trustee-held Convention Center Revenue Fund available for debt service was \$132.1 million and retained earnings in the Convention Center Fund was \$223.0 million. The trust agreement for the 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 November 30, 2021, the balance of the Capital Reserve Fund was \$53.0 million.

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.

Federal Grant Anticipation Notes

In 2008, the Commonwealth was authorized to issue \$1.1 billion of 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 November 30, 2021, \$582.6 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 November 30, 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 2017 through fiscal 2021, exclusive of unamortized bond premiums.

General and Special Obligation Long-Term Debt Issuance and Repayment Analysis (in thousands) (1)

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (3)</u>
Beginning Balance as of July 1	\$25,079,591	\$26,445,665	\$27,360,819	\$27,739,221	\$28,098,890
Debt Issued	<u>2,877,265</u>	<u>2,391,763</u>	<u>1,814,564</u>	<u>1,778,439</u>	<u>2,387,135</u>
Subtotal	<u>27,956,856</u>	<u>28,837,428</u>	<u>29,175,383</u>	<u>29,517,660</u>	<u>30,486,025</u>
Debt retired or defeased, exclusive of refunded debt	(1,389,581)	(1,389,419)	(1,295,322)	(1,383,670)	(1,284,183)
Refunding debt issued, net of refunded debt (2)	<u>(121,610)</u>	<u>(87,190)</u>	<u>(140,840)</u>	<u>(35,100)</u>	<u>(153,385)</u>
Ending Balance June 30	<u>\$26,445,665</u>	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>

SOURCE: Office of the Comptroller.

(1) Including accretion of capital appreciation bonds.

(2) Amounts may be negative due to defeasances of debt of authorities from the issuance of Commonwealth debt as afforded under General Laws.

(3) Unaudited.

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 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (1)</u>
General Obligation Debt	\$22,716,695	\$23,143,374	\$23,676,096	\$23,953,160	\$24,765,437
Special Obligation Debt	2,990,960	3,469,000	3,378,380	3,483,460	3,700,470
Federal Grant Anticipation Notes	<u>738,010</u>	<u>748,445</u>	<u>684,745</u>	<u>662,270</u>	<u>582,550</u>
<u>TOTAL</u>	<u>\$26,445,665</u>	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>

SOURCE: Office of the Comptroller.

(1) Unaudited.

Debt Service Requirements

The following tables sets forth, as of November 30, 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.

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Debt Service Requirements on Commonwealth Bonds as of November 30, 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	Interest	Build America Bond Subsidies	Net Interest	Debt Service
6/30/2022	\$348,170	\$554,020	-	(\$16,992)	\$537,027	\$885,197	\$56,780	\$28,697	(\$357)	\$28,340	\$85,120
6/30/2023	1,180,028	1,013,856	\$4,532	(31,412)	982,443	2,167,004	86,470	25,880	(122)	25,758	112,228
6/30/2024	1,097,035	950,682	4,606	(31,412)	919,270	2,020,910	89,510	21,965	-	21,965	111,475
6/30/2025	1,107,547	898,671	4,948	(31,177)	867,494	1,979,990	93,985	17,490	-	17,490	111,475
6/30/2026	1,043,700	848,571	5,396	(30,776)	817,795	1,866,892	122,185	12,790	-	12,790	134,975
6/30/2027	956,814	801,152	6,068	(30,203)	770,949	1,733,830	133,620	6,681	-	6,681	140,301
6/30/2028	943,677	758,355	6,225	(28,953)	729,401	1,679,303	-	-	-	-	-
6/30/2029	1,046,389	715,685	5,838	(26,687)	688,998	1,741,225	-	-	-	-	-
6/30/2030	1,055,085	668,313	5,663	(22,892)	645,421	1,706,169	-	-	-	-	-
6/30/2031	1,050,798	613,771	5,501	(16,808)	596,963	1,653,262	-	-	-	-	-
6/30/2032	1,032,003	569,697	5,546	(14,776)	554,922	1,592,471	-	-	-	-	-
6/30/2033	781,232	528,897	4,742	(12,440)	516,457	1,302,431	-	-	-	-	-
6/30/2034	755,376	494,916	4,026	(11,068)	483,848	1,243,250	-	-	-	-	-
6/30/2035	748,808	465,254	3,379	(9,647)	455,607	1,207,794	-	-	-	-	-
6/30/2036	789,895	434,732	2,770	(8,177)	426,555	1,219,221	-	-	-	-	-
6/30/2037	822,661	401,213	2,179	(6,654)	394,559	1,219,400	-	-	-	-	-
6/30/2038	832,103	366,460	1,568	(5,077)	361,383	1,195,053	-	-	-	-	-
6/30/2039	883,734	333,007	1,049	(3,445)	329,562	1,214,344	-	-	-	-	-
6/30/2040	828,265	298,511	492	(1,609)	296,902	1,125,658	-	-	-	-	-
6/30/2041	776,664	267,277	216	-	267,277	1,044,157	-	-	-	-	-
6/30/2042	817,304	240,437	75	-	240,437	1,057,816	-	-	-	-	-
6/30/2043	934,180	208,261	-	-	208,261	1,142,441	-	-	-	-	-
6/30/2044	829,510	176,382	-	-	176,382	1,005,892	-	-	-	-	-
6/30/2045	694,985	146,872	-	-	146,872	841,857	-	-	-	-	-
6/30/2046	695,820	116,506	-	-	116,506	812,326	-	-	-	-	-
6/30/2047	600,835	88,452	-	-	88,452	689,287	-	-	-	-	-
6/30/2048	439,835	66,509	-	-	66,509	506,344	-	-	-	-	-
6/30/2049	498,330	47,626	-	-	47,626	545,956	-	-	-	-	-
6/30/2050	580,000	26,763	-	-	26,763	606,763	-	-	-	-	-
6/30/2051	260,000	11,125	-	-	11,125	271,125	-	-	-	-	-
6/30/2052	100,000	2,500	-	-	2,500	102,500	-	-	-	-	-
Totals(1)	\$24,530,782	\$13,114,472	\$74,820	(\$340,206)	\$12,774,266	\$37,379,867	\$582,550	\$113,503	(\$479)	\$113,024	\$695,574

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
6/30/2022	\$25,970	\$13,190	\$39,160	\$17,615	\$77,507	(\$12,314)	\$65,193	\$82,808
6/30/2023	27,440	24,952	52,392	30,245	77,504	(12,314)	65,190	95,435
6/30/2024	28,990	23,443	52,433	39,870	76,004	(12,314)	63,690	103,560
6/30/2025	30,625	21,848	52,473	51,720	74,013	(11,937)	62,076	113,796
6/30/2026	32,360	20,164	52,524	54,340	71,389	(11,529)	59,859	114,199
6/30/2027	34,190	18,384	52,574	56,420	68,530	(11,065)	57,465	113,885
6/30/2028	36,125	16,504	52,629	51,520	65,553	(10,575)	54,977	106,497
6/30/2029	38,170	14,517	52,687	49,475	62,859	(10,058)	52,801	102,276
6/30/2030	40,330	12,418	52,748	49,420	60,210	(9,512)	50,698	100,118
6/30/2031	42,610	10,199	52,809	60,350	57,555	(8,935)	48,619	108,969
6/30/2032	45,020	7,856	52,876	63,445	54,311	(8,316)	45,995	109,440
6/30/2033	47,565	5,380	52,945	61,415	50,901	(7,661)	43,239	104,654
6/30/2034	50,250	2,764	53,014	64,485	47,697	(6,970)	40,727	105,212
6/30/2035	-	-	-	64,320	44,400	(6,239)	38,161	102,481
6/30/2036	-	-	-	67,635	41,104	(5,466)	35,638	103,273
6/30/2037	-	-	-	75,415	37,636	(4,650)	32,985	108,400
6/30/2038	-	-	-	74,995	33,551	(3,718)	29,833	104,828
6/30/2039	-	-	-	79,130	29,636	(2,546)	27,089	106,219
6/30/2040	-	-	-	83,080	25,674	(1,308)	24,366	107,446
6/30/2041	-	-	-	87,640	21,152	-	21,152	108,792
6/30/2042	-	-	-	92,410	17,274	-	17,274	109,684
6/30/2043	-	-	-	96,155	13,310	-	13,310	109,465
6/30/2044	-	-	-	109,415	8,556	-	8,556	117,971
6/30/2045	-	-	-	13,034	3,146	-	3,146	16,180
6/30/2046	-	-	-	61,670	2,554	-	2,554	64,224
Totals (1)	\$479,645	\$191,620	\$671,265	\$1,555,219	\$1,122,025	(\$157,429)	\$964,596	\$2,519,815

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
6/30/2022	\$28,385	\$1,436	\$29,821	\$28,760	\$74,622	\$103,382
6/30/2023	-	-	-	29,580	74,387	103,967
6/30/2024	-	-	-	22,910	72,937	95,847
6/30/2025	-	-	-	14,075	71,850	85,925
6/30/2026	-	-	-	14,710	71,158	85,868
6/30/2027	-	-	-	16,140	70,436	86,576
6/30/2028	-	-	-	24,745	69,629	94,374
6/30/2029	-	-	-	30,590	68,440	99,030
6/30/2030	-	-	-	34,740	66,911	101,651
6/30/2031	-	-	-	27,955	65,330	93,285
6/30/2032	-	-	-	29,405	63,933	93,338
6/30/2033	-	-	-	36,215	62,462	98,677
6/30/2034	-	-	-	38,050	60,652	98,702
6/30/2035	-	-	-	43,300	58,749	102,049
6/30/2036	-	-	-	45,140	56,769	101,909
6/30/2037	-	-	-	42,960	54,512	97,472
6/30/2038	-	-	-	49,470	52,364	101,834
6/30/2039	-	-	-	51,530	49,899	101,429
6/30/2040	-	-	-	53,920	47,325	101,245
6/30/2041	-	-	-	56,375	44,633	101,008
6/30/2042	-	-	-	58,200	41,913	100,113
6/30/2043	-	-	-	61,140	39,191	100,331
6/30/2044	-	-	-	55,500	36,326	91,826
6/30/2045	-	-	-	159,826	33,794	193,620
6/30/2046	-	-	-	118,700	26,874	145,574
6/30/2047	-	-	-	97,245	21,844	119,089
6/30/2048	-	-	-	101,955	17,132	119,087
6/30/2049	-	-	-	106,800	12,284	119,084
6/30/2050	-	-	-	91,880	6,944	98,824
6/30/2051	-	-	-	95,405	3,419	98,824
Totals (1)	\$28,385	\$1,436	\$29,821	\$1,637,221	\$1,496,720	\$3,133,940

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 November 30, 2021, approximately \$268.3 million of the Commonwealth's outstanding variable-rate debt was synthetically fixed via floating-to-fixed interest rate swap hedge agreements, including \$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, 2021, 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 \$268.3 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 4.515% 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 November 30, 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 11/30/2021	Counterparty
<i>General Obligation Bonds:</i>								
Series 2016B & C	<u>\$239,890</u>	VRDB	4.515%	67% 3-Month LIBOR	4/2/2009	6/15/2033	<u>(\$58,666,739)</u>	Barclays Bank PLC
<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>951,852</u>	Merrill Lynch Capital Services
<u>Total</u>	<u>\$268,275</u>						<u>(\$57,714,887)</u>	

SOURCE: Office of the Treasurer and Receiver General.

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Liquidity Facilities

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 for cash flow purposes. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. The line of credit was scheduled to expire on May 10, 2021, and 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. As of November 30, 2021, no amount was outstanding under the line of credit.

The Commonwealth has capacity under a note purchase agreement to issue revenue anticipation notes or bond anticipation notes up to \$200 million. The agreement is with RBC Capital Markets, LLC and has a termination date of February 8, 2024. As of November 30, 2021, no notes were issued or outstanding under the note purchase agreement.

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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 November 30, 2021.

<u>Direct Purchase Bonds</u>	<u>Outstanding Principal Amount (in thousands)</u>	<u>Mandatory Tender Date</u>
2016 Series B	\$100,000	4/01/2026
2016 Series C	200,000	4/01/2024

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 provide low-interest loans and grants to cities, towns, and water utilities to help Massachusetts communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities. 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. Most of the Trust's loans are subsidized to a 2% interest rate set by statute. 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 November 30, 2021, the Trust had approximately \$2.4 billion of bonds outstanding. Approximately 4.39% 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 November 30, 2021, total "I-Cubed" bonds were outstanding in the amount of approximately \$179.8 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 November 30, 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 obligated the Commonwealth to make up to \$28 million in success payments, in the aggregate, through fiscal 2024. 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 (and amended in October 2021) 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 \$3.0 million in success payments, in the aggregate, through fiscal 2023.

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The following table sets forth the Commonwealth’s general obligation contract assistance requirements for all of fiscal 2022 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>
2022	63,383	125,000	10,586	800	199,769
2023	27,534	125,000	10,579	2,500	165,163
2024	19,117	125,000	10,579	500	155,196
2025	14,802	125,000	10,594	-	150,396
2026	12,280	125,000	12,601	-	149,881
2027 through 2051	71,339 (1)	1,900,000 (2)	247,038 (4)	-	2,218,377
Total (5)	<u>\$208,455</u>	<u>\$2,525,000</u>	<u>\$301,978</u>	<u>\$3,800</u>	<u>\$3,039,233</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 year 2051.
- (2) Represents \$125 million per year for fiscal years 2027 to 2039, inclusive, and \$25 million per year for fiscal years 2040 to 2050, 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) Aggregate of fiscal years 2027 to 2049.
- (5) 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 November 30, 2021, the MBTA had approximately \$121.2 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 November 30, 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 2022, the Commonwealth's budget includes a \$94.0 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 November 30, 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>
2017	\$22,716,302
2018	20,860,482
2019	28,417,839
2020	26,397,710
2021	38,964,565

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.

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. On April 9, 2021, the Court allowed plaintiff's motion for class certification and certified a class of plaintiffs for this action. On September 10, 2021, the Court allowed, in part, and denied, in part, plaintiff's motion for judgment on the pleadings. The Court determined in its ruling that: (1) the EEC Fee Scale in effect prior to February 2021 for parent fees for the Income Eligible Child Care Program was unlawful; (2) EEC may not deny eligibility for the Income Eligible Child Care Program to any family member of the certified class on the basis of outstanding parent fees accrued between March 2019 and February 2021 pursuant to the Pre-2021 Fee Scale; (3) EEC may not disqualify or otherwise

sanction any family member of the certified class previously deemed eligible for the Income Eligible Child Care Program, based solely on accrued and owing parent fees assessed pursuant to the Pre-2021 Fee Scale for the period of March 2019 through February 2021; (4) plaintiff's request to order the Department to promulgate a new fee scale is moot; and (5) the February 2019 Updated Regulations are lawful, and EEC may exercise its executive discretion going forward to apply the Updated Regulations to the Income Eligible Child Care Program based on the 2021 Fee Scale.

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 board voted to approve final establishment and implementation of the new fee scale in June 2021.

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 January 31, 2021. At this time the Commonwealth cannot predict the timing, outcome or, should the plaintiff prevail, the budgetary impact of this litigation.

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. On August 2, 2021, the administrative law judge denied the motion to dismiss but continued to stay the case based on an anticipated request for an interlocutory appeal of the decision. DESE timely appealed the denial to U.S. Education Secretary Cardona on August 17, 2021. Secretary Cardona granted the petition and established a briefing schedule. DESE has filed its opening brief and reply brief. OSERS received leave to file a sur-reply brief, which is due January 3, 2022.

At this time, DESE cannot predict the timing or outcome of this process, including whether a reduction in the allocation to the Commonwealth of IDEA special education funding would be in the full amount of the penalty claimed (\$114 million), or whether any penalty amount found to be due would be deducted in a single year or over multiple years.

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 \$3.695 billion in surcharge payments between 1998 and the end of Health Safety Net fiscal year 2022.

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. At oral arguments, the DAB asked whether CMS would consider waiving the two-year-claiming rule if the state were to now submit the fee-for-service claims for primary care services rendered through the PCPR program. On July 30, 2021, CMS filed a Case Statement apprising the DAB that CMS is not willing to consider reviewing disallowed claims because CMS believes it is unable to waive the timely filing requirement unless the state meets an exception to the rule, and CMS does not believe the state meets any such exception. EOHHS responded that, in light of CMS' decision to issue the disallowance more than two years after the claims accrued, CMS' unwillingness to consider reviewing the disallowed claims for the services provided under PCPR based on the timely filing requirement is arbitrary, capricious, and an abuse of discretion. 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).

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granted. On August 2, 2021, the administrative law judge denied the motion to dismiss but continued to stay the case based on an anticipated request for an interlocutory appeal of the decision. DESE intends to seek said interlocutory appeal and will do so before the August 17, 2021 deadline. 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 \$ 113 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 62, § 6(l), chapter 63, § 38X, and chapter 64H, § 6(ww), 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 \$12 million, with no individual credit amount claims exceeding \$10 million

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	893,000,000	300,000 (5)
2017	913,000,000 (1)	300,000 (5)
2018	1,000,000,000 (2)	300,000 (5)
2019	1,200,000,000 (3)	300,000 (5)
2020	1,500,000,000 (4)	300,000 (5)

- (1) Subject to revision until a final calculation in March 2022.
- (2) Subject to revision until a final calculation in March 2023.
- (3) Subject to revision until a final calculation in March 2024.
- (4) Subject to revision until a final calculation in March 2025.
- (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. More recently, the Suffolk County District Attorney's Office has sought to vacate additional convictions tied to the Boston laboratory, announcing that it was seeking to vacate all Suffolk County drug convictions for any individual whose drug certification was done at the Boston laboratory between May 2003 and August 2012. This action potentially impacts many more defendants.

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 plaintiff and the remaining defendants in the *Penate* case cross-moved for summary judgment, and the Court heard arguments on these motions on November 23, 2021. The Court took these cross-motions under advisement. 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 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 (D. Mass. filed Feb. 23, 2018). In *Foster*, the District Court has granted several motions to stay the proceedings, most recently until December 15, 2021 to permit the parties to pursue settlement negotiations and potential resolution of plaintiffs' claims in state court. In the latest joint motion to stay the proceeding, the parties asserted that they had recently reached an agreement in principle on the most significant material terms of a potential settlement and are negotiating the remaining components of a comprehensive administrative scheme. 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. They have not agreed, however, that forfeited property must be returned pursuant to *Nelson v. Colorado*.

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, but ruled that the civil forfeiture judgment was not solely a consequence of the invalidated drug convictions and need not be vacated under *Nelson v. Colorado*. 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.

There are 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. Given this, 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. The District Attorneys for both Middlesex and Suffolk Counties have separately filed motions asking that the SJC consider whether the remedies in response to the overall conduct and operation of the Boston and Amherst drug labs are sufficient, or whether convictions based on the drug analyses performed by all the chemists, in addition to the two identified chemists, should also be set aside. The motion of the Middlesex County District Attorney was denied without prejudice as premature. See *Commonwealth v. Ricky Simmons*, No. SJC-13114 (July 28, 2021). The motion of the Suffolk County District Attorney asked the Superior Court to report certain questions to the SJC. See *Commonwealth v. Justino Escobar*, 479 Mass. 1010, 94 N.E.3d 844 (2018). After the Superior Court denied the motion on October 6, 2021, the criminal defendant filed a notice of appeal and a petition for direct appellate review, which are pending. See *Commonwealth v. Justino Escobar*, No. 2021-P-0920; *Commonwealth v. Justino Escobar*, DAR-28550. Were the SJC to grant the relief sought in these motions and petitions, the number of affected defendants would be significantly increased. 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.

Sniadach vs. Walsh, et al., No. 3:20-cv-30115 (D. Mass July 17, 2020). On July 17, 2020, a class action lawsuit was filed in Massachusetts District Court, Springfield, under the Fourteenth Amendment to the United States Constitution and 42 U.S.C. § 1983 (Section 1983). The suit seeks class certification and alleges civil rights violations by five former state employees, named in their individual capacity, related to the COVID-19 outbreak at the Holyoke Soldiers’ Home in March 2020. The plaintiffs seek damages for residents or their estates who contracted COVID-19 at the Soldiers’ Home during a three month period starting in March 2020. On September 20, 2021, the suit was amended to add sixteen named plaintiffs (primarily filing on behalf of estates), as well as adding a sixth defendant, also in such person’s individual capacity. The class has not yet been certified.

The Commonwealth has agreed to indemnify all defendants for defensive legal fees and costs, and has agreed to fully indemnify four of the six defendants for settlements and judgments, pursuant to G.L. c. 258, § 9, which allows for indemnification up to \$1 million per claimant. Plaintiffs recently presented a settlement demand of \$76 million.

There are significant defenses to this lawsuit, including qualified immunity for certain defendants, and immunity under the federal Public Readiness and Emergency Preparedness Act and similar state immunity under An Act to Provide Liability Protections for Health Care Workers and Facilities During the Covid-19 pandemic. Responsive pleadings are due January 31, 2022; none have been filed to date.

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CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Annual Comprehensive 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 Annual Comprehensive 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 an event notice in December 2017 when the insurer on certain insured special obligation bonds payable from the Convention Center Fund asked that the ratings on such bonds be withdrawn. The Commonwealth has filed a notice of such rating change 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

January 6, 2022

EXHIBIT A

STATEMENT OF ECONOMIC INFORMATION AS OF JANUARY 4, 2022

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Socioeconomic Indicators

January 2022

UMassAmherst

Donahue Institute
Economic and
Public Policy Research

Prepared by the UMass Donahue Institute's Economic & Public Policy Research Group

This report was prepared by the UMass Donahue Institute and the information in text, tables, charts and graphs are the most recently available information as of January 4, 2022.

Established in 1971, the UMass Donahue Institute is a public service, research, and economic development arm of the University of Massachusetts. Our mission is to apply theory and innovation to solve real world challenges and enable our clients to achieve their goals and aspirations. We serve clients in the public, non-profit, and private sectors in the Commonwealth and throughout the nation and the world. For more information, www.donahue.umass.edu.

The Institute's Economic & Public Policy Research (EPPR) group is a leading provider of applied research, helping clients make more informed decisions about strategic economic and public policy issues.

EPPR produces in-depth economic impact and industry studies that help clients build credibility, gain visibility, educate constituents, and plan economic development initiatives. EPPR is known for providing unbiased economic analysis on state-level economic policy issues in Massachusetts and beyond, and has completed a number of industry studies on IT, defense industries, telecommunications, health care, and transportation. Their trademark publication is called *MassBenchmarks*, an economic journal that presents timely information concerning the performance of and prospects for the Massachusetts economy, including economic analyses of key industries that make up the economic base of the state.

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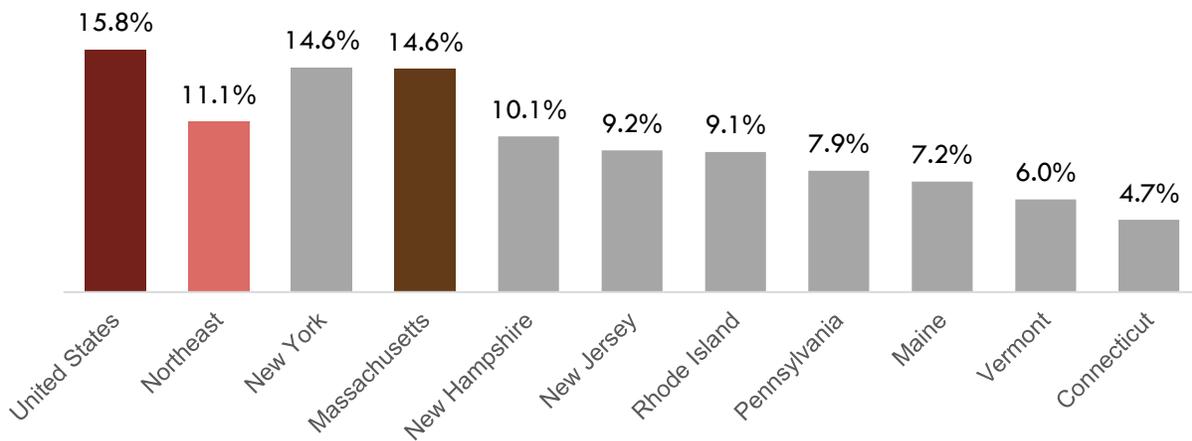
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Economy

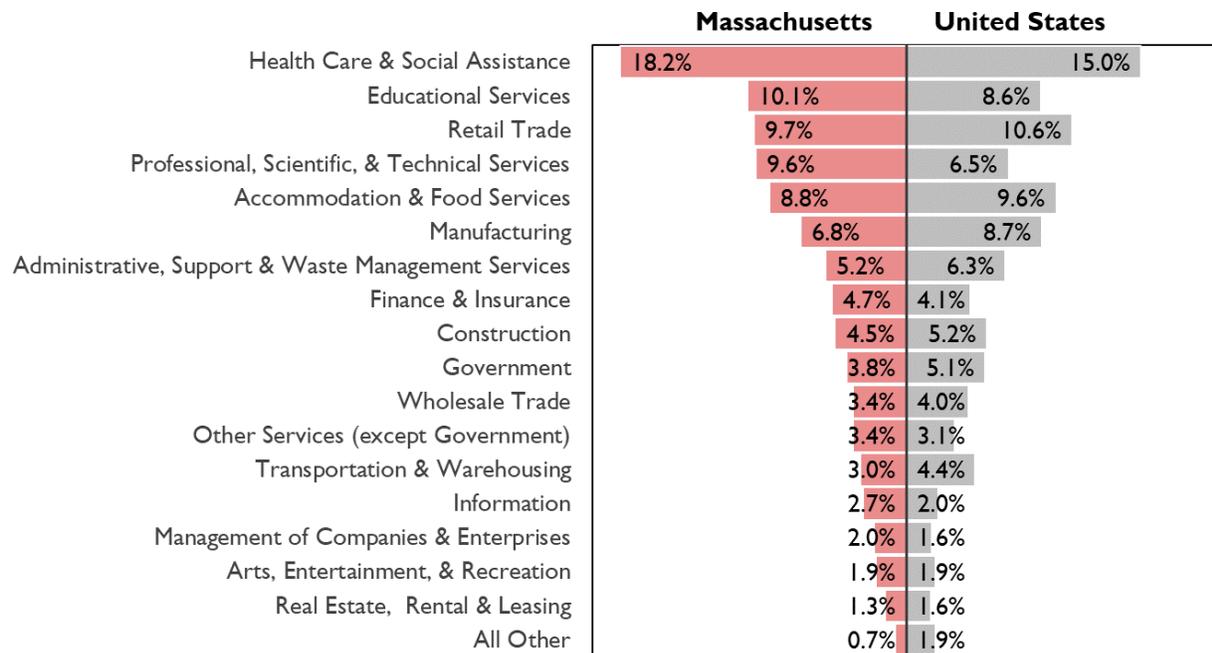
Over the past decade, Massachusetts has been a leader in job growth in the Northeast (Figure 1), driven largely by the state’s highly-educated workforce, the overall diversity of industries, and strengths in knowledge-based industries, such as health care, education, and professional services (Figure 2). Professional services and technical services have been increasingly important in the state, both as a share of employment and in terms of its contribution to state GDP. In terms of employment, professional services and technical services is fourth in the state and makes up 9.6 percent of jobs; the sector is second in the state as a share of GDP, making up 13.5 percent of the state GDP. While the sector includes everything from legal services to veterinary services, in Massachusetts the two leading subsectors in terms of employees are computer systems design and related services, and scientific research and development services. These subsectors benefit from the Commonwealth’s well-established higher education and health care sectors.

Figure 1: Percent change in employment by Northeast state, 2010-2019



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW); UMDI analysis

Figure 2: Industry mix in Massachusetts and the United States, 2019 (Percent of total jobs)



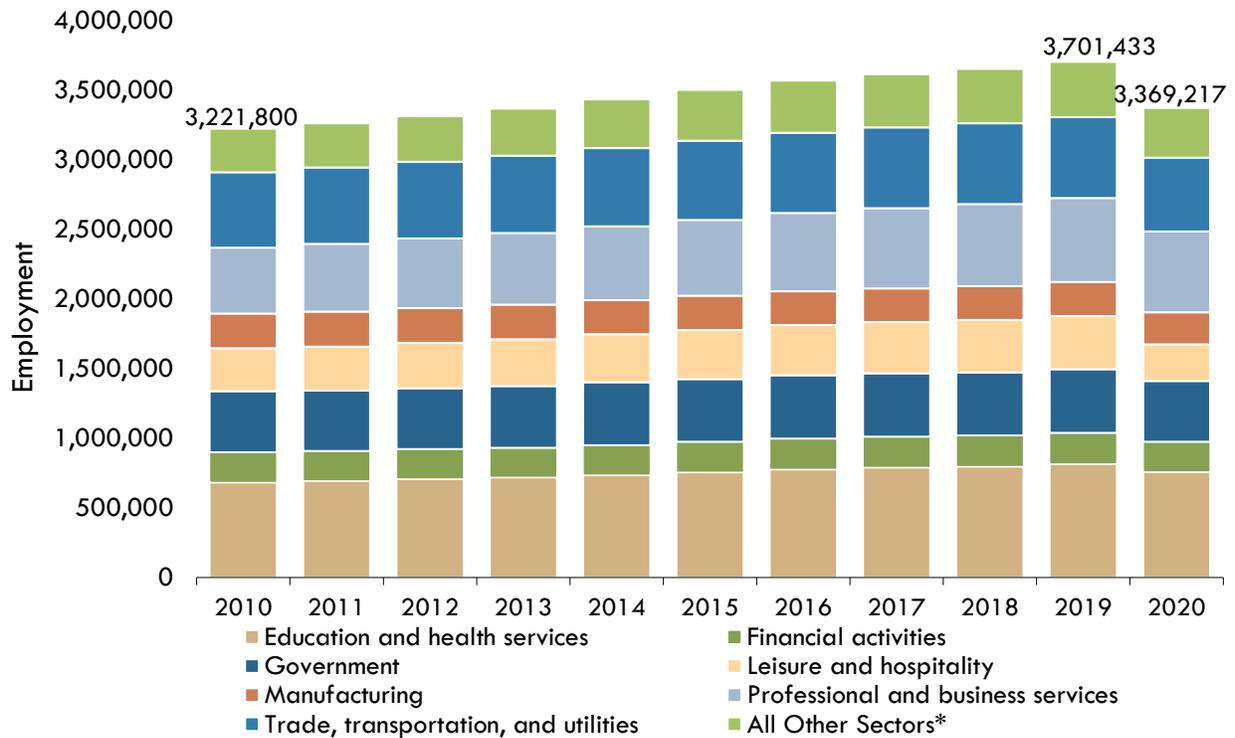
Source: Massachusetts Executive Office of Labor and Workforce Development, ES-202; U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), UMDI analysis.

Note: All Other includes: Utilities; Agriculture, Forestry, Fishing, & Hunting; and Mining, Quarrying, and Oil & Gas Extraction.

Massachusetts continues to experience a decline in manufacturing employment and the Commonwealth's share of manufacturing employment is lower than in the United States as a whole. Since 1990, the earliest year for which NAICS data are available, manufacturing in Massachusetts went from 16.1 percent of the nonfarm payroll to 6.8 percent in 2020. The rate of decline has slowed considerably.

Several NAICS service sectors, education and health services, professional 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 and utilities have remained relatively level or declined in share (Figure 3).

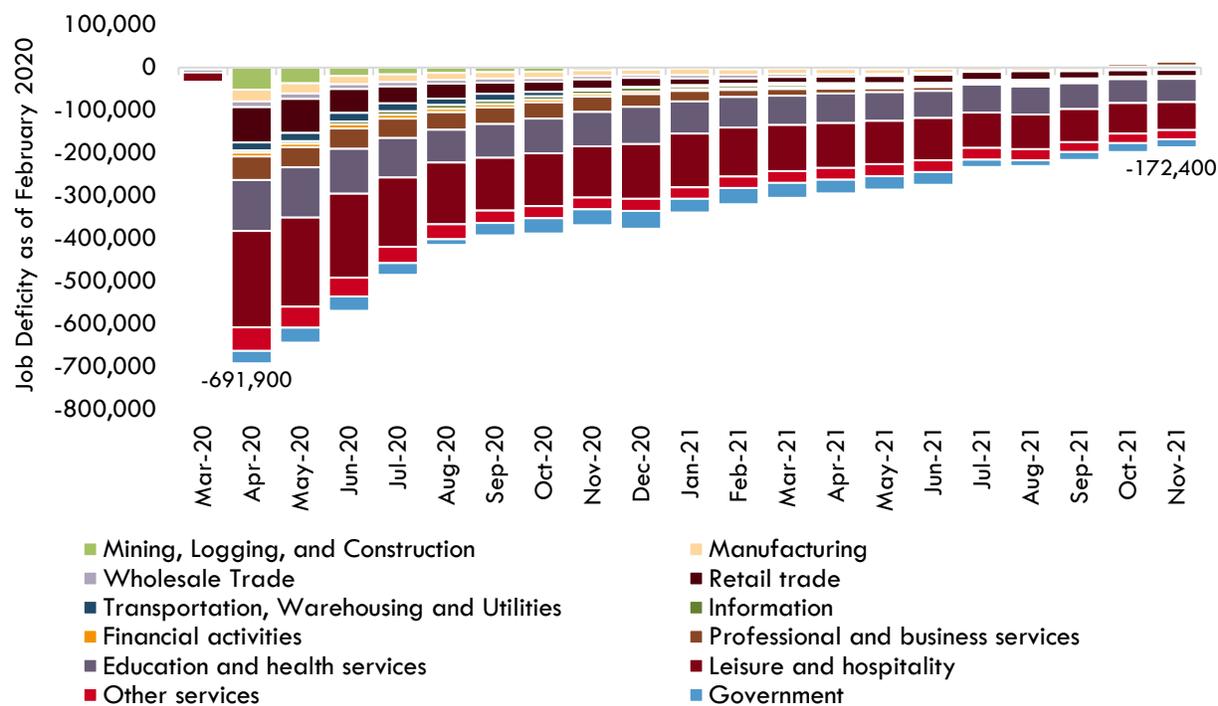
Figure 3: Annual Average Employment in Massachusetts, 2010-2020 by NAICS Supersectors



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES). *Includes Mining & Natural Resources, Construction, Information, and Other Services.

The COVID-19 pandemic interrupted the trajectory of the state’s economic growth and has had tremendous short- and long-term ramifications for the state’s economy. Over 690,000 jobs were lost in Spring 2020. The pandemic recovery continues, but as of November 2021, the state still has over 170,000 fewer jobs than the peak in February 2020 (Figure 4). Leisure and hospitality services is the slowest sector to recover both in terms of absolute number of jobs lost and as a share jobs lost compared to levels prior to the pandemic (Figure 4). Leisure and hospitality jobs are now recovering fastest, but the disproportionate losses mean that the sector’s recovery continues to lag behind others’. The size of the labor force, which includes those who are unemployed and employed, has also begun to rebound, but is still below pre-pandemic levels: with a labor force of 3.74 million in November 2021, there were 6,800 fewer people in the labor force than there were in February 2020.

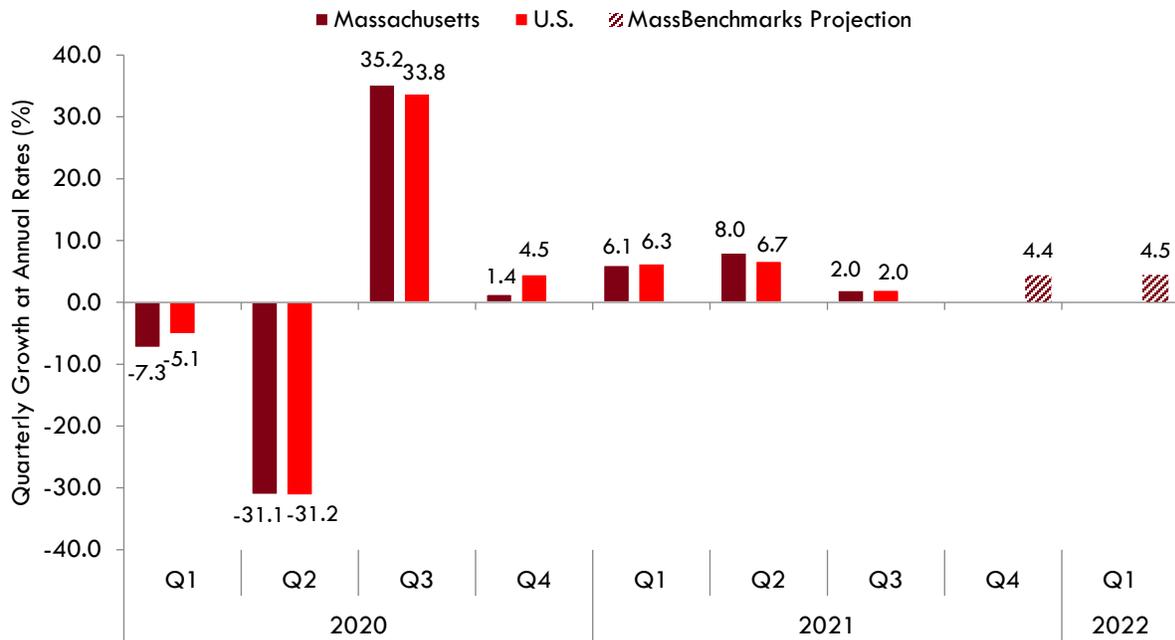
Figure 4: Jobs deficit in Massachusetts relative to February 2020 peak



Source: Massachusetts Executive Office of Labor and Workforce Development, Current Employment Statistics (CES-790); UMDI analysis

Over the course of 2021, the state has demonstrated continued economic recovery. That said, the pace of economic growth has slowed recently after robust gains in the first half of the year. According to MassBenchmarks, the journal of the Massachusetts economy produced by the University of Massachusetts Donahue Institute (UMDI) and Federal Reserve Bank of Boston, real gross domestic product (GDP) increased at a 2.0 percent annualized rate in Massachusetts during the third quarter of 2021. This is similar to the U.S., which also grew at a 2.0 percent rate, according to the U.S. Bureau of Economic Analysis (BEA). Comparatively, Massachusetts real gross domestic product grew at annualized rates of 6.1 percent in the first quarter and 8.0 percent in the second quarter, while U.S. real gross domestic product grew at annualized rates of 6.3 percent in the first quarter and 6.7 percent in the second quarter (Figure 5).

Figure 5: Growth in Real Product, Massachusetts and the United States



Source: U.S. Bureau of Economic Analysis, MassBenchmarks calculations by Dr. Alan Clayton-Matthews

The slowdown in the pace of growth from the second to third quarter of 2021 is the result of the Delta variant of COVID-19 restraining the pace of reopening, associated ongoing supply chain disruptions and labor shortages, and less exuberant consumer spending on goods, especially durable goods such as automobiles and home appliances. Much of the growth that did occur was driven by increased consumer spending and associated job growth in the leisure and hospitality, as well as other services sectors. Inflation diminished the impact of this consumer spending on real output and by extension real GDP growth.

Despite the slowdown in economic activity, payroll employment in the third quarter of 2021 expanded at a faster pace than in the second quarter. The number of jobs in Massachusetts grew at a 6.9 percent annual rate in the third quarter as compared to a 6.3 percent rate for the U.S. Despite this growth, total employment in Massachusetts remains 5.8 percent below the pre-pandemic peak in February 2020, a larger jobs deficit than the nation, which in Q3 stood at 3.3 percent below its previous peak.

Looking ahead to the end of 2021 and the start of 2022, MassBenchmarks projections, which were made prior to the Omicron variant and the seasonal surge, expected the state economy to expand at a 4.5 percent annual rate, consistent with continued gradual progress in getting back to normal. This reflects a dampening of the optimism that was present earlier this summer. The AIM Business Confidence Index fell in both August and September, and the Conference Board's Consumer Confidence Index for the U.S. declined throughout the third quarter. However, both indexes are at levels that indicate a continuation of moderate growth.

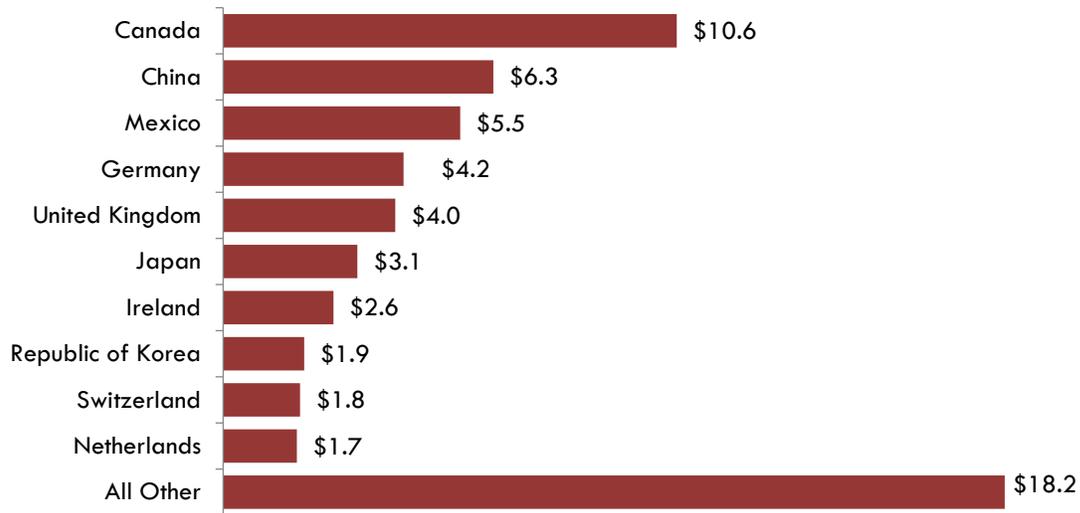
While it is not possible to isolate the impacts of COVID-19 on trade, the declines of 2020 were most likely related to the pandemic. Compared to the U.S. as a whole, the Massachusetts' declines were modest. The national total trade volume (exports and imports) decreased 13.9 percent from 2019, and Massachusetts decreased 5.5 percent (Figure 6). Massachusetts' total trade volume was \$59.9 billion in 2020. Canada was by far our most valuable trading partner, with a trade volume of \$10.6 billion, 17.6 percent of the total state trade (Figure 7). The Massachusetts' trade deficit, \$10.1 billion, decreased 3.4 percent in 2020. Massachusetts ranked 18th in the U.S. in 2020 and first in New England with \$24.8 billion in exports. This was a 5.9 percent decrease from the previous year's export value, while national exports decreased by 14.3 percent and total exports from New England decreased by 10.3 percent (Figure 8). Canada was again our top export destination in 2020 with \$2.8 billion. Imports decreased 5.2 percent to \$35.0 billion in 2020. Canada was also the largest source for Massachusetts imports in 2020, from which we imported \$7.8 billion, or 22.3 percent, of our total.

Figure 6: Massachusetts Imports, Exports, and Trade Deficit



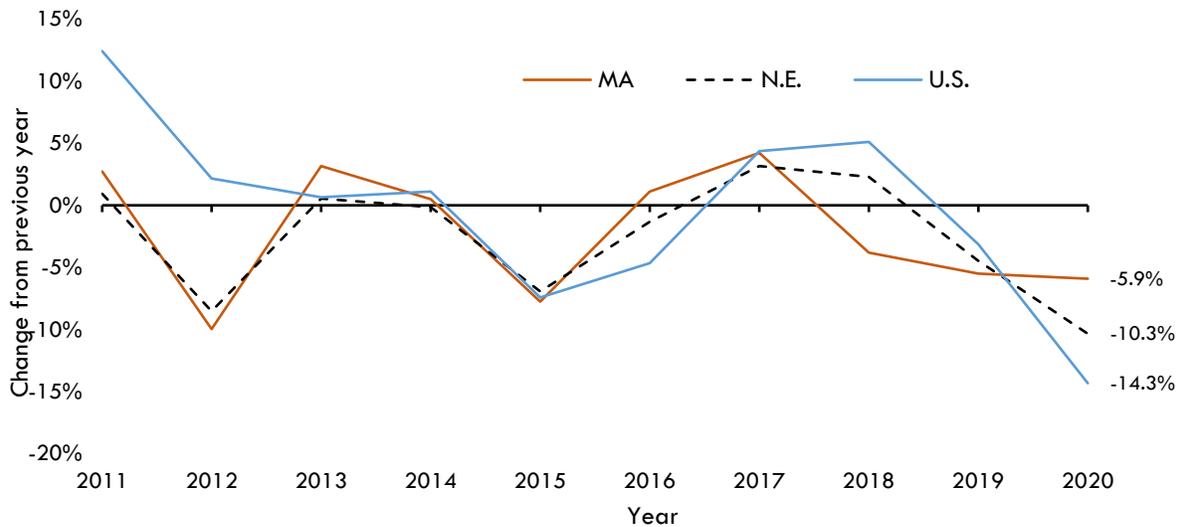
Source: WISERTrade.org; UMDI analysis

Figure 7: Massachusetts Top Ten Trade Partners in 2020 (In billions of \$2020)



Source: WISERTrade.org; UMDI analysis

Figure 8. Export Growth for Massachusetts, the United States, and New England

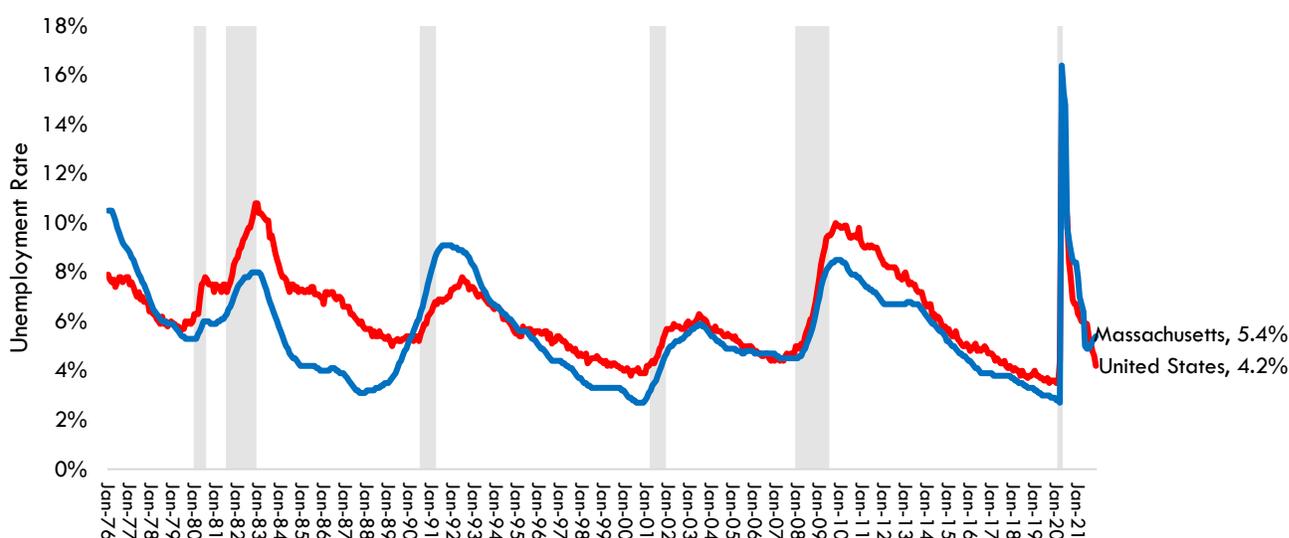


Source: WISERTrade.org; UMDI analysis

Workforce

In recent history, the Massachusetts economy has generally performed better than the U.S., with the state unemployment rate typically below the nation. This was especially the case during and the period following the Great Recession. The Commonwealth's mix of knowledge-based industries and well-educated workforce led to high levels of labor force participation and low levels of unemployment in the state overall. That said, the early outbreak of COVID-19 in the northeastern part of the U.S. coupled with proactive social distancing efforts by the Commonwealth in the spring and summer of 2020 led to significant job losses throughout the state. Massachusetts unemployment peaked at 16.4 percent, while the U.S. peaked at 14.8 percent (Figure 9). As of November 2021 Massachusetts unemployment is at 5.4 percent and the U.S. is at 4.2 percent.

Figure 9: Unemployment Rates in Massachusetts and the United States as of November 2021 (Seasonally adjusted)



Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis

Both the public health and the economic crises caused by COVID-19 have disproportionately harmed historically marginalized groups. In part this is due to the concentration of marginalized populations in certain sectors of the economy that meant they were more likely to be working in essential services or losing their jobs as shut-down orders shuttered restaurants and retail establishments. For example, the leisure and hospitality sector, which has a younger and less educated workforce, experienced the greatest loss of jobs and has been the slowest to recover. In contrast, highly-educated workers in knowledge-based industries were more likely to be able to work from the home during the COVID-19 pandemic and less likely to lose their jobs. Massachusetts ranked fourth in the U.S. for teleworking during the pandemic. In

Massachusetts, workers with previous well-established capacity to work from home were clustered in the Greater Boston area.

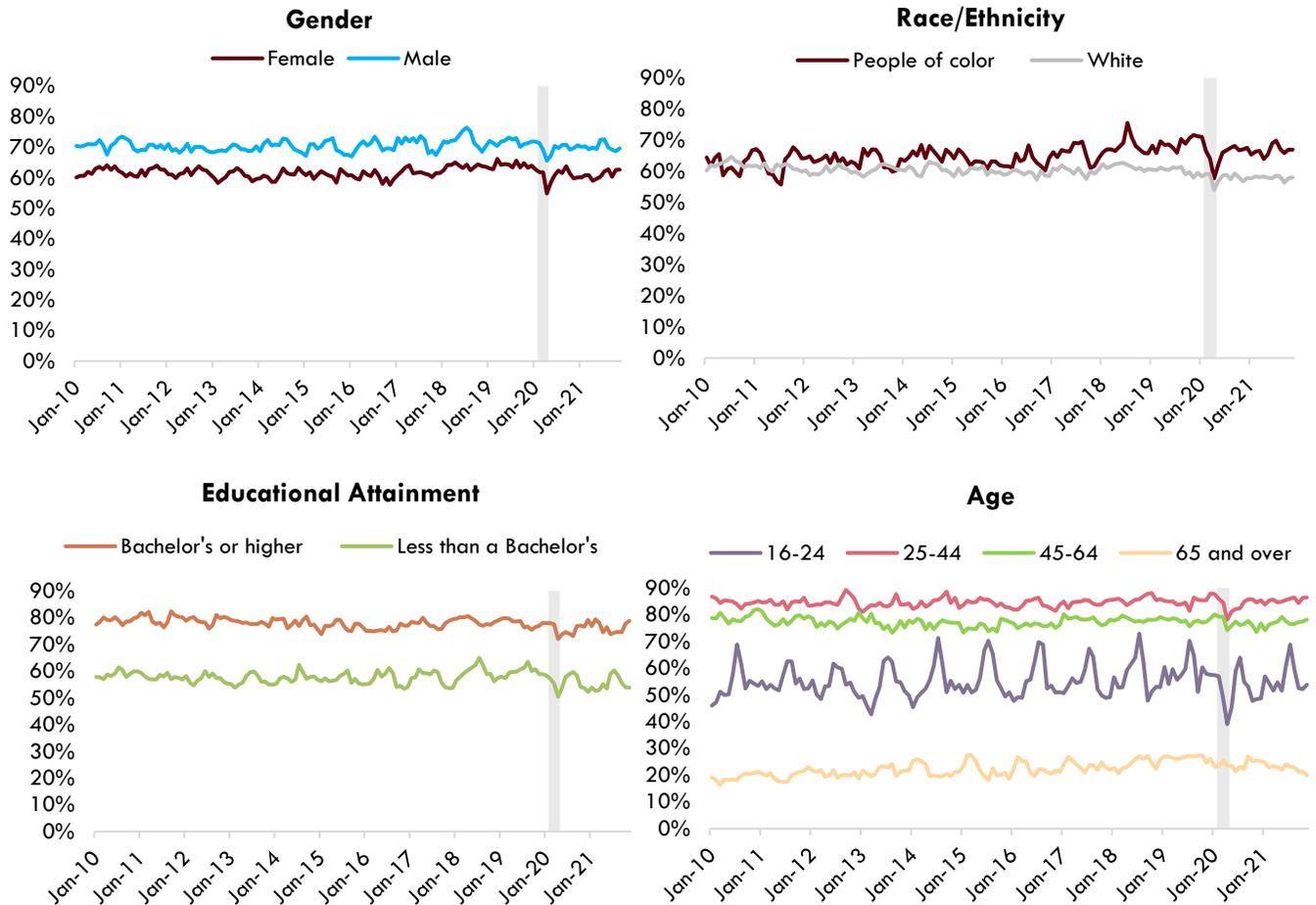
The peak unemployment rate among people of color (POC) exceeded rates among white workers and the recovery has been slower.¹ In addition, while rates of labor force participation have remained higher among people of color, they have been slower to rebound the (Figures 10 and 11).

Women experienced higher rates of unemployment than men through much of the pandemic, as well as greater declines in labor force participation. This is explained by the fact that family caregiving responsibilities (e.g. caring for children or elderly family members) fell disproportionately on women and women are concentrated in industries that experienced significant job losses (e.g. service sector). From January 2020 to April 2020, Women's labor force participation rate fell by 7.9 percentage points from 62.8 percent to 54.9 percent, where men's rate fell by 6.2 percentage points from 71.8 percent to 65.6 percent.

Younger workers and those with lower levels of education were particularly hard hit as well. With regard to age, workers aged 16 to 24 had, and continue to have, the highest rates of unemployment. Workers with less than a bachelor's degree had higher rates of unemployment than those with a bachelor's degree or more. The fact that educational attainment, age, race, and gender are all interconnected with access to job opportunities in the more resilient sectors of the economy has meant that historically marginalized populations have faced greater challenges during the pandemic.

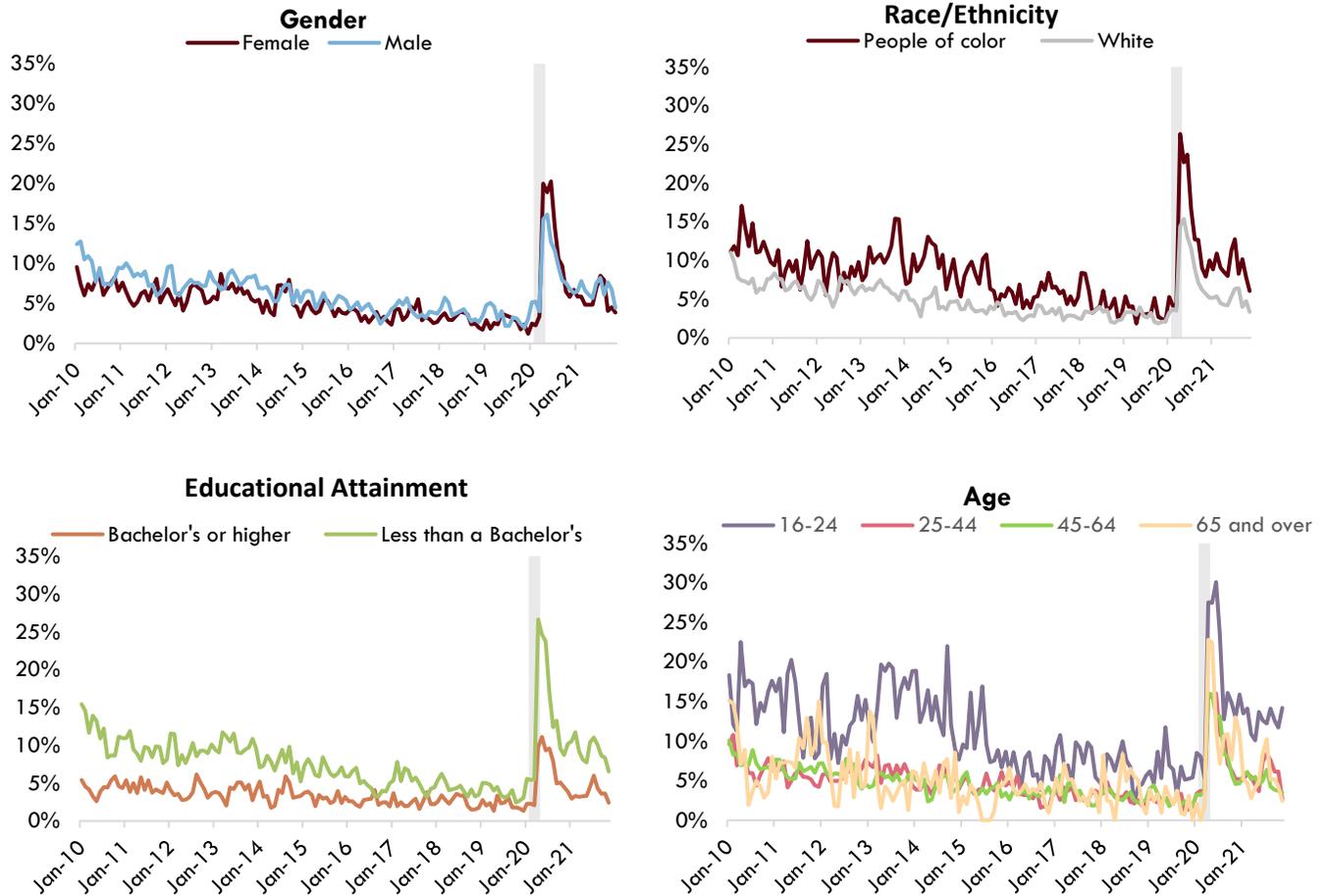
¹ People of color includes all individuals who self-reported a race other than white or reported multiple races, and did not identify as Hispanic. We recognize that there is significant variation among people of color, data limitations do not allow for more granular comparisons.

Figure 10: Labor Force Participation Rates in Massachusetts by Demographics, January 2010- November 2021 (Not seasonally adjusted)



Source: UMDI analysis of Integrated Public Use Microdata Series (IPUMS), Monthly Current Population Survey (CPS)
 Note: Data are not seasonally adjusted.

Figure 11: Unemployment Rates in Massachusetts by Demographics, January 2010–November 2021 (Not seasonally adjusted)

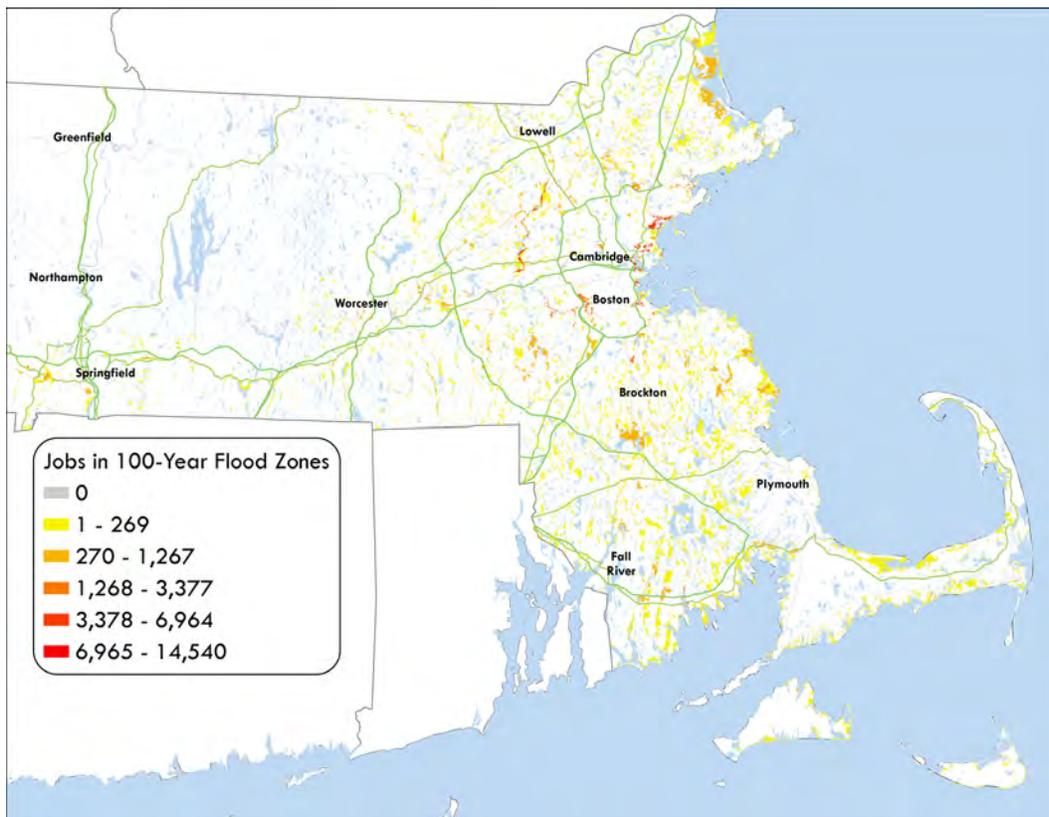


Source: UMDI analysis of Integrated Public Use Microdata Series (IPUMS), Monthly Current Population Survey (CPS)
 Note: Data are not seasonally adjusted.

Environment

Massachusetts faces diverse risks related to climate change that will have broad economic impacts, depending on the extent to which adaptive measures are taken, at the state, national, and global levels. The threat posed by sea-level rise is of particular concern in Massachusetts because so much of the state's economic activity is concentrated along the coast, where the effects of climate change are already being felt. For example, in Boston the average number of flood days per a year has increased from 2.8 days during the 1950s and 1960s to 13.8 days from 2010 through 2020. The impact of coastal alteration, larger storm surges, and greater storm damage may be acutely felt where economic activity and residents are clustered. In 2018, approximately 300,000 jobs in Massachusetts were located in 100-year flood plains (Figure 12).

Figure 12: Jobs located in 100-year flood zones

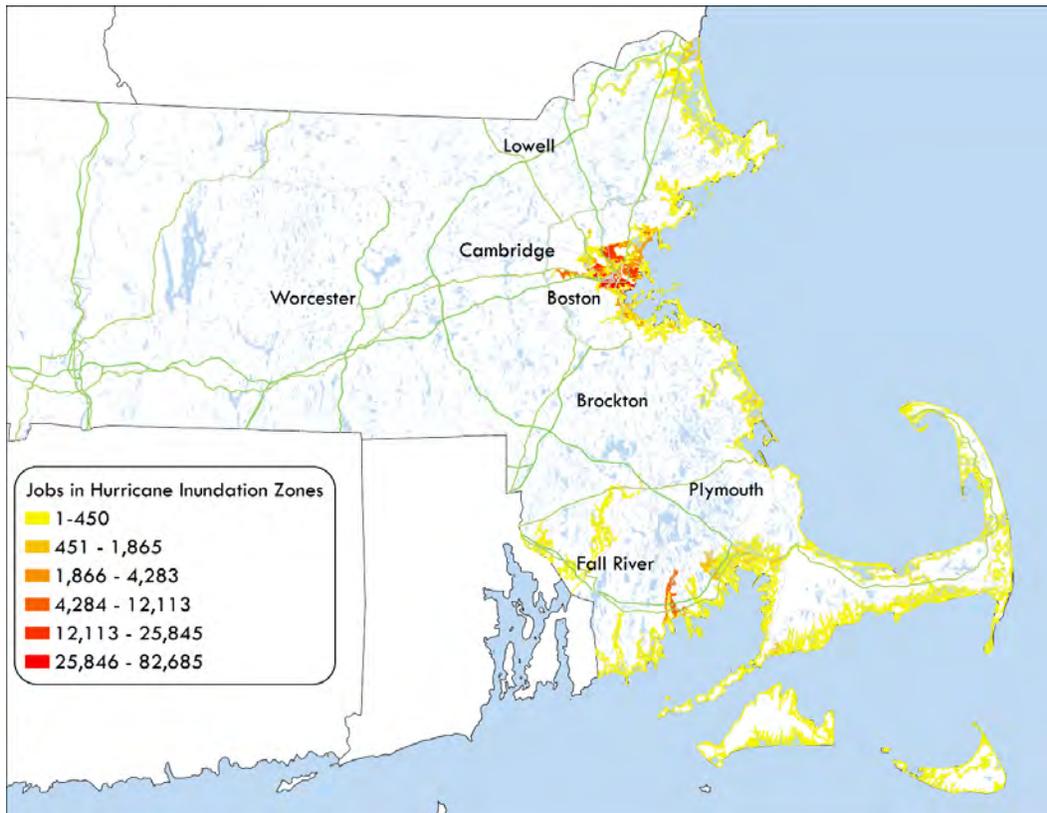


Source: FEMA National Flood Hazard Layer via MA GIS, U.S. Census Bureau 2018 LODES data on Total Jobs, Analysis by the Donahue Institute

Note: Counts of jobs in this table represent jobs in Census Blocks or parts of blocks that intersect or are fully contained within areas designated as 100 Year Flood Zones by FEMA and assumes an even distribution of jobs in those blocks. FEMA's current national flood hazard layer does not contain finalized flood data for Berkshire, Franklin or Hampshire counties so analysis was not done on those areas.

If you examine risk posed by hurricanes the number of jobs potentially effected is even greater, with over 800,000 job in areas designated by the Army Corps of engineers as being in hurricane inundation zones (Figure 13).

Figure 13: Job located in hurricane inundation zones



Source: U.S. Army Corps of Engineers Hurricane Surge Inundation Zones via MA GIS, U.S. Census Bureau 2018 LODS data on Total Jobs, Analysis by the Donahue Institute

There are also risks associated with rising temperatures. According to the 2020 National Climate Report, published by National Oceanic and Atmospheric Administration, 2020 ranked as the second warmest year on record for Massachusetts. Abnormal dryness and drought were experienced throughout the Northeast and Massachusetts, which may have contributed to Massachusetts having more than 1,000 wildfires in 2020.

While the full effects of climate change are hard to predict at this time, it is certain that some industries will bear more of the burden than others. For example, the tourism industry will likely be affected as there are more than a dozen ski areas in the Commonwealth that will face challenges as precipitation is expected to shift from snow to rain with warmer winter temperatures. Agriculture will be impacted by changes to the growing season and increased risk of drought. Fisheries will be impacted as increasing temperatures change the habitats of ocean species. The health of residents may be impacted by climate change. For

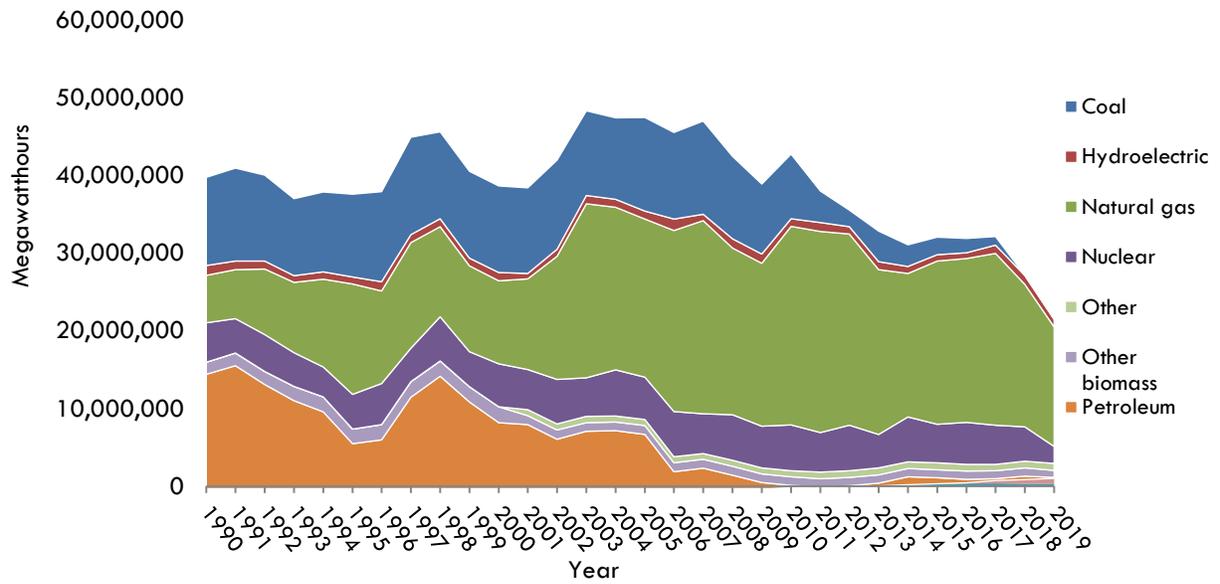
example, changes in temperature will likely increase the risk or incidence of acute respiratory diseases, such as Asthma, and increase the presence of ticks that carry Lyme disease and mosquitoes carrying West Nile Virus. The risks vary across the state, within communities, and from resident to resident. Vulnerability to climate change is a function of exposure, sensitivity, and adaptive capacity. The most vulnerable are often the young, old, and medically vulnerable, those who live in areas with higher risk of extreme events and those without the resources to adapt.

Changes to the environment, such as extreme weather events, do not respect political boundaries, therefore, policy makers have limited ability to mitigate the course of environmental change. However, local officials can prepare for natural disasters and plan for predicted changes in the environment, such as rising temperatures and sea-levels. To this end Massachusetts established the Municipal Vulnerability Preparedness grant program that supports city and towns through grants and technical assistance that fund and support local assessments of vulnerability to climate change and adaptation projects. Over 90 percent of municipalities in the state have enrolled in the program.

Citing the environmental risks of climate change, in March 2021, Governor Baker signed a net-zero emissions law setting the goal of Massachusetts achieving net-zero emissions by 2050. The law sets interim emission targets and sets targets for six sectors: electricity, transportation, commercial and industrial buildings, residential buildings, industrial processes, and natural gas distribution. Currently, Massachusetts consumes more energy than it produces and relies on the regional grid to meet demand. Massachusetts uses less energy to produce a dollar of GDP than all but two other states, New York and California. Furthermore, according to the US Energy Information Administration, Massachusetts used less energy per capita than all but six other states in 2019.

Over the past 20 years, Massachusetts has increasingly been reliant on natural gas for electric power generation, with the share of electric power from natural gas more than doubling from 2001 to 2019; the Commonwealth's reliance on natural gas is greater than the U.S. as a whole, where natural gas makes up only 38 percent of electricity generated in 2019 compared to over 70 percent in Massachusetts (Figure 14). The Commonwealth is generating less energy from coal, petroleum, and nuclear; the last nuclear power plant in the state closed in 2019. While the shift from coal and petroleum to natural gas has the potential to reduce greenhouse gas emissions because natural gas releases less carbon dioxide when burned, natural gas contributes to greenhouse gas emissions when methane leaks from both pipeline leakage and end users, such as furnaces in buildings. Solar energy has grown to be 19 percent of Massachusetts's total in state electricity net generation. Furthermore, Massachusetts ranked ninth in the U.S. in net generation from all solar in 2020. Electricity prices in Massachusetts are higher than in the nation as a whole. In July 2021, Massachusetts consumers faced the third highest electricity prices. Massachusetts consumers pay the 35th highest natural gas prices; during the winter months prices are frequently higher than in the U.S. These higher prices can place burden on lower income residents. After the sharp declines of 2020, it is expected that heating oil prices will increase sharply.

Figure 14: Electric Power Generation by Primary Energy Source, 1990-2019



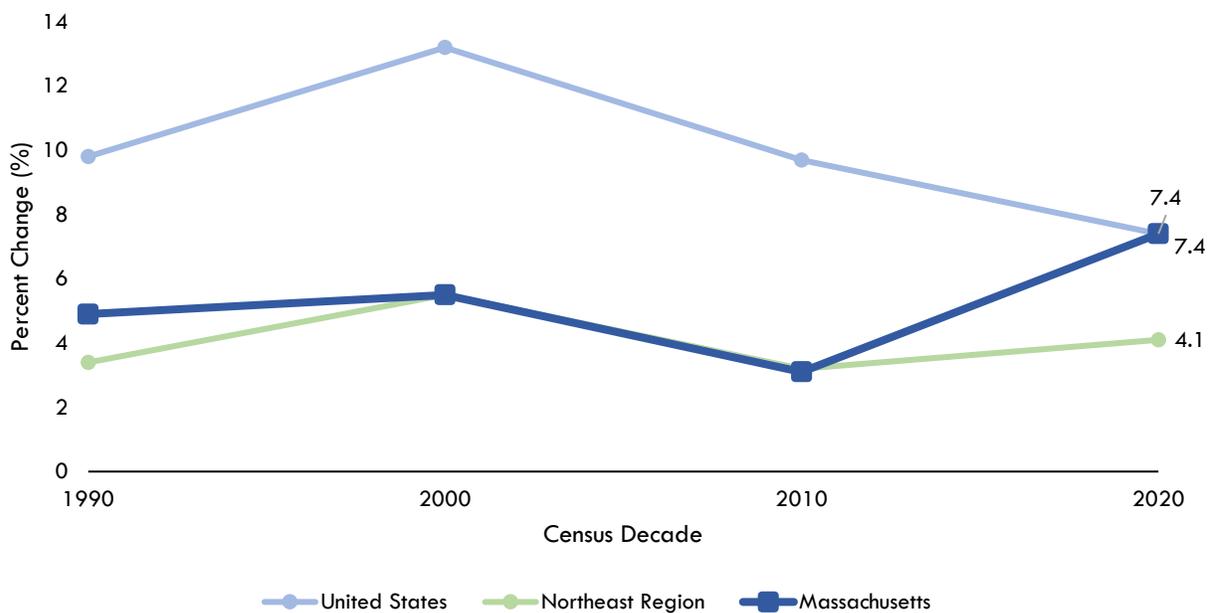
Source: U.S. Dept. of Energy, <http://www.eia.doe.gov/>; state electricity profiles.

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.

Residents

Just over seven million residents called Massachusetts home in 2020, an increase of 7.4 percent since 2010, making it the fastest-growing state in the Northeast. The 2020 Decennial Census P.L. 94-171 Redistricting dataset, which was released in August 2021, provides a snapshot of Massachusetts' population and how it has changed over the past decade. From 2010-2020 the population increased by 482,288 people, from 6,547,629 to 7,029,917 (7.4%). In contrast the average population growth in the Northeast was 4.1 percent (Figure 15).²

Figure 15: Change in Resident Population by Decade



Source: U.S. Census Bureau; UMDI analysis

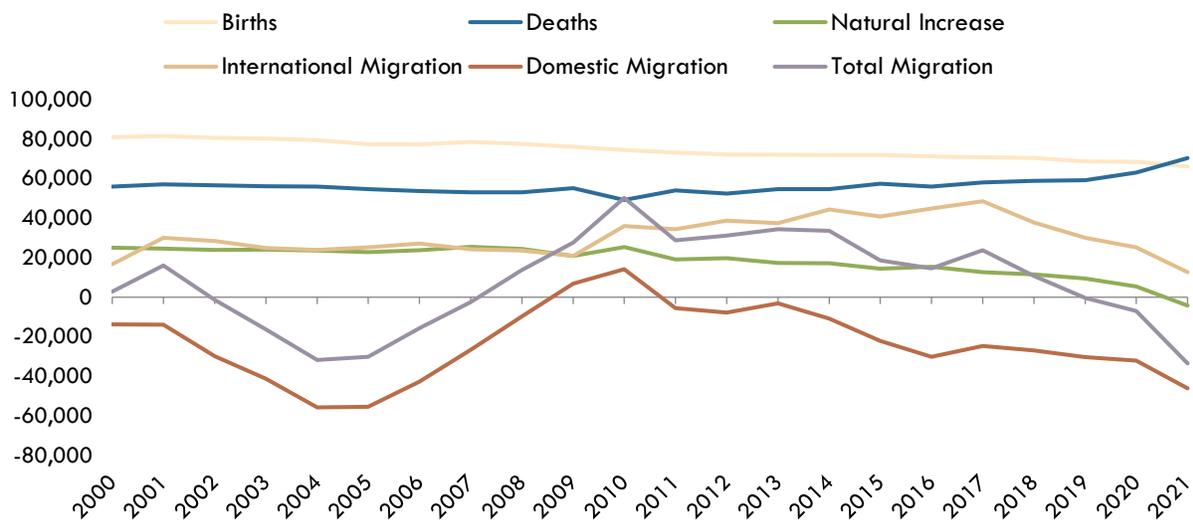
Increasing levels of international migration has driven population growth in Massachusetts over the last couple of decades. Conversely, migration from Massachusetts to other states has increased. Natural increases in the population have slowly declined largely due to an aging population and declining birth rates (Figure 16). Massachusetts' combination of higher education institutions and knowledge-based industries appears to be an important factor in attracting and retaining foreign-born residents. The foreign-born in Massachusetts has a bimodal education distribution with a high concentration with less than a high school education (20% in 2019) and a significant concentration with college degree (18%).

² The Northeast includes: Maine, New Hampshire, Vermont, Massachusetts, New York, Connecticut, Rhode Island, Pennsylvania, and New Jersey.

Interestingly, a higher proportion of immigrants in the state hold a graduate degree (22%) than native-born residents (20%).

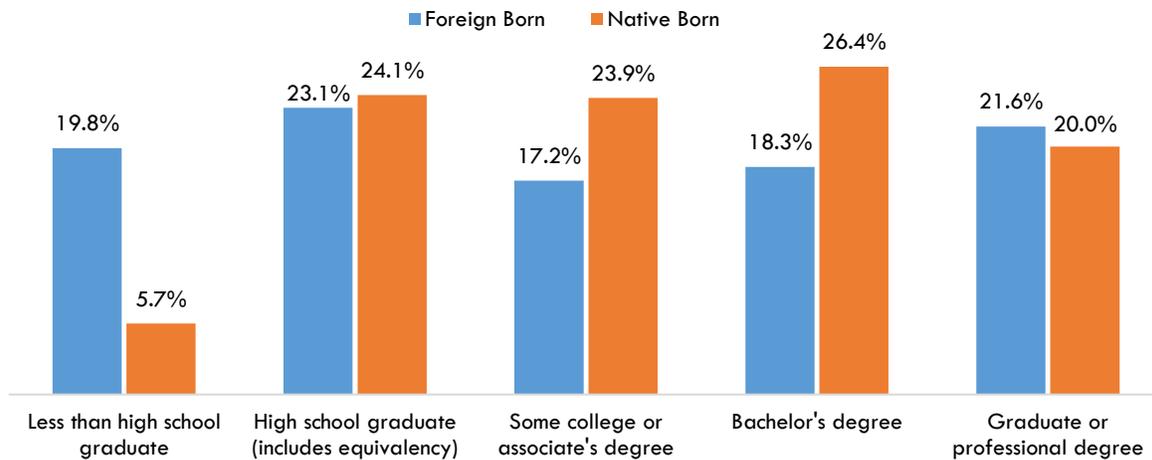
While the population in Massachusetts has grown strongly over the past decade, the latest population estimates showed a 0.6 percent decline in the state’s population from April 2020 to July 2021. This cumulative decrease is more substantial than other Northeast states, with the exception of New York, which decreased by 1.8 percent. Massachusetts is not unique in experiencing a pandemic slowdown in population growth. The U.S. grew at the slowest rate since the nation’s founding during this past year (0.1%). The pandemic has halted migration to the state, and contributed to higher death rates and lower birth rates. For the first time, deaths exceeded births in the state leading to negative growth attributable to natural increases. Furthermore, domestic migration out of the state increased. Again this trend was not unique to Massachusetts, as the Southern Region of the U.S. was the only region to experience positive net domestic migration. As the pandemic recedes a return to international migration will be essential for resuming growth in the population.

Figure 16: Massachusetts Estimated Components of Change, 2000-2021



UMass Donahue Institute. Source Data: ST-2000-7; CO-EST2010-ALLDATA; and NST-EST2018-ALLDATA, U.S. Census Bureau Population Division.

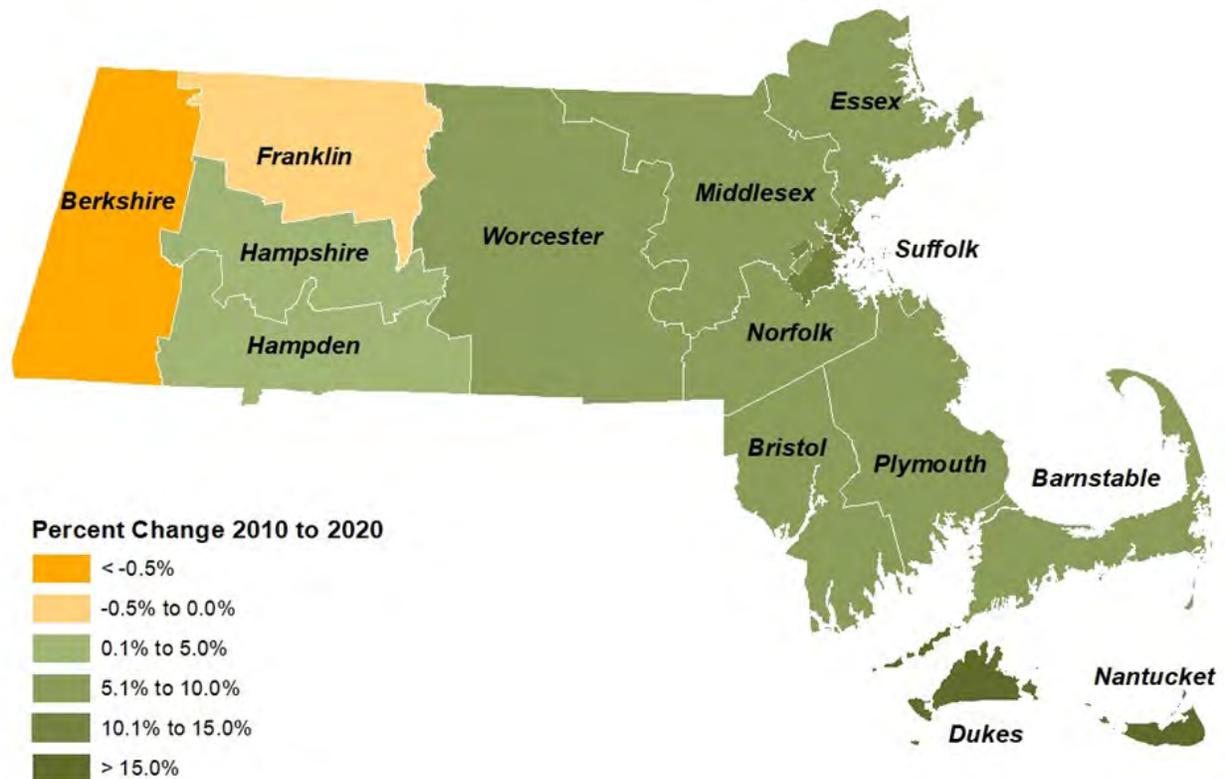
Figure 17. Educational Attainment of the Foreign Born in Massachusetts, 2019



Source: U.S. Census Bureau, 2019 1-Year American Community Survey; UMDI analysis

Overall, population growth in the state between 2010 and 2020 was uneven. Population growth, much like the previous decade, was strongest in the eastern part of the state, particularly in the Greater Boston region. Middlesex County saw the largest growth in absolute terms and grew at a rate of 8.6 percent. It was followed by Essex and Worcester Counties which grew at rates of 9 and 8 percent respectively, all faster than the state as whole. In terms of percentage change, the fastest population growth since Census 2010 was observed in the small island counties of Nantucket and Dukes, at 40.1 percent and 24.6 percent respectively. The two western-most counties, Franklin and Berkshire, saw small population declines over the last decade (Figure 17).

Figure 18: Percent Change in Massachusetts County Population, Census 2010 to Census 2020



Source: UMDI, U.S. Census Bureau

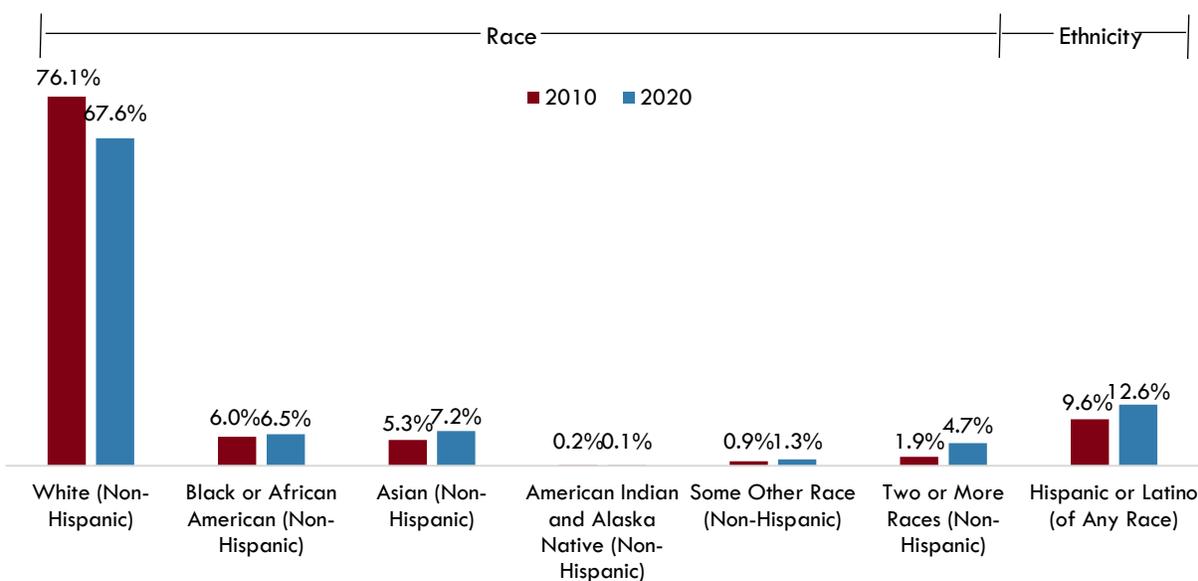
The population growth trends in Massachusetts reflect trends in the U.S. over the past decade. Metropolitan areas and urban and suburban counties grew much more rapidly than small places and rural counties. Similarly, in Massachusetts, population growth has been clustered around the Greater Boston area and Gateway Cities. The cities that grew the most in absolute terms were Boston, Worcester, Cambridge, Lawrence, and Brockton. In addition, all but two of Massachusetts’ 26 “Gateway Cities” showed Census 2020 population counts greater than the Vintage 2020 evaluation estimates, which are based on the 2010 Census, suggesting that growth in these cities out-performed the Census Bureau’s estimates. The Gateway Cities account for 15 out of the 25 most populous places in Massachusetts, and 25 out of the top 40.

The four slowest growing Gateway Cities were all in Hampden County. Hampden County, along with Berkshire, Franklin, and Hampshire counties is located in the Western Massachusetts region, which had a much slower rate of growth than Massachusetts as a whole, 0.5 percent. Furthermore, the region grew at a slower rate from 2010 to 2020 than it had from 2000 to 2010 (1.1% from 2000 to 2010; 0.5% from 2010 to 2020). Both Berkshire and Franklin counties have been declining in population since 2000, while Hampden and Hampshire counties have seen modest growth. In contrast the Cape and the Islands region

has experienced a dramatic increase in population. The Island of Nantucket was the fastest growing place in Massachusetts followed by Martha’s Vineyard. Cape Cod also experienced increased growth compared to the prior decade, growing at a rate of 6.1 percent. The strong growth in these areas that had seen declines from 2000 to 2010 may be attributable to the pandemic, as more individuals could choose where to live untethered from where their employer was located.

As with the nation, Massachusetts is becoming more racially and ethnically diverse. The share of the population that identifies as non-Hispanic, white decreased from 76 percent to 68 percent from 2010 to 2020, while the shares that identify as Black non-Hispanic, Asian non-Hispanic, and Hispanic increased to 6.5 percent, 7.2 percent, and 12.6 percent respectively. The share that identifies as two or more races (non-Hispanic) more than doubled to 4.7 percent (Figure 18). The state’s population is older than the nation as a whole, the median ages is 39.7. However, due to the presence of higher education institutions, young adults are somewhat overrepresented in the Commonwealth, 21 percent of residents are between the ages of 20-34 compared to 20 percent in the U.S.

Figure 19. Massachusetts Race and Ethnicity in 2010 and 2020

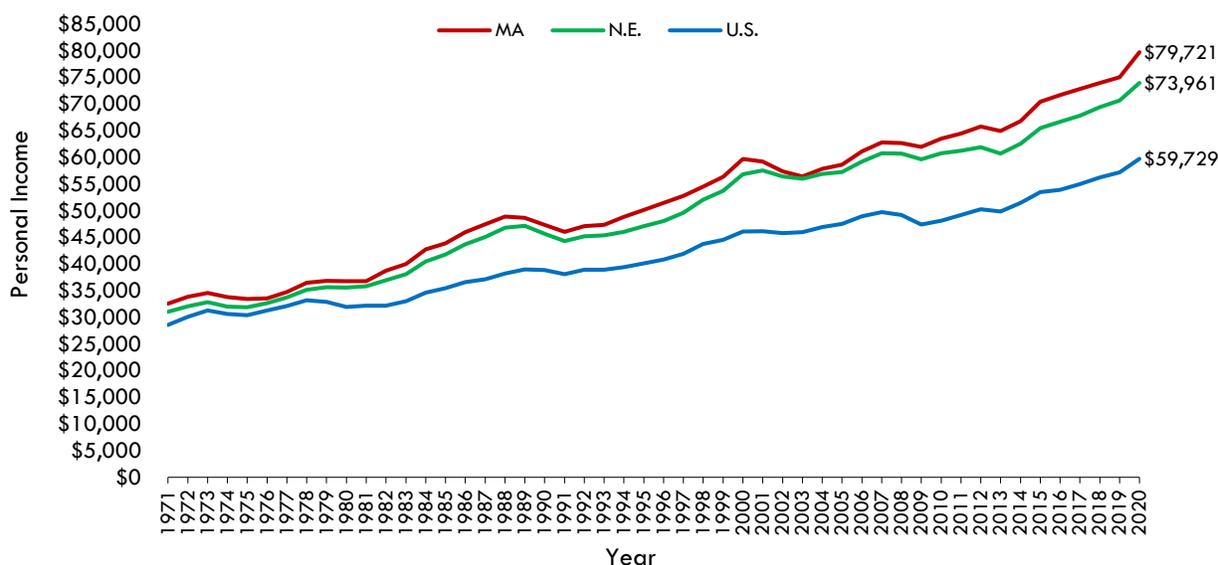


Source: 2010 Source Data: Census 2010 Summary File 1; 2020 Source Data: Census 2020 PL-91-171; UMDI analysis

Massachusetts’ residents earn some of the highest incomes in the nation. Real per capita income consistently exceeds incomes in the Northeast and U.S. In 2020, the real per capita personal income in the Commonwealth was nearly \$80,000 compared to approximately \$74,000 in the Northeast and just under \$60,000 in the U.S. (Figure 19). The relatively high-income levels reflect the high level of education and the concentration of high-wage industries such as, health care, professional services, and finance and insurance. The poverty rate is lower in Massachusetts than in the nation as a whole at 9.4 percent compared to 12.3 percent. However, in several cities the poverty rate exceeds the state average,

Holyoke, Springfield, and Worcester all Gateway cities, have poverty rates of 15.2 percent, 10.9 percent and 10.7 percent respectively. Boston is slightly above the state average with a rate of 9.6 percent. Higher rates of poverty in these Gateway Cities and Boston are particularly concerning because Gateway Cities are home to a large share of the state’s communities of color and immigrant communities. Forty-one percent of all people of color in Massachusetts live in Gateway Cities 18 percent live in Boston. Furthermore, 36 percent of Massachusetts immigrants live in Gateway Cities and 17 percent live in Boston. The concentration of poverty in these cities raises concerns about equity and quality of life.

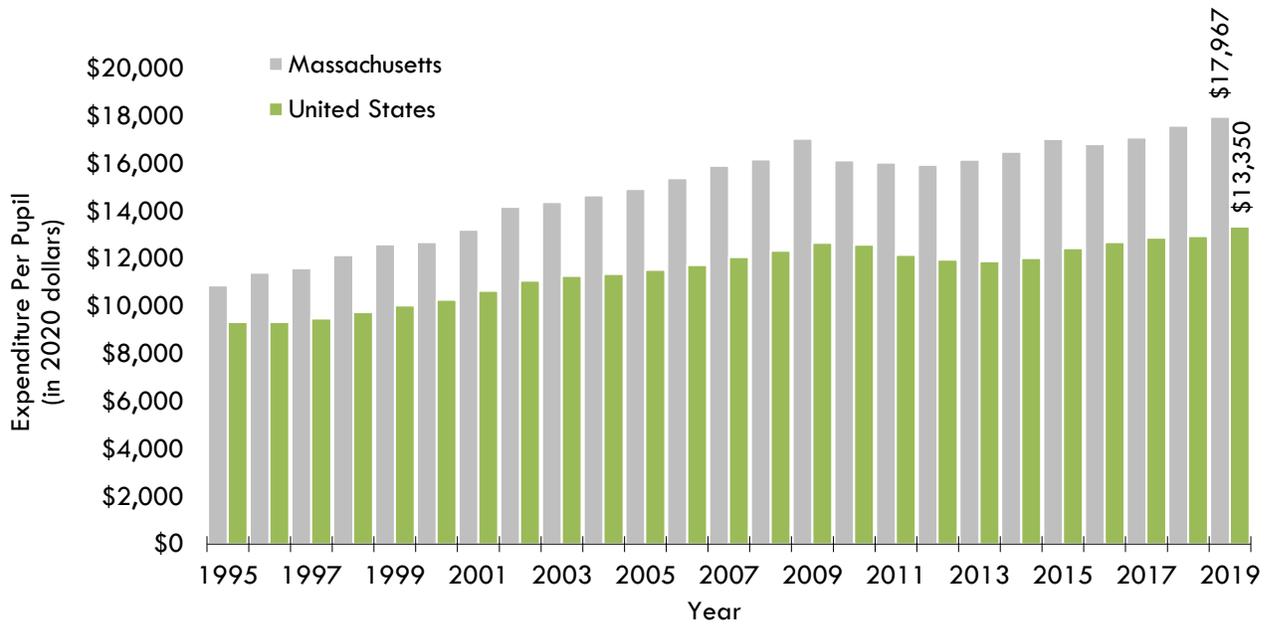
Figure 20: Real Per Capita Personal Income in Massachusetts, the United States, and New England, 1971-2020 (in \$2020)



Source: U.S. Department of Commerce, Bureau of Economic Analysis

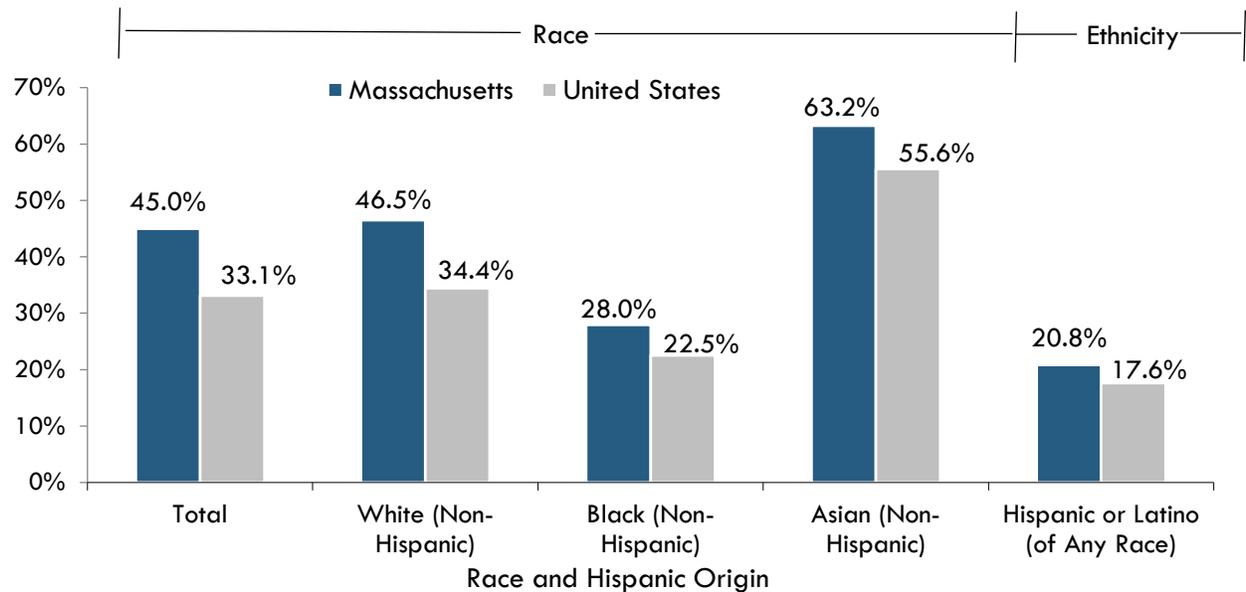
The presence of a skilled and well-educated population is an important resource for the Commonwealth. At the primary and secondary level, the state invests more than the national average in its public schools (Figure 20). Furthermore, students in Massachusetts’ K-12 public schools consistently outperform their peers in the U.S. on national assessments. The state has the most well-educated population in the country, with 45 percent of all residents 25 years of age or older earning a bachelor’s degree or more. However, educational attainment varies significantly across racial groups: Black and Hispanic residents are less likely to have a bachelor’s degree than the state average, at 28 percent and 21 percent respectively. Forty-seven percent of white residents and 63 percent of Asian residents hold a bachelor’s degree or higher. That said, across all racial groups, educational attainment rates are higher than the national average (Figure 7). The well-educated population supports and is a product of the concentration of elite public and private colleges and universities in the state. Educational services is the second largest industry in Massachusetts in terms of jobs. Over half a million students are enrolled in higher education in the state, including over 73,000 foreign students in the 2019/2020 academic year.

Figure 21: Per Pupil Expenditure in Public Elementary and Secondary Schools (in 2020 adjusted dollars)



Source: U.S. Census Bureau, Public Elementary–Secondary Education Finance Data.

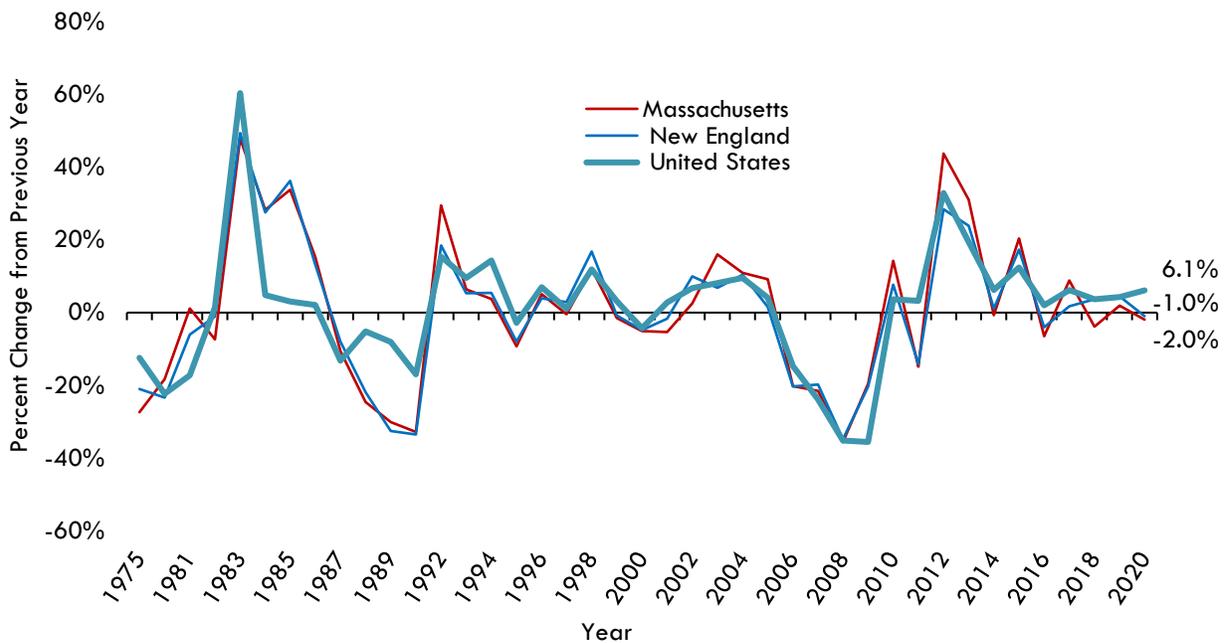
Figure 22: Persons in Massachusetts and the United States 25 Years and Older with a Bachelor’s Degree or Higher by Race and Ethnicity in 2019



Source: U.S. Census Bureau, 2019 1-Year Estimates American Community Survey; UMDI analysis

While residents enjoy higher incomes than most other states, the cost of housing in Massachusetts is a burden for many, especially for Black and Hispanic households. Housing costs are rising across the Commonwealth, driven in part by population and economic growth and inadequate housing production over the last couple of decades. The increase in sale prices and the low supply of homes for sale has translated into high rental costs as well. Median sales price of existing homes increased to \$460,000 in 2020 from just over \$418,000 in 2019, well above the national median of \$296,700. Construction is not keeping up with demand. Nationally, the number of building permits increased 6.1 percent from 2019 to 2020, but were actually down two percent in Massachusetts over the same time period (Figure 23). Nearly a quarter (23%) of Massachusetts renters are severely cost burdened, meaning they spend 50 percent or more of their income on housing. The rates of cost burden are highest among low-income residents, as well as Black and Hispanic households.

Figure 23: Housing Units Authorized by Building Permit, Percent Change from Previous Year



Source: U.S. Census Bureau; UMDI analysis

Note: Reported data plus data imputed for non-reporters & partial reporters.

EXHIBIT B

STATUTORY BASIS FINANCIAL REPORT

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Commonwealth of Massachusetts

STATUTORY BASIS FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2021

ALUM. ROADSIDE "W"
BARRIER, 3" TALL, 188'
SUPPORTS 9' APART

16'
DRAINAGE BASIN, 6' DEEP
CONCRETE LINER (SEE P. 147)

JURISDICTION
CHANNEL (SHOULDER)
8" WIDE

133.8'

POLISHED CONCRETE DECK,
144' LONG
STEEL (SEE P. 26)

71.4'
4' SHLDR
12'
12'
4' SHLDR

CENTER LINE,
YELLOW, 8" WIDE

Commonwealth of Massachusetts



Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2021

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

From all of his colleagues and friends at the Office of the Comptroller, we offer our sincerest thanks to Deputy Comptroller Howard Merkowitz for decades of leadership and service to the Commonwealth. Your professionalism, ability, and integrity are an example to all.

Best wishes on the occasion of your retirement.

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

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Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2021

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Introductory Section



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WILLIAM McNAMARA
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



November 19, 2021

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 2021, the 12-month period ended June 30, 2021.

The SBFR provides independent and unbiased accounting of Commonwealth revenues and expenditures for Fiscal Year 2021. The SBFR was prepared by the professional staff of the Office of Comptroller and reviewed by the Commonwealth's independent audit firm, CliftonLarsonAllen LLP (CLA), in accordance with professional standards established by the American Institute of Certified Public Accountants.

Pursuant to M.G.L. c. 7A, § 12, the Comptroller is required to 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 October 31 due date was not achievable, given that the final FY2021 Supplemental Appropriations Act was enacted on October 20, 2021. This filing comes nearly three weeks after

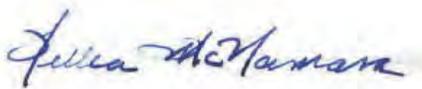
the statutory due date. While regrettable, this timing represents a marked improvement over the two preceding years, when the SBFR filings for Fiscal Years 2019 and 2020 occurred on January 6 and December 18, respectively. My sincere hope is that in the coming years, each step in the process can be initiated and completed earlier, allowing for the timely submission of the Statutory Basis Financial Report.

As in each annual cycle, the Office of Comptroller and financial professionals across the Commonwealth worked diligently to complete every task possible before the passage of the final supplemental appropriation of the year. After its enactment, the process of “closing the books” is executed with both speed and accuracy.

The completed draft is reviewed at two levels: First, by the Commonwealth’s independent audit firm. This independent review function is critical, and I thank CliftonLarsonAllen LLP for completing it on a timely basis. Second, the SBFR is reviewed by the Comptroller Advisory Board, as required by statute.

I thank the staff of the Office of the Comptroller and financial professionals across the Commonwealth for their work, including Chief Financial Reporting Officer Pauline Lieu, Chief Accounting Officer Kristin Lacroix, and their respective teams. They have produced this informative, unbiased, and valuable record of the state’s financial position. Finally, I would like to commend Howard Merkowitz on the occasion of his retirement. As Deputy Comptroller throughout Fiscal Year 2021 and for many years previously, he provided exemplary service and leadership to the Commonwealth during a distinguished career in service of state government.

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.

William McNamara
Comptroller of the Commonwealth

Report Summary

As of June 30, 2021, the Commonwealth had a budgetary fund balance of approximately \$12.099 billion and completed FY21 with a budget surplus (“consolidated net surplus”) of \$1.460 billion according to state finance law (see below for the statutory definition of a balanced budget). Per legislation enacted at the end of FY21, that surplus was deposited into a newly created Transitional Escrow Fund, whose balance was carried forward for use in FY22. During the fiscal year, the balance of the Commonwealth’s Stabilization (or rainy day) Fund increased by \$1.125 billion, to \$4.626 billion, as a result of transfers of capital gains and gaming tax revenue transferred to the Fund and investment earnings on the Fund’s balances. No funds were drawn from the Stabilization Fund in FY21. (The [Budgeted Funds – Operations](#) table on page 9 displays the FY21 summary of budgeted funds compared to FY20. Details of the FY21 Stabilization Fund activity are provided on pages 11-13 and [144](#).) The total budgeted fund balance of \$12.099 billion reflects a gain (revenues and other financing sources greater than expenditures and other financing uses) of approximately \$7.804 billion, from the FY21 beginning balance of \$4.295 billion. This follows an FY20 operating gain of \$336 million. In addition to the \$4.626 billion reserved in the Stabilization Fund, \$1.099 billion is reserved for continuing appropriations and debt service in FY22, \$1.460 billion is held in the Transitional Escrow Fund, and \$4.892 billion is in the Federal COVID-19 Response Fund, which was created to hold funds received from the federal government under the American Rescue Plan Act of 2021 (ARPA). The remaining undesignated balance of \$21 million is made up of other budgeted fund balances.

During FY21, budgeted fund tax revenues increased by \$4.159 billion, or 15.1%, from FY20, as the national and Massachusetts economies recovered from the COVID-19-induced recession. Before transfers between budgeted funds (which do not affect total budgeted fund balances), total budgeted fund revenues and other financing sources increased by \$9.566 billion, or 20.2%. Budgeted fund expenditures and other financing uses increased by \$2.098 billion, or 4.5%, 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 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 satisfies the requirements of state finance law and to present the results of FY21 activity in the Commonwealth’s funds. The report contains computations required by state finance law, including the certification of the state’s consolidated net surplus and the 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 Annual Comprehensive Financial Report (ACFR). That report provides a basis for comparison with other jurisdictions, as the accounting rules for the ACFR 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 ACFR, the major ones being that the ACFR

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 ACFR 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 accounts receivable for revenues received from other government entities.

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 (including the Federal COVID-19 Response Fund) 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 FY21 together accounted for approximately 94.4% and 4.0%, respectively, of total budgeted fund expenditures and other financing uses. The remaining approximately 1.6% of budgeted fund activity comprises fifteen other funds, nine 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 FY21 supplemental budget bill was not enacted and signed into law until mid-October, this SBFR is being transmitted on November 19, 2021 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, 2021 is reviewed, not audited, by the state’s independent auditor, CliftonLarsonAllen, 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 FY21, the Commonwealth’s economy began to recover from the economic impact of the global Coronavirus or COVID-19 pandemic. Between June 2020 and June 2021, employment increased by approximately 294,600 jobs, or 9.3%, compared to an increase in employment of 5.8% for the United States as a whole. With the relatively rapid growth of the Commonwealth’s economy over the past year, as of June 2021 the Massachusetts unemployment rate was 4.9%, compared to 5.9% nationally.

The Budgeted Funds

The FY21 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY21 tax revenue estimate of \$27.637 billion prior to tax initiatives (and including \$125 million in tax settlements), a decrease of \$3.514 billion from the FY21 consensus estimate of \$31.151 billion, with the reduction due to the actual and projected impact of the pandemic on tax revenue in FY21. The GAA estimate was further increased to \$27.976 billion as a result of enacted tax law changes and other tax-generating initiatives included in the budget. \$25.908 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.520 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.102 billion) and the Massachusetts School Building Authority (\$942 million), capital gains tax revenues transferred to the Stabilization Fund (\$452 million), and revenue allocated to the non-budgeted Workforce Training Fund (\$25 million).

In October 2020, the Secretary of Administration and Finance reduced the FY21 tax revenue estimate by \$334 million, to \$27.642 billion (including \$50 million in judgments and settlements revenue exceeding \$10 million each). In January 2021, the Secretary of Administration and Finance revised the Fiscal Year 2021 state tax revenue estimate upward to \$29.090 billion (including \$50 million in judgment and settlement revenue), to reflect stronger than projected growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

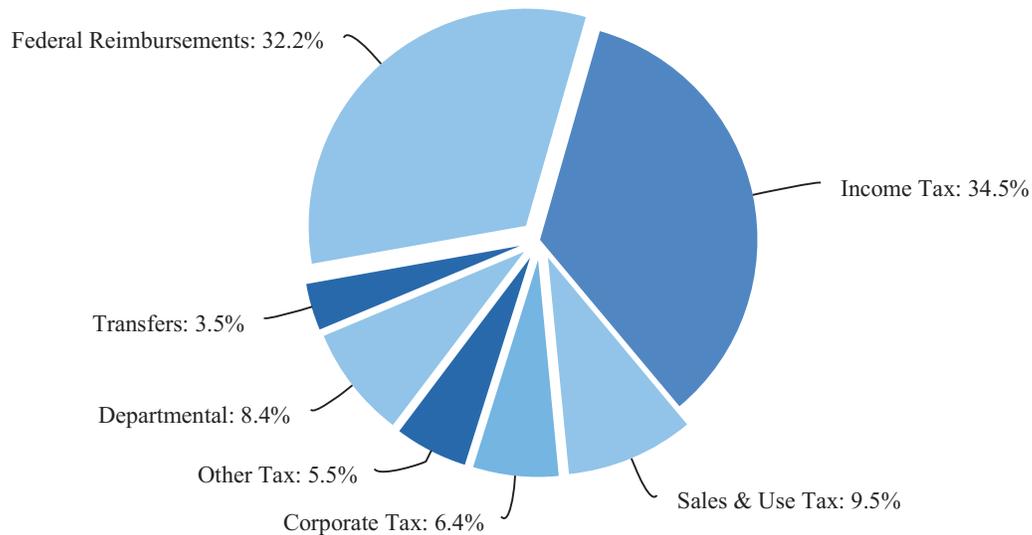
FY21 tax revenues ended the year at \$34.156 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$31.772 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds increased by \$4.159 billion, or 15.1%, from FY20, \$5.864 billion above the original FY21 tax estimate and \$5.202 billion above the final FY21 estimate.

The FY21 General Appropriation Act (GAA) authorized approximately \$47.898 billion in spending, exclusive of approximately \$3.115 billion in required pension contributions and \$756 million in FY20 spending authorized to be continued into FY21 as part of the FY20 and FY21 general appropriation acts and various FY20 supplemental budgets.

Approximately \$593 million in supplemental appropriations were authorized during FY21, \$259 million of which were enacted by June 30, 2021. Subsequent to year end, a supplemental budget was enacted totaling approximately \$334 million in new appropriations. The year's significant supplemental appropriation activity included:

- \$252 million to fund collective bargaining costs of state employees;
- \$131 million to fund childcare services;
- \$32 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$28 million for aid to families with dependent children;
- \$26 million to fund Sheriffs' personnel costs;
- \$20 million for additional aid to local schools;
- \$17 million for homeless services;
- \$13 million to fund services provided by the Massachusetts National Guard.
- \$13 million to fund police reform initiatives
- \$11 million to fund State Police operations

**Budgeted Fund Revenues and Other Financing Sources
Before Transfers Between Budgeted Funds (Total of \$56.882 billion)**



FY21 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 \$56.882 billion, an increase of \$9.566 billion, or 20.2%, from FY20. Tax revenue growth picked up in FY21 as the Massachusetts economy reopened following a decline in FY20 due to the pandemic, with total taxes receipts increasing by \$4.159 billion, or 15.1% from FY20. All major tax types grew strongly in FY21. Total income tax collections increased by \$2.258 billion, or 13.0%, with personal income tax withholding growing by \$983 million, or 7.2%, non-withheld personal income tax increased by \$1.225 billion, or 35.9%, the latter driven in large part by growth in capital gains tax revenue, which totaled \$2.533 billion an increase of \$873 million, or 52.6%, from FY20. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) increased by \$1.206 billion, or 40.9% (with approximately \$50 million of that increase due to businesses taking advantage of a delay in the tax payment deadline from the first half of calendar year 2020 to July 2021, which shifted payments from FY20 to FY21) and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax) increased by \$629 million, or 13.1%, despite a \$131 million, or 12.1% decline in sales and meals taxes as the pandemic cut into restaurant dining. Other notable tax revenue changes include deeds excise revenues, which increased by \$83 million, or 26.4%, as the real estate market staged a strong recovery, cannabis sales and excise taxes, which also increase by \$83 million, or 116.8%, as the number of cannabis dispensaries expanded, and estate and inheritance taxes, which grew by \$88 million, 12.6%.

Budgetary fund federal reimbursements totaled \$18.339 billion, an increase of \$5.544 billion, or 43.3%, with growth primarily the result of \$4.892 billion in America Rescue Plan Act (ARPA) revenues received in the fourth quarter of FY21, and deposited in the newly created budgeted Federal COVID-19 Response Fund (a fund subject to appropriation by the Legislature) and carried forward for expenditure in future years (an additional \$394 million in ARPA revenues was retained in the non-budgeted Federal Grants, Special Revenue, and Expendable Trust funds in FY21 for COVID-19-related expenditures). Federal reimbursements for the Commonwealth's Medicaid program totaled \$12.338 billion, an increase of \$968 million, or 8.5%, primarily due to increased costs of the program during the pandemic (see explanation on following page).

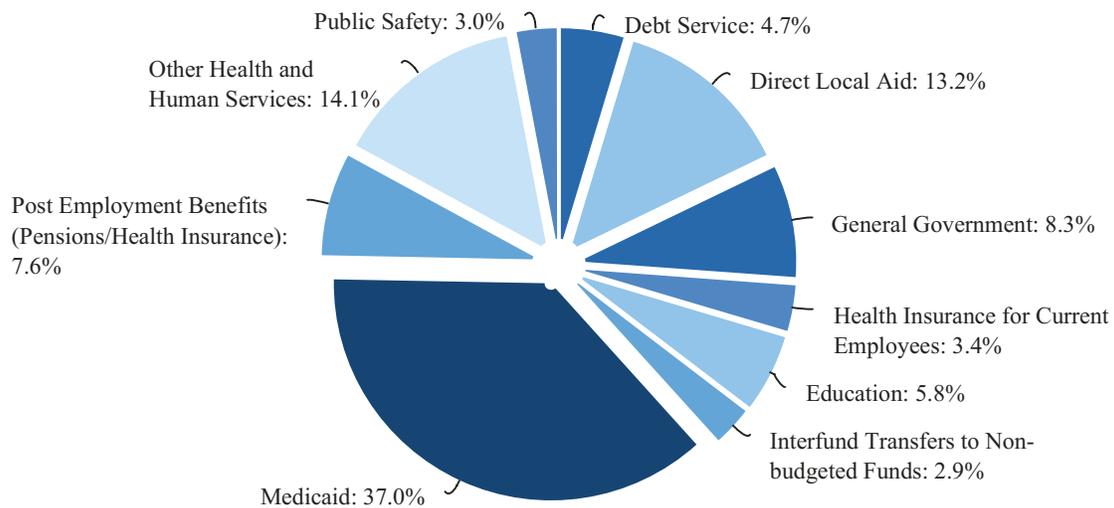
Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.776 billion, a decrease of \$145 million, or 2.9%, from FY20, with the largest revenue declines being a reduction of \$90 million in one-time health insurance assessments received in FY20 and a drop of \$98 million, or 8.1%, in Medicaid manufacturer prescription drug rebates. These declines were partly offset by growth in several other

revenue sources, the most significant of which was an increase motor vehicle license and registration revenues, which rose by \$67 million, or 13.8%.

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$1.996 billion, an increase of \$8 million, or 0.4%, from FY20, including a \$121 million, or 21.0% decrease in fringe benefit assessments resulting from reductions in payroll in higher education (which accounts for a significant share of the Commonwealth’s a fringe benefit recoveries) as well as reduced non-budgeted personnel spending in coronavirus-related accounts. These reductions were offset by a \$123 million, or 12.7% increase in Lottery Fund transfers to the General Fund as Lottery profits recovered in FY21 from their coronavirus-induced slump in the fourth quarter of FY20 (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 FY21, the Commonwealth received \$246 million in tobacco settlement funds, an increase of \$16 million compared to FY20. Statute requires that a portion of tobacco settlement proceeds be transferred 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 FY21, the statutorily required transfer was 90% of tobacco settlement revenues; however, FY21 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 90% to 10%. That action reduced the FY21 transfer to approximately \$25 million, compared to the statutorily required amount of \$221 million.

**Budgeted Expenditures and Other Financing Uses
Before Transfers Between Budgeted Funds (Total of \$49.078 billion)**



FY21 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$49.078 billion, an increase of \$2.098 billion, or 4.5%, from FY20, 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 \$41.593 billion, an increase of \$1.726 billion, or 4.3%, from FY20. Medicaid expenditures totaled \$18.122 billion, an increase of \$1.100 billion, or 6.5%, from FY20, due to an approximate 10% increase in caseload during the coronavirus epidemic, when disenrollment of beneficiaries was suspended as long as a federally-declared public health emergency is in effect. Spending for direct local aid (both

education aid and unrestricted aid), at \$6.482 billion, was up \$106 million, or 1.7%, from FY20. Other significant spending included \$46 million in new spending for economic recovery from COVID-19, \$50 million for a homeless prevention program (an increase of \$32 million from FY20),

Spending on state employee health benefits paid through the Group Insurance Commission increased by \$55 million, or 3.3%, from \$1.680 billion to \$1.736 billion. Transfers to the state pension fund (including the \$61 million transfer capital gains tax transfer, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold) totaled \$3.176 billion, an increase of \$335 million, or 11.8%. Budgeted debt service totaled \$2.289 billion, down \$121 million, or 5.0%, from FY20, due to savings achieved when the Commonwealth refunded debt service at favorable interest rates.

Interfund transfers from budgeted to non-budgeted funds totaled \$1.444 billion, an increase of \$46 million or 3.3%, from FY20.

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 FY21, transfers among the Budgeted Funds totaled \$3.100 billion, an increase of \$2.087 billion, or 205.9%, from FY20, primarily due to transfers of \$1.116 billion in capital gains tax revenue deposited in the Stabilization Fund (there were no such transfers in FY20) and the \$1.460 billion to the Transitional Escrow Fund, which were partially offset by the expiration of annual transfers from the General Fund to the Commonwealth Transportation Fund and smaller deficit elimination transfers between the budgeted funds at fiscal year-end.

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)

	2021	2020
Beginning 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
Revenues and other financing sources:		
Taxes	31,771,947	27,612,766
Federal reimbursements	18,338,990	12,794,687
Departmental and other revenues, including tobacco settlement	4,775,501	4,920,247
Interfund transfers from non-budgeted funds and other financing sources	1,996,000	1,988,432
Budgeted revenues and other financing sources	56,882,438	47,316,132
Intragovernmental Service Fund revenues	441,643	441,353
Interfund transfers among budgeted funds and other financing sources	2,658,449	571,925
Total revenues and other financing sources	59,982,530	48,329,410
Expenditures and other financing uses:		
Programs and services	41,592,766	39,866,322
Debt service	2,289,446	2,410,163
Post employment benefits	3,751,854	3,304,975
Interfund transfers to non-budgeted funds and other financing uses	1,444,400	1,398,664
Budgeted expenditures and other financing uses	49,078,466	46,980,124
Intragovernmental Service Fund expenditures	441,643	441,353
Interfund transfers among budgeted funds and other financing uses	2,658,449	571,925
Total expenditures and other financing uses	52,178,558	47,993,402
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	7,803,972	336,008
Ending fund balances:		
Reserved for Prior Appropriations Continued and Designated for Debt Service ..	1,099,338	776,645
Reserved for Stabilization Fund	4,626,419	3,501,181
Undesignated in Federal COVID-19 Response Fund	4,891,987	—
Undesignated in Transitional Escrow Fund	1,460,324	—
Other Undesignated	21,107	17,379
Total	<u>\$ 12,099,175</u>	<u>\$ 4,295,205</u>

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, 2021, the ending balance is comprised mainly of the \$1.057 billion fund balance of the General Fund, \$4.892 billion in the Federal COVID-19 Response Fund, \$4.626 billion in the Stabilization Fund and \$1.460 billion in the Transitional Escrow Fund. Due to designations of fund balances, \$1.099 billion of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY21. The remaining \$21 million is undesignated in the budgeted environmental and other funds that are not included in the consolidated net surplus calculation and therefore was not transferred to the Transitional Escrow Fund at the close of FY21.

Lottery and Gaming

FY21 Lottery revenues and profits recovered from the decline caused by the coronavirus pandemic in the second half FY20. Gross Lottery revenues (including revenues from the Arts Lottery) grew from \$5.396 billion in FY20 to \$5.959 billion in FY21, an increase of \$564 million, or 10.4%. 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 FY21 budget, totaled \$1.113 billion, an increase of \$126 million, or 12.7%, from FY20. Of that \$1.113 billion in profits, and as mandated in the FY21 General Appropriation Act, approximately \$1.014 billion was transferred to the General Fund to fund so-called Unrestricted General Government Aid (formerly Lottery Local Aid), \$18 million funded the Massachusetts Cultural Council appropriation, and \$1 million reimbursed a compulsive gambling program appropriation.

FY21 gaming revenues also recovered from the FY20 decline caused by the pandemic. FY21 budgeted fund tax revenues remitted to the Commonwealth by the Plainridge slot machine parlor, which are equal to 40% of gross profits (or “gross gaming revenues”) from slot machines, totaled approximately \$49 million, an increase of approximately \$11 million, or 27.6% from FY20, but still well below the FY19 pre-pandemic revenue of \$68 million. An additional \$11 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 \$51 million, an increase of \$7 million, or 16.6%, from FY20, Taxes from the first

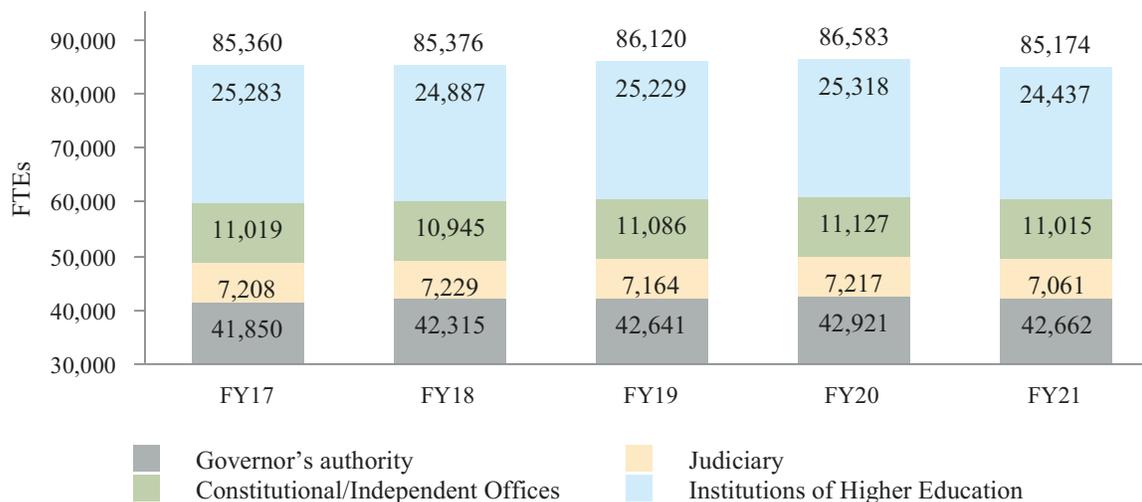
fully fiscal year of gaming operations of the Everett casino (also equal to 25% of gross gaming revenues) totaled \$123 million during FY21, up \$18 million, or 17.2%, from FY20 .

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 FY21 General Appropriation Act allocated \$114 million in gaming revenues to local aid, but taxes on gaming revenues deposited in the Gaming Local Aid Fund generated only \$84 million, with the remaining \$30 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, 2021, the number of Commonwealth employees decreased by a net of 1,409 full-time equivalent employees (FTEs) from June 30, 2020, to a total of 85,174. The largest decreases were in the Higher Education system, where FTEs declined by 1,308, with the University of Massachusetts dropping by 847, Community Colleges dropping by 244 FTEs, and State Universities declining by 217 due to furloughs, attrition, and layoffs in response to the declines in fee revenue caused by the COVID-19 pandemic. The Executive Office of Health and Human Services also reduced its FTE count by 430 compared to June 30, 2020.

**Full Time Equivalent Workforce
Including Higher Education
June 2017 – June 2021**



The Stabilization Fund

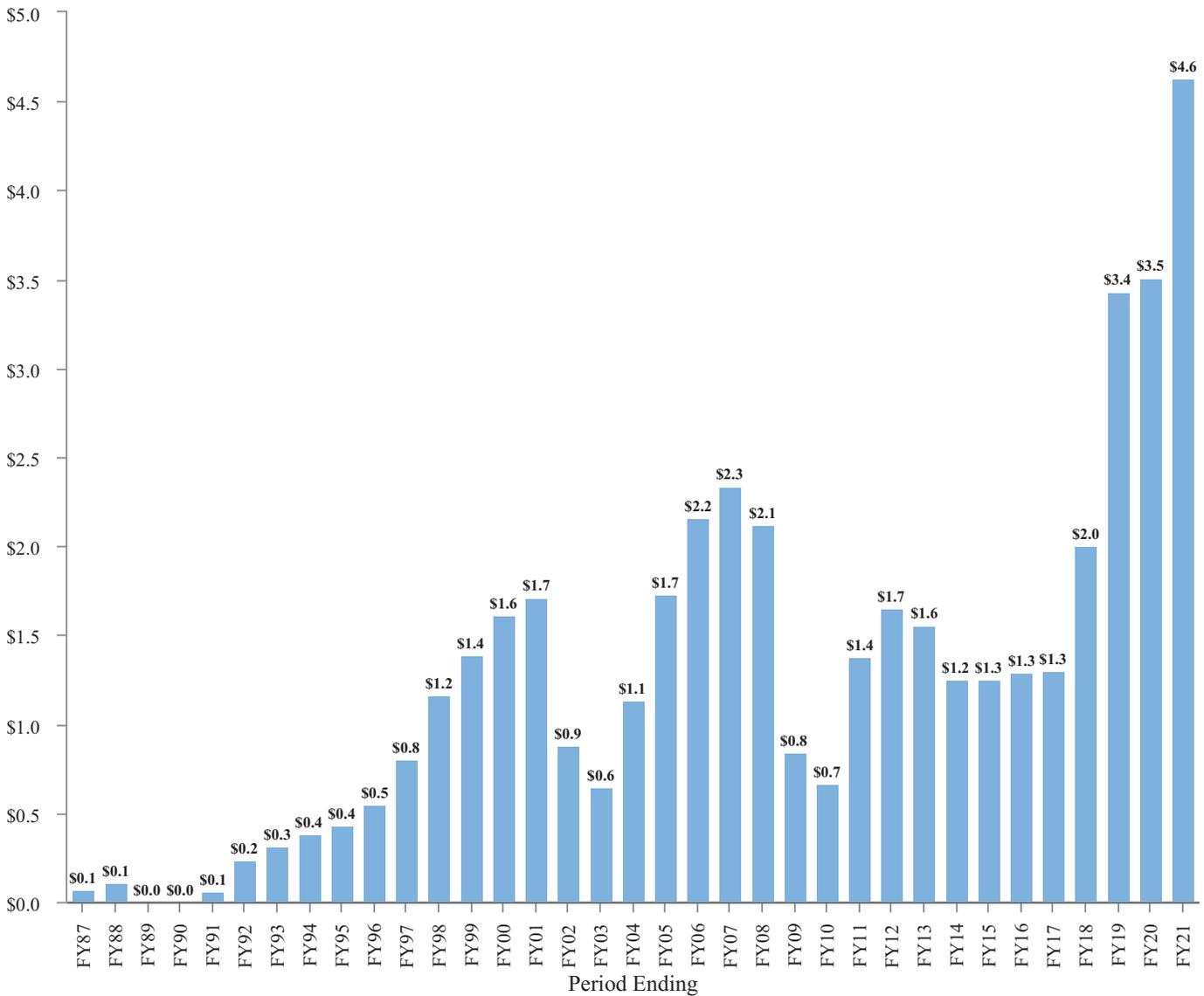
The Stabilization (or rainy day) Fund provides a reserve to be used in the event of an economic downturn or other fiscal emergency. The balance of the Stabilization Fund increased by \$1.125 billion, to \$4.626 billion, between FY20 and FY21, with the main sources of growth being the transfer of capital gains tax revenues to the Fund, with additional transfers of gaming tax revenues and crediting of interest income.

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 FY21 capital gains tax threshold, as determined by the Department of Revenue, was \$1.312 billion. In July 2021, the Department of Revenue certified that FY21 tax collections attributable to capital gains totaled \$2.533

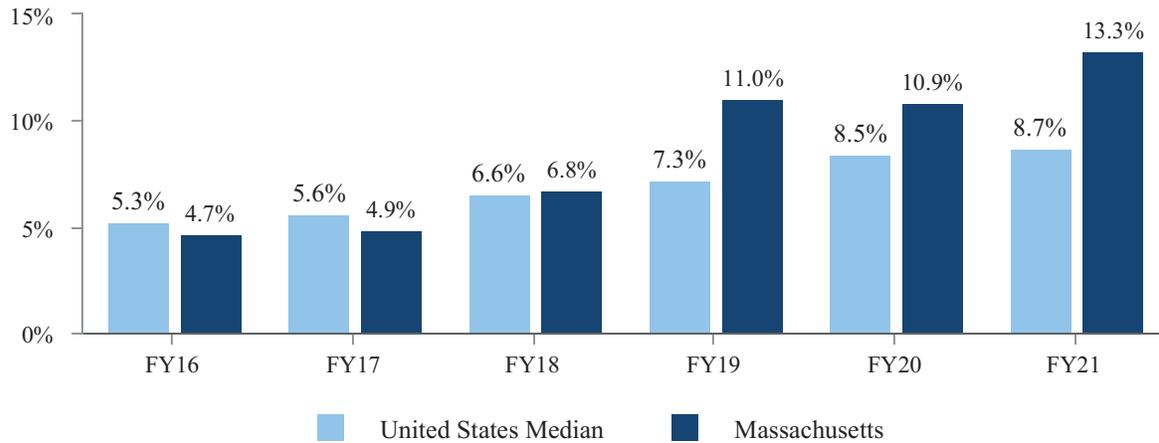
billion, 90%, or \$1.098 billion of which was transferred to the Stabilization Fund, with the remaining \$122 million divided equally between the Commonwealth pension fund and State Retiree Benefits Trust Fund (which funds post employee health benefits). During the fiscal year, the Stabilization Fund also earned \$9 million in investment income, \$17 million from casino gaming tax revenue and a small amount of tax revenue. The Commonwealth made no withdrawals from the Stabilization in FY21. (Details of transfers and to and investment earnings of the Stabilization Fund are shown in the table on [page 144](#)).

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 2021 Fiscal Survey of the States](#), at the close of FY20 (the most recent year for which final rainy day fund balances were available for all states), the Commonwealth Stabilization Fund’s balance of \$3.501 billion was the third largest in the nation in absolute terms, and Massachusetts will again have the third largest Stabilization Fund balance at the end of FY21. As a percentage of total General Fund expenditures (after subtracting federally reimbursed General Fund expenditures, since all other states in the NASBO survey exclude such spending from their General Fund totals, making their Stabilization Fund percentage calculations a proportion of “own-source” General Fund expenditures), the Commonwealth’s FY20 Stabilization Fund balance of 10.9% as a percentage of General Fund own-source expenditures was well above the national median of 8.5%. For FY21, the Commonwealth’s Stabilization Fund balance as a percentage of General Fund own source expenditures was 13.3%, well above the projected national median of 8.7% as reported in the NASBO Spring survey.

With the \$1.125 billion added to the Stabilization Fund balance in FY21, the Fund’s balance has risen to its highest level since its creation 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 FY21, the Commonwealth maintained 125 non-budgeted funds, while another 40 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 Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Commonwealth received \$2.461 billion in federal revenue during FY20, of which \$761 million was spent in during that fiscal year and \$1.309 billion was expended spent in FY21, allocated to eligible COVID-19 related expenditures. (The Coronavirus Relief Fund financial statement is shown on page 134 of this report.) FY21, the Commonwealth received an additional \$5.286 billion in federal American Rescue Plan Act (ARPA) funds, of which \$4.892 billion was transferred to the newly established Federal COVID-19 Response Fund (a budgetary fund, subject to appropriation) and carried forward for allocation in FY22, \$109 million was distributed to certain cities and towns to equalize COVID-19 aid under the CARES Act, \$10 million was allocated to the Lottery for a program to encourage COVID-19 vaccinations, \$75 million was transferred to the COVID-19 Emergency Paid Leave Fund, and \$200 million remained in the Federal Grants Fund for spending on other COVID-19 relief programs. In addition to the CARES Act and ARPA funding, approximately \$1.314 billion 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 FY21 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. The \$257 million FY21 operating deficit in the non-budgeted funds is primarily due to the fact that the Coronavirus Relief Fund spent down revenues that it received in FY20.

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

	2021	2020
Beginning fund balance.....	\$ 4,506,466	\$ 2,457,474
Revenues and other financing sources:		
Taxes.....	2,877,080	2,543,261
Assessments.....	898,752	835,852
Federal grants and reimbursements.....	5,806,155	6,230,207
Departmental and miscellaneous.....	7,119,175	6,655,753
Transfers and other financing sources.....	1,637,880	2,336,553
Total revenues and other financing sources.....	18,339,042	18,601,626
Expenditures and other financing uses:		
Programs and services.....	15,807,172	13,254,161
Debt service.....	218,500	207,811
Transfers and other financing uses.....	2,570,802	3,090,662
Total expenditures and other financing uses.....	18,596,474	16,552,634
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(257,432)	2,048,992
Ending fund balance.....	<u>\$ 4,249,034</u>	<u>\$ 4,506,466</u>

In FY21, \$80 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 \$33 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 78% of total non-budgeted fund FY21 year-end balances include:

- \$1.159 billion – Massachusetts Transportation Trust Fund;
- \$476 million – Coronavirus Relief Fund;
- \$329 million – Central Artery/Tunnel Project Repair and Maintenance Trust Fund;
- \$222 million – Enhanced 911 Fund;
- \$194 million – Convention and Exhibition Center Fund;
- \$159 million – Substance Use Disorder Federal Reinvestment Trust Fund;
- \$138 million – Medical Assistance Trust Fund
- \$122 million – MassHealth Delivery System Reform Trust Fund;
- \$110 million – Commonwealth Care Trust Fund;
- \$88 million – Grant Anticipation Note Trust Fund;
- \$77 million – Health Safety Net Trust Fund;
- \$75 million – COVID-19 Emergency Paid Sick Leave Trust Fund
- \$88 million – Regional Greenhouse Gas Initiative (RGGI) Auction Trust Fund;
- \$61 million – Workforce Training Trust Fund;

- \$66 million – Community Preservation Trust Fund;
- \$42 million – Debt and Long-Term Liability Reduction Trust Fund;
- \$31 million – Community Mitigation Fund;
- \$20 million – Race Horse Development Trust Fund;
- \$20 million – Workforce Competitiveness Trust Fund;
- \$19 million – Child Support Enforcement Fund;
- \$19 million – Housing Preservation and Stabilization Trust Fund; and
- \$10 million – Department of Industrial Accidents Special Fund;

In FY21, three non-budgeted special revenue funds had operating deficits in excess of \$10 million. These were the , the Massachusetts Coronavirus Relief Fund with a deficit of \$1.224 billion (where revenue was received from the federal government in FY20, but most spending occurred in FY21), the Massachusetts Convention and Exhibition Center Fund, with a deficit of \$120 million (due to payment of debt service from previously collected revenue, and the Commonwealth Care Trust Fund, which had a deficit of \$38 million.

As noted in previous years, the Government Land Bank Fund has a continuing structural fund deficit. The FY21 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.

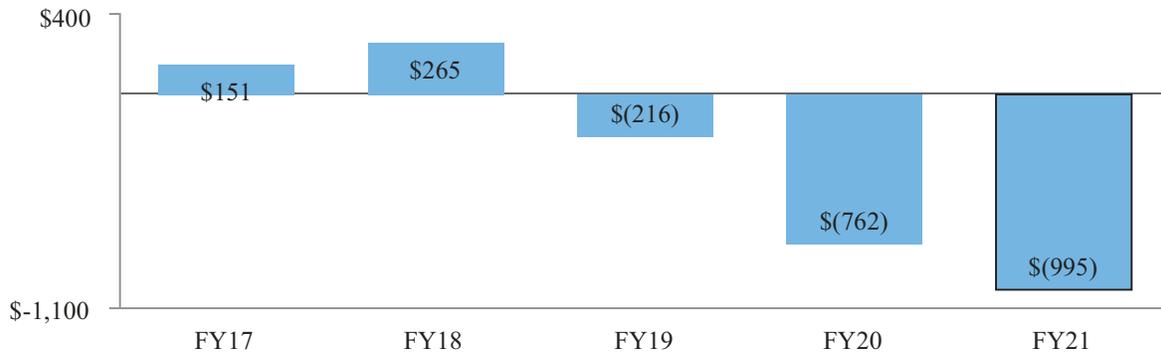
The structure of these funds is such that each capital outlay authorization is in balance, creating authorization for inflows (which may be from sales of bonds, federal reimbursements or other revenues) and expenditures. Imbalances due to timing differences develop when the expenditure precedes the inflow 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 FY21 capital budget, the Commonwealth borrowed by issuing \$2.382 billion in new money long-term bonds; \$1.982 billion of which was general obligation debt and \$400 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. In addition, the Commonwealth issued \$1.766 billion in debt to refund already existing obligations, taking advantage of continued low interest rates in FY21.

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 FY21, the capital projects funds had a \$995 million deficit balance (including \$841 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.

Capital Projects Funds – Fund Balance/(Deficit)
(Amounts in millions)



The following table, Capital Projects Funds - Operations, includes the FY21 capital projects funds, summarized and compared to FY20. Financial statements for each of the individual funds are included in the financial section of this report.

Capital Projects Funds - Operations
(Amounts in thousands)

	2021	2020
Beginning fund balance/(deficit)	\$ (762,098)	\$ (216,393)
Revenues and other financing sources:		
Federal grants and reimbursements	77,259	77,964
Departmental and miscellaneous	894	3,046
Proceeds of general and special obligation bonds	2,863,217	1,946,279
Proceeds of refunding bonds	1,963,003	1,264,622
Transfers and other financing sources	774,450	679,379
Total revenues and other financing sources	<u>5,678,823</u>	<u>3,971,290</u>
Expenditures and other financing uses:		
Acquisition and maintenance of capital assets	3,773,992	3,101,099
Payments to advance refunding escrow agent/principal on current refundings	1,963,002	1,264,622
Transfers and other financing uses	174,609	151,274
Total expenditures and other financing uses	<u>5,911,603</u>	<u>4,516,995</u>
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(232,780)</u>	<u>(545,705)</u>
Ending fund balance/(deficit)	<u>\$ (994,878)</u>	<u>\$ (762,098)</u>

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 FY21, significant capital spending included:

- \$649 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;
- \$433 million for state-owned facilities including higher education campuses, trial courts, and state health care facilities;
- \$273 million for affordable housing development and public housing;
- \$208 million in Chapter 90 reimbursements to municipalities for local road and bridge projects;
- \$119 million in spending for the Department of Conservation and Recreation, including improvements to roadways, parks, and for environmental spending;
- \$111 million for the MassWorks economic development initiative, which provides infrastructure grants to municipalities;
- \$51 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;
- \$43 million for the Life Sciences Capital program, providing grants to promote job growth, business expansion, discovery, and innovation in the industry and the Commonwealth economy;
- \$22 million for the Food Security Infrastructure program, which provides grants to enhance food security for the people of the Commonwealth and to enhance access and production of local food;
- \$20 million for construction and planning grants from the Board of Library Commissioners to public library systems;
- \$19 million for the Workforce Mobility programs, providing software and device deployment to support the ability to securely deliver government services including from remote work locations;
- \$17 million for the Workforce Skills capital grants to educational institutions;
- \$10 million in bridge repair projects under the Commonwealth’s Municipal Bridge Program; and
- \$8 million for aid to towns in western Massachusetts to extend high-speed broadband networks.

Some capital spending originally planned for FY20 was delayed due to the COVID-19 pandemic and was expended in FY21.

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.

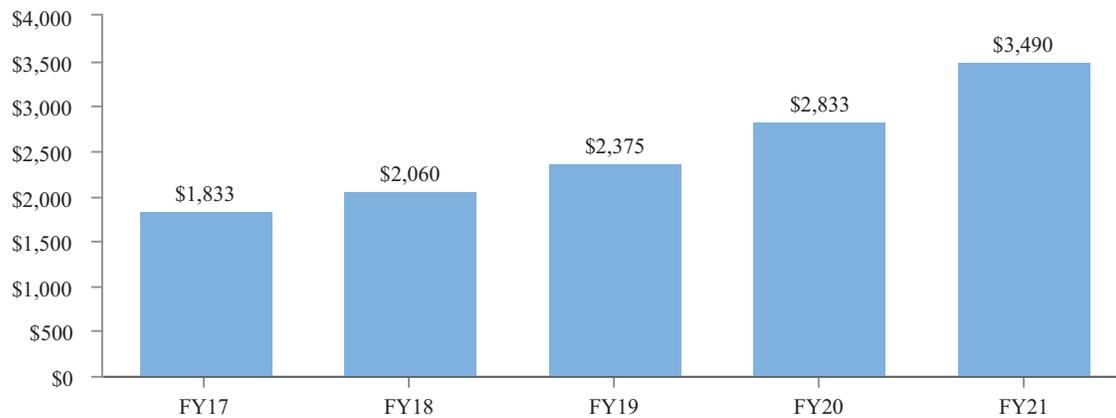
The following table, Non-Appropriated Funds of Higher Education – Operations, includes the FY21 activity in the higher education funds, summarized and compared to FY20. Financial statements for each of the individual funds are included in the statistical section of this report.

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

	2021	2020
Beginning fund balance	\$ 2,833,293	\$ 2,374,986
Revenues and other financing sources:		
Federal grants and reimbursements	603,554	527,352
Departmental revenue	2,414,009	2,574,621
Miscellaneous revenue	1,712,901	1,793,494
Total revenues and other financing sources	4,730,464	4,895,467
Expenditures and other financing uses:		
Programs and services	4,073,853	4,437,160
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	656,611	458,307
Ending fund balance	<u>\$ 3,489,904</u>	<u>\$ 2,833,293</u>

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 \$1.879 billion fund balance for the University of Massachusetts, approximately \$969 million fund balance for the State University System and approximately \$642 million fund balance for the Community Colleges.

Non-Appropriated Funds of Higher Education – Fund Balance
(Amounts in millions)



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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
President of the Senate

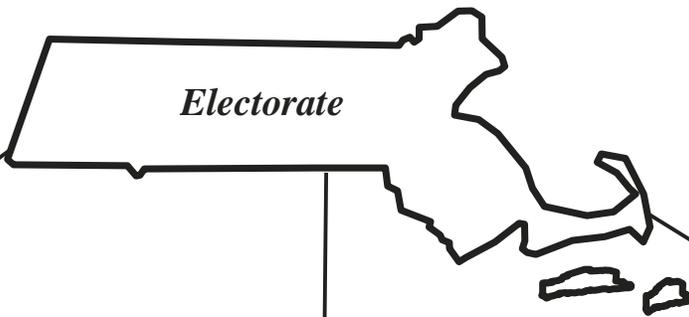
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



<i>Legislative Branch</i>	<i>Executive Branch</i>	<i>Judicial Branch</i>
House of Representatives Senate	Governor and Lieutenant Governor [#] Governor's Council District Attorneys Sheriffs State Auditor Attorney General Victim and Witness Assistance Board Secretary of the Commonwealth Treasurer and Receiver-General Lottery Commission Massachusetts Cultural Council Independent Offices and Commissions*	Supreme Judicial Court Appeals Court Trial Court Committee for Public Counsel Board of Bar Examiners Commission on Judicial Conduct Mental Health Legal Advisors

<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>		
<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	<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	<u>Executive Office of Labor and Workforce Development</u> <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
<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	<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	<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
	<u>Technology and Security</u> Executive Office of Technology Services and Security	
	<u>Transportation and Public Works</u> Massachusetts Department of Transportation (MassDOT)	

ADVISORY BOARD TO THE COMPTROLLER

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Massachusetts Convention Center Authority
Gubernatorial Appointee

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

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller (FY20/21)

Statewide Financial Reporting Team

Pauline Lieu, CPA, CFE, CGFM
Chief Financial Reporting Officer

Christine Bender
Accountant

Wagdy Rizk
Accountant

Nana Law, CPA
Accountant

Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Cathy Hunter
Program Coordinator



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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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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, 2021, 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 these 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 (hereinafter referred to as the Statutory Basis of Accounting) as described in Notes 1 and 2, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements—statutory basis that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of 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 Statutory Basis of Accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's 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 as described in Notes 1 and 2.

Basis of Accounting

We draw attention to Notes 1 and 2 of the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the Commonwealth of Massachusetts' Statutory Basis of Accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with Section 12 of Chapter 7A of the Massachusetts General Laws, as amended, and the budgetary principles of the Commonwealth of Massachusetts. Our conclusion is not modified with respect to this matter. As a result, the financial statements may not be suitable for another purpose.

Other Matters

The combining and individual fund financial statements—statutory basis and supplemental information are presented for the purpose 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 the combined financial statements—statutory basis. We are not aware of any material modifications that should be made to the 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 do not express an opinion on such information.

The introductory and statistical sections have not been subjected to the review procedures applied in our review 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 on Use

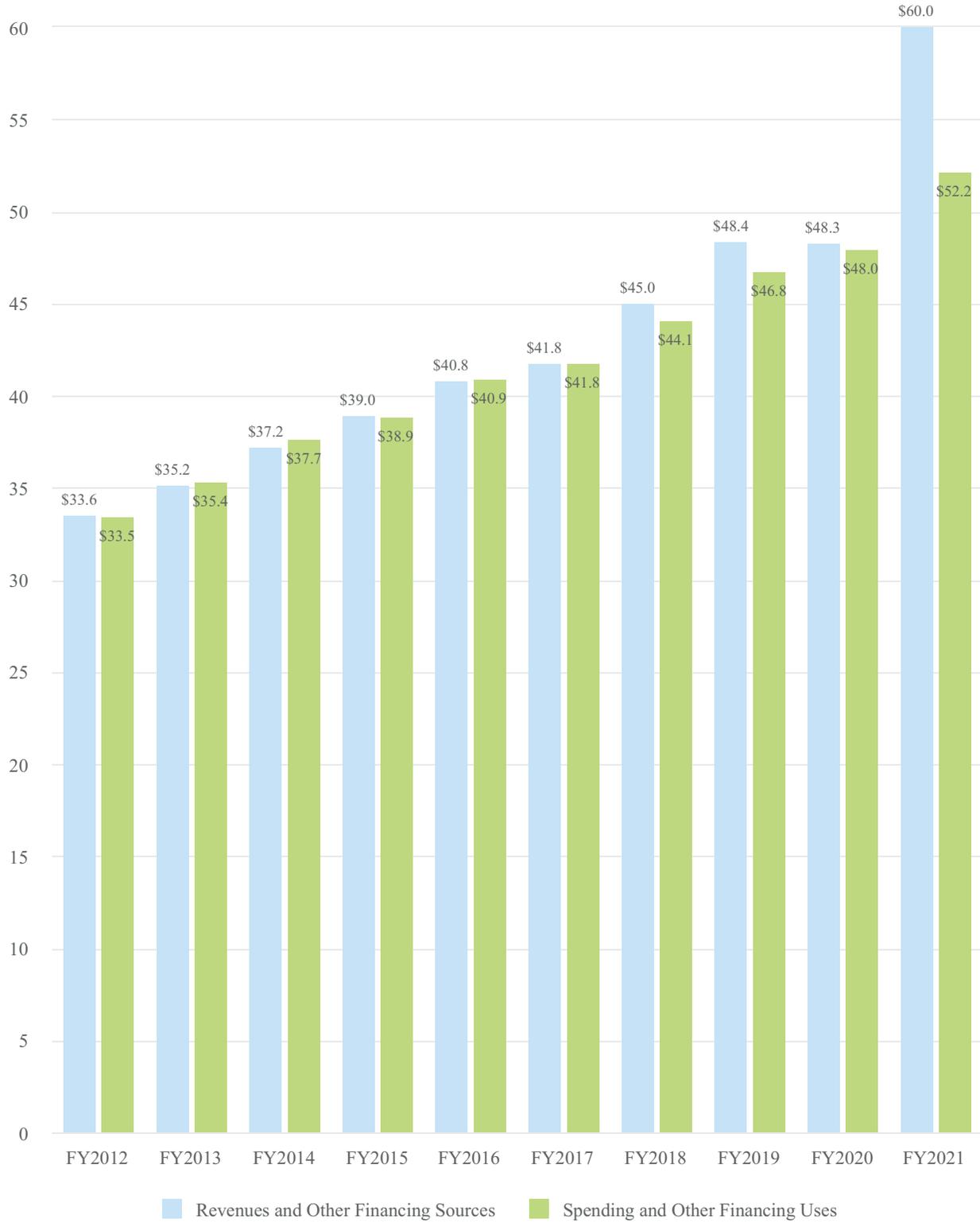
This report is intended solely for the information and use of management and elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 19, 2021

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)





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Combined Financial Statements - Statutory Basis

Budgeted Funds
 Combined Balance Sheet - Statutory Basis

As of June 30, 2021
 (Amounts in thousands)

	Totals (Memorandum only)	
	2021	2020
ASSETS		
Cash and short-term investments	\$ 12,898,809	\$ 3,299,351
Cash with fiscal agent	15,553	20,366
Investments	304,140	302,134
Receivables, net of allowance for uncollectibles:		
Taxes	—	2,333,872
Due from federal government	1,059,548	1,282,178
Other receivables	38,127	25,114
Due from cities and towns	9,312	10,936
Total assets	<u>\$ 14,325,489</u>	<u>\$ 7,273,951</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	\$ —	\$ 1,548,450
Accounts payable	2,061,902	1,291,124
Accrued payroll	164,410	139,172
Total liabilities	<u>2,226,312</u>	<u>2,978,746</u>
Fund balance:		
Combined fund balance:		
Reserved for:		
Continuing appropriations	1,083,785	756,279
Commonwealth Stabilization	4,626,419	3,501,181
Debt service	15,553	20,366
Unreserved:		
Undesignated	6,373,420	17,379
Total fund balance	<u>12,099,177</u>	<u>4,295,205</u>
Total liabilities and fund balance	<u>\$ 14,325,489</u>	<u>\$ 7,273,951</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, 2021
 (Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	\$ 25,908,200	\$ 31,771,947	\$ 5,863,747
Assessments	454,453	423,025	(31,428)
Federal grants and reimbursements	13,875,876	18,338,990	4,463,114
Tobacco settlement revenue	261,482	245,636	(15,846)
Departmental	3,744,448	4,255,760	511,312
Miscellaneous	467,603	292,723	(174,880)
Total revenues	<u>44,712,062</u>	<u>55,328,081</u>	<u>10,616,019</u>
Other financing sources:			
Fringe benefit cost recovery	—	453,299	453,299
Lottery reimbursements	—	105,986	105,986
Lottery distributions	—	1,090,040	1,090,040
Operating transfers in	2,027,109	399,135	(1,627,974)
Stabilization transfer	17,106	1,115,597	1,098,491
Transfer for transitional escrow	—	1,460,324	1,460,324
Other fund deficit support	—	30,068	30,068
Total other financing sources	<u>2,044,215</u>	<u>4,654,449</u>	<u>2,610,234</u>
Total revenues and other financing sources	<u>46,756,277</u>	<u>59,982,530</u>	<u>13,226,253</u>
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	120,011	72,682	47,329
Judiciary	1,077,142	1,018,349	58,793
Inspector General	6,059	5,747	312
Governor and Lieutenant Governor	10,864	9,385	1,479
Secretary of the Commonwealth	61,404	58,444	2,960
Treasurer and Receiver-General	281,209	221,914	59,295
Auditor of the Commonwealth	21,243	19,825	1,418
Attorney General	57,436	54,951	2,485
Ethics Commission	2,584	2,489	95
District Attorney	148,905	145,969	2,936
Office of Campaign & Political Finance	1,840	1,660	180
Sheriffs' Departments	695,002	686,751	8,251
Disabled Persons Protection Commission	7,897	5,464	2,433
Commission on Status of Women	206	206	—
Board of Library Commissioners	34,018	33,821	197
Comptroller	66,551	19,689	46,862
Administration and Finance	2,855,813	2,350,156	505,657
Energy and Environmental Affairs	339,375	305,957	33,418
Health and Human Services	7,453,409	6,913,367	540,042
Executive Office of Technology Services and Security	195,918	146,520	49,398
Massachusetts Department of Transportation	127,000	127,000	—
Office of the Child Advocate	2,999	1,723	1,276
Commission Against Discrimination	8,349	6,824	1,525
Cannabis Control Commission	15,497	11,334	4,163
Executive Office of Education	3,155,703	2,838,327	317,376
Center for Health Information and Analysis	23,588	23,330	258
Public Safety and Security	1,555,280	1,466,042	89,238
Massachusetts Peace Officer Standards and Training	250	23	227
Housing and Economic Development	914,862	817,115	97,747
Labor and Workforce Development	90,569	64,646	25,923
Direct local aid	6,485,200	6,482,323	2,877
Medicaid program expenses	18,280,385	18,122,376	158,009
Post employment benefits	3,751,891	3,751,854	37
Debt service:			
Principal retirement	1,247,802	1,176,279	71,523
Interest and fiscal charges	1,163,943	1,113,167	50,776
Total expenditures	<u>50,260,204</u>	<u>48,075,709</u>	<u>2,184,495</u>
Other financing uses:			
Fringe benefit cost assessment	—	17,029	(17,029)
Operating transfers out	988,088	992,039	(3,951)
State Retiree Benefits transfer	—	—	—
State Pension transfer	—	—	—
Stabilization transfer	1,098,140	1,098,139	1
Medical assistance transfer	537,187	505,250	31,937
Transfer for transitional escrow	—	1,460,324	(1,460,324)
Other fund deficit support	—	30,068	(30,068)
Total other financing uses	<u>2,623,415</u>	<u>4,102,849</u>	<u>(1,479,434)</u>
Total expenditures and other financing uses	<u>52,883,619</u>	<u>52,178,558</u>	<u>705,061</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (6,127,342)</u>	<u>7,803,972</u>	<u>\$ 13,931,314</u>
Fund balance/(deficit) at beginning of year	—	4,295,205	—
Fund balance/(deficit) at end of year	—	<u>\$ 12,099,177</u>	—

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, 2021

(Amounts in thousands)

	Non-Budgeted Special Revenue	Capital Projects	Totals (Memorandum only)	
			2021	2020
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 2,877,080	\$ —	\$ 2,877,080	\$ 2,543,261
Assessments	898,752	—	898,752	835,852
Federal grants and reimbursements	5,806,155	77,259	5,883,414	6,308,171
Departmental	7,086,221	729	7,086,950	6,569,439
Miscellaneous	32,956	165	33,121	89,360
Total revenues	16,701,164	78,153	16,779,317	16,346,083
Other financing sources:				
Issuance of general obligation bonds	—	1,982,048	1,982,048	1,518,386
Bond premiums/(discounts) on general obligation bonds	—	393,984	393,984	120,356
Issuance of special obligation bonds	—	400,000	400,000	253,500
Bond premiums/(discounts) on special obligation bonds	—	87,185	87,185	54,037
Issuance of current refunding bonds	—	865,115	865,115	1,030,830
Bond premiums/(discounts) on current refunding bonds	—	199,529	199,529	187,159
Issuance of advance refunding bonds	—	900,775	900,775	858,435
Bond premiums/(discounts) on advance refunding bonds	—	(2,416)	(2,416)	(2,704)
Operating transfers in	1,132,630	632,766	1,765,396	1,581,963
Medical assistance transfer	505,250	—	505,250	505,785
State share of federal highway construction	—	141,684	141,684	119,086
Total other financing sources	1,637,880	5,600,670	7,238,550	6,226,833
Total revenues and other financing sources	18,339,044	5,678,823	24,017,867	22,572,916
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	3,343	9,984	13,327	17,920
Inspector General	103	—	103	276
Governor and Lieutenant Governor	189	—	189	168
Secretary of the Commonwealth	4,938	2,137	7,075	6,231
Treasurer and Receiver-General	7,313,402	29,022	7,342,424	6,502,709
Auditor of the Commonwealth	—	102	102	—
Attorney General	52,609	135	52,744	48,488
Ethics Commission	—	82	82	—
District Attorney	4,654	—	4,654	3,690
Sheriffs' Departments	11,423	4,636	16,059	98,304
Disabled Persons Protection Commission	1,203	—	1,203	922
Board of Library Commissioners	3,274	20,133	23,407	21,955
Massachusetts Gaming Commission	45,589	—	45,589	43,879
Comptroller	1,508	1,754	3,262	4,397
Administration and Finance	977,139	341,632	1,318,771	987,977
Energy and Environmental Affairs	104,432	258,673	363,105	299,465
Health and Human Services	2,653,770	82,509	2,736,279	2,555,580
Executive Office of Technology Services and Security	7,642	56,896	64,538	41,907
Massachusetts Department of Transportation	1,016,379	2,300,699	3,317,078	2,936,423
Office of the Child Advocate	—	—	—	59
Executive Office of Education	1,467,556	136,713	1,604,269	1,138,310
Center for Health Information and Analysis	—	4,974	4,974	4,595
Public Safety and Security	300,104	53,173	353,277	577,892
Massachusetts Peace Officer Standards and Training	—	—	—	—
Housing and Economic Development	1,604,815	469,459	2,074,274	907,057
Labor and Workforce Development	233,101	1,279	234,380	157,056
Debt service:				
Principal retirement	107,905	—	107,905	102,682
Interest and fiscal charges	110,595	—	110,595	105,129
Total expenditures	16,025,673	3,773,992	19,799,665	16,563,071
Other financing uses:				
Payments to advance refunding bonds escrow	—	898,358	898,358	855,731
Principal on current refundings	—	1,064,644	1,064,644	1,217,989
Fringe benefit cost assessment	217,254	32,925	250,179	321,466
Lottery operating reimbursements	105,986	—	105,986	110,928
Lottery distributions	1,090,040	—	1,090,040	967,263
Operating transfers out	1,140,066	—	1,140,066	899,181
Stabilization transfer	17,457	—	17,457	14,914
State share of federal highway construction	—	141,684	141,684	119,086
Total other financing uses	2,570,803	2,137,611	4,708,414	4,506,558
Total expenditures and other financing uses	18,596,476	5,911,603	24,508,079	21,069,629
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(257,432)	(232,780)	(490,212)	1,503,287
Fund balance/(deficit) at beginning of year	4,506,466	(762,098)	3,744,368	2,241,081
Fund balance/(deficit) at end of year	\$ 4,249,034	\$ (994,878)	\$ 3,254,156	\$ 3,744,368

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 Annual Comprehensive Financial Report (ACFR), 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, and the newly created Federal COVID-19 Response Fund, which are identified by the Comptroller as the operating funds of the Commonwealth. In addition, there are 12 other 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. At the close of FY21 the Legislature also created the budgeted Transitional Escrow Fund, into which was transferred the FY21 consolidated net surplus for appropriation in FY22.

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 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 were recorded in the FY20 financial statements. For FY21, the Commonwealth reverted to its traditional statutory receivable definition, as described above.

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 ACFR.

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. The Commonwealth had no GANs in FY21. As of June 30, 2021, total principal remaining to be paid was approximately \$583 million. Maturities are from FY22 through FY27. Debt service paid during FY21 was approximately \$113 million.

In FY21, the Commonwealth issued approximately \$400 million in new money special obligation bonds under the Rail Enhancement Program (REP) and \$289 million to refund special obligation bonds under the Accelerated Bridge Program (ABP). These bonds mature from FY22 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, 2021, approximately \$1.555 billion and \$1.637 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$965 million and \$1.497 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 FY21. As of June 30, 2021, bonds secured by these pledged funds totaled approximately \$28 million of principal. These bonds were issued in multiple series and those outstanding mature in FY22. Principal and interest paid during FY21 amounted to approximately \$27 million and \$3 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 FY21, total dedicated sales tax revenue that was directed to the MBTA was approximately \$1.261 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 FY21, approximately \$1.101 billion 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, 2021, taxes within the Convention Center districts support approximately \$480 million of outstanding principal and approximately \$205 million of interest on debts related to these Convention Centers. Taxes collected in FY21 were approximately \$46 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 FY21, approximately \$577 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 \$1 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 \$453 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, 2020, 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 FY21 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2020:		
Direct appropriations	\$ 43,641,100	\$ 45,730,612
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2020	—	2,166,957
Total original budget	<u>43,641,100</u>	<u>47,897,569</u>
Supplemental Acts of 2020:		
Chapter 316	—	47
Supplemental Acts of 2021:		
Chapter 29	—	259,008
Chapter 76	—	333,575
Total budgeted revenues and expenditures per Legislative action	<u>—</u>	<u>592,631</u>
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,115,177	4,393,419
Budgeted revenues and expenditures as reported	<u>\$ 46,756,277</u>	<u>\$ 52,883,619</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	\$ 59,982,530	\$ 52,178,558
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(441,643)	(441,643)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(17,029)	(17,029)
Transfer of surplus revenues from the Intragovernmental Service Fund to the General Fund	(13,580)	(13,580)
RMV license plates	(4,394)	(4,394)
Transfers from General Fund to the Stabilization Fund	(1,098,140)	(1,098,140)
CNS Transfers from budgeted funds to the Transitional Escrow Fund	(1,460,324)	(1,460,324)
Other fund deficit support	(30,068)	(30,068)
Other	(34,914)	(34,914)
Adjusted actuals pertaining to the budgeted funds	<u>\$ 56,882,438</u>	<u>\$ 49,078,466</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 ACFR, 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, 2021, as follows (amounts in thousands) (excludes MassDOT):

Non-budgeted special revenue:	
Other:	
Government Land Bank Fund.....	\$ (35,033)
Capital projects:	
General Capital Projects Fund.....	(481,298)
Highway Capital Projects Fund.....	(592,720)
Government Land Bank Capital Projects Fund.....	(500)
Total Capital Projects Funds.....	<u>(1,074,518)</u>
Total.....	<u>\$ (1,109,551)</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 43.6% 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, 2021, the General Fund includes approximately \$18.122 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis includes Medicaid claims processed but unpaid at June 30, 2021 of approximately \$97 million as accounts payable.



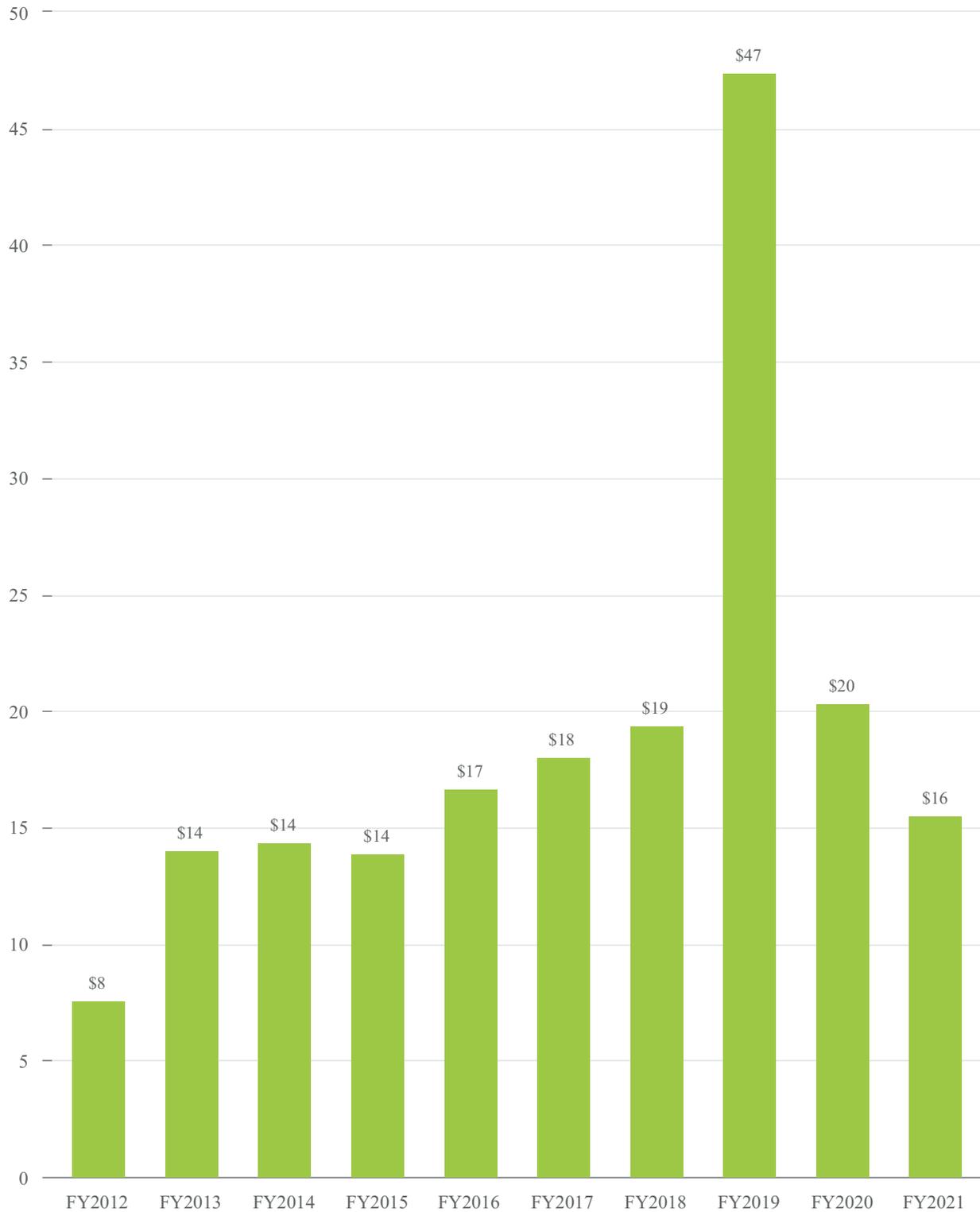
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Combining and Individual Fund Financial Statements - Statutory Basis



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THE BIG PICTURE: HISTORICAL CONTEXT
Commonwealth Transportation Fund
Fund Balance (deficit) at End of Year
Last Ten Fiscal Years
(Amounts in \$ Millions)



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.

Transitional Escrow Fund - to account for an amount equal to the fiscal year 2021 consolidated net surplus. This Fund shall not be subject to section 5C of Chapter 29 of the General Laws. The fund shall expire on June 30, 2022, and transfer the remaining unexpended balance to the Stabilization Fund established in section 2H of chapter 29 of the General Laws.

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.

Federal COVID-19 Response Fund - to account for federal funds authorized under the federal legislation enacted after December 4, 2020 and in response to the COVID-19 outbreak or related economic recovery. Expenditures assist the commonwealth in its public health, community and economic recovery efforts to respond to the novel coronavirus disease outbreak.

The following funds have been enacted in legislation but had no activity in FY21 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 Resilience 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.



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Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2021
(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control Intragovernmental Service
ASSETS				
Cash and short-term investments	\$ 2,137,303	\$ 635	\$ 4,322,279	\$ 46,454
Cash with fiscal agent	—	15,553	—	—
Investments	—	—	304,140	—
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	—
Due from federal government	1,059,548	—	—	—
Other receivables	38,127	—	—	—
Due from cities and towns	9,312	—	—	—
Total assets	<u>\$ 3,244,290</u>	<u>\$ 16,188</u>	<u>\$ 4,626,419</u>	<u>\$ 46,454</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments	\$ —	\$ —	\$ —	\$ —
Accounts payable	2,028,577	635	—	27,823
Accrued payroll	158,539	—	—	5,283
Total liabilities	<u>2,187,116</u>	<u>635</u>	<u>—</u>	<u>33,106</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations	1,057,174	—	—	13,348
Commonwealth Stabilization	—	—	4,626,419	—
Debt service	—	15,553	—	—
Unreserved:				
Undesignated	—	—	—	—
Total fund balance/(deficit)	<u>1,057,174</u>	<u>15,553</u>	<u>4,626,419</u>	<u>13,348</u>
Total liabilities and fund balance	<u>\$ 3,244,290</u>	<u>\$ 16,188</u>	<u>\$ 4,626,419</u>	<u>\$ 46,454</u>

See accountants' review report

Administrative Control	Environmental			Budgeted Other				
Transitional Escrow	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
\$ 1,460,324	\$ 10,724	\$ 3,866	\$ 3,787	\$ 387	\$ 2,500	\$ —	\$ —	\$ 50
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 1,460,324</u>	<u>\$ 10,724</u>	<u>\$ 3,866</u>	<u>\$ 3,787</u>	<u>\$ 387</u>	<u>\$ 2,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	412	91	51	—	—	—	—	—
—	302	37	40	—	—	—	—	—
—	714	128	91	—	—	—	—	—
—	—	—	3,696	—	2,500	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,460,324	10,010	3,738	—	387	—	—	—	50
1,460,324	10,010	3,738	3,696	387	2,500	—	—	50
<u>\$ 1,460,324</u>	<u>\$ 10,724</u>	<u>\$ 3,866</u>	<u>\$ 3,787</u>	<u>\$ 387</u>	<u>\$ 2,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>

continued

Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2021
(Amounts in thousands)

	Budgeted Other			
	Gaming Economic Development	Marijuana Regulation	Behavioral Health Outreach, Access and Support Trust	Federal COVID-19 Response Fund
ASSETS				
Cash and short-term investments.....	\$ 2,931	\$ 3,114	\$ 12,467	\$ 4,891,987
Cash with fiscal agent.....	—	—	—	—
Investments.....	—	—	—	—
Receivables, net of allowance for uncollectibles:				
Taxes.....	—	—	—	—
Due from federal government.....	—	—	—	—
Other receivables.....	—	—	—	—
Due from cities and towns.....	—	—	—	—
Total assets.....	<u>\$ 2,931</u>	<u>\$ 3,114</u>	<u>\$ 12,467</u>	<u>\$ 4,891,987</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments.....	\$ —	\$ —	\$ —	\$ —
Accounts payable.....	2,931	805	576	—
Accrued payroll.....	—	209	—	—
Total liabilities.....	<u>2,931</u>	<u>1,014</u>	<u>576</u>	<u>—</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations.....	—	2,100	4,967	—
Transitional escrow.....	—	—	—	—
Commonwealth Stabilization.....	—	—	—	—
Debt service.....	—	—	—	—
Unreserved:				
Undesignated.....	—	—	6,924	4,891,987
Total fund balance/(deficit).....	<u>—</u>	<u>2,100</u>	<u>11,891</u>	<u>4,891,987</u>
Total liabilities and fund balance.....	<u>\$ 2,931</u>	<u>\$ 3,114</u>	<u>\$ 12,467</u>	<u>\$ 4,891,987</u>

See accountants' review report

Totals
(Memorandum only)

	2021		2020
\$	12,898,809	\$	3,299,351
	15,553		20,366
	304,140		302,134
	—		2,333,872
	1,059,548		1,282,178
	38,127		25,114
	9,312		10,936
\$	<u>14,325,489</u>	\$	<u>7,273,951</u>

\$	—	\$	1,548,450
	2,061,902		1,291,124
	164,410		139,172
	<u>2,226,312</u>		<u>2,978,746</u>

	1,083,785		756,279
	—		—
	4,626,419		3,501,181
	15,553		20,366
	<u>6,373,420</u>		<u>17,379</u>
	<u>12,099,177</u>		<u>4,295,205</u>
\$	<u>14,325,489</u>	\$	<u>7,273,951</u>

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control	
				Intragovernmental Service	Transitional Escrow
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes	\$ 30,302,064	\$ 1,356,340	\$ 324	\$ —	\$ —
Assessments	399,848	23,177	—	—	—
Federal grants and reimbursements	13,440,226	—	—	—	—
Tobacco settlement revenue	245,636	—	—	—	—
Departmental	3,073,616	655,187	—	460,619	—
Miscellaneous	283,308	33	9,317	—	—
Total revenues	<u>47,744,698</u>	<u>2,034,737</u>	<u>9,641</u>	<u>460,619</u>	<u>—</u>
Other financing sources:					
Fringe benefit cost recovery	453,299	—	—	—	—
Lottery reimbursements	105,986	—	—	—	—
Lottery distributions	1,090,040	—	—	—	—
Operating transfers in	203,049	52,618	—	—	—
Stabilization transfer	—	—	1,115,597	—	—
Transfer for transitional escrow	—	—	—	—	1,460,324
Other fund deficit support	—	—	—	—	—
Total other financing sources	<u>1,852,374</u>	<u>52,618</u>	<u>1,115,597</u>	<u>—</u>	<u>1,460,324</u>
Total revenues and other financing sources	<u>49,597,072</u>	<u>2,087,355</u>	<u>1,125,238</u>	<u>460,619</u>	<u>1,460,324</u>
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature	72,682	—	—	—	—
Judiciary	1,016,437	—	—	—	—
Inspector General	5,747	—	—	—	—
Governor and Lieutenant Governor	9,328	—	—	57	—
Secretary of the Commonwealth	58,444	—	—	—	—
Treasurer and Receiver-General	220,935	977	—	1	—
Auditor of the Commonwealth	19,825	—	—	—	—
Attorney General	54,951	—	—	—	—
Ethics Commission	2,489	—	—	—	—
District Attorney	145,969	—	—	—	—
Office of Campaign & Political Finance	1,660	—	—	—	—
Sheriffs' Departments	686,626	—	—	—	—
Disabled Persons Protection Commission	5,464	—	—	—	—
Commission on Status of Women	206	—	—	—	—
Board of Library Commissioners	33,821	—	—	—	—
Comptroller	9,270	—	—	10,419	—
Administration and Finance	2,211,033	—	—	126,660	—
Energy and Environmental Affairs	286,838	—	—	2,964	—
Health and Human Services	6,762,074	—	—	113,861	—
Executive Office of Technology Services and Security	46,826	—	—	99,694	—
Massachusetts Department of Transportation	—	127,000	—	—	—
Office of the Child Advocate	1,723	—	—	—	—
Commission Against Discrimination	6,824	—	—	—	—
Cannabis Control Commission	—	—	—	—	—
Executive Office of Education	2,833,844	—	—	—	—
Center for Health Information and Analysis	23,330	—	—	—	—
Public Safety and Security	1,407,723	—	—	55,658	—
Massachusetts Peace Officer Standards and Training	23	—	—	—	—
Housing and Economic Development	805,572	—	—	1,920	—
Labor and Workforce Development	59,672	—	—	—	—
Direct local aid	6,352,585	—	—	—	—
Medicaid program expenses	18,122,376	—	—	—	—
Post employment benefits	3,739,584	12,271	—	—	—
Debt service:					
Principal retirement	595,467	547,451	—	33,361	—
Interest and fiscal charges	569,410	543,757	—	—	—
Total expenditures	<u>46,168,758</u>	<u>1,231,456</u>	<u>—</u>	<u>444,595</u>	<u>—</u>
Other financing uses:					
Fringe benefit cost assessment	8,730	—	—	—	—
Operating transfers out	305,108	641,672	—	13,580	—
Stabilization transfer	1,098,139	—	—	—	—
Medical assistance transfer	505,250	—	—	—	—
Transfer for transitional escrow	1,151,006	214,622	—	—	—
Other fund deficit support	23,699	4,419	—	—	—
Total other financing uses	<u>3,091,932</u>	<u>860,712</u>	<u>—</u>	<u>13,580</u>	<u>—</u>
Total expenditures and other financing uses	<u>49,260,690</u>	<u>2,092,168</u>	<u>—</u>	<u>458,175</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	336,382	(4,813)	1,125,238	2,444	1,460,324
Fund balance/(deficit) at beginning of year	720,792	20,366	3,501,181	10,904	—
Fund balance/(deficit) at end of year	<u>\$ 1,057,174</u>	<u>\$ 15,553</u>	<u>\$ 4,626,419</u>	<u>\$ 13,348</u>	<u>\$ 1,460,324</u>

See accountants' review report

Budgeted Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Budgeted Other			Totals (Memorandum only)	
	Marijuana Regulation	Behavioral Health Outreach, Access and Support Trust	Federal COVID-19 Response Fund	2021	2020
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes	\$ 112,370	\$ —	\$ —	\$ 31,771,947	\$ 27,612,766
Assessments	—	—	—	423,025	431,551
Federal grants and reimbursements	—	—	4,891,987	18,338,990	12,794,687
Tobacco settlement revenue	—	—	—	245,636	229,690
Departmental	25,066	—	—	4,255,760	4,314,582
Miscellaneous	7	—	—	292,723	385,777
Total revenues	137,443	—	4,891,987	55,328,081	45,769,053
Other financing sources:					
Fringe benefit cost recovery	—	—	—	453,299	573,874
Lottery reimbursements	—	—	—	105,986	110,928
Lottery distributions	—	—	—	1,090,040	967,263
Operating transfers in	—	10,000	—	399,135	587,966
Stabilization transfer	—	—	—	1,115,597	14,914
Transfer for transitional escrow	—	—	—	1,460,324	—
Other fund deficit support	—	—	—	30,068	305,412
Total other financing sources	—	10,000	—	4,654,449	2,560,357
Total revenues and other financing sources	137,443	10,000	4,891,987	59,982,530	48,329,410
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature	—	—	—	72,682	70,381
Judiciary	1,912	—	—	1,018,349	1,018,791
Inspector General	—	—	—	5,747	5,762
Governor and Lieutenant Governor	—	—	—	9,385	7,330
Secretary of the Commonwealth	—	—	—	58,444	50,064
Treasurer and Receiver-General	—	—	—	221,914	237,778
Auditor of the Commonwealth	—	—	—	19,825	19,472
Attorney General	—	—	—	54,951	53,912
Ethics Commission	—	—	—	2,489	2,360
District Attorney	—	—	—	145,969	140,682
Office of Campaign & Political Finance	—	—	—	1,660	1,723
Sheriffs' Departments	117	—	—	686,751	624,848
Disabled Persons Protection Commission	—	—	—	5,464	4,878
Commission on Status of Women	—	—	—	206	—
Board of Library Commissioners	—	—	—	33,821	30,382
Comptroller	—	—	—	19,689	14,498
Administration and Finance	—	—	—	2,350,156	2,371,897
Energy and Environmental Affairs	564	—	—	305,957	285,984
Health and Human Services	36,823	609	—	6,913,367	6,740,778
Executive Office of Technology Services and Security	—	—	—	146,520	135,085
Massachusetts Department of Transportation	—	—	—	127,000	127,900
Office of the Child Advocate	—	—	—	1,723	1,521
Commission Against Discrimination	—	—	—	6,824	—
Cannabis Control Commission	11,334	—	—	11,334	12,597
Executive Office of Education	—	—	—	2,838,327	2,694,126
Center for Health Information and Analysis	—	—	—	23,330	19,930
Public Safety and Security	2,053	—	—	1,466,042	1,532,519
Massachusetts Peace Officer Standards and Training	—	—	—	23	—
Housing and Economic Development	28	—	—	817,115	636,770
Labor and Workforce Development	—	—	—	64,646	66,762
Direct local aid	—	—	—	6,482,323	6,376,321
Medicaid program expenses	—	—	—	18,122,376	17,022,624
Post employment benefits	—	—	—	3,751,854	3,304,975
Debt service:					
Principal retirement	—	—	—	1,176,279	1,280,987
Interest and fiscal charges	—	—	—	1,113,167	1,129,176
Total expenditures	52,831	609	—	48,075,709	46,022,813
Other financing uses:					
Fringe benefit cost assessment	2,429	—	—	17,029	15,591
Operating transfers out	—	—	—	992,039	1,143,801
Stabilization transfer	—	—	—	1,098,139	—
Medical assistance transfer	—	—	—	505,250	505,785
Transfer for transitional escrow	80,133	—	—	1,460,324	—
Other fund deficit support	1,650	—	—	30,068	305,412
Total other financing uses	84,212	—	—	4,102,849	1,970,589
Total expenditures and other financing uses	137,043	609	—	52,178,558	47,993,402
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	400	9,391	4,891,987	7,803,972	336,008
Fund balance/(deficit) at beginning of year	1,700	2,500	—	4,295,205	3,959,197
Fund balance/(deficit) at end of year	\$ 2,100	\$ 11,891	\$ 4,891,987	\$ 12,099,177	\$ 4,295,205

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, 2021

(Amounts in thousands)

	General			Commonwealth Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$24,716,800	\$30,302,064	\$ 5,585,264	\$ 1,136,100	\$ 1,356,340	\$ 220,240
Assessments	430,650	399,848	(30,802)	23,803	23,177	(626)
Federal grants and reimbursements	13,868,076	13,440,226	(427,850)	—	—	—
Tobacco settlement revenue	261,482	245,636	(15,846)	—	—	—
Departmental	3,034,358	3,073,616	39,258	656,476	655,187	(1,289)
Miscellaneous	428,178	283,308	(144,870)	—	33	33
Total revenues	<u>42,739,544</u>	<u>47,744,698</u>	<u>5,005,154</u>	<u>1,816,379</u>	<u>2,034,737</u>	<u>218,358</u>
Other financing sources:						
Fringe benefit cost recovery	—	453,299	453,299	—	—	—
Lottery reimbursements	—	105,986	105,986	—	—	—
Lottery distributions	—	1,090,040	1,090,040	—	—	—
Operating transfers in	1,871,154	203,049	(1,668,105)	28,436	52,618	24,182
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	<u>1,871,154</u>	<u>1,852,374</u>	<u>(18,780)</u>	<u>28,436</u>	<u>52,618</u>	<u>24,182</u>
Total revenues and other financing sources	<u>44,610,698</u>	<u>49,597,072</u>	<u>4,986,374</u>	<u>1,844,815</u>	<u>2,087,355</u>	<u>242,540</u>
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	120,011	72,682	47,329	—	—	—
Judiciary	1,074,157	1,016,437	57,720	—	—	—
Inspector General	6,059	5,747	312	—	—	—
Governor and Lieutenant Governor	10,806	9,328	1,478	—	—	—
Secretary of the Commonwealth	61,388	58,444	2,944	—	—	—
Treasurer and Receiver-General	281,208	220,935	60,273	—	977	(977)
Auditor of the Commonwealth	21,243	19,825	1,418	—	—	—
Attorney General	57,414	54,951	2,463	—	—	—
Ethics Commission	2,584	2,489	95	—	—	—
District Attorney	148,905	145,969	2,936	—	—	—
Office of Campaign & Political Finance	1,840	1,660	180	—	—	—
Sheriffs' Departments	694,877	686,626	8,251	—	—	—
Disabled Persons Protection Commission	7,897	5,464	2,433	—	—	—
Commission on Status of Women	206	206	—	—	—	—
Board of Library Commissioners	34,018	33,821	197	—	—	—
Comptroller	9,645	9,270	375	—	—	—
Administration and Finance	2,636,777	2,211,033	425,744	—	—	—
Energy and Environmental Affairs	313,756	286,838	26,918	—	—	—
Health and Human Services	7,253,671	6,762,074	491,597	—	—	—
Executive Office of Technology Services and Security	48,667	46,826	1,841	—	—	—
Massachusetts Department of Transportation	—	—	—	127,000	127,000	—
Office of the Child Advocate	2,999	1,723	1,276	—	—	—
Commission Against Discrimination	8,349	6,824	1,525	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	3,149,359	2,833,844	315,515	—	—	—
Center for Health Information and Analysis	23,588	23,330	258	—	—	—
Public Safety and Security	1,475,248	1,407,723	67,525	—	—	—
Massachusetts Peace Officer Standards and Training	250	23	227	—	—	—
Housing and Economic Development	890,805	805,572	85,233	—	—	—
Labor and Workforce Development	79,662	59,672	19,990	—	—	—
Direct local aid	6,355,436	6,352,585	2,851	—	—	—
Medicaid program expenses	18,280,385	18,122,376	158,009	—	—	—
Post employment benefits	3,739,620	3,739,584	36	12,271	12,271	—
Debt service:						
Principal retirement	624,981	595,467	29,514	587,215	547,451	39,764
Interest and fiscal charges	597,633	569,410	28,223	566,310	543,757	22,553
Total expenditures	<u>48,013,444</u>	<u>46,168,758</u>	<u>1,844,686</u>	<u>1,292,796</u>	<u>1,231,456</u>	<u>61,340</u>
Other financing uses:						
Fringe benefit cost assessment	—	8,730	(8,730)	—	—	—
Operating transfers out	298,158	305,108	(6,950)	641,672	641,672	—
Stabilization transfer	1,098,140	1,098,139	1	—	—	—
Medical assistance transfer	537,187	505,250	31,937	—	—	—
Transfer for transitional escrow	—	1,151,006	(1,151,006)	—	214,622	(214,622)
Other fund deficit support	—	23,699	(23,699)	—	4,419	(4,419)
Total other financing uses	<u>1,933,485</u>	<u>3,091,932</u>	<u>(1,158,447)</u>	<u>641,672</u>	<u>860,713</u>	<u>(219,041)</u>
Total expenditures and other financing uses	<u>49,946,929</u>	<u>49,260,690</u>	<u>686,239</u>	<u>1,934,468</u>	<u>2,092,169</u>	<u>(157,701)</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (5,336,231)</u>	<u>336,382</u>	<u>\$ 5,672,613</u>	<u>\$ (89,653)</u>	<u>(4,814)</u>	<u>\$ 84,839</u>
Fund balance/(deficit) at beginning of year		720,792			20,366	
Fund balance/(deficit) at end of year		<u>\$ 1,057,174</u>			<u>\$ 15,552</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, 2021

(Amounts in thousands)

	Environmental					
	Inland Fisheries and Game			Marine Recreational Fisheries Development		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ 800	\$ 849	\$ 49	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	7,800	6,776	(1,024)	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	7,082	8,702	1,620	1,765	1,868	103
Miscellaneous	70	58	(12)	—	—	—
Total revenues	<u>15,752</u>	<u>16,385</u>	<u>633</u>	<u>1,765</u>	<u>1,868</u>	<u>103</u>
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	195	236	41	—	—	—
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	<u>195</u>	<u>236</u>	<u>41</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>15,947</u>	<u>16,621</u>	<u>674</u>	<u>1,765</u>	<u>1,868</u>	<u>103</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	21	—	21	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	18,130	14,195	3,935	1,847	1,395	452
Health and Human Services	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
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>18,151</u>	<u>14,195</u>	<u>3,956</u>	<u>1,847</u>	<u>1,395</u>	<u>452</u>
Other financing uses:						
Fringe benefit cost assessment	—	3,443	(3,443)	—	222	(222)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	<u>—</u>	<u>3,443</u>	<u>(3,443)</u>	<u>—</u>	<u>222</u>	<u>(222)</u>
Total expenditures and other financing uses	<u>18,151</u>	<u>17,638</u>	<u>513</u>	<u>1,847</u>	<u>1,617</u>	<u>230</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (2,204)</u>	<u>(1,017)</u>	<u>\$ 1,187</u>	<u>\$ (82)</u>	<u>251</u>	<u>\$ 333</u>
Fund balance/(deficit) at beginning of year		11,027			3,487	
Fund balance/(deficit) at end of year		<u>\$ 10,010</u>			<u>\$ 3,738</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, 2021

(Amounts in thousands)

	Budgeted Other					
	Gaming Local Aid			Education		
	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	79,427	84,351	4,924	23,948	24,441	493
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	30,068	30,068	—	—	—
Total other financing sources	79,427	114,419	34,992	23,948	24,441	493
Total revenues and other financing sources	79,427	114,419	34,992	23,948	24,441	493
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	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
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	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	4,484	4,484	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	114,442	114,419	23	15,323	15,319	4
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	114,442	114,419	23	19,807	19,803	4
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	1,629	(1,629)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	2,948	(2,948)
Other fund deficit support	—	—	—	—	61	(61)
Total other financing uses	—	—	—	—	4,638	(4,638)
Total expenditures and other financing uses	114,442	114,419	23	19,807	24,441	(4,634)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (35,015)	—	\$ 35,015	\$ 4,141	—	\$ (4,141)
Fund balance/(deficit) at beginning of year	—	—	—	—	—	—
Fund balance/(deficit) at end of year	\$ —	—	—	\$ —	—	—

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, 2021

(Amounts in thousands)

	Budgeted Other					
	Behavioral Health Outreach, Access and Support Trust			Federal COVID-19 Response Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	4,891,987	4,891,987
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	4,891,987	4,891,987
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	10,000	10,000	—	—	—
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	10,000	10,000	—	—	—
Total revenues and other financing sources	—	10,000	10,000	—	4,891,987	4,891,987
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	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	5,795	609	5,186	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
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	5,795	609	5,186	—	—	—
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	—
Total expenditures and other financing uses	5,795	609	5,186	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (5,795)	9,391	\$ 15,186	\$ —	4,891,987	\$ 4,891,987
Fund balance/(deficit) at beginning of year		2,500			—	
Fund balance/(deficit) at end of year		\$ 11,891			\$ 4,891,987	

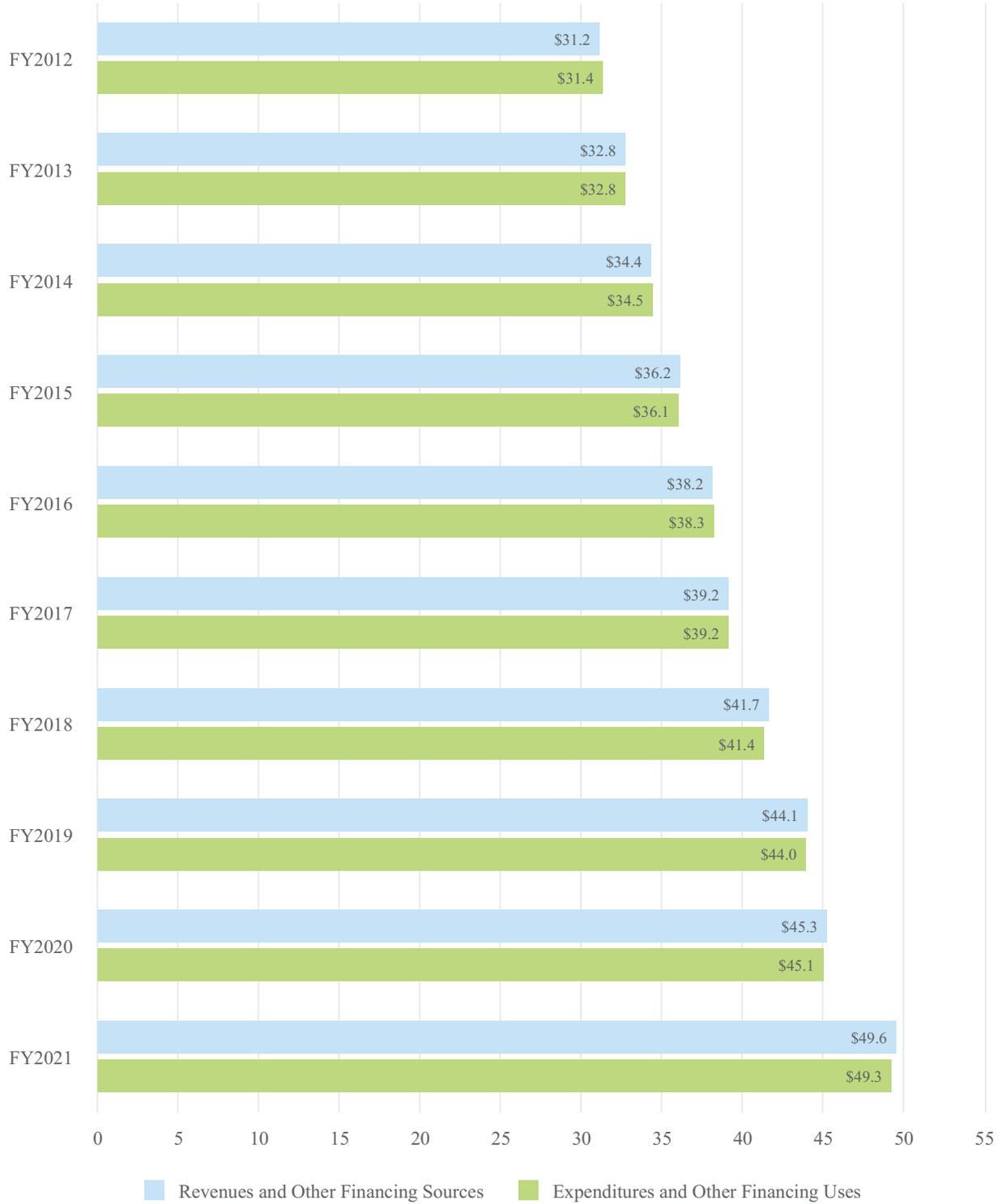
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Totals (Memorandum only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 25,908,200	\$ 31,771,947	\$ 5,863,747
454,453	423,025	(31,428)
13,875,876	18,338,990	4,463,114
261,482	245,636	(15,846)
3,744,448	4,255,760	511,312
467,603	292,723	(174,880)
<u>44,712,062</u>	<u>55,328,081</u>	<u>10,616,019</u>
—	453,299	453,299
—	105,986	105,986
—	1,090,040	1,090,040
2,027,109	399,135	(1,627,974)
17,106	1,115,597	1,098,491
—	1,460,324	1,460,324
—	30,068	30,068
<u>2,044,215</u>	<u>4,654,449</u>	<u>2,610,234</u>
<u>46,756,277</u>	<u>59,982,530</u>	<u>13,226,253</u>
120,011	72,682	47,329
1,077,142	1,018,349	58,793
6,059	5,747	312
10,864	9,385	1,479
61,404	58,444	2,960
281,209	221,914	59,295
21,243	19,825	1,418
57,436	54,951	2,485
2,584	2,489	95
148,905	145,969	2,936
1,840	1,660	180
695,002	686,751	8,251
7,897	5,464	2,433
206	206	—
34,018	33,821	197
66,551	19,689	46,862
2,855,813	2,350,156	505,657
339,375	305,957	33,418
7,453,409	6,913,367	540,042
195,918	146,520	49,398
127,000	127,000	—
2,999	1,723	1,276
8,349	6,824	1,525
15,497	11,334	4,163
3,155,703	2,838,327	317,376
23,588	23,330	258
1,555,280	1,466,042	89,238
250	23	227
914,862	817,115	97,747
90,569	64,646	25,923
6,485,200	6,482,323	2,877
18,280,385	18,122,376	158,009
3,751,891	3,751,854	37
1,247,802	1,176,279	71,523
1,163,943	1,113,167	50,776
<u>50,260,204</u>	<u>48,075,709</u>	<u>2,184,495</u>
—	17,029	(17,029)
988,088	992,039	(3,951)
1,098,140	1,098,139	1
537,187	505,250	31,937
—	1,460,324	(1,460,324)
—	30,068	(30,068)
<u>2,623,415</u>	<u>4,102,849</u>	<u>(1,479,434)</u>
<u>52,883,619</u>	<u>52,178,558</u>	<u>705,061</u>
<u>\$ (6,127,342)</u>	<u>7,803,972</u>	<u>\$ 13,931,314</u>
	<u>4,295,205</u>	
	<u>\$ 12,099,177</u>	



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THE BIG PICTURE: HISTORICAL CONTEXT
General Fund - Total Revenues and Other Financing Sources /
Total Expenditures and Other Financing Uses
Last Ten Fiscal Years
(Amounts in \$ Billions)



General Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 2,137,303	\$ —
Receivables, net of allowance for uncollectibles:		
Taxes receivable	—	2,333,872
Due from federal government	1,059,548	1,282,178
Other receivables	38,127	25,114
Due from cities and towns	9,312	10,936
Total assets	<u>\$ 3,244,290</u>	<u>\$ 3,652,100</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	\$ —	\$ 1,548,450
Accounts payable	2,028,577	1,248,345
Accrued payroll	158,539	134,513
Total liabilities	<u>2,187,116</u>	<u>2,931,308</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	1,057,174	720,792
Total fund balance	<u>1,057,174</u>	<u>720,792</u>
Total liabilities and fund balance	<u>\$ 3,244,290</u>	<u>\$ 3,652,100</u>

See accountants' review report

General Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 24,716,800	\$ 30,302,064	\$ 5,585,264	\$ 26,310,628
Assessments	430,650	399,848	(30,802)	408,928
Federal grants and reimbursements	13,868,076	13,440,226	(427,850)	12,785,622
Tobacco settlement revenue	261,482	245,636	(15,846)	229,690
Departmental	3,034,358	3,073,616	39,258	3,203,982
Miscellaneous	428,178	283,308	(144,870)	323,326
Total revenues	42,739,544	47,744,698	5,005,154	43,262,176
Other financing sources:				
Fringe benefit cost recovery	—	453,299	453,299	573,874
Lottery reimbursements	—	105,986	105,986	110,928
Lottery distributions	—	1,090,040	1,090,040	967,263
Operating transfers in	1,871,154	203,049	(1,668,105)	216,386
Other fund deficit support	—	—	—	207,606
Total other financing sources	1,871,154	1,852,374	(18,780)	2,076,057
Total revenues and other financing sources	44,610,698	49,597,072	4,986,374	45,338,233
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	120,011	72,682	47,329	70,381
Judiciary	1,074,157	1,016,437	57,720	1,018,791
Inspector General	6,059	5,747	312	5,762
Governor and Lieutenant Governor	10,806	9,328	1,478	7,213
Secretary of the Commonwealth	61,388	58,444	2,944	50,064
Treasurer and Receiver-General	281,208	220,935	60,273	237,778
Auditor of the Commonwealth	21,243	19,825	1,418	19,472
Attorney General	57,414	54,951	2,463	53,912
Ethics Commission	2,584	2,489	95	2,360
District Attorney	148,905	145,969	2,936	140,682
Office of Campaign and Political Finance	1,840	1,660	180	1,723
Sheriffs' Department	694,877	686,626	8,251	624,547
Disabled Persons Protection Commission	7,897	5,464	2,433	4,878
Commission on Status of Women	206	206	—	203
Board of Library Commissioners	34,018	33,821	197	30,382
Comptroller	9,645	9,270	375	9,414
Administration and Finance	2,636,777	2,211,033	425,744	2,217,598

General Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
Expenditures (continued):				
Energy and Environmental Affairs	313,756	286,838	26,918	265,648
Health and Human Services	7,253,671	6,762,074	491,597	6,539,351
Executive Office of Technology Services and Security	48,667	46,826	1,841	40,057
Massachusetts Department of Transportation	—	—	—	900
Office of the Child Advocate	2,999	1,723	1,276	1,521
Commission Against Discrimination	8,349	6,824	1,525	—
Executive Office of Education	3,149,359	2,833,844	315,515	2,672,996
Center for Health Information and Analysis	23,588	23,330	258	19,930
Public Safety and Security	1,475,248	1,407,723	67,525	1,477,754
Massachusetts Peace Officer Standards and Training	250	23	227	—
Housing and Economic Development	890,805	805,572	85,233	625,123
Labor and Workforce Development	79,662	59,672	19,990	60,960
Direct local aid	6,355,436	6,352,585	2,851	6,249,547
Medicaid	18,280,385	18,122,376	158,009	17,022,624
Post employment benefits	3,739,620	3,739,584	36	3,295,357
Debt service:				
Principal retirement	624,981	595,467	29,514	704,392
Interest and fiscal charges	597,633	569,410	28,223	586,580
Total expenditures	48,013,444	46,168,758	1,844,686	44,057,900
Other financing uses:				
Fringe benefit cost assessment	—	8,730	(8,730)	5,676
Operating transfers out	298,158	305,108	(6,950)	482,327
Stabilization transfer	1,098,140	1,098,139	1	—
Medical assistance transfer	537,187	505,250	31,937	505,785
Transfer for transitional escrow	—	1,151,006	(1,151,006)	—
Other fund deficit support	—	23,699	(23,699)	—
Total other financing uses	1,933,485	3,091,932	(1,158,447)	993,788
Total expenditures and other financing uses	49,946,929	49,260,690	686,239	45,051,688
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (5,336,231)</u>	336,382	<u>\$ 5,672,613</u>	286,545
Fund balance/(deficit) at beginning of year		720,792		434,247
Fund balance/(deficit) at end of year		<u>\$ 1,057,174</u>		<u>\$ 720,792</u>

continued

See accountants' review report



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Commonwealth Transportation Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 635	\$ 849
Cash with fiscal agent.....	15,553	20,366
Total assets	<u>\$ 16,188</u>	<u>\$ 21,215</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 635	\$ 849
Total liabilities	<u>635</u>	<u>849</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service	15,553	20,366
Total fund balance	<u>15,553</u>	<u>20,366</u>
Total liabilities and fund balance	<u>\$ 16,188</u>	<u>\$ 21,215</u>

See accountants' review report

Commonwealth Transportation Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,136,100	\$ 1,356,340	\$ 220,240	\$ 1,249,176
Assessments	23,803	23,177	(626)	22,623
Departmental	656,476	655,187	(1,289)	598,017
Miscellaneous	—	33	33	852
Total revenues	<u>1,816,379</u>	<u>2,034,737</u>	<u>218,358</u>	<u>1,870,668</u>
Other financing sources:				
Operating transfers in	28,436	52,618	24,182	258,543
Total other financing sources	<u>28,436</u>	<u>52,618</u>	<u>24,182</u>	<u>258,543</u>
Total revenues and other financing sources	<u>1,844,815</u>	<u>2,087,355</u>	<u>242,540</u>	<u>2,129,211</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General	—	977	(977)	—
Massachusetts Department of Transportation	127,000	127,000	—	127,000
Post employment benefits	12,271	12,271	—	9,618
Debt service:				
Principal retirement	587,215	547,451	39,764	552,038
Interest and fiscal charges	566,310	543,757	22,553	542,596
Total expenditures	<u>1,292,796</u>	<u>1,231,456</u>	<u>61,340</u>	<u>1,231,252</u>
Other financing uses:				
Operating transfers out	641,672	641,672	—	619,590
Transfer for transitional escrow	—	214,622	(214,622)	—
Other fund deficit support	—	4,419	(4,419)	305,412
Total other financing uses	<u>641,672</u>	<u>860,712</u>	<u>(219,040)</u>	<u>925,002</u>
Total expenditures and other financing uses	<u>1,934,468</u>	<u>2,092,168</u>	<u>(157,700)</u>	<u>2,156,254</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (89,653)</u>	<u>(4,813)</u>	<u>\$ 84,840</u>	<u>(27,043)</u>
Fund balance/(deficit) at beginning of year		<u>20,366</u>		<u>47,409</u>
Fund balance/(deficit) at end of year		<u>\$ 15,553</u>		<u>\$ 20,366</u>

See accountants' review report

Commonwealth Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 4,322,279	\$ 3,199,047
Investments	304,140	302,134
Total assets	<u>\$ 4,626,419</u>	<u>\$ 3,501,181</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for Commonwealth Stabilization	4,626,419	3,501,181
Total fund balance	<u>4,626,419</u>	<u>3,501,181</u>
Total liabilities and fund balance	<u>\$ 4,626,419</u>	<u>\$ 3,501,181</u>

See accountants' review report

Commonwealth Stabilization Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ 324	\$ 324	\$ 362
Miscellaneous	39,000	9,317	(29,683)	61,529
Total revenues	<u>39,000</u>	<u>9,641</u>	<u>(29,359)</u>	<u>61,891</u>
Other financing sources:				
Stabilization transfer	17,106	1,115,597	1,098,491	14,914
Total other financing sources	<u>17,106</u>	<u>1,115,597</u>	<u>1,098,491</u>	<u>14,914</u>
Total revenues and other financing sources	<u>56,106</u>	<u>1,125,238</u>	<u>1,069,132</u>	<u>76,805</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:				
Stabilization transfer	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 56,106</u>	1,125,238	<u>\$ 1,069,132</u>	76,805
Fund balance/(deficit) at beginning of year		<u>3,501,181</u>		<u>3,424,376</u>
Fund balance/(deficit) at end of year		<u>\$ 4,626,419</u>		<u>\$ 3,501,181</u>

See accountants' review report

Intragovernmental Service Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 46,454	\$ 54,025
Total assets	\$ 46,454	\$ 54,025
 LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 27,823	\$ 39,027
Accrued payroll	5,283	4,094
Total liabilities	33,106	43,121
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	13,348	10,904
Total fund balance	13,348	10,904
Total liabilities and fund balance	\$ 46,454	\$ 54,025

See accountants' review report

Intragovernmental Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
 Fiscal Year Ended June 30, 2021
 (Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ —	\$ 460,619	\$ 460,619	\$ 454,157
Total revenues.....	—	460,619	460,619	454,157
Other financing sources:				
Operating transfers in.....	—	—	—	—
Total other financing sources.....	—	—	—	—
Total revenues and other financing sources.....	—	460,619	460,619	454,157
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Governor and Lieutenant Governor.....	58	57	1	117
Secretary of the Commonwealth.....	16	—	16	—
Comptroller.....	56,906	10,419	46,487	5,084
Administration and Finance.....	195,968	126,660	69,308	141,498
Energy and Environmental Affairs.....	3,150	2,964	186	3,066
Health and Human Services.....	152,634	113,861	38,773	115,860
Executive Office of Technology Services and Security..	147,251	99,694	47,557	95,022
Executive Office of Education.....	1,860	—	1,860	90
Public Safety and Security.....	77,320	55,658	21,662	53,923
Housing and Economic Development.....	7,684	1,920	5,764	1,737
Debt service:				
Principal retirement.....	35,605	33,361	2,244	24,557
Total expenditures.....	678,453	444,595	233,858	440,954
Other financing uses:				
Operating transfers out.....	13,580	13,580	—	13,268
Total other financing uses.....	13,580	13,580	—	13,268
Total expenditures and other financing uses.....	692,033	458,175	233,858	454,222
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ (692,033)</u>	2,444	<u>\$ 694,477</u>	(65)
Fund balance/(deficit) at beginning of year.....		10,904		10,969
Fund balance/(deficit) at end of year.....		<u>\$ 13,348</u>		<u>\$ 10,904</u>

See accountants' review report

Transitional Escrow Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 1,460,324	\$ —
Total assets	\$ 1,460,324	\$ —
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	1,460,324	—
Total fund balance	1,460,324	—
Total liabilities and fund balance	\$ 1,460,324	\$ —
See accountants' review report		

Transitional Escrow Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	<u>2021Budget</u>	<u>2021Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020Actual</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources:				
Transfer for transitional escrow	—	1,460,324	1,460,324	—
Total other financing sources	<u>—</u>	<u>1,460,324</u>	<u>1,460,324</u>	<u>—</u>
Total revenues and other financing sources	<u>—</u>	<u>1,460,324</u>	<u>1,460,324</u>	<u>—</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:				
Transfer for transitional escrow	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ —</u>	<u>1,460,324</u>	<u>\$ 1,460,324</u>	<u>—</u>
Fund balance/(deficit) at beginning of year		<u>—</u>		<u>—</u>
Fund balance/(deficit) at end of year		<u>\$ 1,460,324</u>		<u>\$ —</u>

See accountants' review report

Inland Fisheries And Game Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 10,724	\$ 11,635
Total assets	\$ 10,724	\$ 11,635
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 412	\$ 298
Accrued payroll	302	310
Total liabilities	714	608
Fund balance:		
Unreserved fund balance:		
Undesignated	10,010	11,027
Total fund balance	10,010	11,027
Total liabilities and fund balance	\$ 10,724	\$ 11,635

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, 2021

(Amounts in thousands)

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 800	\$ 849	\$ 49	\$ 916
Federal grants and reimbursements	7,800	6,776	(1,024)	9,065
Departmental	7,082	8,702	1,620	8,508
Miscellaneous	70	58	(12)	68
Total revenues	15,752	16,385	633	18,557
Other financing sources:				
Operating transfers in	195	236	41	218
Total other financing sources	195	236	41	218
Total revenues and other financing sources	15,947	16,621	674	18,775
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General	21	—	21	—
Energy and Environmental Affairs	18,130	14,195	3,935	14,655
Total expenditures	18,151	14,195	3,956	14,655
Other financing uses:				
Fringe benefit cost assessment	—	3,443	(3,443)	3,462
Total other financing uses	—	3,443	(3,443)	3,462
Total expenditures and other financing uses	18,151	17,638	513	18,117
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (2,204)	(1,017)	\$ 1,187	658
Fund balance/(deficit) at beginning of year		11,027		10,369
Fund balance/(deficit) at end of year		\$ 10,010		\$ 11,027

See accountants' review report

Marine Recreational Fisheries Development Fund

Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and short-term investments	\$ 3,866	\$ 3,663
Total assets	<u>\$ 3,866</u>	<u>\$ 3,663</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 91	\$ 146
Accrued payroll	37	30
Total liabilities	<u>128</u>	<u>176</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	100
Unreserved fund balance:		
Undesignated	3,738	3,387
Total fund balance	<u>3,738</u>	<u>3,487</u>
Total liabilities and fund balance	<u>\$ 3,866</u>	<u>\$ 3,663</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, 2021

(Amounts in thousands)

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,765	\$ 1,868	\$ 103	\$ 1,920
Miscellaneous	—	—	—	1
Total revenues	<u>1,765</u>	<u>1,868</u>	<u>103</u>	<u>1,921</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>1,765</u>	<u>1,868</u>	<u>103</u>	<u>1,921</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	1,847	1,395	452	2,161
Total expenditures	<u>1,847</u>	<u>1,395</u>	<u>452</u>	<u>2,161</u>
Other financing uses				
Fringe benefit cost assessment	—	222	(222)	151
Total other financing uses	<u>—</u>	<u>222</u>	<u>(222)</u>	<u>151</u>
Total expenditures and other financing uses	<u>1,847</u>	<u>1,617</u>	<u>230</u>	<u>2,312</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (82)</u>	251	<u>\$ 333</u>	(391)
Fund balance/(deficit) at beginning of year		<u>3,487</u>		<u>3,878</u>
Fund balance/(deficit) at end of year		<u>\$ 3,738</u>		<u>\$ 3,487</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund

Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 3,787	\$ 11,861
Total assets	<u>\$ 3,787</u>	<u>\$ 11,861</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 51	\$ 526
Accrued payroll	40	35
Total liabilities	<u>91</u>	<u>561</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	3,696	11,300
Total fund balance	<u>3,696</u>	<u>11,300</u>
Total liabilities and fund balance	<u>\$ 3,787</u>	<u>\$ 11,861</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)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 30,000	\$ 30,000	\$ —	\$ 30,000
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>—</u>	<u>30,000</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>30,000</u>	<u>30,000</u>	<u>—</u>	<u>30,000</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	23,067	12,463	10,604	12,598
Total expenditures	<u>23,067</u>	<u>12,463</u>	<u>10,604</u>	<u>12,598</u>
Other financing uses:				
Fringe benefit cost assessment	—	462	(462)	460
Operating transfers out	24,679	24,679	—	21,617
Total other financing uses	<u>24,679</u>	<u>25,141</u>	<u>(462)</u>	<u>22,077</u>
Total expenditures and other financing uses	<u>47,746</u>	<u>37,604</u>	<u>10,142</u>	<u>34,675</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (17,746)</u>	<u>(7,604)</u>	<u>\$ 10,142</u>	<u>(4,675)</u>
Fund balance/(deficit) at beginning of year		<u>11,300</u>		<u>15,975</u>
Fund balance/(deficit) at end of year		<u>\$ 3,696</u>		<u>\$ 11,300</u>

See accountants' review report

Public Safety Training Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 387	\$ 414
Total assets	\$ 387	\$ 414
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	387	414
Total fund balance	387	414
Total liabilities and fund balance	\$ 387	\$ 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, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,050	\$ 703	\$ (347)	\$ 940
Total revenues	<u>1,050</u>	<u>703</u>	<u>(347)</u>	<u>940</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>703</u>	<u>(347)</u>	<u>940</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Sheriffs' Department	8	7	1	5
Executive Office of Technology Services and Security ...	—	—	—	6
Public Safety and Security	635	609	26	447
Total expenditures	<u>644</u>	<u>616</u>	<u>28</u>	<u>458</u>
Other financing uses:				
Fringe benefit cost assessment	—	114	(114)	68
Total other financing uses	<u>—</u>	<u>114</u>	<u>(114)</u>	<u>68</u>
Total expenditures and other financing uses	<u>644</u>	<u>730</u>	<u>(86)</u>	<u>526</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 406</u>	(27)	<u>\$ (433)</u>	414
Fund balance/(deficit) at beginning of year		<u>414</u>		<u>—</u>
Fund balance/(deficit) at end of year		<u>\$ 387</u>		<u>\$ 414</u>

See accountants' review report

Local Capital Projects Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 2,500	\$ 2,699
Total assets	\$ 2,500	\$ 2,699
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	2,500	2,699
Total fund balance	2,500	2,699
Total liabilities and fund balance	\$ 2,500	\$ 2,699

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)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	7,698	7,856	158	6,711
Other fund deficit support	—	—	—	4,081
Total other financing sources	7,698	7,856	158	10,792
Total revenues and other financing sources	7,698	7,856	158	10,792
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and Economic Development	7,696	7,696	—	9,691
Total expenditures	7,696	7,696	—	9,691
Other financing uses:				
Transfer for transitional escrow	—	352	(352)	—
Other fund deficit support	—	7	(7)	—
Total other financing uses	—	359	(359)	—
Total expenditures and other financing uses	7,696	8,055	(359)	9,691
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 2	(199)	\$ (201)	1,101
Fund balance/(deficit) at beginning of year		2,699		1,598
Fund balance/(deficit) at end of year		\$ 2,500		\$ 2,699

See accountants' review report

Gaming Local Aid Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
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, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	79,427	84,351	4,924	68,556
Other fund deficit support	—	30,068	30,068	38,549
Total other financing sources	79,427	114,419	34,992	107,105
Total revenues and other financing sources	79,427	114,419	34,992	107,105
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Direct local aid	114,442	114,419	23	107,105
Total expenditures	114,442	114,419	23	107,105
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	114,442	114,419	23	107,105
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (35,015)	—	\$ 35,015	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ —		\$ —

See accountants' review report

Education Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ —	\$ —
Total assets	\$ —	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	—
Total fund balance	—	—
Total liabilities and fund balance	\$ —	\$ —

See accountants' review report

Education Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	23,948	24,441	493	20,880
Other fund deficit support	—	—	—	11,103
Total other financing sources	23,948	24,441	493	31,983
Total revenues and other financing sources	23,948	24,441	493	31,983
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	4,484	4,484	—	10,374
Direct local aid	15,323	15,319	4	19,669
Total expenditures	19,807	19,803	4	30,043
Other financing uses:				
Transfer for transitional escrow	—	2,948	(2,948)	—
Other fund deficit support	—	61	(61)	—
Fringe benefit cost assessment	—	1,629	(1,629)	3,679
Total other financing uses	—	4,638	(4,638)	3,679
Total expenditures and other financing uses	19,807	24,441	(4,634)	33,722
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 4,141</u>	<u>—</u>	<u>\$ (4,141)</u>	<u>(1,739)</u>
Fund balance/(deficit) at beginning of year		<u>—</u>		<u>1,739</u>
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Local Aid Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 50	\$ 50
Total assets	\$ 50	\$ 50
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	50	50
Total fund balance	50	50
Total liabilities and fund balance	\$ 50	\$ 50

See accountants' review report

Local Aid Stabilization Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
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.....	\$ —	—	\$ —	—
Fund balance/(deficit) at beginning of year.....		50		50
Fund balance/(deficit) at end of year.....		\$ 50		\$ 50

See accountants' review report

Gaming Economic Development Fund

Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and short-term investments	\$ 2,931	\$ 9,867
Total assets	<u>\$ 2,931</u>	<u>\$ 9,867</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,931	\$ 1,083
Accrued payroll	—	—
Total liabilities	<u>2,931</u>	<u>1,083</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	8,784
Total fund balance	—	8,784
Total liabilities and fund balance	<u>\$ 2,931</u>	<u>\$ 9,867</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, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	16,251	16,585	334	14,168
Other fund deficit support	—	—	—	10,720
Total other financing sources	16,251	16,585	334	24,888
Total revenues and other financing sources	16,251	16,585	334	24,888
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	10,665
Executive Office of Housing and Economic Development	1,900	1,898	2	99
Labor and Workforce Development	10,907	4,975	5,932	5,802
Total expenditures	12,807	6,873	5,934	16,566
Other financing uses:				
Transfer for transitional escrow	—	11,264	(11,264)	—
Other fund deficit support	—	232	(232)	—
Operating transfers out	10,000	7,000	3,000	7,000
Total other financing uses	10,000	18,496	(8,496)	7,000
Total expenditures and other financing uses	22,807	25,369	(2,562)	23,566
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (6,556)	(8,784)	\$ (2,228)	1,322
Fund balance/(deficit) at beginning of year		8,784		7,462
Fund balance/(deficit) at end of year		\$ —		\$ 8,784

See accountants' review report

Marijuana Regulation Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 3,114	\$ 2,741
Total assets	\$ 3,114	\$ 2,741
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 805	\$ 850
Accrued payroll	209	191
Total liabilities	1,014	1,041
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	2,100	1,700
Total fund balance	2,100	1,700
Total liabilities and fund balance	\$ 3,114	\$ 2,741

See accountants' review report

Marijuana Regulation Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 54,500	\$ 112,370	\$ 57,870	\$ 51,685
Departmental	13,717	25,066	11,349	17,058
Miscellaneous	355	7	(348)	—
Total revenues	68,572	137,443	68,871	68,743
Other financing sources:				
Operating transfers in	—	—	—	3
Other fund deficit support	—	—	—	33,353
Total other financing sources	—	—	—	33,356
Total revenues and other financing sources	68,572	137,443	68,871	102,099
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	2,984	1,912	1,072	—
Sheriff's Department	117	117	—	297
Energy and Environmental Affairs	2,492	564	1,928	455
Health and Human Services	41,309	36,823	4,486	85,567
Cannabis Control Commission	15,497	11,334	4,163	12,597
Public Safety and Security	2,077	2,053	24	394
Housing and Economic Development	6,778	28	6,750	119
Total expenditures	71,254	52,831	18,423	99,429
Other financing uses:				
Fringe benefit cost assessment	—	2,429	(2,429)	2,095
Transfer for transitional escrow	—	80,133	(80,133)	—
Other fund deficit support	—	1,650	(1,650)	—
Total other financing uses	—	84,212	(84,212)	2,095
Total expenditures and other financing uses	71,254	137,043	(65,789)	101,524
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (2,682)	400	\$ 3,082	575
Fund balance/(deficit) at beginning of year		1,700		1,125
Fund balance/(deficit) at end of year		\$ 2,100		\$ 1,700

See accountants' review report

Behavioral Health Outreach, Access and Support Trust
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 12,467	\$ 2,500
Total assets	\$ 12,467	\$ 2,500
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 576	\$ —
Total liabilities	576	—
Fund balance:		
Unreserved fund balance:		
Undesignated	6,924	2,500
Total fund balance	11,891	2,500
Total liabilities and fund balance	\$ 12,467	\$ 2,500

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, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	10,000	10,000	2,500
Total other financing sources	—	10,000	10,000	2,500
Total revenues and other financing sources	—	10,000	10,000	2,500
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	5,795	609	5,186	—
Total expenditures	5,795	609	5,186	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	5,795	609	5,186	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (5,795)	9,391	\$ 15,186	2,500
Fund balance/(deficit) at beginning of year		2,500		—
Fund balance/(deficit) at end of year		\$ 11,891		\$ 2,500

See accountants' review report

Federal COVID-19 Response Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 4,891,987	\$ —
Total assets	\$ 4,891,987	\$ —
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	4,891,987	—
Total fund balance	4,891,987	—
Total liabilities and fund balance	\$ 4,891,987	\$ —

See accountants' review report

Federal COVID-19 Response Fund

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

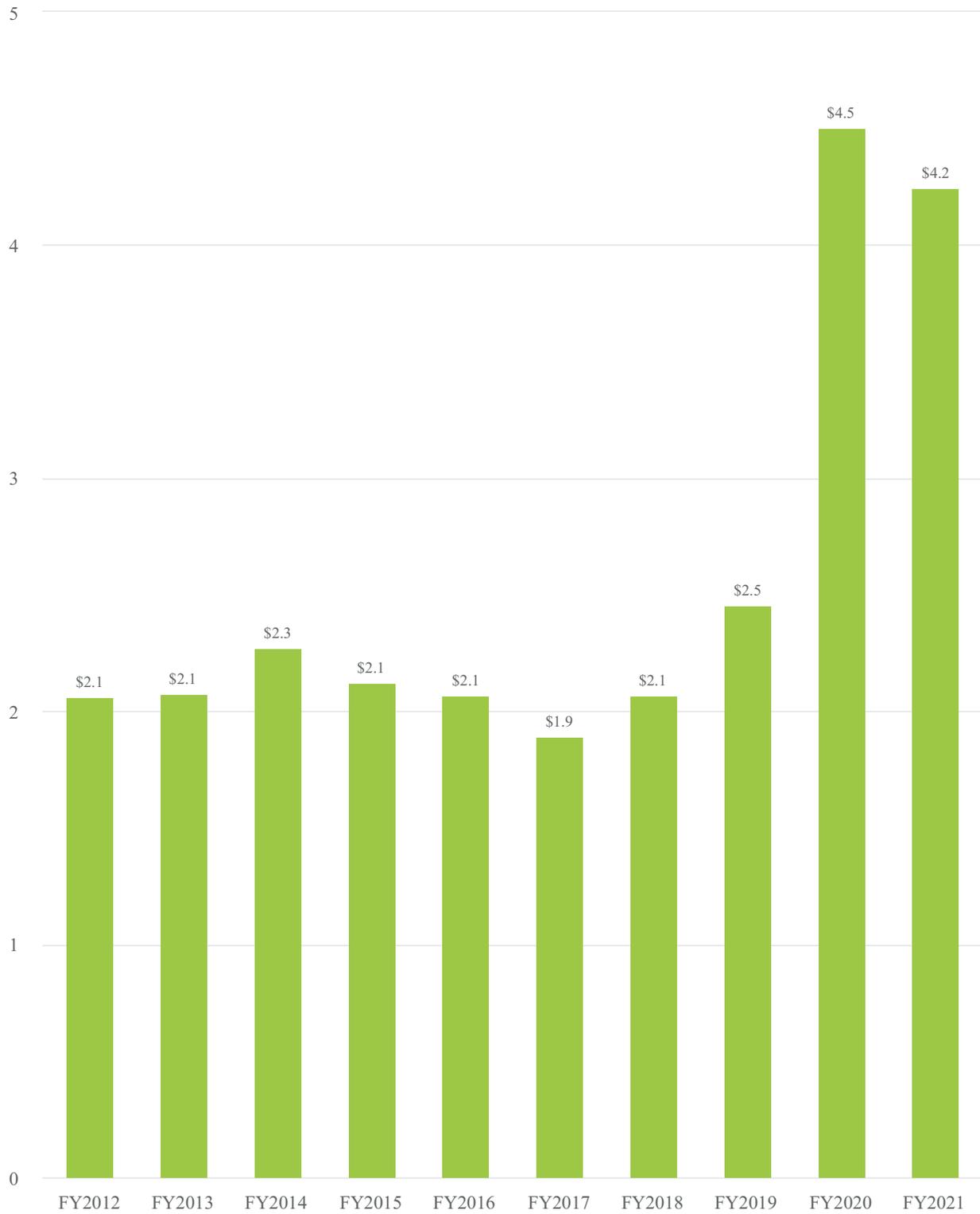
Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ 4,891,987	\$ 4,891,987	\$ —
Total revenues	—	4,891,987	4,891,987	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	4,891,987	4,891,987	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Stabilization transfer	—	—	—	—
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	\$ —	4,891,987	\$ 4,891,987	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ 4,891,987		\$ —

See accountants' review report

THE BIG PICTURE: HISTORICAL CONTEXT
Non-Budgeted Special Revenue Funds
Fund Balances (deficits) at End of Year
Last Ten Fiscal Years
(Amounts in \$ Billions)



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.

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.

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.

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.

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, 30% of the excise tax on electronic nicotine delivery systems, 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.

Vaccine Purchase Trust Fund - to account for surcharges and any interest earnings. Funds shall be used to support a universal purchase system for routine childhood immunizations in the commonwealth.

Dairy Promotion Trust Fund - to account for a fee of 10 cents per hundredweight upon milk delivered by Massachusetts milk producers. Funds shall be used to develop programs and policies with the objective of increasing the consumption of Massachusetts dairy products.

Wellfleet Hollow State Campground Trust Fund - to account for a surcharge of \$5 upon each fee charged and collected for admission to camping in Wellfleet hollow state campground for out-of-state residents. Funds shall be used for the long-term preservation and maintenance of Wellfleet hollow state campground in the town of Wellfleet.

COVID-19 Domestic Violence and Sexual Assault Survivors' Safety Trust Fund - to account for appropriations or monies authorized by the general court and specifically designated to be credited to the fund and funds from public or private sources. Funds shall be used to provide grants to support domestic and sexual violence liaisons, advocacy and outreach in communities throughout the commonwealth.

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.

COVID-19 Massachusetts Emergency Paid Sick Leave Fund - to account for monies from specific transfers and any other gifts, grants, or contributions specifically designated for this fund, to be used for the purpose of reimbursing employers for the cost of providing employees with COVID-19 emergency paid sick leave.

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 FY21 and are not presented in this report:

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Castle Island and Marine Park Trust Fund - to account for appropriations from the General Court, bond proceeds, investment earnings, or public or private gifts, donations, and grants to be used for the long-term preservation and maintenance of the Castle Island and Marine Park in South Boston.

Fishing Innovation Fund - to account for appropriations from the General Court, bond proceeds, investment earnings, or public or private gifts, donations, and grants to be used to finance grants to support the design, construction, research, and development of new technology for fishing vessels.

Agricultural Innovation Fund - to account for appropriations from the General Court, bond proceeds, investment earnings, or public or private gifts, donations, and grants to be used to finance grants for the Commonwealth's agricultural and cranberry producers through the agricultural innovation center.

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.

Nonpublic Ambulance Service Reimbursement Trust Fund - to account for assessment, any federal reimbursement, any revenue from appropriations or other money authorized by the general court and specifically designated to be credited to the fund and interest earnings. Funds shall be used for Medicaid payments to nonpublic ambulance services.

Student Loan Assistance Trust Fund - to account for monies appropriated from the General Court and any public and private gifts, grants and donations to support the student loan ombudsman within the Office of the Attorney General.

Healthy Soils Program Fund - to account for monies from the General Court, transfers, any gifts, grants, private contributions, and investment income to implement, administer and develop healthy soils practices under the healthy soils program

Lampson Brook Farm Fund - to account for monies from appropriations, repayment of loans, lease payments, timber sales, settlements, and any other gifts, grants, or donations specifically designated for this fund, to be used for the implementation and administration of the Lampson Brook Farm.

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2021
(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	\$ —	\$ 20	\$ —	\$ —	\$ 224,007	\$ —	\$ 125,803
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	4,403,007	—	—	—	—	—	—
Departmental	—	5,924,286	34,422	32,152	5	—	142,508
Miscellaneous	143	636	16	—	—	—	32
Total revenues	4,403,150	5,924,942	34,438	32,152	224,012	—	268,343
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	12,645	—	—	—	—	2,893	84,069
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	12,645	—	—	—	—	2,893	84,069
Total revenues and other financing sources	4,415,795	5,924,942	34,438	32,152	224,012	2,893	352,412
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	3,344	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	1,014	—	—	—	—	—	—
Treasurer and Receiver-General	5,499	4,726,265	25,454	52	—	—	—
Attorney General	50,930	—	—	1,443	—	—	—
District Attorney	4,385	—	—	—	—	—	—
Sheriffs' Departments	4,752	—	—	—	—	—	—
Disabled Persons Protection Commission	1,203	—	—	—	—	—	—
Board of Library Commissioners	3,274	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	24,239	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	252,516	—	—	—	—	—	295,230
Energy and Environmental Affairs	43,489	—	—	—	—	—	—
Health and Human Services	911,495	—	—	—	—	2,468	—
Executive Office of Technology Services and Security	2,048	—	—	—	—	—	—
Massachusetts Department of Transportation	170	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	1,210,628	—	—	—	—	—	—
Public Safety and Security	172,571	—	—	10	—	—	—
Housing and Economic Development	849,036	—	—	—	—	—	—
Labor and Workforce Development	214,366	—	—	—	—	—	47
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	3,730,720	4,726,265	25,454	25,744	—	2,468	295,277
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	83,540	11,635	—	2,778	—	192	—
Lottery operating reimbursements	—	105,986	—	—	—	—	—
Lottery distributions	—	1,081,056	8,984	—	—	—	—
Operating transfers out	135,440	—	—	2,744	206,554	67	18,893
Stabilization transfer	—	—	—	—	17,458	—	—
Total other financing uses	218,980	1,198,677	8,984	5,522	224,012	259	18,893
Total expenditures and other financing uses	3,949,700	5,924,942	34,438	31,266	224,012	2,727	314,170
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	466,095	—	—	886	—	166	38,242
Fund balances/(deficits) at beginning of year	1,621	—	—	1,059	—	5,856	72,174
Fund balances/(deficits) at end of year	\$ 467,716	\$ —	\$ —	\$ 1,945	\$ —	\$ 6,022	\$ 110,416

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, 2021
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Non-Acute Care Hospital Reimburse- ment 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	Fingerprint- Based Background Check Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	10,641	—	—	—	—	3,725	—
Federal grants and reimbursements.....	19,032	106,763	—	918	—	—	—
Departmental.....	—	—	—	—	814	—	3,257
Miscellaneous.....	—	—	—	—	11	1	—
Total revenues.....	<u>29,673</u>	<u>106,763</u>	<u>—</u>	<u>918</u>	<u>825</u>	<u>3,726</u>	<u>3,257</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	93,246	—	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>—</u>	<u>93,246</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources.....	<u>29,673</u>	<u>106,763</u>	<u>93,246</u>	<u>918</u>	<u>825</u>	<u>3,726</u>	<u>3,257</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.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	—	1,519	—
Health and Human Services.....	29,518	65,149	84,622	2,521	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—	2,946
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>29,518</u>	<u>65,149</u>	<u>84,622</u>	<u>2,521</u>	<u>—</u>	<u>1,519</u>	<u>2,946</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	—	—	—	—	—	529	181
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	—	—	—	—	—	54	82
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>583</u>	<u>263</u>
Total expenditures and other financing uses.....	<u>29,518</u>	<u>65,149</u>	<u>84,622</u>	<u>2,521</u>	<u>—</u>	<u>2,102</u>	<u>3,209</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....							
	155	41,614	8,624	(1,603)	825	1,624	48
Fund balances/(deficits) at beginning of year.....	2,782	117,312	254	4,036	7,571	4,050	6,176
Fund balances/(deficits) at end of year.....	<u>\$ 2,937</u>	<u>\$ 158,926</u>	<u>\$ 8,878</u>	<u>\$ 2,433</u>	<u>\$ 8,396</u>	<u>\$ 5,674</u>	<u>\$ 6,224</u>

See accountants' review report

Non-Budgeted Other Funds

Liability Management and Reduction	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	Victims of Drunk Driving Trust	State Athletic Commission
\$ —	\$ —	\$ —	\$ 1,261,411	\$ 82,212	\$ —	\$ 1,117	\$ —	\$ —	\$ —
—	—	—	177,901	—	—	792	—	—	—
—	—	—	—	—	13,974	—	—	—	—
2,115	105	1,464	—	—	—	376	9,800	248	6
2	—	—	—	11	—	580	—	1	—
<u>2,117</u>	<u>105</u>	<u>1,464</u>	<u>1,439,312</u>	<u>82,223</u>	<u>13,974</u>	<u>2,865</u>	<u>9,800</u>	<u>249</u>	<u>6</u>
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
<u>2,117</u>	<u>105</u>	<u>1,464</u>	<u>1,439,312</u>	<u>82,223</u>	<u>13,974</u>	<u>2,865</u>	<u>9,800</u>	<u>249</u>	<u>6</u>
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	1,439,312	—	—	—	—	—	—
62	—	—	—	—	—	—	—	88	—
—	—	—	—	—	—	—	—	50	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	2,316	—	—	—
1,509	—	—	—	—	—	—	—	—	—
—	—	—	—	55,670	—	—	—	—	—
—	86	1,376	—	—	11,935	70	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	8,172	—	75
—	—	—	—	—	—	—	—	—	—
<u>1,571</u>	<u>86</u>	<u>1,376</u>	<u>1,439,312</u>	<u>55,670</u>	<u>11,935</u>	<u>2,386</u>	<u>8,172</u>	<u>138</u>	<u>75</u>
—	—	—	—	—	—	—	—	—	—
34	29	—	—	—	232	247	1,448	3	26
—	—	—	—	—	—	—	—	—	—
—	10	—	—	—	102	163	771	3	7
—	—	—	—	—	—	—	—	—	—
<u>34</u>	<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>334</u>	<u>410</u>	<u>2,219</u>	<u>6</u>	<u>33</u>
<u>1,605</u>	<u>125</u>	<u>1,376</u>	<u>1,439,312</u>	<u>55,670</u>	<u>12,269</u>	<u>2,796</u>	<u>10,391</u>	<u>144</u>	<u>108</u>
512	(20)	88	—	26,553	1,705	69	(591)	105	(102)
2,567	238	11,676	—	39,230	2,748	704	5,602	764	369
<u>\$ 3,079</u>	<u>\$ 218</u>	<u>\$ 11,764</u>	<u>\$ —</u>	<u>\$ 65,783</u>	<u>\$ 4,453</u>	<u>\$ 773</u>	<u>\$ 5,011</u>	<u>\$ 869</u>	<u>\$ 267</u>

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Organ and Tissue Donor Registration	Department of Fire Services Hazardous Material Emergency Mitigation Response Recovery Trust	Registers Technological	County Registers Technological	State Election Campaign	Enhanced 911	Counsel for Indigent Salary Enhancement Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	130	162	5,997	3,356	251	160,065	—
Miscellaneous	—	—	—	—	1	134	—
Total revenues	<u>130</u>	<u>162</u>	<u>5,997</u>	<u>3,356</u>	<u>252</u>	<u>160,199</u>	<u>—</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>	<u>—</u>
Total revenues and other financing sources	<u>130</u>	<u>162</u>	<u>5,997</u>	<u>3,356</u>	<u>252</u>	<u>160,199</u>	<u>—</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	3,924	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	6,017	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—
Health and Human Services	100	—	—	—	—	46	—
Executive Office of Technology Services and Security	—	—	—	1,460	—	3,878	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	165	—	—	—	118,951	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	<u>100</u>	<u>165</u>	<u>3,924</u>	<u>1,460</u>	<u>—</u>	<u>128,892</u>	<u>—</u>
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	298	—	—	4,751	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	197	—	—	3,074	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>495</u>	<u>—</u>	<u>—</u>	<u>7,825</u>	<u>—</u>
Total expenditures and other financing uses	<u>100</u>	<u>165</u>	<u>4,419</u>	<u>1,460</u>	<u>—</u>	<u>136,717</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	30	(3)	1,578	1,896	252	23,482	—
Fund balances/(deficits) at beginning of year	927	155	909	4,978	551	198,295	2
Fund balances/(deficits) at end of year	<u>\$ 957</u>	<u>\$ 152</u>	<u>\$ 2,487</u>	<u>\$ 6,874</u>	<u>\$ 803</u>	<u>\$ 221,777</u>	<u>\$ 2</u>

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, 2021
(Amounts in thousands)

	Non-Budgeted Other Funds					
	Build America Bonds Subsidy Trust	Housing Preservation and Stabilization Trust	Office of Refugees and Immigrants Trust	Veterans Independence Plus Initiative Trust	Environmental Police Trust	Domestic and Sexual Violence Prevention and Victim Assistance
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	57,459	—	—	—	—	—
Departmental	—	—	1	—	592	5
Miscellaneous	—	1,306	—	—	—	—
Total revenues	<u>57,459</u>	<u>1,306</u>	<u>1</u>	<u>—</u>	<u>592</u>	<u>5</u>
Other financing sources:						
Issuance of current refunding bonds	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—
Operating transfers in	—	13,139	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>13,139</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>57,459</u>	<u>14,445</u>	<u>1</u>	<u>—</u>	<u>592</u>	<u>5</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	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	642	—
Health and Human Services	—	—	16	—	—	—
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	—	7,179	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	48,951	—	—	—	—	—
Total expenditures	<u>48,951</u>	<u>7,179</u>	<u>16</u>	<u>—</u>	<u>642</u>	<u>—</u>
Other financing uses:						
Principal on current refundings	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	—	38	—
Lottery operating reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers out	—	—	1	—	23	—
Stabilization transfer	—	—	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>61</u>	<u>—</u>
Total expenditures and other financing uses	<u>48,951</u>	<u>7,179</u>	<u>17</u>	<u>—</u>	<u>703</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	8,508	7,266	(16)	—	(111)	5
Fund balances/(deficits) at beginning of year	298	11,487	156	58	640	58
Fund balances/(deficits) at end of year	<u>\$ 8,806</u>	<u>\$ 18,753</u>	<u>\$ 140</u>	<u>\$ 58</u>	<u>\$ 529</u>	<u>\$ 63</u>

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, 2021
(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.....	\$ 21,363	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	220	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—
Departmental.....	—	—	—	—	502	41
Miscellaneous.....	—	—	—	—	—	—
Total revenues.....	<u>21,363</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>502</u>	<u>41</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>21,363</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>502</u>	<u>41</u>
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Judiciary.....	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—
Attorney General.....	—	—	86	—	—	—
District Attorney.....	—	—	28	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	1	—	359	315	45
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.....	10,197	—	—	—	—	—
Debt service:						
Principal retirement.....	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—
Total expenditures.....	<u>10,197</u>	<u>1</u>	<u>114</u>	<u>359</u>	<u>315</u>	<u>45</u>
Other financing uses:						
Principal on current refundings.....	—	—	—	—	—	—
Fringe benefit cost assessment.....	—	—	—	100	32	—
Lottery operating reimbursements.....	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—
Operating transfers out.....	1	—	—	13	—	—
Stabilization transfer.....	—	—	—	—	—	—
Total other financing uses.....	<u>1</u>	<u>—</u>	<u>—</u>	<u>113</u>	<u>32</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>10,198</u>	<u>1</u>	<u>114</u>	<u>472</u>	<u>347</u>	<u>45</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	11,165	(1)	(114)	(252)	155	(4)
Fund balances/(deficits) at beginning of year.....	49,963	394	158	372	328	30
Fund balances/(deficits) at end of year.....	<u>\$ 61,128</u>	<u>\$ 393</u>	<u>\$ 44</u>	<u>\$ 120</u>	<u>\$ 483</u>	<u>\$ 26</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	18,134	—	—	—	—
—	—	—	27,351	—	—	—	—	—	—
639	—	—	6,191	294	3,839	—	157	3,571	9,918
3	—	—	24	—	5	1	—	1	—
642	—	—	33,566	294	21,978	1	157	3,572	9,918
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	5,300	—	—	—	—	—	—	—	—
—	5,300	—	—	—	—	—	—	—	—
642	5,300	—	33,566	294	21,978	1	157	3,572	9,918
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	15	—	—	—	—	—	—
—	—	—	186	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	4,269	—	25,337	—	—	—	—	—	—
861	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	94	1,412	7,609
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	2	—	—	—	—	—	—	—
—	—	—	—	350	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	1,943	—	—	—	—
—	—	—	—	—	—	—	—	—	—
861	4,269	2	25,538	350	1,943	—	94	1,412	7,609
—	—	—	—	—	—	—	—	—	—
95	—	—	515	—	4,415	—	—	—	1,773
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
34	—	—	185	—	17,797	—	—	—	627
—	—	—	—	—	—	—	—	—	—
129	—	—	700	—	22,212	—	—	—	2,400
990	4,269	2	26,238	350	24,155	—	94	1,412	10,009
(348)	1,031	(2)	7,328	(56)	(2,177)	1	63	2,160	(91)
1,325	8,231	189	11,689	831	11,860	14	241	5,755	6,668
\$ 977	\$ 9,262	\$ 187	\$ 19,017	\$ 775	\$ 9,683	\$ 15	\$ 304	\$ 7,915	\$ 6,577

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2021
(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.....	\$ —	\$ —	\$ 45,744	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	6,818	—	—	—	715,140	—	—
Departmental.....	—	154	—	2,758	—	11,033	—
Miscellaneous.....	—	—	79	—	424	—	—
Total revenues.....	<u>6,818</u>	<u>154</u>	<u>45,823</u>	<u>2,758</u>	<u>715,564</u>	<u>11,033</u>	<u>—</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	26,271	4,364	11,351
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,271</u>	<u>4,364</u>	<u>11,351</u>
Total revenues and other financing sources.....	<u>6,818</u>	<u>154</u>	<u>45,823</u>	<u>2,758</u>	<u>741,835</u>	<u>15,397</u>	<u>11,351</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.....	—	—	—	—	—	—	5
Sheriffs' Departments.....	—	—	—	—	—	—	400
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	12,175	2,664
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	—	42,344	—	—	—	—
Energy and Environmental Affairs.....	3,925	—	—	—	—	—	—
Health and Human Services.....	—	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	31	—	—	—	—	220
Public Safety and Security.....	—	—	—	1,371	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	24,610	—	79,720	—	—
Interest and fiscal charges.....	—	—	27,673	—	32,648	—	—
Total expenditures.....	<u>3,925</u>	<u>31</u>	<u>94,627</u>	<u>1,371</u>	<u>112,368</u>	<u>12,175</u>	<u>3,289</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	1,307	—	—	—	—	—	56
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	1,686	—	71,000	—	632,766	—	26
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>2,993</u>	<u>—</u>	<u>71,000</u>	<u>—</u>	<u>632,766</u>	<u>—</u>	<u>82</u>
Total expenditures and other financing uses.....	<u>6,918</u>	<u>31</u>	<u>165,627</u>	<u>1,371</u>	<u>745,134</u>	<u>12,175</u>	<u>3,371</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	(100)	123	(119,804)	1,387	(3,299)	3,222	7,980
Fund balances/(deficits) at beginning of year.....	1,583	1,368	313,305	1,900	90,929	17,042	23,106
Fund balances/(deficits) at end of year.....	<u>\$ 1,483</u>	<u>\$ 1,491</u>	<u>\$ 193,501</u>	<u>\$ 3,287</u>	<u>\$ 87,630</u>	<u>\$ 20,264</u>	<u>\$ 31,086</u>

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, 2021
(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.....	—	85	206	3,241	—	2,311	692
Miscellaneous.....	—	—	—	—	—	—	—
Total revenues.....	<u>—</u>	<u>85</u>	<u>206</u>	<u>3,241</u>	<u>—</u>	<u>2,311</u>	<u>692</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	—	—	100
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>100</u>
Total revenues and other financing sources.....	<u>—</u>	<u>85</u>	<u>206</u>	<u>3,241</u>	<u>—</u>	<u>2,311</u>	<u>792</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.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	1	—	—	—	1	—	—
Energy and Environmental Affairs.....	—	—	—	—	—	1,279	—
Health and Human Services.....	—	—	19	—	—	—	392
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—
Public Safety and Security.....	—	72	—	2,964	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>1</u>	<u>72</u>	<u>19</u>	<u>2,964</u>	<u>1</u>	<u>1,279</u>	<u>392</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	—	—	—	—	—	408	—
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	—	—	—	260	—	43	—
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>260</u>	<u>—</u>	<u>451</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>1</u>	<u>72</u>	<u>19</u>	<u>3,224</u>	<u>1</u>	<u>1,730</u>	<u>392</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....							
	(1)	13	187	17	(1)	581	400
Fund balances/(deficits) at beginning of year.....	1,218	424	1,288	5,573	247	1,605	347
Fund balances/(deficits) at end of year.....	<u>\$ 1,217</u>	<u>\$ 437</u>	<u>\$ 1,475</u>	<u>\$ 5,590</u>	<u>\$ 246</u>	<u>\$ 2,186</u>	<u>\$ 747</u>

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, 2021
 (Amounts in thousands)

	Non-Budgeted Other Funds						
	Coronavirus Relief	Vaccine Purchase Trust	Dairy Promotion Trust	Wellfleet Hollow State Campground Trust Fund	COVID-19 Domestic Violence & Sexual Assault Survivors' Safety Trust	Opioid Recovery and Remediation	COVID-19 Emergency Paid Sick Leave
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	85,272	—	—	—	—	—	—
Departmental.....	—	—	188	3	—	11,530	—
Miscellaneous.....	—	—	—	—	—	—	—
Total revenues.....	<u>85,272</u>	<u>—</u>	<u>188</u>	<u>3</u>	<u>—</u>	<u>11,530</u>	<u>—</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	45,379	54	—	5,000	—	75,000
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>45,379</u>	<u>54</u>	<u>—</u>	<u>5,000</u>	<u>—</u>	<u>75,000</u>
Total revenues and other financing sources.....	<u>85,272</u>	<u>45,379</u>	<u>242</u>	<u>3</u>	<u>5,000</u>	<u>11,530</u>	<u>75,000</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary.....	—	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	11,208	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	297,275	—	—	—	—	—	—
Energy and Environmental Affairs.....	416	—	77	—	—	—	—
Health and Human Services.....	12,211	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	257	—	—	—	—	—	—
Massachusetts Department of Transportation.....	3,280	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	251,756	—	—	—	—	—	—
Public Safety and Security.....	388	—	—	—	—	—	—
Housing and Economic Development.....	728,925	—	—	—	—	—	—
Labor and Workforce Development.....	2,468	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>1,308,184</u>	<u>—</u>	<u>77</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	155	—	6	—	—	—	—
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	570	—	5	—	—	—	—
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>725</u>	<u>—</u>	<u>11</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>1,308,909</u>	<u>—</u>	<u>88</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	(1,223,637)	45,379	154	3	5,000	11,530	75,000
Fund balances/(deficits) at beginning of year.....	1,699,890	—	—	—	—	—	—
Fund balances/(deficits) at end of year.....	<u>\$ 476,253</u>	<u>\$ 45,379</u>	<u>\$ 154</u>	<u>\$ 3</u>	<u>\$ 5,000</u>	<u>\$ 11,530</u>	<u>\$ 75,000</u>

See accountants' review report

MassDOT				Totals (Memorandum only)	
Massachusetts Transportation Trust	Central Artery/ Tunnel Project Repair and Maintenance Trust	Motor Vehicle Inspection Trust	Transportation Infrastructure and Development	2021	2020
\$ —	\$ —	\$ —	\$ —	\$ 2,877,080	\$ 2,543,261
—	—	—	—	898,752	835,852
15,310	—	—	—	5,806,155	6,230,207
470,375	—	45,708	—	7,086,221	6,568,054
26,843	2,027	16	6	32,956	87,699
512,528	2,027	45,724	6	16,701,162	16,265,073
—	—	—	—	—	664,155
—	—	—	—	—	144,943
649,833	—	—	—	1,132,630	1,021,670
—	—	—	—	505,250	505,785
649,833	—	—	—	1,637,880	2,336,553
1,162,361	2,027	45,724	6	18,339,042	18,601,626
—	—	—	—	3,343	2,881
—	—	—	—	103	276
111	—	—	—	189	168
—	—	—	—	4,938	5,206
472	—	—	—	7,313,402	6,479,902
—	—	—	—	52,609	48,401
—	—	—	—	4,654	3,690
254	—	—	—	11,423	91,914
—	—	—	—	1,203	922
—	—	—	—	3,274	2,555
—	—	—	—	45,589	43,879
—	—	—	—	1,508	1,947
—	—	—	—	977,139	672,174
253	—	1,537	—	104,432	104,258
—	—	—	—	2,653,770	2,469,121
—	—	—	—	7,642	6,363
977,712	25,355	9,862	—	1,016,379	1,032,768
—	—	—	—	—	59
—	—	—	—	1,467,556	1,031,341
6	—	—	—	300,104	527,188
—	—	—	—	1,604,815	573,026
—	—	—	—	233,101	156,122
—	—	—	—	107,905	102,682
—	—	—	—	110,595	105,129
978,808	25,355	11,399	—	16,025,672	13,461,972
—	—	—	—	—	809,098
91,631	—	1,623	—	217,254	290,162
—	—	—	—	105,986	110,928
—	—	—	—	1,090,040	967,263
3,077	—	35,856	—	1,140,066	898,297
—	—	—	—	17,457	14,914
94,708	—	37,479	—	2,570,802	3,090,662
1,073,516	25,355	48,878	—	18,596,474	16,552,634
88,845	(23,328)	(3,154)	6	(257,432)	2,048,992
1,069,894	352,104	5,260	3,217	4,506,466	2,457,474
\$ 1,158,739	\$ 328,776	\$ 2,106	\$ 3,223	\$ 4,249,034	\$ 4,506,466



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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 FY21 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.

Capital Projects Funds

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

Fiscal Year Ended June 30, 2021

(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	\$ 77,259	\$ —	\$ —	\$ —
Departmental	—	—	—	—
Miscellaneous	(5)	—	—	39
Total revenues	77,254	—	—	39
Other financing sources:				
Issuance of general obligation bonds	995,674	—	—	986,374
Bond premiums (discounts) on general obligation bonds	159,056	—	—	234,928
Issuance of special obligation bonds	—	—	—	400,000
Bond premiums (discounts) on special obligation bonds	—	—	—	87,185
Issuance of current refunding bonds	395,972	—	—	469,143
Bond premiums (discounts) on current refunding bonds	78,183	—	—	121,346
Issuance of advance refunding bonds	513,000	—	1,361	346,462
Bond premiums (discounts) on advance refunding bonds	(1,407)	—	(3)	(908)
Operating transfers in	—	—	—	—
State share of federal highway construction	—	—	—	—
Total other financing sources	2,140,478	—	1,358	2,644,530
Total revenues and other financing sources	2,217,732	—	1,358	2,644,569
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	9,984	—	—	—
Secretary of the Commonwealth	2,137	—	—	—
Treasurer and Receiver-General	26,696	—	—	2,326
Auditor of the Commonwealth	102	—	—	—
Attorney General	10	—	—	125
Ethics Commission	82	—	—	—
Sheriffs' Departments	4,636	—	—	—
Board of Library Commissioners	20,133	—	—	—
Comptroller	1,754	—	—	—
Administration and Finance	341,632	—	—	—
Energy and Environmental Affairs	258,133	—	—	540
Health and Human Services	82,509	—	—	—
Executive Office of Technology Services and Security	56,565	—	—	—
Massachusetts Department of Transportation	51,691	—	—	1,487,217
Executive Office of Education	136,713	—	—	—
Center for Health Information and Analysis	4,974	—	—	—
Public Safety and Security	53,173	—	—	—
Housing and Economic Development	467,869	—	—	1,091
Labor and Workforce Development	1,279	—	—	—
Total expenditures	1,520,072	—	—	1,491,299
Other financing uses:				
Payments to advance refunding bonds escrow	511,593	—	1,358	345,554
Principal on current refundings	474,155	—	—	590,489
Fringe benefit cost assessment	19,867	—	—	—
Operating transfers out	—	—	—	—
State share of federal highway construction	—	—	—	141,684
Total other financing uses	1,005,615	—	1,358	1,077,727
Total expenditures and other financing uses	2,525,687	—	1,358	2,569,026
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(307,955)	—	—	75,543
Fund balances/(deficits) at beginning of year	(173,343)	8,393	—	(668,263)
Fund balances/(deficits) at end of year	\$ (481,298)	\$ 8,393	\$ —	\$ (592,720)

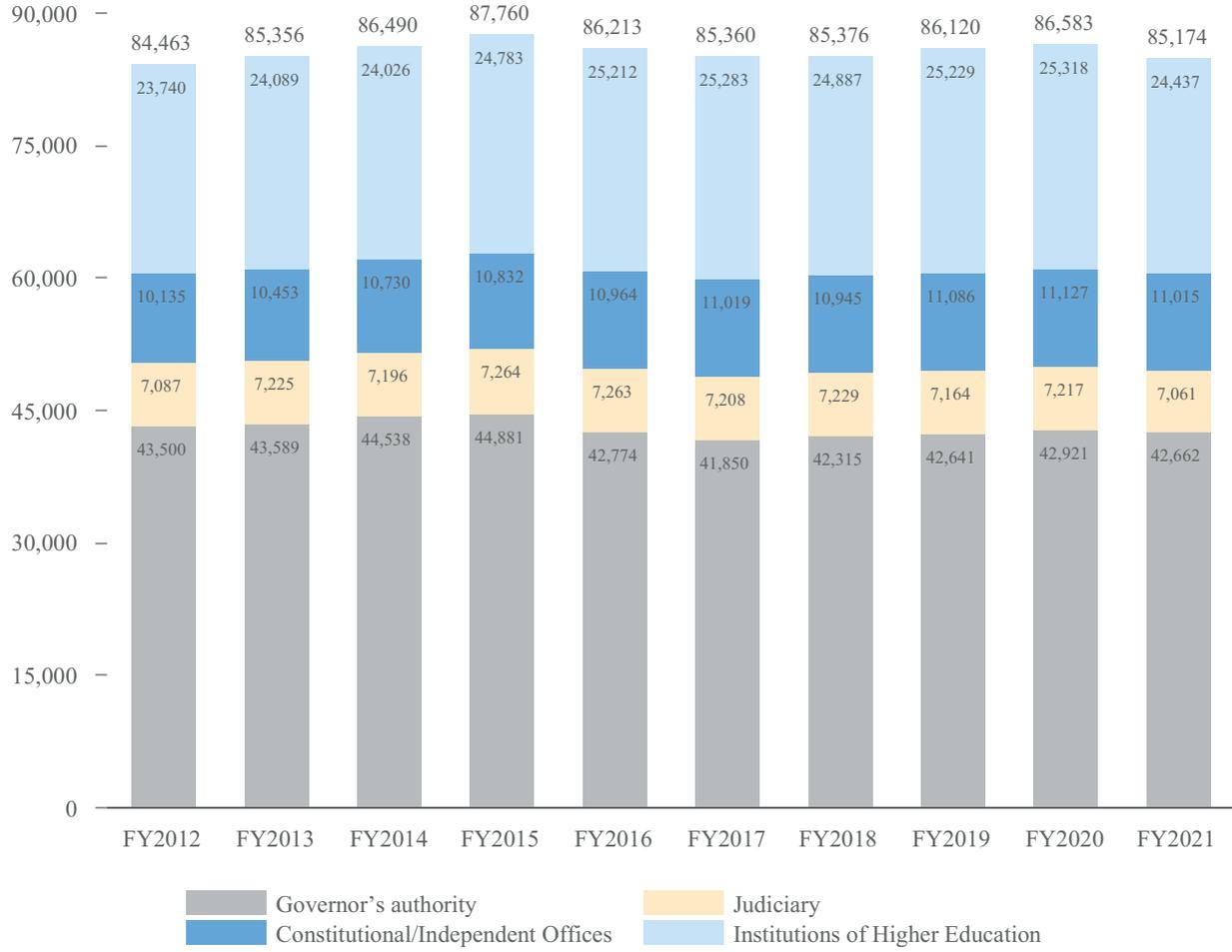
See accountant's review report

Federal Highway Construction Program	Government Land Bank Capital Projects	Local Aid Capital Projects	MassDOT		Totals (Memorandum only)	
			Central Artery Statewide Road and Bridge Infrastructure			
				2021	2020	
\$ —	\$ —	\$ —	\$ —	\$ 77,259	\$ 77,964	
729	—	—	—	729	1,385	
—	—	—	131	165	1,661	
<u>729</u>	<u>—</u>	<u>—</u>	<u>131</u>	<u>78,153</u>	<u>81,010</u>	
—	—	—	—	1,982,048	1,518,386	
—	—	—	—	393,984	120,356	
—	—	—	—	400,000	253,500	
—	—	—	—	87,185	54,037	
—	—	—	—	865,115	366,675	
—	—	—	—	199,529	42,216	
—	2,112	6,344	31,496	900,775	858,435	
—	(5)	(17)	(76)	(2,416)	(2,704)	
632,766	—	—	—	632,766	560,293	
141,684	—	—	—	141,684	119,086	
<u>774,450</u>	<u>2,107</u>	<u>6,327</u>	<u>31,420</u>	<u>5,600,670</u>	<u>3,890,280</u>	
<u>775,179</u>	<u>2,107</u>	<u>6,327</u>	<u>31,551</u>	<u>5,678,823</u>	<u>3,971,290</u>	
—	—	—	—	9,984	15,039	
—	—	—	—	2,137	1,025	
—	—	—	—	29,022	22,807	
—	—	—	—	102	—	
—	—	—	—	135	87	
—	—	—	—	82	—	
—	—	—	—	4,636	6,390	
—	—	—	—	20,133	19,400	
—	—	—	—	1,754	2,450	
—	—	—	—	341,632	315,803	
—	—	—	—	258,673	195,207	
—	—	—	—	82,509	86,459	
330	—	—	—	56,896	35,544	
761,791	—	—	—	2,300,699	1,903,655	
—	—	—	—	136,713	106,969	
—	—	—	—	4,974	4,595	
—	—	—	—	53,173	50,704	
—	500	—	—	469,459	334,031	
—	—	—	—	1,279	934	
<u>762,121</u>	<u>500</u>	<u>—</u>	<u>—</u>	<u>3,773,992</u>	<u>3,101,099</u>	
—	2,107	6,327	31,420	898,358	855,731	
—	—	—	—	1,064,644	408,891	
13,058	—	—	—	32,925	31,304	
—	—	—	—	—	884	
—	—	—	—	141,684	119,086	
<u>13,058</u>	<u>2,107</u>	<u>6,327</u>	<u>31,420</u>	<u>2,137,611</u>	<u>1,415,896</u>	
<u>775,179</u>	<u>2,607</u>	<u>6,327</u>	<u>31,420</u>	<u>5,911,603</u>	<u>4,516,995</u>	
—	(500)	—	131	(232,780)	(545,705)	
517	—	—	70,598	(762,098)	(216,393)	
<u>\$ 517</u>	<u>\$ (500)</u>	<u>\$ —</u>	<u>\$ 70,729</u>	<u>\$ (994,878)</u>	<u>\$ (762,098)</u>	

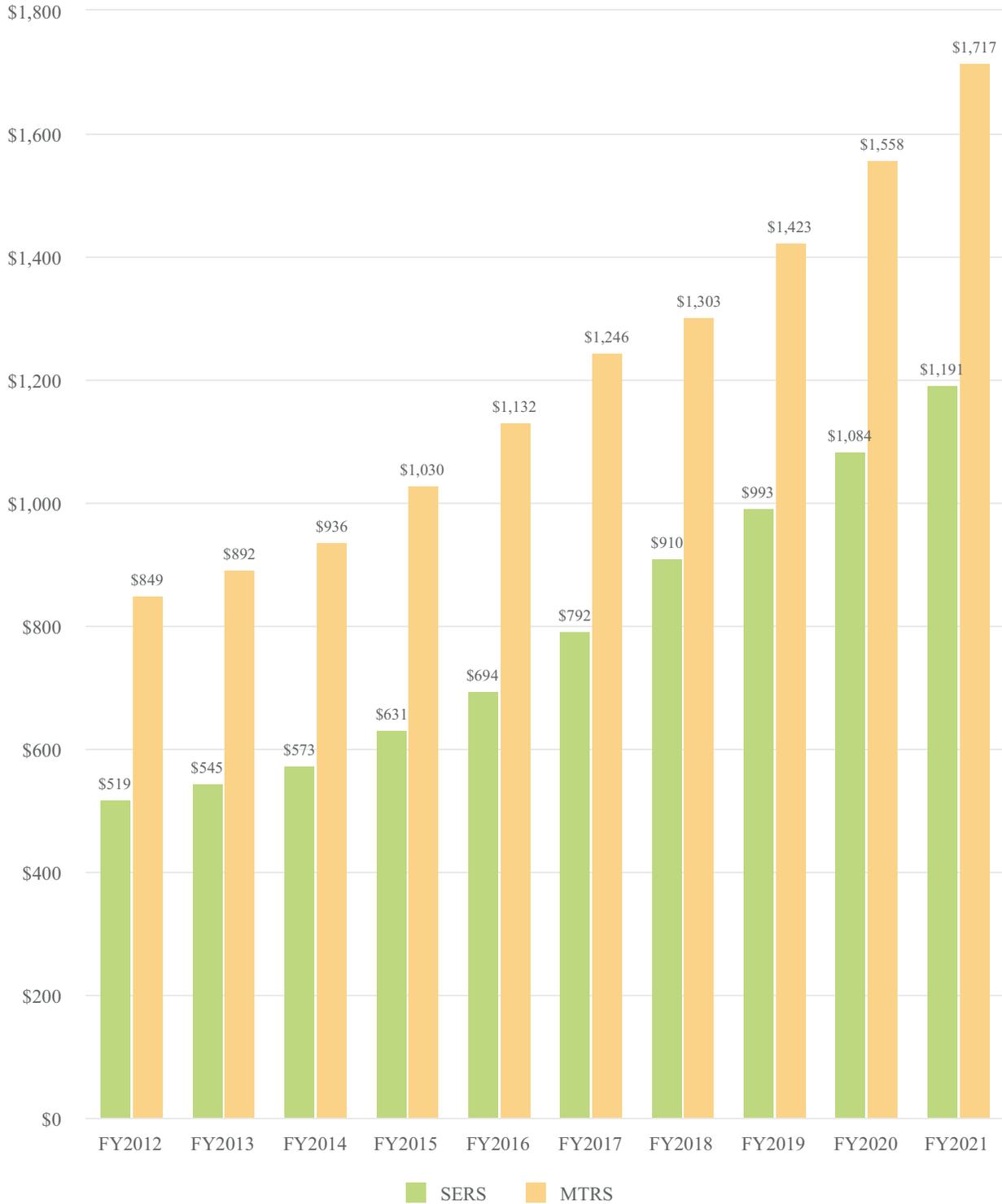


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THE BIG PICTURE: HISTORICAL CONTEXT
Full-Time Equivalent Workforce
Last Ten Fiscal Years



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, Transitional Escrow Fund and Stabilization Fund Reconciliation
Calculation of Transfers – Tax Reduction Fund
Schedule A – FY2021 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

Calculations of Consolidated Net Surplus, Transfers to Transitional Escrow Fund, and Stabilization Fund Balance Reconciliation

Fiscal Year Ended June 30, 2021
(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)	\$ 1,174,704	\$ 219,041	\$ 359	\$ (30,068)	\$ 3,009	\$ 11,496	\$ 81,783	\$ 1,460,324
Fund Balance Deficit Elimination Transfers Per Section 16 of Ch. 76 of the Acts of 2021:	(23,698)	(4,419)	(7)	30,068	(61)	(233)	(1,650)	—
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	<u>\$ 1,151,006</u>	<u>\$ 214,622</u>	<u>\$ 352</u>	<u>\$ —</u>	<u>\$ 2,948</u>	<u>\$ 11,263</u>	<u>\$ 80,133</u>	<u>\$ 1,460,324</u>
Year-end Transfers to the General Fund to Fund Statutory Allocations								—

Disposition of Consolidated Net Surplus per Section 16 of Ch. 76 of the Acts of 2021:

Transfer to the Massachusetts Transitional Escrow Fund	\$ (1,151,006)	\$ (214,622)	\$ (352)	\$ —	\$ (2,948)	\$ (11,263)	\$ (80,133)	\$ (1,460,324)
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Stabilization Fund Balance Reconciliation:

Balance as of July 1, 2020	\$ 3,501,181
Capital Gains Tax Revenue Transfers to Stabilization Fund during FY2021 per Chapter 29, Section 5G	1,098,140
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year	—
Certain tax revenues	324
Transfer of 10% of casino gaming tax revenue (MGM and Encore)	17,458
Stabilization Fund investment income	9,317
Stabilization Fund Balance as of June 30, 2021	\$ 4,626,419
Memo: Change in Stabilization Fund Balance, FY20-21	\$ 1,125,238

* Excludes funds not part of the consolidated net surplus or with no FY21 balances or activity; statute supersedes Section 2C of Chapter 29 of the Massachusetts General Laws, which determines transfers to the Commonwealth Stabilization Fund

Note: Details may not add to totals due to rounding

Calculation of Transfers: Tax Reduction Fund

Fiscal Year Ended June 30, 2021

(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	\$ 4,626,419
Allowable Stabilization Fund balance (per Schedule B)	<u>8,532,366</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 4,626,419
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 4,626,419</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
FY2021 Tax Revenues by Revenue Class

Fiscal Year Ended June 30, 2021
(Amounts in thousands)

Alcoholic beverages	\$ 92,660
Cigarette	316,073
Cigarette excise - Commonwealth Care	82,141
Corporations	3,672,995
Deeds	397,177
Estate and inheritance	787,764
Health care coverage penalty - Commonwealth Care	43,662
Income	19,618,461
Insurance	480,483
Motor and special fuels	662,932
Room occupancy	121,237
Sales and use	7,849,245
Club alcoholic beverages	546
Motor vehicle excise	783
Convention center surcharges	4,233
Community preservation	82,212
Satellite	6,708
Gaming revenue - Massachusetts Gaming Commission	224,007
State racing - Massachusetts Gaming Commission	1,117
Beano	47
Raffles and bazaars	585
Boxing	—
DOI excess and surplus lines	56,922
UI surcharge	21,363
Controlled substances	112,370
Electronic Nicotine Delivery System	13,304
FY 2021 state tax revenue	<u>\$ 34,649,027</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, 2021
(Amounts in thousands)

Total revenues and other financial resources pertaining to the budgeted funds.....	\$ 59,982,530
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C).....	<u>(3,100,092)</u>
Adjusted revenues and other financial resources pertaining to the budgeted funds.....	<u>56,882,438</u>
Allowable Stabilization Fund balance, 15% of budgeted fund revenue	<u><u>\$ 8,532,366</u></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, 2021
(Amounts in thousands)

Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund	\$ (441,643)
Adjustments to other financing sources and uses:	
Fringe benefit cost assessments	(17,029)
Transfer from the Intragovernmental Service Fund to the General Fund	(13,580)
RMV license plates	(4,394)
Capital Gains Tax Transfers from General Fund to the Commonwealth Stabilization Fund	(1,098,140)
Transfer from budgeted funds to the Transitional Escrow Fund	(1,460,324)
Other fund deficit support	(30,068)
Other	(34,914)
Elimination of budgetary interfund activity	\$ (3,100,092)

Non-Tax Revenue Initiatives

Fiscal Year Ended June 30, 2021
(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 FY21 were (amounts in thousands):

Department Collectors	Collections	Fees
Allen Daniels	\$ 1,245	\$ 174
F.H. Cann & Associates	895	164
Premier Credit of North America, LLC	1,170	149
Linebarger, Goggan, Blair & Sampson, LLP	217	55
Financial Asset Management Systems, Inc	25	3
Reliant Capital Solutions, Inc.	1,511	233
Windham Professionals Inc	1,063	173
Total	\$ 6,126	\$ 951

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
Allen Daniels	\$ 1,057	\$ 146
Premier Credit of North America, LLC	683	102
F.H. Cann & Associates	895	164
Reliant Capital Solutions, Inc.	1,206	181
Windham Professionals Inc	957	161
Total	\$ 4,798	\$ 754

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 FY21, the following amounts were generated (amounts in thousands):

State expenditures avoided	\$ 801
Contractor payments	(163)
Net cost savings/avoidance	\$ 638

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. FY21 activity (amounts in thousands):

Total Commonwealth intercepts	\$ 19,063
Amounts included above that were intercepted on behalf of the Institutions of Higher Education	\$ 8,100

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, 2021	\$ 30,370,096	\$ 45,704,298	15,334,202	66.5 %	\$ 6,544,575	234.3 %
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 %
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2021	\$ 31,170,723	\$ 58,829,999	27,659,276	53.0 %	\$ 7,670,306	360.6 %
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 %

*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 Annual Comprehensive Financial Report (ACFR).

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 ACFR due to changes in accounting standards.

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





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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, 2021
(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Taxes	\$ 34,649	41.3	\$ 30,156	42.7	\$ 30,200	44.4	\$ 28,177	44.0	\$ 26,042	42.1
Federal reimbursements	19,819	23.6	16,598	23.4	12,961	19.1	12,536	19.5	11,801	19.1
Federal grants	4,403	5.2	2,505	3.5	2,438	3.6	2,428	3.8	2,370	3.8
Lotteries.....	5,959	7.1	5,395	7.6	5,652	8.3	5,441	8.5	5,257	8.5
Assessments	1,322	1.6	1,267	1.8	1,328	2.0	1,246	1.9	1,209	2.0
Motor vehicle licenses and registrations	577	0.7	515	0.7	566	0.8	565	0.9	546	0.9
Fees, investment earnings, etc.....	5,378	6.4	5,679	8.0	5,650	8.3	5,525	8.6	4,963	8.0
Proceeds of general and special obligation bonds and related premiums.....	2,863	3.4	1,946	2.7	2,111	3.1	2,727	4.3	3,136	5.1
Proceeds of refunding bonds.....	1,963	2.3	2,074	2.9	1,443	2.1	1,311	2.0	2,269	3.7
Other interfund transfers	7,067	8.4	4,767	6.7	5,624	8.3	4,202	6.5	4,233	6.8
Total revenues and other financing sources	\$ 84,000	100.0	\$ 70,902	100.0	\$ 67,973	100.0	\$ 64,158	100.0	\$ 61,826	100.0

2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 25,800	42.7	\$ 25,239	44.4	\$ 23,665	43.6	\$ 22,396	43.8	\$ 21,384	42.7
11,528	19.1	10,287	18.1	9,265	17.1	9,078	17.8	8,931	17.8
2,363	3.9	2,269	4.0	2,328	4.3	2,396	4.7	2,655	5.3
5,407	8.9	5,194	9.1	5,050	9.3	5,043	9.9	4,941	9.9
1,058	1.7	1,033	1.8	1,079	2.0	1,018	2.0	986	2.0
546	0.9	546	1.0	495	0.9	487	1.0	474	0.9
5,016	8.3	4,409	7.8	4,252	7.9	3,858	7.5	3,580	7.2
3,003	5.0	3,404	6.0	2,262	4.2	1,512	3.0	1,921	3.8
1,674	2.8	707	1.2	722	1.3	231	0.5	480	1.0
4,067	6.7	3,748	6.6	5,093	9.4	4,982	9.8	4,731	9.4
<u>\$ 60,462</u>	<u>100.0</u>	<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>

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

Fiscal Year Ended June 30, 2021
(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Income	\$ 19,618	56.6	\$ 17,361	57.6	\$ 17,109	56.6	\$ 16,240	57.7	\$ 14,684	56.3
Sales and use	7,849	22.7	6,846	22.7	6,842	22.7	6,490	23.0	6,241	24.0
Corporations	3,673	10.6	2,532	8.4	2,947	9.8	2,409	8.5	2,196	8.4
Motor fuels	663	1.9	708	2.3	775	2.6	769	2.7	769	3.0
Cigarette and tobacco	398	1.1	524	1.7	553	1.8	594	2.1	619	2.4
Insurance	480	1.4	415	1.4	401	1.3	364	1.3	358	1.4
Estate and inheritance	788	2.3	700	2.3	601	2.0	473	1.7	337	1.3
Alcoholic beverages	93	0.3	88	0.3	86	0.3	85	0.3	84	0.3
Other	1,087	3.1	982	3.3	886	2.9	753	2.7	754	2.9
Total taxes	\$ 34,649	100.0	\$ 30,156	100.0	\$ 30,200	100.0	\$ 28,177	100.0	\$ 26,042	100.0

2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 14,394	55.9	\$ 14,449	57.2	\$ 13,202	55.8	\$ 12,831	57.3	\$ 11,911	55.6
6,090	23.6	5,804	23.0	5,519	23.3	5,184	23.1	5,079	23.8
2,333	9.0	2,227	8.8	2,195	9.3	1,888	8.4	2,002	9.4
767	3.0	756	3.0	732	3.1	651	2.9	662	3.1
641	2.5	647	2.6	661	2.8	558	2.6	574	2.6
369	1.4	333	1.3	316	1.3	373	1.7	318	1.5
399	1.5	341	1.4	402	1.7	313	1.4	293	1.4
83	0.3	80	0.3	79	0.3	77	0.3	77	0.4
724	2.8	602	2.4	559	2.4	521	2.3	468	2.2
<u>\$ 25,800</u>	<u>100.0</u>	<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>

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

Fiscal Year Ended June 30, 2021

(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Legislature.....	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1
Judiciary.....	1,031	1.3	1,037	1.5	997	1.5	933	1.5	929	1.5
Inspector General.....	6	—	6	—	5	—	4	—	4	—
Governor and Lieutenant Governor.....	9	—	7	—	7	—	7	—	7	—
Secretary of the Commonwealth.....	65	0.1	56	0.1	57	0.1	46	0.1	52	0.1
Treasurer and Receiver-General.....	7,564	9.9	6,741	9.8	6,849	10.3	6,631	10.5	6,314	10.3
Auditor of the Commonwealth.....	20	—	19	—	18	—	20	—	21	—
Attorney General.....	108	0.1	102	0.1	100	0.2	98	0.2	71	0.1
Ethics Commission.....	2	—	2	—	2	—	2	—	2	—
District Attorney.....	151	0.2	145	0.2	132	0.2	122	0.2	123	0.2
Office of Campaign and Political Finance.....	2	—	2	—	3	—	2	—	2	—
Sheriffs' Departments.....	703	0.9	723	1.0	674	1.0	637	1.0	624	1.0
Disabled Persons Protection Commission.....	6	—	6	—	5	—	4	—	3	—
Board of Library Commissioners.....	57	0.1	52	0.1	50	0.1	48	0.1	40	0.1
Massachusetts Gaming Commission.....	47	0.1	45	0.1	51	0.1	45	0.1	38	0.1
Comptroller.....	23	—	18	—	16	—	16	—	16	—
Administration and Finance.....	10,079	13.1	9,657	14.0	9,119	13.7	8,969	14.2	9,010	14.6
Energy and Environmental Affairs.....	669	0.9	585	0.8	598	0.9	565	0.9	543	0.9
Health and Human Services.....	27,842	36.3	26,391	38.5	25,325	38.1	24,438	38.2	23,037	37.6
Executive Office of Technology Services and Security.....	212	0.3	177	0.3	167	0.3	137	0.2	—	—
Massachusetts Department of Transportation.....	3,444	4.5	3,064	4.4	2,855	4.3	2,980	4.7	3,129	5.1
Office of the Child Advocate.....	2	—	2	—	1	—	1	—	1	—
Commission Against Discrimination.....	7	—	7	—	7	—	6	—	6	—
Cannabis Control Commission.....	11	—	13	—	10	—	2	—	—	—
Executive Office of Education.....	4,442	5.8	3,832	5.5	3,604	5.4	3,353	5.3	3,280	5.3
Center for Health Information and Analysis.....	28	—	25	—	23	—	21	—	23	—
Public Safety and Security.....	1,819	2.4	2,111	3.1	1,462	2.2	1,430	2.3	1,406	2.3
Massachusetts Peace Officer Standards and Training.....	—	—	—	—	—	—	—	—	—	—
Housing and Economic Development.....	2,891	3.8	1,544	2.2	1,585	2.4	1,500	2.4	1,359	2.2
Labor and Workforce Development.....	299	0.4	224	0.3	207	0.3	195	0.3	214	0.3
Post employment benefits.....	3,752	4.9	3,305	4.8	3,110	4.7	2,891	4.6	2,660	4.3
Debt service.....	2,508	3.3	2,618	3.8	2,533	3.8	2,519	4.0	2,479	4.0
Payments to advance refunding escrow agent/ Principal on current refunding.....	1,963	2.6	2,074	3.0	1,443	2.2	1,311	2.1	2,269	3.7
Other fund deficit support.....	30	—	305	0.4	—	—	—	—	145	0.2
Other interfund transfers.....	6,818	8.9	4,099	5.9	5,421	8.1	4,412	7.0	3,677	6.0
Total expenditures and other financing uses.....	\$76,682	100.0	\$69,063	100.0	\$66,504	100.0	\$63,414	100.0	\$61,550	100.0

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.

2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 61	0.1	\$ 60	0.1	\$ 56	0.1	\$ 57	0.1	\$ 58	0.1
896	1.5	852	1.5	831	1.5	802	1.5	780	1.6
4	—	5	—	6	—	6	—	3	—
7	—	7	—	5	—	6	—	7	—
45	0.1	52	0.1	53	0.1	50	0.1	43	0.1
6,485	10.7	6,224	11.1	5,893	10.9	5,867	11.3	5,847	11.7
20	—	21	—	19	—	19	—	18	—
63	0.1	56	0.1	53	0.1	50	0.1	53	0.1
3	—	2	—	2	—	2	—	2	—
116	0.2	111	0.2	108	0.2	108	0.2	101	0.2
2	—	2	—	1	—	1	—	1	—
616	1.0	595	1.1	571	1.0	543	1.0	532	1.1
3	—	3	—	2	—	2	—	2	—
48	0.1	49	0.1	45	0.1	41	0.1	34	0.1
35	0.1	21	—	23	—	14	—	1	—
17	—	20	—	18	—	14	—	13	—
8,817	14.8	8,827	15.9	8,857	16.3	8,660	16.8	7,451	14.9
627	1.0	628	1.1	561	1.0	490	0.9	456	0.9
22,579	37.3	20,398	36.0	18,649	34.1	17,447	34.1	17,632	35.1
—	—	—	—	—	—	—	—	—	—
3,287	5.4	3,248	5.8	2,914	5.4	2,439	4.7	2,323	4.6
1	—	—	—	—	—	—	—	—	—
6	—	5	—	5	—	5	—	5	—
—	—	—	—	—	—	—	—	—	—
3,320	5.5	3,218	5.7	3,130	5.8	2,952	5.7	3,030	6.0
27	—	28	—	25	—	9	—	—	—
1,396	2.3	1,350	2.4	1,313	2.4	1,324	2.6	1,236	2.5
—	—	—	—	—	—	—	—	—	—
1,320	2.2	1,281	2.3	1,251	2.3	1,214	2.3	1,203	2.4
214	0.4	223	0.4	237	0.4	300	0.6	390	0.8
2,503	4.1	2,287	3.9	2,109	3.7	1,990	3.8	1,892	3.8
2,470	4.1	2,507	4.5	2,410	4.4	2,351	4.5	2,272	4.5
—	—	—	—	—	—	—	—	—	—
1,674	2.8	707	1.3	722	1.3	230	0.4	388	0.8
71	0.1	89	0.2	168	0.3	—	—	—	—
3,685	6.1	3,409	6.2	4,673	8.6	4,752	9.2	4,352	8.7
<u>\$ 60,417</u>	<u>100.0</u>	<u>\$ 56,285</u>	<u>100.0</u>	<u>\$ 54,710</u>	<u>100.0</u>	<u>\$ 51,745</u>	<u>100.0</u>	<u>\$ 50,125</u>	<u>100.0</u>

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

Fiscal Year Ended June 30, 2021

(Amounts in millions)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Direct local aid	\$ 6,482	\$ 6,376	\$ 6,075	\$ 5,886	\$ 5,703	\$ 5,568	\$ 5,420	\$ 5,292	\$ 5,116	\$ 4,929
Medicaid	18,122	17,023	16,521	15,745	15,252	14,851	13,655	11,901	10,800	10,431
Other Health and Human Services	6,800	6,625	6,210	5,931	5,600	5,433	5,301	4,980	4,769	4,711
Elementary and Secondary Education	717	665	605	552	523	539	515	515	489	436
Higher Education	1,337	1,317	1,284	1,173	1,168	1,194	1,162	1,092	991	937
Early Education and Care	785	712	607	564	540	548	538	510	483	494
Public Safety and Security	1,410	1,479	1,168	1,102	1,060	1,066	1,041	1,010	960	930
Energy and Environmental Affairs	303	283	255	230	222	221	225	215	202	187
Post employment benefits	3,752	3,305	3,110	2,900	2,660	2,503	2,287	2,109	1,990	1,892
Group health insurance	1,721	1,662	1,644	1,634	1,663	1,630	1,665	1,403	1,278	1,206
Debt service	2,289	2,410	2,327	2,323	2,285	2,174	2,190	2,133	2,117	1,923
Major programs	43,718	41,857	39,806	38,039	36,676	35,727	33,999	31,160	29,195	28,076
Other program expenditures	3,916	2,762	3,563	3,113	3,235	3,241	3,326	3,294	3,007	2,899
Interfund transfers and other financing uses	4,545	3,374	3,434	2,945	1,908	1,959	1,527	3,200	3,149	2,515
Total expenditures and other financing uses	<u>\$ 52,179</u>	<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>

THE BIG PICTURE: HISTORICAL CONTEXT
Commonwealth Long-Term Bonds and Notes Outstanding
Last Ten Fiscal Years
(Amounts in \$ Billions)



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

As of June 30, 2021

(Amounts in millions)

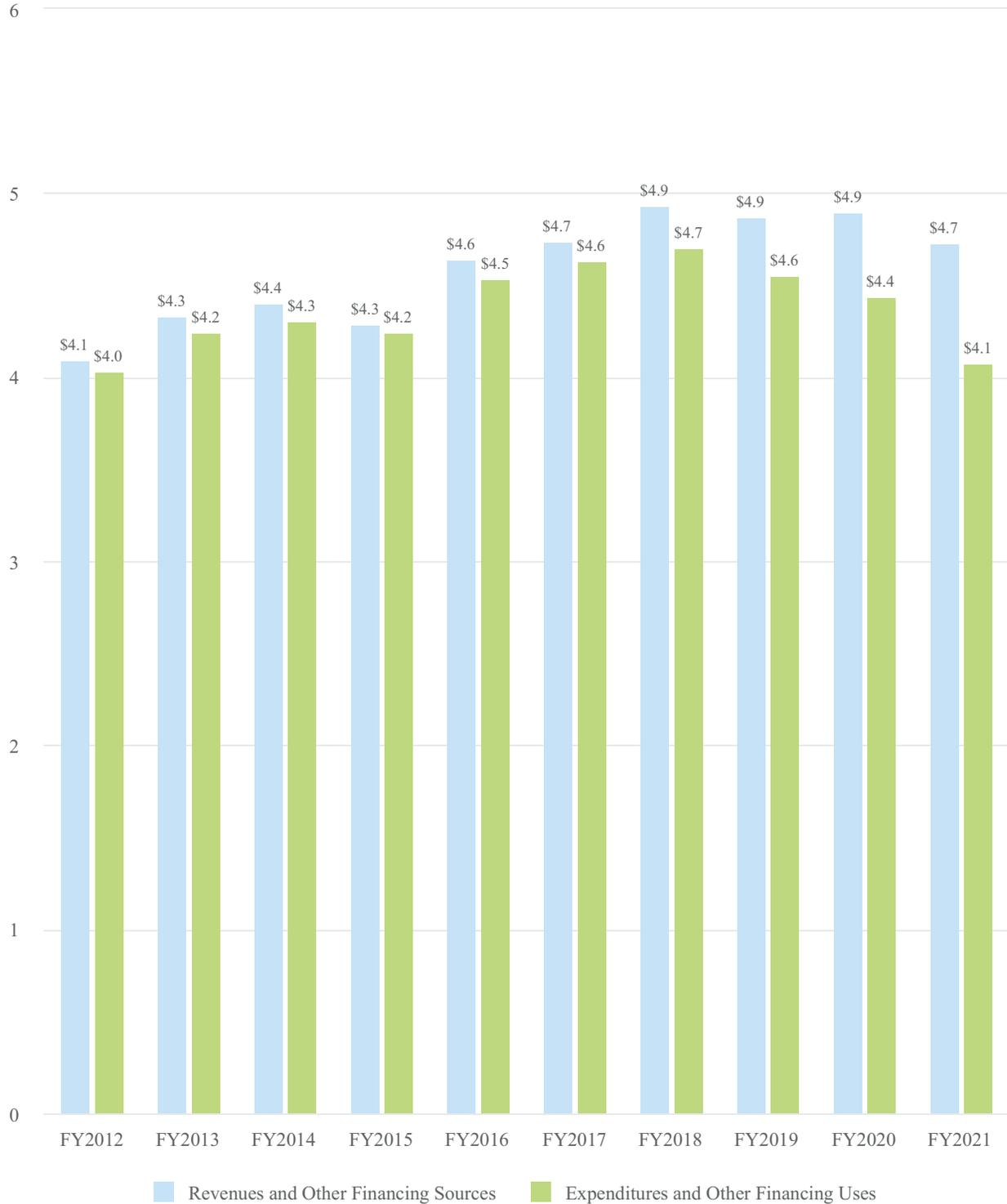
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General obligation bonds	\$ 24,765	\$ 23,953	\$ 23,676	\$ 23,144	\$ 22,717	\$ 21,668	\$ 20,802	\$ 19,387	\$ 19,140	\$ 18,852
Grant anticipation notes*	583	662	685	748	738	657	700	531	449	610
Special obligation bonds	3,700	3,483	3,378	3,469	2,991	2,754	2,324	2,292	1,924	1,972
Commonwealth long-term bonds...	<u>\$ 29,048</u>	<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>

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

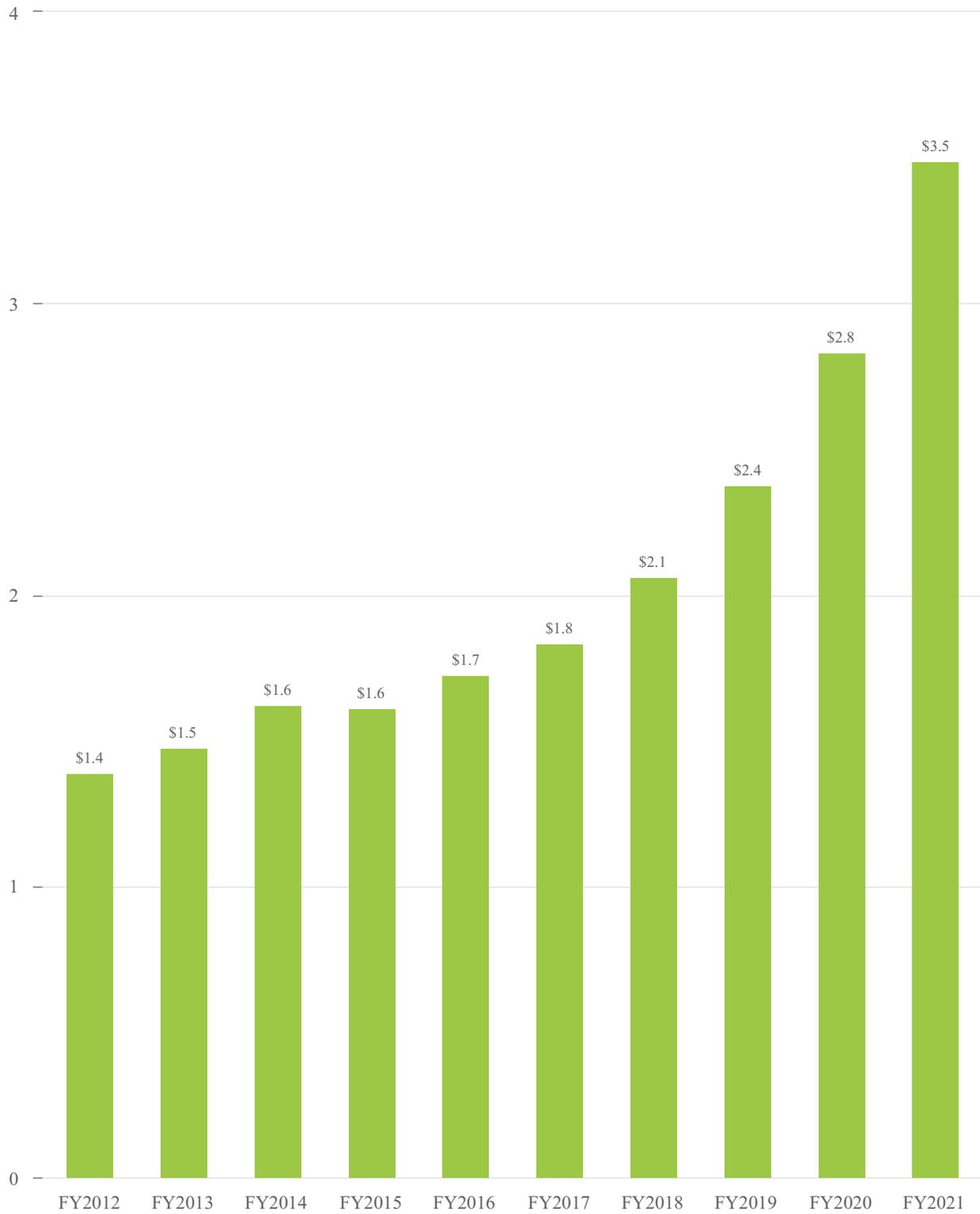


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THE BIG PICTURE: HISTORICAL CONTEXT
Revenues & Other Financing Sources vs.
Expenditures & Other Financing Uses
Combined Institutions of Higher Education
Last Ten Fiscal Years
(Amounts in \$ Billions)



THE BIG PICTURE: HISTORICAL CONTEXT
Non-Appropriated Funds of Higher Education
Ending Fund Balance
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, 2021

(Amounts in thousands)

	University of Massachusetts	State Universities and Colleges	Community Colleges	Totals	
				2021	2020
Revenues and other financing sources:					
Federal grants and reimbursements.....	\$ 380,070	\$ 79,441	\$ 144,043	\$ 603,554	\$ 527,352
Departmental revenue	1,363,651	596,965	453,393	2,414,009	2,574,621
Miscellaneous revenue	1,192,271	316,404	204,226	1,712,901	1,793,494
Total revenues and other financing sources	2,935,992	992,810	801,662	4,730,464	4,895,467
Expenditures and other financing uses:					
(by MMARS subsidiary):					
AA Regular employee compensation	757,651	155,450	124,526	1,037,627	1,115,265
BB Regular employee related expenses	6,082	1,995	1,588	9,665	25,209
CC Special employees and contracted services.....	235,695	114,704	160,509	510,908	581,734
DD Pension and insurance	212,770	51,551	23,832	288,153	320,084
EE Administrative expenditures	219,494	68,179	26,268	313,941	314,083
FF Facility operational supplies	90,667	17,489	12,427	120,583	146,223
GG Energy costs and space rental	118,020	40,068	24,010	182,098	200,057
HH Consultant services.....	230,553	19,380	19,967	269,900	203,240
JJ Operational services	46,596	35,484	10,697	92,777	109,165
KK Equipment purchase	27,686	5,795	10,013	43,494	49,786
LL Equipment leases, maintenance and repair	29,126	7,084	6,667	42,877	43,583
MM Purchased client services and programs	36,742	2,111	3,812	42,665	49,344
NN Construction and improvements	130,826	38,005	16,021	184,852	202,444
PP Aid to local governments	—	—	1,549	1,549	2,293
RR Benefit programs	144,589	155,114	177,278	476,981	555,032
SS Debt payment	30,283	7,946	3,594	41,823	61,755
TT Loans and special payments	160,866	68,571	22,596	252,033	315,458
UU Information technology (IT) expenses	89,236	38,228	34,463	161,927	142,405
Total expenditures and other financing uses	2,566,882	827,154	679,817	4,073,853	4,437,160
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	369,110	165,656	121,845	656,611	458,307
Fund balance at beginning of year	1,509,743	803,726	519,824	2,833,293	2,374,986
Fund balance at end of year	<u>\$ 1,878,853</u>	<u>\$ 969,382</u>	<u>\$ 641,669</u>	<u>\$ 3,489,904</u>	<u>\$ 2,833,293</u>

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, 2021
(Amounts in thousands)

	Totals	
	2021	2020
Revenues and other financing sources:		
Federal grants and reimbursements	\$ 380,070	\$ 306,483
Departmental revenue	1,363,651	1,564,891
Miscellaneous revenue	1,192,271	1,216,961
Total revenues and other financing sources	2,935,992	3,088,335
Expenditures and other financing uses:		
(by MMARS subsidiary):		
AA Regular employee compensation	757,651	801,212
BB Regular employee related expenses	6,082	18,080
CC Special employees and contracted services	235,695	266,366
DD Pension and insurance	212,770	231,215
EE Administrative expenditures	219,494	232,966
FF Facility operational supplies	90,667	116,629
GG Energy costs and space rental	118,020	132,161
HH Consultant services	230,553	174,436
JJ Operational services	46,596	49,414
KK Equipment purchase	27,686	33,351
LL Equipment leases, maintenance and repair	29,126	29,345
MM Purchased client services and programs	36,742	43,016
NN Construction and improvements	130,826	147,856
RR Benefit programs	144,589	257,084
SS Debt payment	30,283	39,413
TT Loans and special payments	160,866	156,809
UU Information technology (IT) expenses	89,236	78,289
Total expenditures and other financing uses	2,566,882	2,807,642
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	369,110	280,693
Fund balance at beginning of year	1,509,743	1,229,050
Fund balance at end of year	<u>\$ 1,878,853</u>	<u>\$ 1,509,743</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, 2021

(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.....	\$ 30,585	\$ 6,176	\$ 9,895	\$ 2,551
Departmental revenue	148,863	55,685	60,001	27,674
Miscellaneous revenue	72,397	80,799	24,710	22,073
Total revenues and other financing sources	251,845	142,660	94,606	52,298
Expenditures and other financing uses:				
(by MMARS subsidiary):				
AA Regular employee compensation	65,824	10,298	19,233	9,856
BB Regular employee related expenses	311	106	127	87
CC Special employees and contracted services.....	39,421	9,798	14,147	5,603
DD Pension and insurance	24,826	2,922	5,716	830
EE Administrative expenditures	5,723	31,263	1,984	3,165
FF Facility operational supplies.....	4,028	2,030	1,553	1,009
GG Energy costs and space rental.....	4,413	3,183	4,328	1,671
HH Consultant services.....	1,391	1,207	1,428	1,756
JJ Operational services	5,520	4,299	7,173	1,351
KK Equipment purchase	1,852	394	761	701
LL Equipment leases, maintenance and repair	1,964	367	476	143
MM Purchased client services and programs.....	1,011	831	43	—
NN Construction and improvements.....	12,336	1,980	3,045	5,947
PP Aid to local governments	—	—	—	—
RR Benefit programs	49,598	13,001	11,374	8,731
SS Debt payment	481	315	364	—
TT Loans and special payments	7,770	3,559	11,086	2,649
UU Information technology (IT) expenses	6,890	5,340	4,105	2,901
Total expenditures and other financing uses	233,359	90,893	86,943	46,400
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	18,486	51,767	7,663	5,898
Fund balance at beginning of year	48,966	101,731	47,495	19,538
Fund balance at end of year.....	<u>\$ 67,452</u>	<u>\$ 153,498</u>	<u>\$ 55,158</u>	<u>\$ 25,436</u>

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	
					2021	2020
\$ 1,358	\$ 2,481	\$ 11,281	\$ 7,343	\$ 7,771	\$ 79,441	\$ 65,422
31,904	16,998	111,922	65,660	78,258	596,965	618,549
8,833	11,153	43,236	16,925	36,278	316,404	355,112
42,095	30,632	166,439	89,928	122,307	992,810	1,039,083
4,510	5,440	15,397	5,547	19,345	155,450	188,355
269	39	69	727	260	1,995	4,662
7,316	5,033	15,143	9,135	9,108	114,704	139,853
1,523	571	6,345	1,459	7,359	51,551	60,035
2,595	1,412	14,115	6,505	1,417	68,179	52,368
44	206	2,369	2,576	3,674	17,489	16,087
1,778	1,731	4,272	13,859	4,833	40,068	42,430
1,325	999	1,218	7,559	2,497	19,380	12,762
6,769	1,689	5,552	2,823	308	35,484	44,929
322	530	112	889	234	5,795	6,159
1,171	82	353	1,787	741	7,084	7,837
—	—	163	—	63	2,111	3,108
144	1,263	5,649	5,808	1,833	38,005	37,392
—	—	—	—	—	—	50
1,367	6,415	23,587	26,669	14,372	155,114	123,278
—	447	543	863	4,933	7,946	18,391
2,818	1,548	5,462	70	33,609	68,571	135,707
2,275	1,354	7,241	4,047	4,075	38,228	34,632
34,226	28,759	107,590	90,323	108,661	827,154	928,035
7,869	1,873	58,849	(395)	13,646	165,656	111,048
6,490	13,087	180,103	303,945	82,371	803,726	692,678
\$ 14,359	\$ 14,960	\$ 238,952	\$ 303,550	\$ 96,017	\$ 969,382	\$ 803,726

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

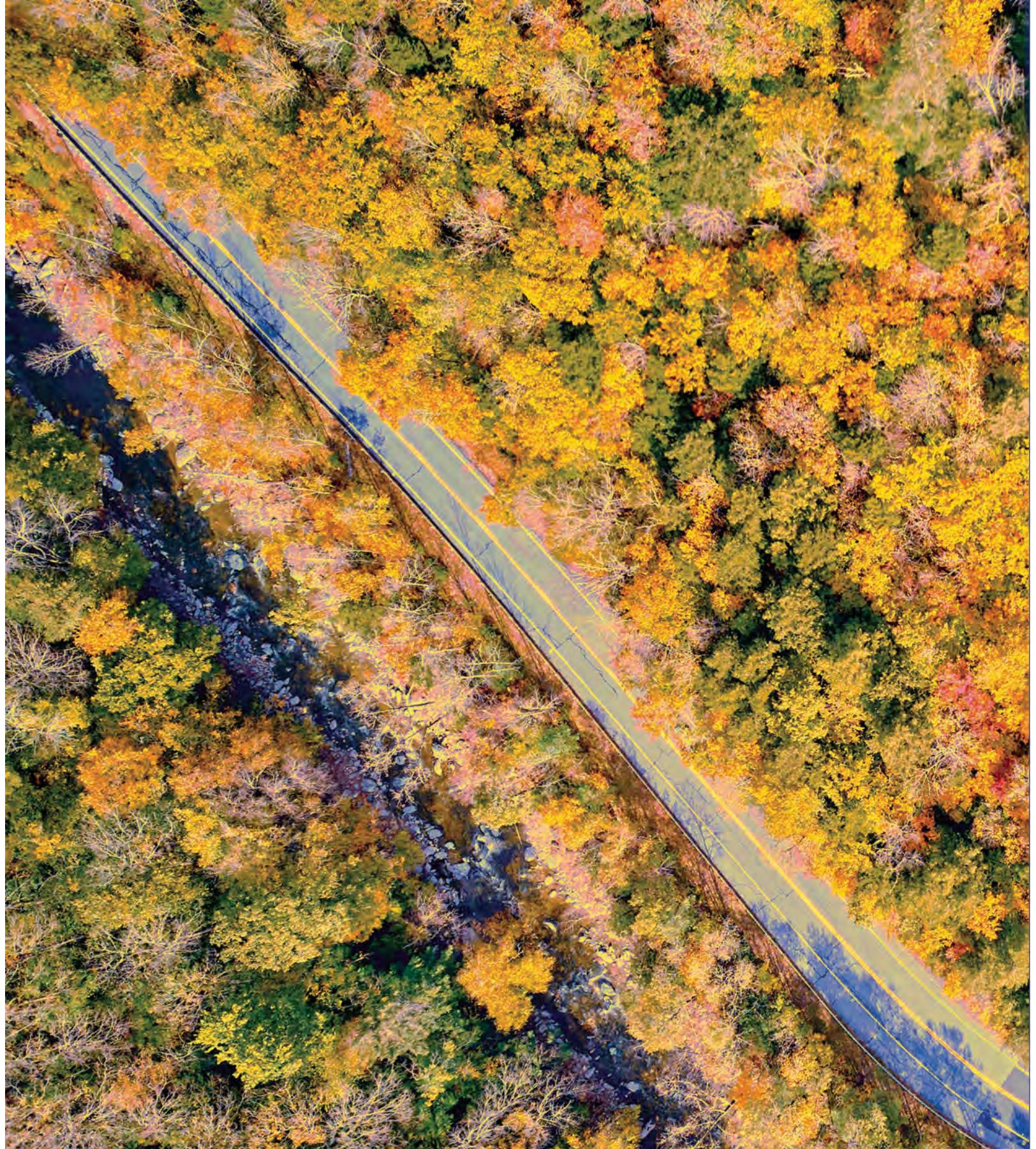
Fiscal Year Ended June 30, 2021

(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.....	\$ 4,369	\$ 17,794	\$ 16,577	\$ 8,723	\$ 3,295	\$ 10,571	\$ 9,637
Departmental revenue.....	7,596	62,472	43,898	12,207	11,589	19,522	43,144
Miscellaneous revenue.....	3,525	27,978	23,196	15,028	4,198	11,615	19,082
Total revenues and other financing sources.....	15,490	108,244	83,671	35,958	19,082	41,708	71,863
Expenditures and other financing uses:							
(by MMARS subsidiary):							
AA Regular employee compensation.....	1,578	38,770	9,795	3,900	1,756	3,529	10,084
BB Regular employee related expenses.....	95	69	228	52	18	49	35
CC Special employees and contracted services.....	3,308	14,681	23,221	11,757	5,076	6,467	16,152
DD Pension and insurance.....	578	3,017	3,888	1,772	617	899	2,637
EE Administrative expenditures.....	973	1,833	1,796	1,399	758	1,672	1,844
FF Facility operational supplies.....	405	704	867	349	338	462	856
GG Energy costs and space rental.....	320	4,296	2,282	1,650	196	1,111	1,013
HH Consultant services.....	575	1,198	1,487	343	403	1,914	550
JJ Operational services.....	330	1,986	623	475	267	820	263
KK Equipment purchase.....	182	451	1,448	241	157	509	210
LL Equipment leases, maintenance and repair.....	75	402	130	147	134	75	343
MM Purchased client services and programs.....	—	970	1,151	—	6	1	893
NN Construction and improvements.....	457	2,329	4,728	558	292	1,577	747
PP Aid to local governments.....	—	—	101	—	155	—	67
RR Benefit programs.....	3,972	19,927	18,050	6,504	4,131	11,239	12,899
SS Debt payment.....	11	245	—	—	—	356	989
TT Loans and special payments.....	1,513	—	381	—	651	1	2,925
UU Information technology (IT) expenses.....	1,090	7,594	3,487	1,197	542	2,092	2,558
Total expenditures and other financing uses.....	15,462	98,472	73,663	30,344	15,497	32,773	55,065
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	28	9,772	10,008	5,614	3,585	8,935	16,798
Fund balance at beginning of year.....	3,289	24,719	21,165	26,885	5,129	14,486	46,267
Fund balance at end of year.....	\$ 3,317	\$ 34,491	\$ 31,173	\$ 32,499	\$ 8,714	\$ 23,421	\$ 63,065

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	
								2021	2020
\$ 9,127	\$ 15,786	\$ 882	\$ 6,281	\$ 17,501	\$ 12,007	\$ 2,934	\$ 8,559	\$ 144,043	\$155,447
17,440	33,349	27,023	47,609	28,591	60,439	—	38,514	453,393	391,181
12,045	20,967	15,929	16,088	11,718	1,518	7,814	13,525	204,226	221,421
38,612	70,102	43,834	69,978	57,810	73,964	10,748	60,598	801,662	768,049
656	5,420	16,124	7,055	16,081	8,197	—	1,581	124,526	125,698
60	447	159	54	29	26	4	263	1,588	2,467
6,757	22,401	6,921	14,134	7,177	14,755	672	7,030	160,509	175,515
292	2,153	982	2,600	950	2,881	30	536	23,832	28,834
1,476	1,782	2,565	1,267	2,199	2,493	932	3,279	26,268	28,749
494	1,475	1,087	540	1,119	903	316	2,512	12,427	13,507
1,615	2,566	1,900	2,433	986	2,838	400	404	24,010	25,466
973	4,518	844	635	2,553	1,239	854	1,881	19,967	16,042
206	36	323	825	220	584	1,030	2,709	10,697	14,822
511	814	1,192	895	107	1,156	550	1,590	10,013	10,276
309	1,572	1,055	248	110	465	60	1,542	6,667	6,401
5	—	186	—	51	—	—	549	3,812	3,220
1,038	—	203	1,922	578	937	486	169	16,021	17,196
—	—	306	—	920	—	—	—	1,549	2,243
8,762	1,421	5,315	20,825	15,098	30,259	3,616	15,260	177,278	174,670
38	—	500	334	1,121	—	—	—	3,594	3,951
—	15,960	840	—	—	325	—	—	22,596	22,942
1,808	1,463	66	3,101	2,177	5,946	1,247	95	34,463	29,484
25,000	62,028	40,568	56,868	51,476	73,004	10,197	39,400	679,817	701,483
13,612	8,074	3,266	13,110	6,334	960	551	21,198	121,845	66,566
52,492	47,367	10,358	15,211	23,502	20,090	21,562	187,302	519,824	453,258
<u>\$ 66,104</u>	<u>\$ 55,441</u>	<u>\$ 13,624</u>	<u>\$ 28,321</u>	<u>\$ 29,836</u>	<u>\$ 21,050</u>	<u>\$ 22,113</u>	<u>\$ 208,500</u>	<u>\$ 641,669</u>	<u>\$ 519,824</u>



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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

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



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.....	(232.2)
Other short term accruals:	
Assessments and other receivables.....	452.6
Amounts due to authorities and municipalities, net.....	(532.2)
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

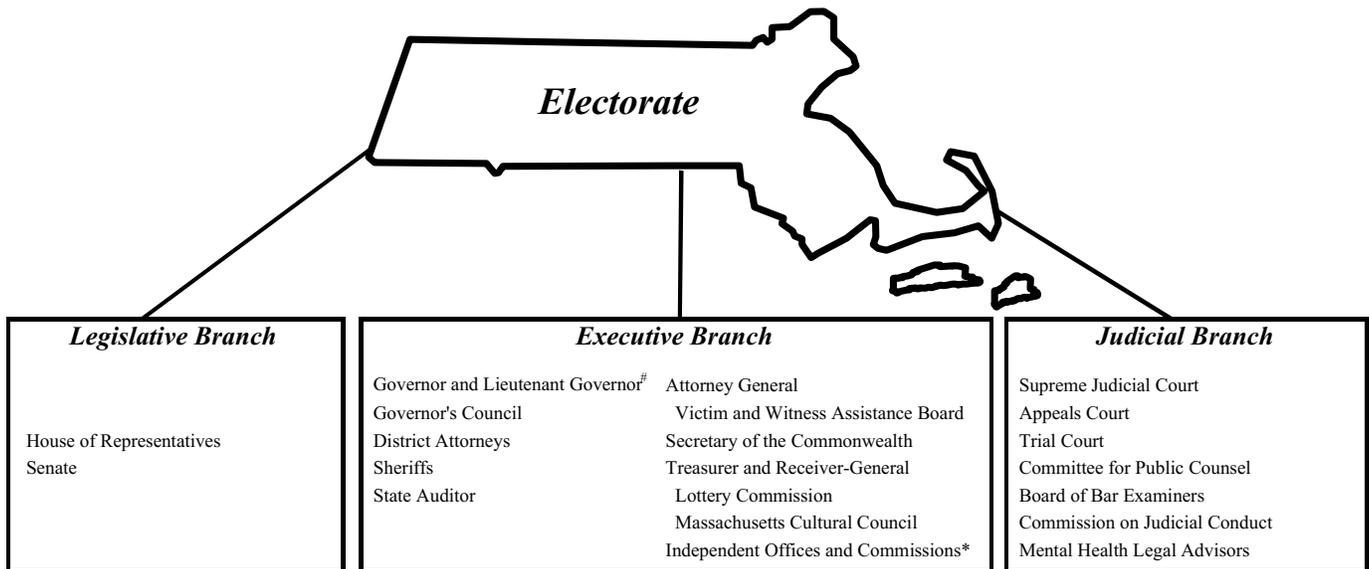
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



Executive Branch Independent Offices and Commissions*

<p>Board of Library Commissioners Campaign and Political Finance Cannabis Control Commission Center for Health Information & Analysis Commission Against Discrimination</p>	<p>Commission on the Status of Women Disabled Persons Protection Commission Massachusetts Gaming Commission Office of the Child Advocate Office of the Comptroller</p>	<p>Office of the Inspector General State Ethics Commission State Retiree Benefits Trust Fund Board University of Massachusetts System</p>
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Executive Departments Under Gubernatorial Authority[#]

<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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ADVISORY BOARD TO THE COMPTROLLER

Michael J. Heffernan (Chair)
Secretary of Administration and Finance

Suzanne Bump
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

John A. Bello
Chief Administrator, Trial Court

Maura Healey
Attorney General

Michael Esmond
Chief Financial Officer
Massachusetts Convention Center Authority
Gubernatorial Appointee

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

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller

Statewide Financial Reporting

Michael Rodino, CPA
Chief Financial Reporting Officer

Pauline Lieu, CPA, CFE, CGFM
Deputy Chief Financial Reporting Officer

Christine Bender
Accountant

Wagdy Rizk
Accountant

Nana Law, CPA
Accountant

Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Cathy Hunter
Program Coordinator



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For its Comprehensive Annual
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 feel.

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.

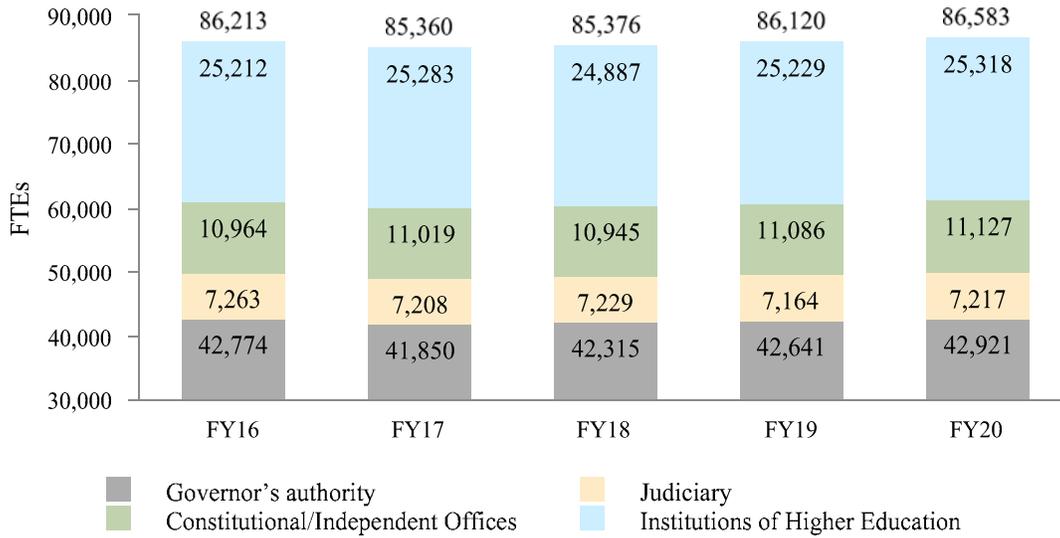
Other highlights of FY20 financial operations include:

- 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.....	\$	18,192,850

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)

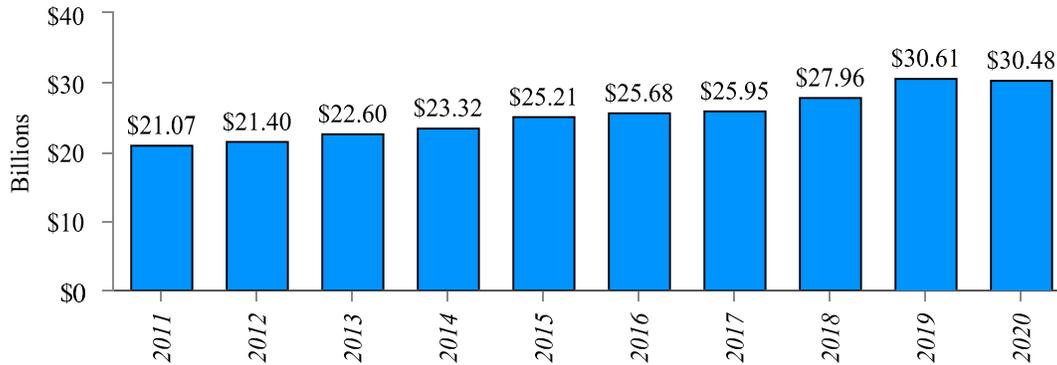
	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Current assets.....	\$ 15,854,027	\$ 13,777,391	\$ 3,316,988	\$ 2,049,611	\$ 19,171,015	\$ 15,827,002
Non-capital non-current assets.....	2,745,184	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.

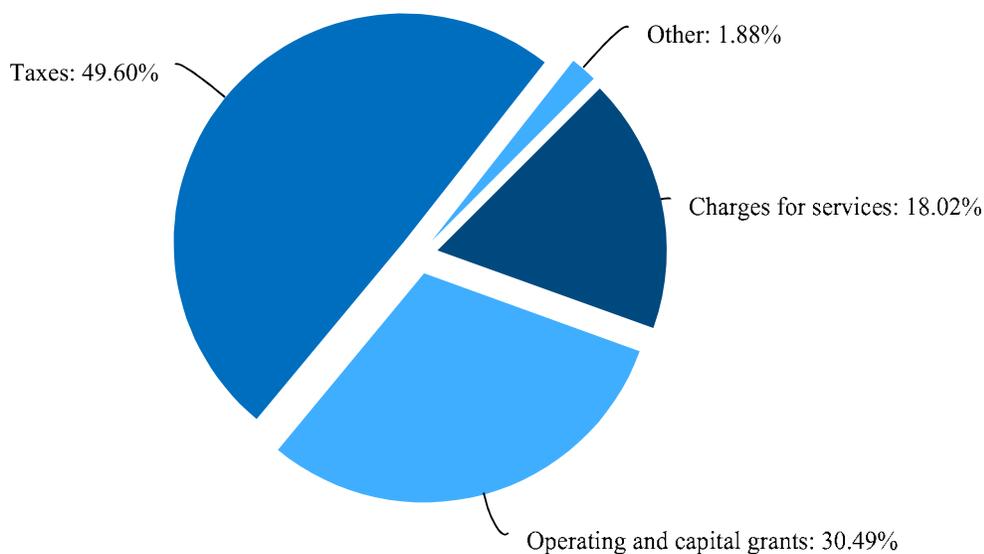
Charges for services totaled \$16.462 billion increasing \$421 million, or 2.6% from FY19, with the increase resulting from \$841 million in charges for the Paid Family and Medical Leave (PFML) program, which began receiving assessments in fourth quarter of calendar year 2019. There were also increases 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.

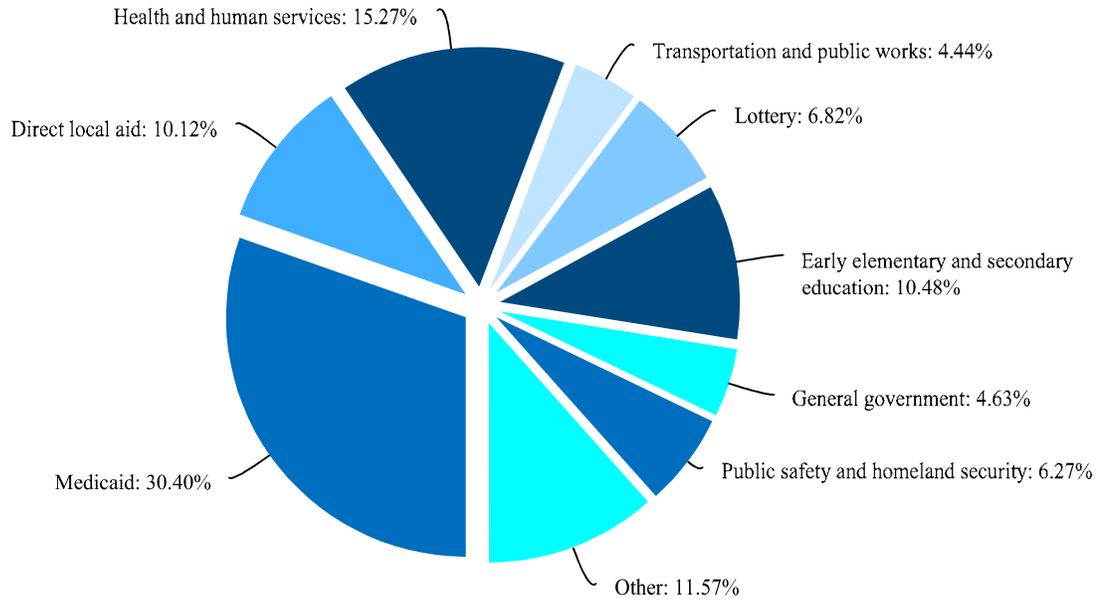
*Revenue—Governmental Activities
Fiscal Year Ending June 30, 2020*



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**

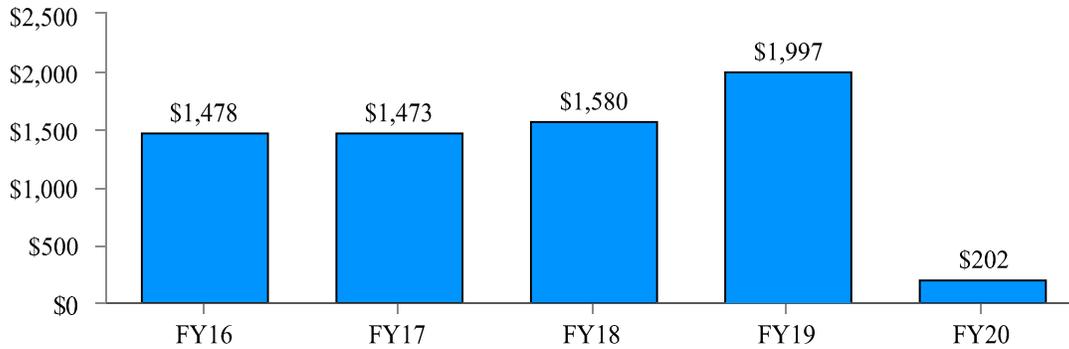


Business-Type Activities

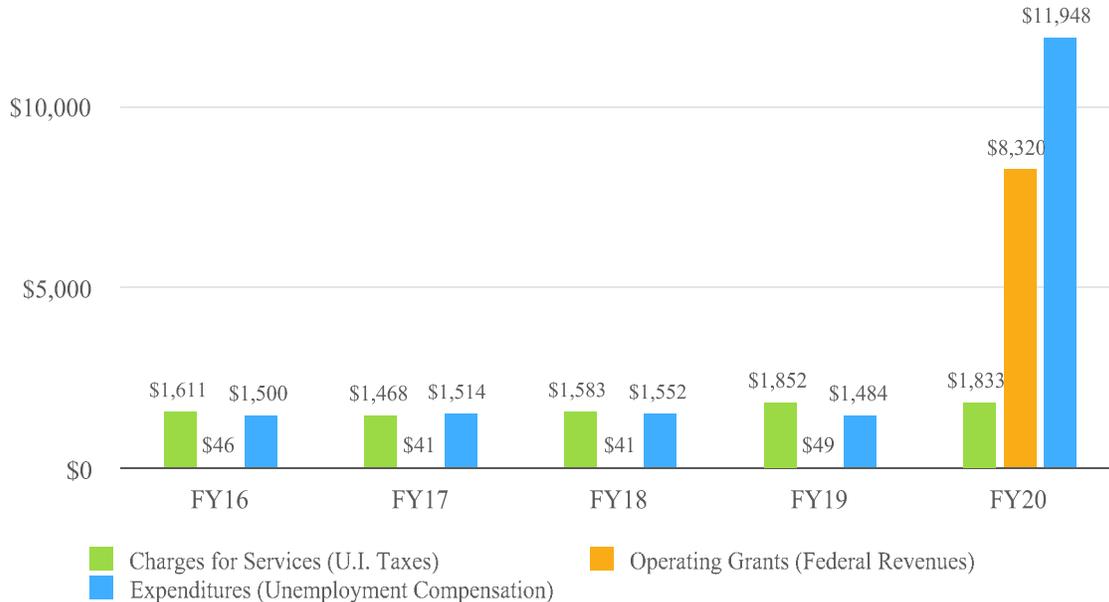
Business-type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation and GASB standards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

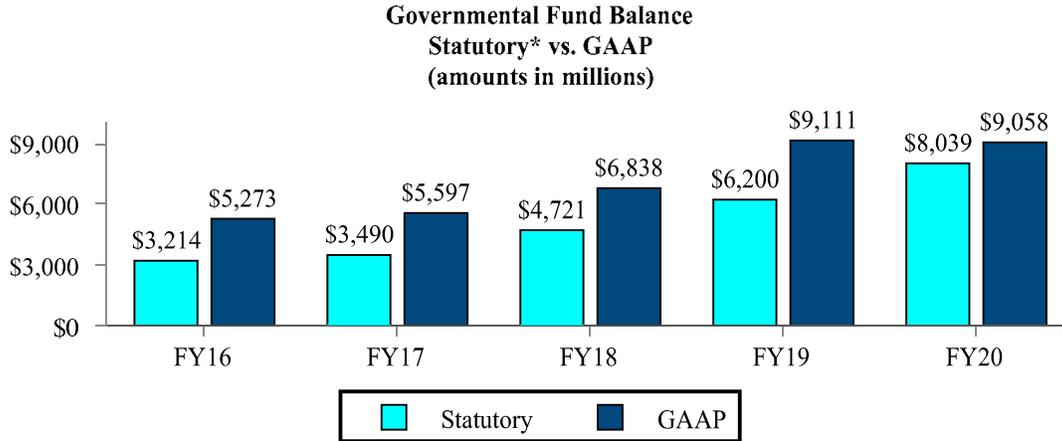
The Commonwealth uses fund accounting to demonstrate inter-period equity and the extent to which current resources are financing the full cost of services that citizens are receiving. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

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 Activities		Business - Type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Land.....	\$ 941,961	\$ 933,152	\$ 228,778	\$ 228,778	\$ 1,170,739
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

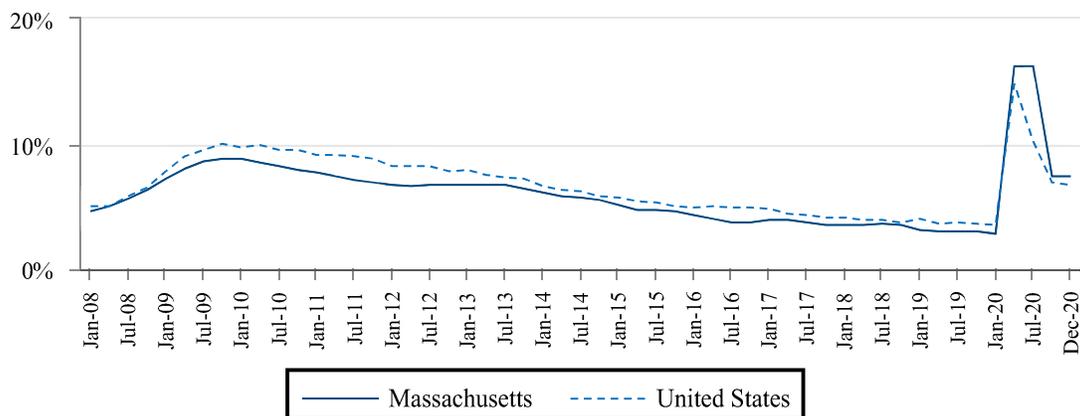
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on pages 96–97 and [Note 7](#) (“Long-Term Obligations”) on pages 97–112.

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	Program Revenues						Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
	Expenses	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	280,252	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
----------------------------	--	--------

Lottery annuity contracts.....		855,323
--------------------------------	--	---------

Due from component units.....		6,795
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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		\$ (77,677,365)
------------------------------------------------------------	--	------------------------

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

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

Massachusetts School Building Authority..... 191,681

Net pension costs..... (2,677,100)

Net OPEB costs..... (284,312)

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..... **\$ (3,100,166)**

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	\$ 1,688,208	\$ 2,472,382	\$ 569,212	\$ 558,156	\$ 1,207	\$ 1,188,471

	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)
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	\$ (74,577,199)	\$ 5,596,284	\$ (68,980,915)	\$ 31,411,767

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.....	\$ 6,672,251	\$ 1,799,622	\$ 8,471,873	\$ 6,966,534

(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.....	1,143,253
Total.....	\$ 1,617,010

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.....		\$1,269,180,395	\$ (19,827)	\$ 3,328,081	\$ (41,246)	\$ 6,247,427	\$ (21,800)

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.....	1,265,992	1,092,561	173,065	366
Equity securities.....	183,914	182,329	1,585	—
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.....	487,094			
Other investments at fair value:				
MMDT - bond fund.....	386,272			
Subtotal investments at fair value.....	2,323,272	\$ 1,274,890	\$ 174,650	\$ 366
Other investments:				
Guaranteed investment contracts.....	200,099			
Certificates of deposit.....	10,178			
Other.....	641,570			
Total other investments.....	851,847			
Total investments - primary government.....	\$ 3,175,119			
Derivative instruments:				
Interest rate swaps (liabilities).....	\$ 133,001	\$ —	\$ 133,001	\$ —

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(ww) 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

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	\$ —	\$ 1,900,000	\$ (1,400,000)	\$ 500,000

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.....	\$ 4,145,730

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 toll 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.....	\$ 814,065	\$ 40,592	\$ 108,373	\$ 963,030

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.....			\$ 16,609,784	\$ 2,518,534	\$ (2,845,422)	\$ 16,282,896	\$ 721,199

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.....	156,846	161,213

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%	\$ 667,050

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.....	\$ 2,663,560	\$ 516,231	\$ 3,967,169	\$ 251,505	\$ 205,818	\$ 172,541	\$ 360,647	\$ 122,955

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.....	\$ 1,135,338	\$ 2,162,231	\$ 33,277	\$ 136,128

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.....	100.00%	

* - 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.....	\$ 28,567,300	\$ 29,317,997	

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.....	159,513

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.....	\$ 1,577,743	\$ 2,955,882	\$ 335,948	\$ 583,505

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.....	\$ (1,904,633)	\$ (318,323)

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.....	100.0 %	

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):

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

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.....	\$ 13,934	\$ 2,128	\$ 1,007,206	\$ 4,812	\$ 1,028,080	\$ 6,172	\$ 602	\$ 325,547	\$ 332,321

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.....	\$ 17,161	\$ 9,441

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.....	—	—	\$ 4,232,877	—

* 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).....	\$ 45,725,000	\$ 43,398,000	\$ 41,225,000	\$ 39,107,000
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).....	\$ 28,567,300	\$ 28,763,796	\$ 27,995,021	\$ 26,282,232
Plan net pension liability - June 30 (a) - (b).....	\$ 17,157,700	\$ 14,634,204	\$ 13,229,979	\$ 12,824,768
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
\$ 37,760,000	\$ 35,425,414	\$ 31,355,000
\$ 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
\$ 23,971,156	\$ 24,042,585	\$ 23,930,895
\$ 13,788,844	\$ 11,382,829	\$ 7,424,105
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
\$ 47,300,000	\$ 45,918,711	\$ 41,435,000
\$ 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
\$ 24,942,072	\$ 25,429,068	\$ 25,538,646
\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
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.....	<u>2,443,405</u>	<u>(99,227)</u>	<u>1,280,397</u>	<u>(1,340,664)</u>
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.....	<u>547,733</u>	<u>595,104</u>	<u>543,029</u>	<u>466,233</u>
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.....	<u>45,764</u>	<u>180,979</u>	<u>191,162</u>	<u>130,364</u>
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).....	\$ —	\$ —	\$ —	\$ —	\$ —
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%

Contributions	Fiscal Year Ending December 31				
	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).....	\$ —	\$ —	\$ —	\$ —
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
S	S	S	S	\$ 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
S (634,444)	S (634,444)	(65)	S 634,379	S 842,432	S (2,831,099)	363,285	S 3,194,384
		10,969				3,869,592	
		S 10,904				S 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.....			<u>47,409</u>				<u>30,222</u>	
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
\$ 1,050	\$ 585	414	\$ (171)	\$ —	\$ —	—	\$ —	\$ 107,141	\$ 35	—	\$ (35)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	\$ 414	—	—	—	\$ —	—	—	—	\$ —	—

(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
\$ 18,468	\$ (14,188)	1,322	\$ 15,510	\$ 6,996	\$ (2,695)	1,101	\$ 3,796	\$ 83,180	\$ (8,939)	575	\$ 9,514
		7,462				1,598				1,125	
		\$ 8,784				\$ 2,699				\$ 1,700	

(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	—

See Independent Auditors' Report



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	1,132,355	142,544	232,618	644,572	20	2,152,109
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	945,211	342	4,268	—	—	949,821
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	\$ 187,144	\$ 142,202	\$ 228,350	\$ 644,572	\$ 20	\$ 1,202,288

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	Total Custodial 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

See Independent Auditors' Report

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

See Independent Auditors' Report



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

This part of the Commonwealth of Massachusetts' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

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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	\$ (77,677,365)	\$ (74,080,352)	\$ (74,154,488)	\$ (63,386,521)	\$ (58,639,504)
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	\$ 4,677,151	\$ 5,649,478	\$ 5,015,313	\$ 6,082,464	\$ 5,736,165
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	\$ (73,000,214)	\$ (68,430,874)	\$ (69,139,175)	\$ (57,304,057)	\$ (52,903,339)

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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.....	\$ 9,057,516	\$ 9,111,335	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746

(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

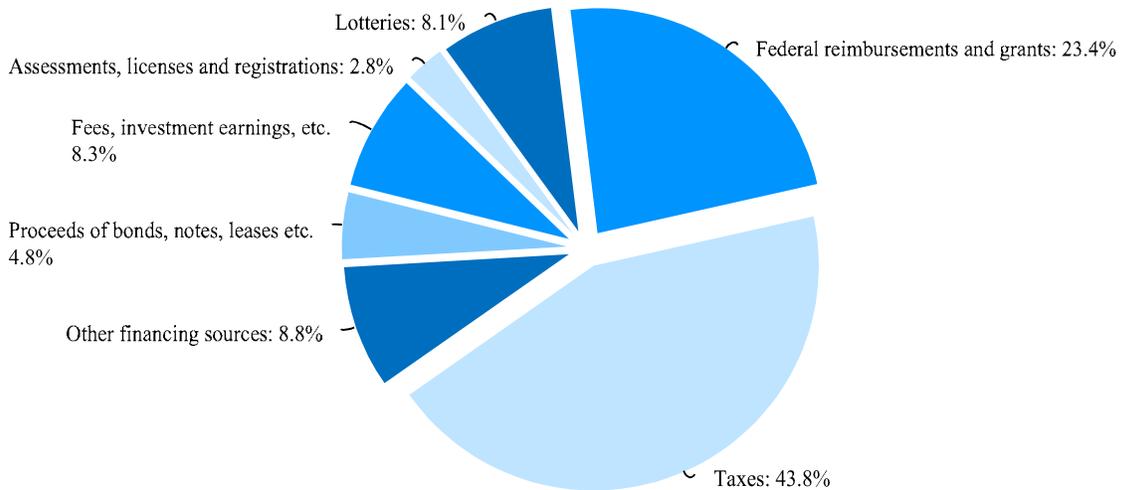
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2020		2019		2018		2017		2016	
	Total	%								
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

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**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>

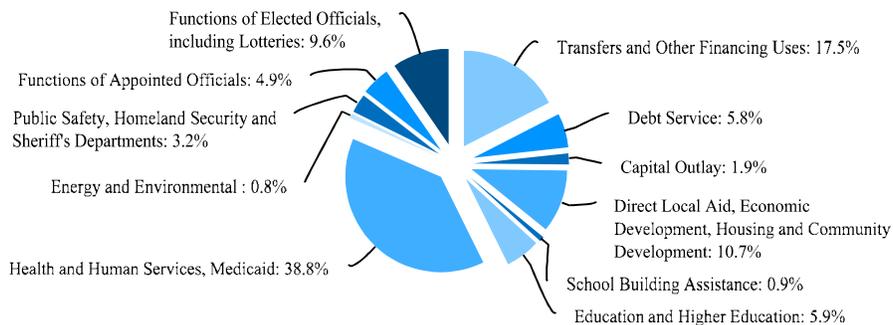
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)
(Amounts in millions)

	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
S	61	0.1	S 56	0.1	S 57	0.1	S 58	0.1	S 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
S	59,973	100.0	S 57,461	100.0	S 56,739	100.0	S 53,319	100.0	S 53,217	100.0
S	686		S (251)		S (1,448)		S 1,051		S 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.....	3,950,360	100.0%	\$ 16,085,827	100.0%

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.....	3,387,049	100.0%	\$ 9,711,137	100.0%

Source: Massachusetts Department of Revenue - 2018 is the most recent tax year for which complete data is available.

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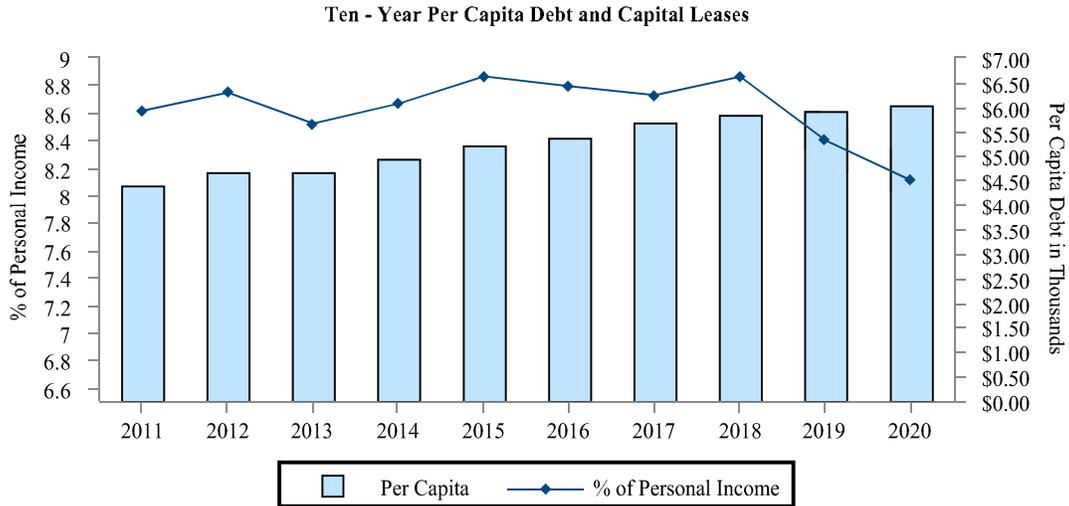
Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

(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](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).....	\$ 2,709,721	\$ 1,931,709	\$ 1,423,770	\$ 812,181	\$ 433,096
Debt margin as a percentage of direct debt limit.....	10.7%	8.0%	6.2%	3.7%	2.1%

(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

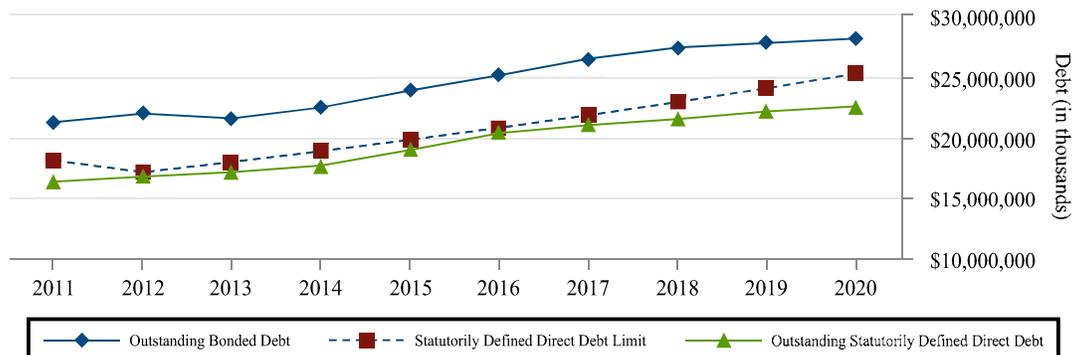
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are 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.					
Pre-2010 Bond Issues					
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				
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
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				
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				
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.					
Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
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				

*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				
\$	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				
\$	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)

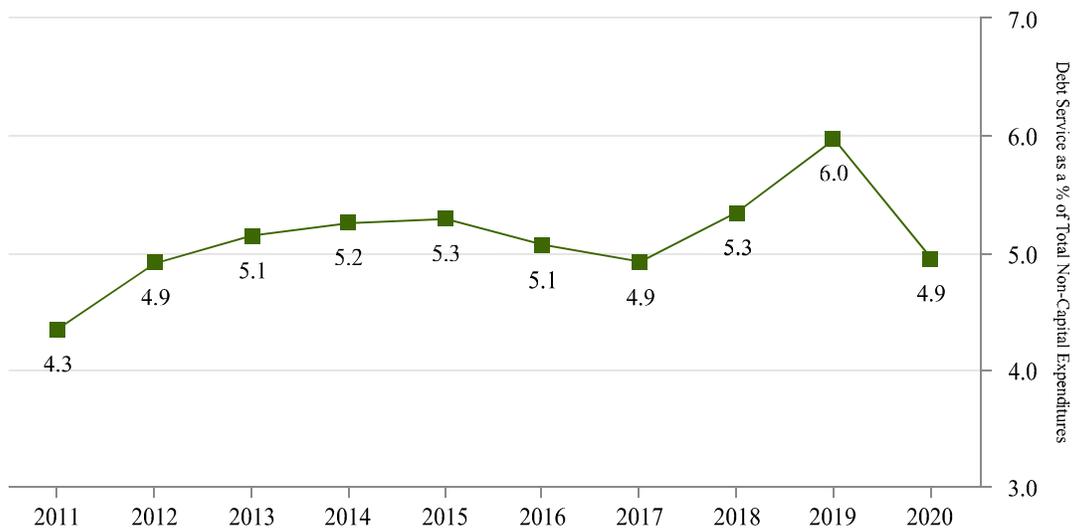
Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2020	\$ 3,026,865	\$ 61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
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.

See Independent Auditors' Report

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

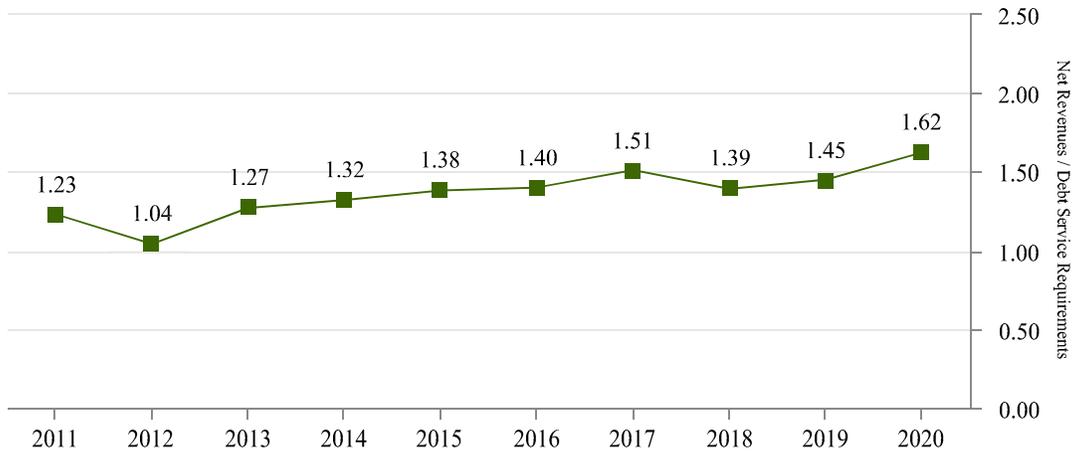
(1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage 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

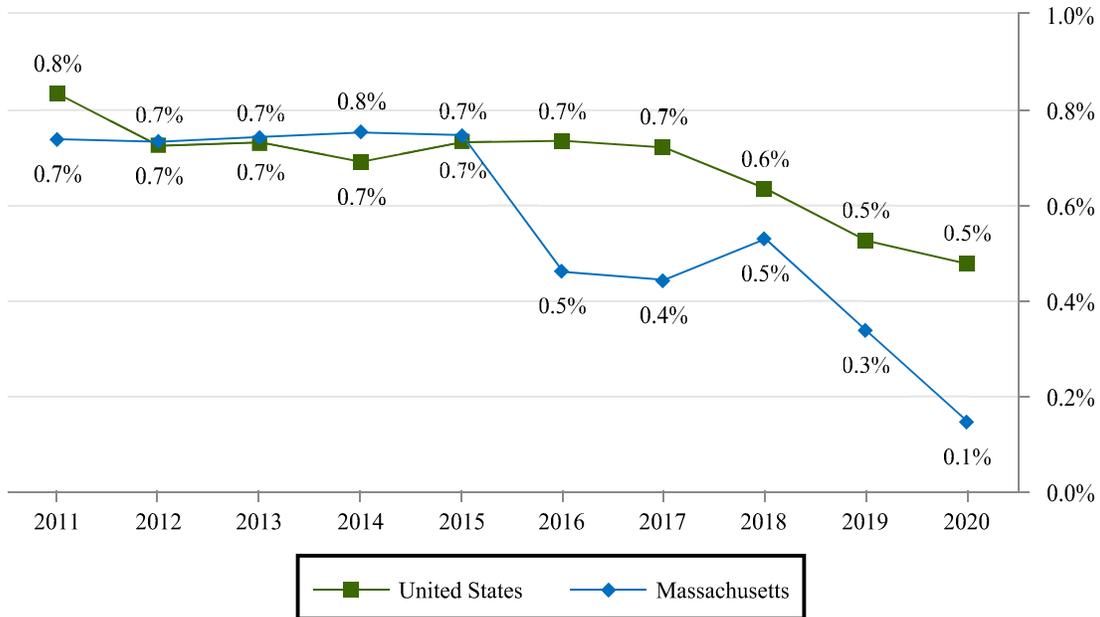
(Amounts in thousands)

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**



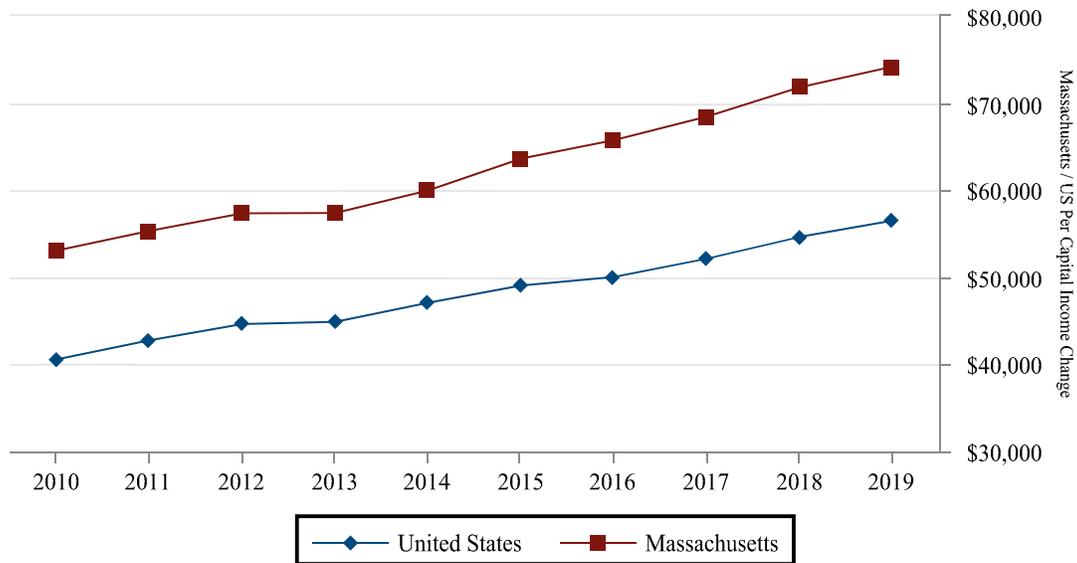
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

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



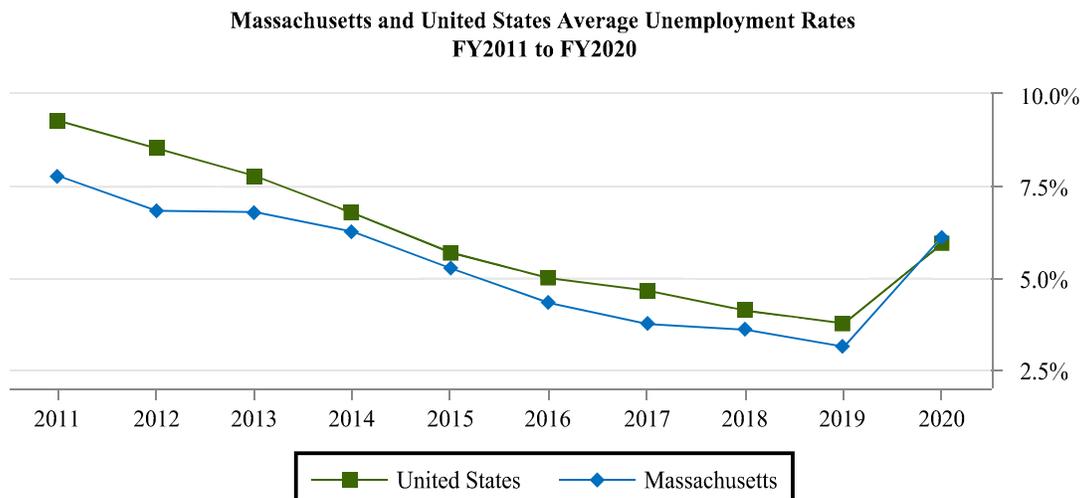
**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**

(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

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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.

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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.

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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)%	

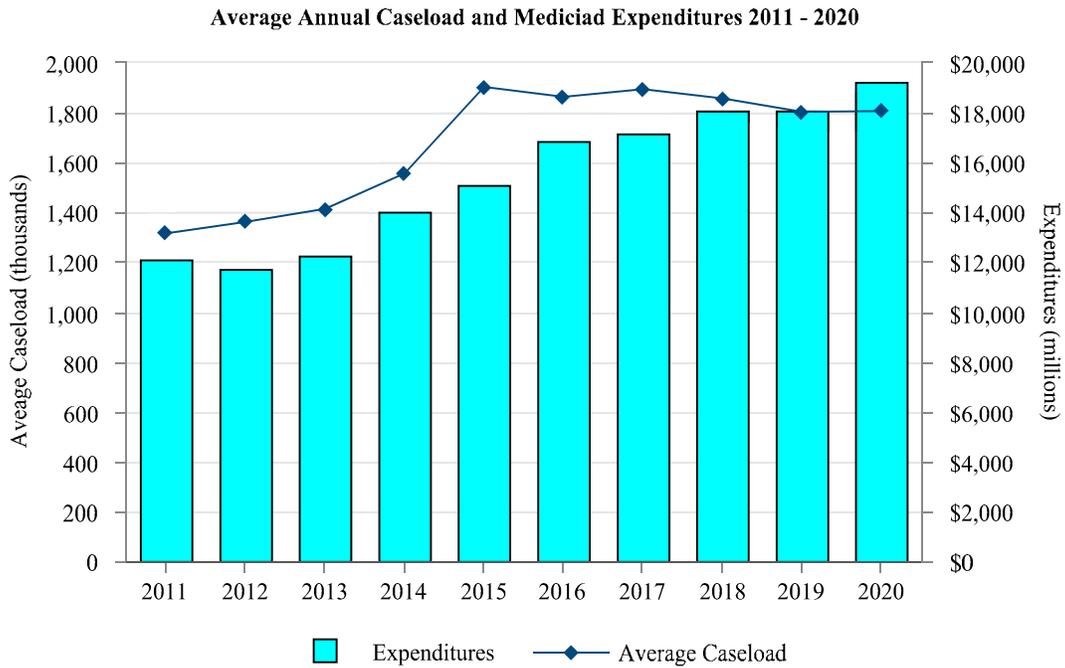
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(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.

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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

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**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>

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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.

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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

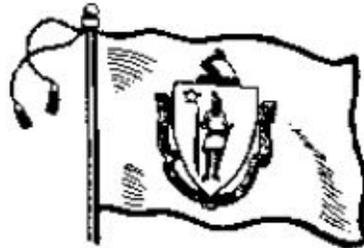
Admitted to Union (6th State): 1788
Population: 6,882,635

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."

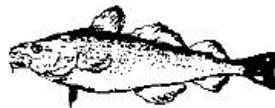
The State Flag is white, a representation of the coat of arms on both sides. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



The Mayflower

The State Fish



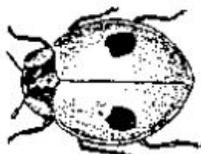
The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

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

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated January 6, 2022

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Charles D. Baker **Governor**
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

January 6, 2022

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 4, 2022. 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, 2021 and the Commonwealth’s Annual Comprehensive 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.

In response to the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, and the declaration by the World Health Organization on March 11, 2020 of a COVID-19 pandemic, in March 2020 Governor Baker declared a state of emergency in the Commonwealth due to COVID-19. 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 COVID-19 pandemic continued to evolve, Governor Baker’s administration curtailed certain measures while retaining the 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 2020 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. In December 2020, the Commonwealth also began phased vaccination efforts across Massachusetts.

As public health measures continued to trend in a positive direction, and the Commonwealth experienced significant declines in average daily COVID-19 cases and hospitalizations, and increasing rates of vaccination within the Commonwealth, the Administration continued to implement the reopening plan, and by the end of May 2021, nearly all COVID-19 restrictions were lifted and all industries were permitted to open. On June 15, 2021, the state of emergency in the Commonwealth related to COVID-19 was terminated. Based on information submitted to the Massachusetts Immunization Information System as of December 29, 2021, and using the University of Massachusetts Donahue Institute 2019 Population Estimates, more than 5.0 million people within the Commonwealth, or approximately 73.7% of the Commonwealth's population, are fully vaccinated.

The Administration is continuing to monitor public health data relating to COVID-19 and expects to take additional measures to control the spread of COVID-19 within the Commonwealth, if needed, as new variants of the virus emerge. At this time, the Commonwealth cannot predict whether additional measures will be needed to control the spread of COVID-19 or the nature or duration of any such measures.

The ultimate impact of the COVID-19 pandemic on the Commonwealth's economy remains unknown. In response to the pandemic, international, federal, state and local governments, as well as private businesses and organizations, implemented numerous measures intended to mitigate the spread and effects of COVID-19. The continued spread of COVID-19, the mitigation measures implemented, and the responses of individuals, businesses, and organizations to the disease and the mitigation measures implemented have caused and may continue to cause, severe disruptions in global, national, and local economies, as well as to global financial markets and the U.S. stock and bond markets. Many businesses have experienced and may continue to experience decreases in operations and revenues. The impacts of COVID-19 resulted in unprecedented rates of unemployment in the Commonwealth, causing, among other things, a depletion of the Commonwealth's Unemployment Trust Fund and the need for the Commonwealth to borrow federal funds to ensure a continuation of unemployment benefits, which Commonwealth employers will need to repay. See "Unemployment Insurance Claims and Trust Fund Solvency" below. The extent to which businesses that have completely or partially closed will reopen, travel and tourism activity will return to pre-pandemic levels, and businesses and organizations will allow employees to work from home is still unknown. The extent of these and other impacts on the Commonwealth's economy will depend on future developments and numerous 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, among other things, 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 a variety of programs, including approximately \$150 billion for state and local governments; 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, former 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 reimbursements from the Federal Emergency Management Agency's Public Assistance program (FEMA PA) for the costs of emergency protective measures. As of January 3, 2022, the Commonwealth has been awarded over \$469 million in reimbursement grants.

On December 27, 2020, federal legislation was signed into law providing \$900 billion in aid, providing for, among other things, small business assistance through additional funding for forgivable Paycheck Protection Program (PPP) 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.

On March 11, 2021, the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (ARPA) was signed into law. The Commonwealth has received \$5.28 billion under ARPA through the Coronavirus State Fiscal Recovery Fund (CSFRF) to support certain costs resulting from the public health emergency caused by COVID-19 and other eligible uses. The Commonwealth allocated approximately \$394.1 million from the CSFRF to provide additional aid to four of the Commonwealth's hardest-hit communities, create a temporary COVID-19 Emergency Paid Sick Leave program to eliminate job-related obstacles to recovering from, quarantining for, and/or being vaccinated against COVID-19 for all residents, and fund a lottery to motivate all Massachusetts residents to be vaccinated against COVID-19. Further, Massachusetts county and municipal governments have been allocated \$3.4 billion in direct support under the ARPA.

On June 28, 2021, Governor Baker signed legislation making the balance of the CSFRF – approximately \$4.9 billion – subject to legislative appropriation. At the same time, the Governor proposed certain projects to the Legislature that would use \$2.9 billion of this funding. On December 13, 2021, the Governor signed legislation appropriating \$2.55 billion from the CSFRF toward a variety of programs and projects. See "FISCAL 2022."

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 16.4% (seasonally adjusted) in April 2020, compared to 2.7% (seasonally adjusted) in March 2020. During fiscal 2021, the unemployment rate began to decline, and in November 2021 the unemployment rate was 5.4% (seasonally adjusted). A total of approximately 1.14 million initial claims for regular Unemployment Insurance (UI) were filed from July 2020 through November 2021. In November there were approximately 230,000 continued claimants. 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 November 30, 2021, the Commonwealth had outstanding approximately \$2.3 billion in federal UI advances. Governor Baker's administration will continue to monitor unemployment claims and request federal advances as necessary to ensure payment of all compensation due. The last federal advance made was in June 2021.

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. 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 trust fund solvency. Any such special obligation bonds issued would be secured by a special assessment on employers; no such bonds have been issued to date.

On May 28, 2021, Governor Baker signed into law legislation that provides additional UI rate relief to Commonwealth employers by reducing calendar year 2021 employer UI rates further. Costs associated with this reduction will be repaid by employers over time through an employer special assessment and the regular UI rate-setting process.

The legislation appropriating the ARPA and Fiscal 2021 budget surplus funding signed by the Governor on December 13, 2021 includes \$500 million of funding for the Unemployment Insurance Trust Fund.

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 funding received from certain federal programs 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 legislation signed by the Governor on December 13, 2021 excludes federal PPP loans, EIDL advances, and certain debt relief subsidies paid by the Small Business Administration, shuttered venue operator grants, and restaurant revitalization grants from taxable income for individual taxpayers for tax years beginning on or after January 1, 2021. The legislation also excludes emergency COVID-19 small business relief, including grants and any portion of a loan that is subsequently forgiven, administered through the Massachusetts Growth Capital Corporation after March 10, 2020 from taxable income for both individual and corporate excise taxpayers for taxable years beginning on or after January 1, 2021. The measures did not have a material impact on the Commonwealth's budget for fiscal 2021 and are not expected to have a material impact on the Commonwealth's budget for fiscal 2022, as the tax benchmarks used for budgeting purposes did not assume tax revenue associated with federal or state relief programs.

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 Annual Comprehensive Financial Report, or ACFR). The Statutory Basis Financial Report for the year ended June 30, 2021, attached hereto as Exhibit B, was reviewed by the Commonwealth's independent external auditors, CliftonLarsonAllen (CLA). The Annual Financial Report for the year ended June 30, 2020, attached hereto as Exhibit C, was audited by the Commonwealth's independent external auditors at that time, KPMG LLP, as stated in its reports appearing therein. Neither CLA nor KPMG LLP have been engaged to perform, and have not performed, since the respective dates of their reports included herein, any procedures on the financial statements addressed in such reports, nor have they 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 Annual Comprehensive Financial Report, 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 2021 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 2021.

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, the Behavioral Health Outreach, Access and Support Trust Fund, the Federal COVID-19 Response Fund, and the Transitional Escrow 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 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 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 – Annual Comprehensive 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 are unaudited and for 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 and other budgeted operating funds. Revenues deposited in such funds are referred to as budgeted operating revenues in this Information Statement. In fiscal 2021, on a statutory basis, approximately 53.0% of the Commonwealth’s budgeted operating revenues and other financing sources were derived from state taxes. In addition, the federal government provided approximately 30.6% of such revenues, with the remaining 16.5% 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 56.6% of total budgeted tax revenues in fiscal 2021, the sales and use tax, which accounted for approximately 22.7% of total budgeted tax revenues in fiscal 2021, and the corporations and other business and excise taxes (including taxes on insurance companies and financial institutions), which accounted for approximately 12.2% of total budgeted tax revenues in fiscal 2021. Other tax and excise sources accounted for the remaining 8.5% of total budgeted tax revenues in fiscal 2021.

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.

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.

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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 reduced to 5.0% effective January 1, 2020, the state charitable deduction was to be reinstated effective January 1, 2021. However, the fiscal 2021 budget included a one-year delay in the reinstatement of this deduction. The fiscal 2022 budget further delayed the charitable deduction for an additional year. See “FISCAL 2022.” The Department of Revenue estimates that the revenue loss impact due to the reinstatement of the state charitable deduction is approximately \$64 million for fiscal 2023 and approximately \$300 million annually in fiscal 2024 and thereafter.

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 the 2021-2022 constitutional convention and will 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%, 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 \$1.1 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-remittance 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.

Since the outbreak of COVID-19, returns and payments for regular sales tax, meals tax, and room occupancy excises for eligible small businesses have been deferred several times. Businesses that collected in the 12-month period ending February 29, 2020, less than \$150,000 in regular sales, plus meals taxes or less than \$150,000 in room occupancy excises could defer until October 30, 2021, the returns for and payments of such taxes and excises otherwise due from March 20, 2020, through June 1, 2021. For these eligible businesses, no penalties or interest accrued during this extension period.

The fiscal 2021 budget included provisions requiring certain vendors and operators of lodging accommodations to remit an advance payment of room occupancy excise, sales tax, including sales tax on meals, use tax, and local sales tax on meals. Effective for tax periods ending after April 1, 2021, certain vendors, including marketplace facilitators and marijuana retailers, and operators of lodging accommodations, including intermediaries, must remit on or before the 25th day of the monthly filing period any tax or excise collected on or before the 21st day of such filing period. Payment of the remaining amount for the filing period is due with the applicable return on the 30th day after the end of the filing period. The advance payment requirement does not apply to vendors or operators whose cumulative Massachusetts sales and use tax liability or room occupancy excise liability in the immediately preceding calendar year is equal to or less than \$150,000. For these vendors and operators, full payment for the monthly filing period is due with the return on the 30th day after the end of such filing period.

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 \$109.5 million in fiscal 2021 and will be approximately \$105 million in fiscal 2022.

On September 30, 2021, the Massachusetts legislature passed legislation overriding the Governor's veto of the pass-through entity excise, which was originally included in the fiscal 2022 budget. The pass-through entity excise provides a work-around for the federal limitation on the amount of state and local taxes individuals may deduct on their federal income tax returns. The pass-through entity excise allows pass-through entities, including S-corporations, partnerships, and certain trusts, to pay an optional 5% excise on the income that flows through to shareholders, partners, or beneficiaries subject to the personal income tax. The qualified member may claim a nontransferable, refundable credit equal to 90% of his or her allocable share of the entity's excise due. The legislation became effective for taxable years beginning on or after January 1, 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.

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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.

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, up from an annual cap of \$25 million, 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 resulted in revenue reductions of \$12.0 million in fiscal 2018, \$16.1 million in fiscal 2019, \$16.5 million in fiscal 2020, and \$18.0 million in fiscal 2021. The Massachusetts Life Sciences Center board has approved \$19.5 million in tax incentives that are expected to be utilized in fiscal 2022.

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 years 2017 to 2021 and provides forecasts for fiscal 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)

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Projected Fiscal 2022 (1)</u>
Consensus forecast (2)	\$26,860	\$27,072	\$27,594	\$29,299 (5)	\$31,151	\$30,120
GAA assumption of tax-related settlements and judgments exceeding \$10 million	125	125	25	50	50	50
Total taxes per enacted budget (3)	<u>\$26,356</u>	<u>\$26,629</u>	<u>\$28,417 (4)</u>	<u>\$30,149 (6)</u>	<u>\$28,440</u>	<u>\$34,451</u>
October revision (2)	26,056	-	-	-	27,592	-
January revision (2)	-	26,661	28,592 (4)	30,289 (7)	29,090	-
Actual budgeted operating tax revenues (3)	<u>\$25,662</u>	<u>\$27,787</u>	<u>\$29,741</u>	<u>\$29,633</u>	<u>\$34,156</u>	-
Actual budgeted revenues as a percentage of consensus forecast	95.5%	102.6%	107.8%	101.1%	109.6%	
Actual budgeted revenues as a percentage of total taxes per enacted budget	97.4%	104.3%	104.7%	98.3%	120.1%	

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

- (1) The amounts for fiscal 2021 are unaudited and for fiscal 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.

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.

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 actual fiscal 2022 budget assumes tax revenues in an amount higher than the fiscal 2022 consensus tax revenue estimate announced in January 2021. See "FISCAL 2021 AND FISCAL 2022 – Fiscal 2022."

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 2021 and Fiscal 2022 Tax Revenues

Fiscal 2021. The following table shows the actual tax collections for 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 amounts 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	1,874.9	359.9	23.8	93.3	80.0	1,701.6
March	3,056.0	396.3	14.9	91.8	78.4	2,885.8
April	3,864.7	1,883.8	95.1	148.0	134.7	3,581.9
May	4,001.2	2,263.4	130.2	109.9	96.6	3,794.8
June (2)	3,673.3	(1,153.5)	(23.9)	120.5	107.2	3,445.7
Total (3)	<u>\$34,156.1</u>	<u>\$4,523.0</u>	<u>15.3%</u>	<u>\$1,261.4</u>	<u>\$1,101.4</u>	<u>\$31,793.3</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 fiscal 2021 tax revenue increase of approximately \$4.523 billion from fiscal 2020 is attributable to an increase of approximately \$592.0 million, or 25.2%, in income tax estimated payments, an increase of approximately \$983.2 million, or 7.2%, in withholding collections, an increase of approximately \$632.5 million, or 20.7%, in income tax payments with returns or bills, a decrease of approximately \$49.9 million, or 2.8%, in income tax cash refunds, an increase of approximately \$1.206 billion, or 40.9%, in corporate and business tax collections, an increase of approximately \$1.020 billion, or 15.0%, in sales and use tax collections, and a net increase of approximately \$39.8 million, or 1.6%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$32.9 million, fiscal 2021 tax collections were approximately \$34.123 billion, \$4.514 billion more than the collections in the same period in fiscal 2020, and \$5.033 billion above the year-to-date benchmark associated with the revised fiscal 2021 tax revenue estimate of \$29.090 billion.

Fiscal 2022. The following table shows the actual tax collections for the first six months of fiscal 2022 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 amounts of tax collections during the first six months of the fiscal year that are dedicated to the MBTA and the MSBA.

Fiscal 2022 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	\$2,279.7	\$137.4	6.4%	\$113.6	\$100.3	\$2,065.8
August	2,492.4	528.2	26.9	107.8	94.5	2,290.1
September	3,993.0	834.4	26.4	105.6	92.3	3,795.1
October	2,444.0	354.8	17.0	105.7	92.4	2,245.9
November	2,415.9	288.8	13.6	115.4	102.1	2,198.5
December (1)	4,234.5	1,377.5	48.2	119.3	106.0	4,009.2
Total (2)	<u>\$17,859.6</u>	<u>\$3,521.2</u>	<u>24.6%</u>	<u>\$667.5</u>	<u>\$587.5</u>	<u>\$16,604.6</u>

SOURCE: Executive Office for Administration and Finance.

(1) Preliminary and subject to change.

(2) Totals may not add due to rounding.

The year-to-date fiscal 2022 tax revenue increase of approximately \$3.5 billion through December 31, 2021 from the same period in fiscal 2021 is, in part, due to an increase of approximately \$433 million, or 27.4%, in corporate and business tax collections, an increase of approximately \$692 million, or 9.9%, in withholding collections, an increase of approximately \$1.1 million, or 135.3%, in income tax estimated payments, an increase of approximately \$234 million, or 65.5%, in income tax return and bill payments, an increase of approximately \$770 million, or 21.4%, in sales and use tax collections, and an increase of approximately \$363 million, or 30.4%, in all other taxes. Excluding one-time tax related settlements and judgments exceeding \$10 million each, which totaled \$13.6 million, fiscal 2022 year-to-date tax collections through December 31, 2021 were approximately \$17.846 billion, \$3.549 billion more than the collections in the same period in fiscal 2021, and \$2.142 billion above the year-to-date benchmark associated with the fiscal 2022 tax revenue estimate of \$34.401 billion. Approximately \$876 million of the total increase in collections (mostly in income estimated payments and income return payments) is due in part to the recently enacted elective pass-through entity (PTE) excise, which allows members of a PTE to avoid the federal limit on the deduction for state and local taxes by electing to pay tax on the PTE’s income at the entity-level, and then claim a credit equal to 90% of the PTE excise paid. Many PTEs paid their 2021 excise taxes in December 2021 in order to claim a deduction on their 2021 federal income tax return. In the coming months, PTE members who also paid estimated taxes themselves on PTE income will receive refunds due to the credits offsetting 90% of the PTE excise payments. As a result, most of the increase in collections associated with the PTE excise is temporary.

After adjusting for PTE excise payments, fiscal 2022 year-to-date collections are \$2.674 billion, or 18.7%, more than collections in the same period of fiscal 2021 and \$1.549 billion, or 10.0%, more than the fiscal 2022 year-to-date benchmark.

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 \$13.303 billion in fiscal 2021, and are projected to be \$14.722 billion in fiscal 2022. 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 2021, budgeted fund departmental and other non-tax revenues were \$5.362 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2021 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, \$623 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

\$5.074 billion in fiscal 2022. 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 \$1.136 billion, \$1.097 billion, \$1.206 billion, \$1.090 billion, and \$1.212 billion in fiscal 2017 through 2021, respectively.

The following table shows Lottery revenues and profits for the first five months of fiscal 2022.

Fiscal 2022 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	\$493,835	\$362,744	\$28,191	\$102,900	\$6,713	\$96,187
August	564,752	414,411	32,463	117,878	7,724	110,154
September	456,690	328,042	25,934	102,715	7,201	95,514
October	432,963	324,992	24,715	83,256	5,437	77,819
November	558,573	394,536	31,834	132,203	5,698	126,505
Total	\$2,506,812	\$1,824,725	\$143,136	\$538,952	\$32,773	\$506,179
YTD prize accrual – Estimated (1)	-	512	-	(512)	-	(512)
Adjusted Totals (1)	\$2,506,812	\$1,825,237	\$143,136	\$538,440	\$32,773	\$505,666

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 and a projection for fiscal 2022 are shown in the following table.

Lottery Revenues and Profits
(in thousands)

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Net Operating Revenues</u>	<u>Net Profits</u>
2022 (1)	\$5,688,913	\$1,118,099	\$995,766
2021	5,828,527	1,212,023	1,112,576
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

SOURCE: State Lottery Commission

- (1) Fiscal 2022 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	-	229.7	229.7
2021	-	245.6	245.6
Total	\$434.0	\$5,352.1	\$5,786.1

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 \$111.6 million in fiscal 2017, \$36.6 million in fiscal 2018, \$48.8 million in fiscal 2019, \$42.0 million in fiscal 2020, and \$43.9 million in fiscal 2021. The threshold applicable in fiscal 2022 is \$56.6 million (average of fiscal 2017 through fiscal 2021).

On November 9, 2022, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received \$13.6 million in one-time settlement and judgment payments exceeding \$10 million each during the first five months of fiscal 2022.

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 table shows gaming collections revenues for the first five months of fiscal 2022.

Fiscal 2022 Monthly Gaming Revenues (in thousands) (6)

<u>Month</u>	<u>Category 1 Gross Gaming Revenue (1)</u>	<u>Category 1 Total Collected State Taxes (2)</u>	<u>Category 2 Slot Gross Gaming Revenue (1)</u>	<u>Category 2 Total Collected State Taxes (3)</u>	<u>Category 2 Race Horse Assessments (4)</u>	<u>Statewide Gross Gaming Revenue (5)</u>	<u>Statewide Budgetary Taxes & Race Horse Assessments (5)</u>
July	\$82,761	\$20,690	\$12,952	\$5,181	\$1,165	\$95,713	\$27,036
August	79,652	19,913	12,732	5,093	1,145	92,384	26,151
September	76,824	19,206	11,997	4,798	1,079	88,821	25,083
October	84,240	21,060	11,741	4,696	1,056	95,981	26,812
November	71,188	17,797	10,972	4,388	987	82,160	23,172
Total	\$394,665	\$98,666	\$60,394	\$24,156	\$5,432	\$455,059	\$128,254

Source: Massachusetts Gaming Commission, Revenue Reports.

- (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) Totals may not sum due to rounding.
- (6) Amounts for fiscal 2022 are preliminary.

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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</u> <u>Total Collected</u> <u>State</u>	<u>Category 2</u> <u>Total Collected</u> <u>State</u>	<u>Category 2</u> <u>Race</u> <u>Horse</u> <u>Assessments (5)</u>
	<u>Taxes (3)</u>	<u>Taxes (4)</u>	
2021 (1)	\$173,082	\$49,040	\$11,029
2020 (2)	148,058	38,449	8,649
2019	62,304	67,470	15,181
2018	-	68,006	15,301
2017	-	63,370	14,244

Source: Massachusetts Gaming Commission.

- (1) Fiscal 2021 is unaudited.
- (2) 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."
- (3) 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.
- (4) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (5) 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. On December 22, 2021, the Department of the Interior issued a new decision finding that: statutory authority for acquiring the land in question exists under Section 5 of the Indian Reorganization Act; the 2015 decision to acquire such land in trust should be affirmed (with modifications); the land

is eligible for gaming under the Indian Gaming Regulatory Act; and the Department of the Interior will retain the land in trust as the Tribe’s reservation.

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. Argument on Mohegan Sun’s motion for judgment was heard on September 21, 2021. The matter remains ongoing.

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 requested 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. 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. On February 12, 2021, the Commission filed a motion for summary judgment. On June 16, 2021, the Court granted the Gaming Commission’s motion for summary judgment and dismissed the case. The Court also dismissed the Gaming Commission’s third-party claims against the Region A Category 1 licensee. The plaintiff has appealed the Court’s decisions.

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 2017 through fiscal 2021.

	<u>Net State Tax Revenues</u>	<u>Allowable State Tax Revenues</u>	<u>Net State Tax Revenues (under) Allowable State Tax Revenues</u>
2021	\$34,655,837,068	\$36,789,926,416	(\$2,134,089,348)
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)

SOURCE: State Auditor’s Office.

COMMONWEALTH EXPENDITURES

This section contains a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2021 are unaudited and for fiscal 2022 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 2022 budget provides \$7.092 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 2022 budget includes state funding for so-called “Chapter 70” public education aid of \$5.503 billion. The fiscal 2022 budget also includes a transfer of \$350 million into a trust for the purposes of implementing the provisions of the Student Opportunity Act in future years.

The other major component of direct local aid is unrestricted general governmental aid, which provides unrestricted funds for municipal use. The fiscal 2022 budget provides for \$1.168 billion in unrestricted general government aid.

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 2022, the aggregate property tax levy across all cities and towns grew from \$3.347 billion to \$19.746 billion, a compound annual growth rate of 4.42%.

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 2.1 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 2022 budget includes \$19.6 billion in funding for non-administrative spending for the MassHealth program. The \$19.6 billion includes \$19.0 billion in programmatic spending. The \$19.6 billion also includes approximately \$470 million to support supplemental payments to providers. Fiscal 2022 estimated programmatic spending is \$19.2 billion, which will require a supplemental appropriation, but programmatic spending is projected to be below the budgeted amount on a net basis. The reported spending levels do not include \$415 million in estimated spending from the American Rescue Plan Home and Community-Based Services (HCBS) reserve.

During the COVID-19 pandemic, MassHealth implemented a number of measures to provide flexibility for members and providers. MassHealth 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 submitted an emergency Section 1115 waiver request, which was approved by CMS on December 30, 2020, and six Appendix K requests to grant the Commonwealth certain flexibilities for the operation of HCBS waivers, which have been approved. In addition, MassHealth submitted numerous Disaster State Plan Amendment requests, many of which have been approved, but a number of which remain pending. On July 15, 2021, MassHealth submitted a second emergency Section 1115 waiver request, which is pending approval. 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, all but two of which have been approved. MassHealth may submit additional requests for federal flexibility and additional managed care directed payment requests prior to the expiration of the national public health emergency.

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Budgeted Operating Funds Medicaid Expenditures and Enrollment (in millions)

	<u>Fiscal 2017</u>	<u>Fiscal 2018 (1)</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (4)</u>	<u>Projected Fiscal 2022 (4)</u>
Medicaid program expenses	\$15,251.7	\$15,744.5	\$16,520.5	\$17,022.6	\$18,119.8	\$19,213.6
Medicaid administrative expenses	\$97.3	\$98.3	\$103.4	\$112.4	\$112.3	\$120.6
Total expenditures (2)	\$15,349.0	\$15,842.8	\$16,623.9	\$17,135.0	\$18,232.0	\$19,334.2
Annual percentage growth in total expenditures	2.7%	3.2%	4.9%	3.1%	6.4%	6.0%
Enrollment (in average member months) (3)	1,892,804	1,856,196	1,799,990	1,803,350	1,978,981	2,154,142
Annual percentage growth in enrollment	1.6%	(1.9%)	(3.0%)	0.2%	9.7%	8.9%

SOURCE: Fiscal 2017-2021 (excluding Medicaid administrative expense and enrollment), Office of the Comptroller; fiscal 2017-2021 (Medicaid administrative expense and enrollment only) and fiscal 2022, 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 unaudited and for fiscal 2022 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*. The Health Connector and its programs are supported by the Commonwealth Care Trust Fund (CCTF), which is supported by dedicated revenue sources, as well as carrier administrative fees. 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. Qualifying individuals can be eligible for federal tax credits to lower their health insurance premiums, 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 lawfully present immigrants 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 state’s pre-ACA Commonwealth Care program.

The fiscal 2022 budget for the Health Connector reflects \$123.3 million in gross spending from the CCTF. Net of federal revenue, fiscal 2022 expenditures are estimated to be \$84.5 million, a decrease of \$94.5 million compared to fiscal 2021. These estimates reflect the extension of the national public health emergency, as well as other changes to eligibility and benefit levels resulting from the passage of the ARPA.

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. EOHHS has submitted a request to CMS to further extend the 1115 waiver from July 1, 2022 to June 30, 2027.

As noted above, two emergency Section 1115 waivers were also 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 2021 Cost Trends Report provides that total health care expenditures per capita in the Commonwealth grew from 2018 to 2019 by 4.3%, compared to 3.6% growth from 2017 to 2018.

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.

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Other Health and Human Services

Other Health and Human Services - Budgeted Operating Funds (in millions)

<u>Expenditure Category</u>	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u> (4)	<u>Projected Fiscal 2022</u> (4)
Office of Health Services						
Department of Mental Health	\$739.2	\$749.1	\$831.7	\$884.0	\$878.7	\$984.9
Department of Public Health	<u>553.8</u>	<u>586.4</u>	<u>589.5</u>	<u>625.0</u>	<u>646.0</u>	<u>869.7</u>
Sub Total	\$1,293.0	\$1,335.5	\$1,421.2	\$1,509.0	\$1,524.7	\$1,854.6
Office of Children, Youth, and Family Services						
Department of Children and Families	\$958.9	\$974.2	\$1,006.8	\$1,035.3	\$1,055.6	\$1,163.3
Department of Transitional Assistance	608.1	593.7	614.9	681.5	669.7	828.3
Department of Youth Services	171.7	169.1	168.9	160.2	160.6	176.2
Office for Refugees and Immigrants	<u>1.3</u>	<u>1.1</u>	<u>1.4</u>	<u>2.2</u>	<u>22.3</u>	<u>2.1</u>
Sub Total	\$1,740.0	\$1,738.1	\$1,792.0	\$1,879.2	\$1,888.2	\$2,169.9
Office of Disabilities and Community Services						
Department of Developmental Services	\$1,813.5	\$1,858.3	\$1,939.5	\$2,106.3	\$2,096.8	\$2,351.7
Other (1)	<u>86.0</u>	<u>82.0</u>	<u>97.3</u>	<u>97.5</u>	<u>102.3</u>	<u>110.4</u>
Sub Total	\$1,899.5	\$1,940.4	\$2,036.8	\$2,203.8	2,199.1	\$2,462.1
Executive Office of Elder Affairs (2)	\$308.2	\$527.4	\$546.6	\$563.0	\$589.2	\$640.8
Executive Office of Health and Human Services (3)	295.2	323.7	344.6	394.4	522.8	449.6
Department of Veterans' Services (4)	<u>65.5</u>	<u>65.3</u>	<u>69.1</u>	<u>75.5</u>	<u>75.5</u>	<u>93.4</u>
Sub Total	668.9	\$916.4	\$960.3	\$1,032.9	\$1,187.5	\$1,183.8
Budgeted Expenditures	\$5,601.4	\$5,930.5	\$6,210.3	\$6,624.9	\$6,799.5	\$7,670.4

SOURCES: Fiscal 2017-2021 Office of the Comptroller; fiscal 2022, 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.
- (2) Account restructuring in fiscal 2018 budget shifted spending for the Choices program from MassHealth to Elder Affairs.
- (3) Includes Medicaid program administration.
- (4) Amounts for fiscal 2021 are unaudited and for fiscal 2022 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; Emergency Aid to the Elderly, Disabled and Children; and the State Supplemental Program 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 the state funded Healthy Incentives Program and 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. Historically, 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. EEC also historically 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. As a result of the COVID-19 pandemic, the number of licensed programs and children served have decreased, although overall program expenditures have not decreased.

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,

historically 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, 2021, 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 2022 GIC appropriations total \$1.827 billion, approximately \$629 million of which is offset by municipal revenue and \$229 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 2022 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 2022. The aggregate fiscal 2022 premium rates for GIC state and municipal members increased 5.52% over the aggregate premium rates in effect in fiscal 2021.

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 2022 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 2017 through 2021. Projections for fiscal 2022 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 2017 through fiscal 2021, and projected revenues and expenditures for fiscal 2022. See “SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS,” “COMMONWEALTH REVENUES – Tax Revenue Forecasting,” and “FISCAL 2022.”

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Budgeted Operating Funds – Statutory Basis (in millions) (1)

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Projected Fiscal 2022</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$126.0	\$117.4	\$371.5	\$521.3	\$776.6	\$1,099.3
Stabilization Fund	1,291.5	1,300.7	2,001.3	3,424.4	3,501.2	4,626.4
Federal COVID-19 Response Fund	-	-	-	-	-	4,892.0
Transitional Escrow Fund	-	-	-	-	-	1,460.3
Undesignated	<u>64.5</u>	<u>29.7</u>	<u>13.9</u>	<u>13.5</u>	<u>17.4</u>	<u>21.1</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>\$12,099.2</u>
<u>Revenues and Other Sources</u>						
Alcoholic Beverages	85.4	85.8	87.1	88.4	93.2	94.6
Banks	(0.1)	17.4	19.5	9.3	44.9	41.3
Cigarettes	490.3	471.2	439.8	416.3	316.1	314.8
Corporations	2,196.7	2,392.2	2,927.2	2,523.4	3,626.6	3,436.8
Deeds	297.2	284.5	318.3	314.2	397.2	389.1
Income	14,683.7	16,239.6	17,109.3	17,360.8	19,618.5	19,940.7
Inheritance and Estate	336.6	473.0	601.3	699.6	787.8	694.3
Insurance	421.9	430.9	470.6	495.9	558.8	571.6
Marijuana Excise	-	-	13.9	51.7	112.4	124.7
Motor Fuel	769.4	769.1	775.5	707.9	662.9	737.9
Public Utilities	(0.1)	(0.7)	-	-0.3	1.5	-
Room Occupancy	156.7	158.7	168.8	146.6	88.7	154.7
Electronic Nicotine Delivery System	-	-	-	-	9.3	-
Sales:						
Regular	4,226.1	4,433.2	4,688.3	4,905.1	5,829.4	5,762.1
Meals	1,132.5	1,154.4	1,216.0	1,077.3	946.5	1,139.3
Motor Vehicles	<u>852.5</u>	<u>866.3</u>	<u>894.0</u>	<u>828.0</u>	<u>1,054.3</u>	<u>962.2</u>
Sub-Total–Sales	6,211.1	6,453.9	6,798.3	6,810.4	7,830.2	7,863.6
Miscellaneous	12.9	11.5	10.5	9.1	7.9	36.5
Settlements and Judgments (2)	-	-	-	-	-	50.0
Total Tax Revenues	<u>\$25,661.7</u>	<u>\$27,787.2</u>	<u>\$29,740.1</u>	<u>\$29,633.3</u>	<u>\$34,156.0</u>	<u>\$34,450.6</u>
MBTA Transfer	(992.2)	(1,007.9)	(1,053.2)	(1,077.3)	(1,261.4)	(1,235.9)
MSBA Transfer	(816.8)	(847.9)	(893.2)	(917.3)	(1,101.4)	(1,075.9)
Workforce Training Fund Transfer (3)	(24.4)	(24.7)	(25.1)	(25.7)	(21.4)	(24.5)
Total Budgeted Operating Tax Revenues	<u>\$23,828.3</u>	<u>\$25,906.7</u>	<u>\$27,768.6</u>	<u>\$27,613.0</u>	<u>\$31,771.9</u>	<u>\$32,114.3</u>
Federal Reimbursements	10,857.8	11,376.9	11,771.9	12,794.7	18,339.0 (4)	14,722.5
Departmental and Other Revenues	4,382.1	4,742.2	4,831.7	4,920.2	4,775.5	5,073.8
Inter-fund Transfers from Non-budgeted Funds and other sources (5)	<u>2,099.1</u>	<u>1,793.4</u>	<u>2,010.3</u>	<u>1,988.4</u>	<u>1,996.0</u>	<u>2,042.1</u>
Budgeted Revenues and Other Sources	<u>\$41,167.3</u>	<u>\$43,819.2</u>	<u>\$46,382.5</u>	<u>\$47,316.1</u>	<u>\$56,882.4</u>	<u>\$53,952.7</u>
Inter-fund Transfers	617.4	1,217.0	1,993.3	1,013.3	3,100.1	1,862.9
Total Budgeted Revenues and Other Sources	<u>\$41,784.7</u>	<u>\$45,036.2</u>	<u>\$48,375.8</u>	<u>\$48,329.4</u>	<u>\$59,982.5</u>	<u>\$55,815.6</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	5,703.0	5,885.5	6,074.7	6,376.3	6,482.3	6,744.6
Medicaid	15,251.7	15,744.5	16,520.5	17,022.6	18,122.4	19,213.6
Other Health and Human Services	5,601.4	5,930.0	6,210.3	6,624.9	6,799.5	7,670.4
Group Insurance	1,662.5	1,634.0	1,644.2	1,662.0	1,720.9	1,903.3
Department of Elementary and Secondary Education	523.2	552.3	604.9	664.5	716.7	847.5
Higher Education	1,168.3	1,173.4	1,283.7	1,317.4	1,337.1	1,450.2
Department of Early Education and Care	540.0	564.3	607.5	712.2	784.5	1,043.6
Public Safety	1,059.6	1,102.0	1,168.1	1,478.6	1,410.4	1,385.5
Energy and Environmental Affairs	222.1	229.6	255.1	282.9	303.0	352.4
Debt Service	2,284.7	2,323.4	2,327.1	2,410.2	2,289.4	2,533.7
Post -Employment Benefits (6)	2,659.7	2,891.5	3,110.2	3,305.0	3,751.9	4,190.6
Other Program Expenditures	<u>3,235.0</u>	<u>3,316.0</u>	<u>3,562.5</u>	<u>3,724.8</u>	<u>3,916.0</u>	<u>4,468.4</u>
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$39,911.2</u>	<u>\$41,346.5</u>	<u>\$43,368.9</u>	<u>\$45,581.4</u>	<u>\$47,634.1</u>	<u>\$51,803.8</u>

<u>Inter-fund Transfers to Non-budgeted Funds</u>						
Commonwealth Care Trust Fund	-	-	45.8	-	-	35.0
Medical Assistance Trust Fund	403.4	579.9	363.1	505.8	505.3	751.5
Massachusetts Transportation Trust Fund	484.7	634.7	643.2	588.2	614.2	624.0
Other	402.3	319.2	389.0	304.7	324.9	564.0
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,290.4</u>	<u>\$1,533.8</u>	<u>\$1,441.1</u>	<u>\$1,398.7</u>	<u>\$1,444.4</u>	<u>\$1,974.5</u>
<u>Special Appropriated Funds</u>						
Federal COVID-19 Response Fund	-	-	-	-	-	1,490.0
Transitional Escrow Fund	-	-	-	-	-	681.3
Total Special Appropriated Funds	-	-	-	-	-	<u>\$2,171.3</u>
Budgeted Expenditures and Other Uses	<u>\$41,201.6</u>	<u>\$42,880.3</u>	<u>\$44,810.0</u>	<u>\$46,980.1</u>	<u>\$49,078.5</u>	<u>\$55,949.6</u>
Inter-fund Transfers	617.4	1,217.0	1,993.3	1,013.3	3,100.1	1,862.9
Total Budgeted Expenditures and Other Uses	<u>\$41,819.0</u>	<u>\$44,097.3</u>	<u>\$46,803.3</u>	<u>\$47,993.4</u>	<u>\$52,178.6</u>	<u>\$57,812.5</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(\$34.3)</u>	<u>\$938.9</u>	<u>\$1,572.5</u>	<u>\$336.0</u>	<u>\$7,804.0</u>	<u>(\$1,996.9)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (7)	117.4	371.5	521.3	776.6 (8)	1,099.3 (9)	114.5
Stabilization Fund	1,300.7	2,001.3	3,424.4	3,501.2	4,626.4	5,794.6
Federal COVID-19 Response Fund	-	-	-	-	4,892.0	3,402.0
Transitional Escrow Fund	-	-	-	-	1,460.3	779.0
Undesignated	29.7	13.9	13.5	17.4	21.1	12.3
Total	<u>\$1,447.8</u>	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$10,102.4</u>

SOURCES: Fiscal 2017-2021, Office of the Comptroller; fiscal 2022, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) For fiscal 2017 through fiscal 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) Includes \$4.9 billion transferred from the Coronavirus State and Local Fiscal Recovery Fund.
- (5) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, abandoned property proceeds and other inter-fund transfers.
- (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)." Fiscal 2022 also includes a \$250 million supplemental transfer to the Pension Liability Fund.
- (7) Includes appropriations authorized to be expended in the following year.
- (8) Includes appropriations authorized in fiscal 2020 that were funded by federal funds in fiscal 2021.
- (9) Includes appropriations authorized in fiscal 2021 that are expected to be funded by federal funds in fiscal 2022. Also includes \$252 million for a collective bargaining reserve to fund the retroactive and fiscal 2022 costs of certain agreements. See "Fiscal 2022."

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 2017 through fiscal 2021.

Stabilization Fund Sources and Uses (in thousands)

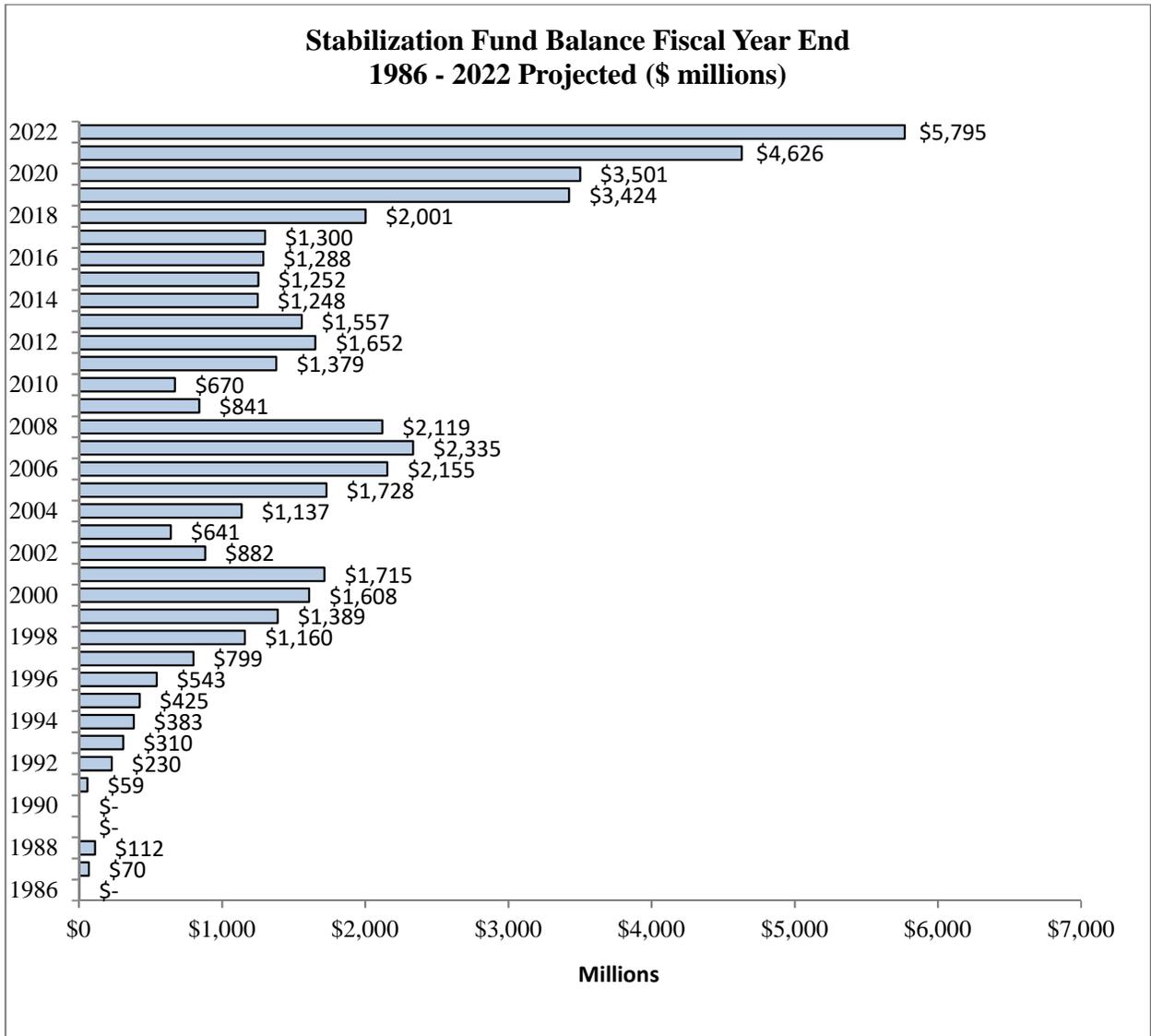
	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (5)</u>
Beginning Fund Balances	\$1,291,514	\$1,300,678	\$2,001,299	\$3,424,376	\$3,501,181
Revenues and Other Sources					
Deposit of the remaining consolidated net surplus	-	209,287	592,722	-	-
Deposits from growth in abandoned property receipts (1)	-	13,450	3,673	-	-
Deposits from gaming tax revenues	-	-	9,781 (2)	14,914	17,458
Capital gains tax transfers in excess of threshold (3)	-	513,908	848,399	-	1,098,140
Deposits due to judgments and settlements in excess of \$10 million	-	-	-	-	-
Lottery transfer taxes	377	272	429	362	323
Investment income	8,787	15,094	52,913	61,529	9,317
Total Revenues and Other Sources	<u>9,164</u>	<u>752,011</u>	<u>1,507,917</u>	<u>76,805</u>	<u>1,125,238</u>
Total Expenditures and Other Uses	-	<u>51,390 (4)</u>	<u>84,840 (4)</u>	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>9,164</u>	<u>700,621</u>	<u>1,423,077</u>	-	-
Ending Fund Balances	<u>\$1,300,678</u>	<u>\$2,001,299</u>	<u>\$3,424,376</u>	<u>\$3,501,181</u>	<u>\$4,626,419</u>
Allowable Stabilization Fund Balance	<u>\$6,175,099</u>	<u>\$6,572,883</u>	<u>\$6,957,381</u>	<u>\$7,097,420</u>	<u>\$8,532,366</u>

SOURCE: 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. The fiscal 2017 specified threshold was \$1.278 billion; however, capital gains tax collections for fiscal 2017 did not exceed this amount. A Legislative enactment in 2020 retained all fiscal 2020 capital gains tax revenue in the General Fund.
- (4) Represents transfers of 5% capital gains tax revenue to the State Pension Fund and OPEB Trust Fund per statute.
- (5) Unaudited.

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The following chart shows the Stabilization Fund balance from fiscal 1986 through fiscal 2021 (actual), and fiscal 2022 (projected). See "FISCAL 2022."



SOURCE: Fiscal 1986-fiscal 2021, Office of the Comptroller; fiscal 2022 (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	452.6
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>(1,750.1)</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, unamortized 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)		
	Governmental Activities	Business Type Activities	Government Wide
Total net position/(deficit):			
Fiscal 2019, restated	<u>(\$74,577,199)</u>	<u>\$5,596,284</u>	<u>(\$68,980,915)</u>
Fiscal 2020	<u>(77,677,365)</u>	<u>4,677,151</u>	<u>(73,000,214)</u>
Change in net position/(deficit)	<u>(\$3,100,166)</u>	<u>(\$919,133)</u>	<u>(\$4,019,299)</u>

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 Annual Comprehensive Financial Report (ACFR). The SBFR is usually published by the Comptroller on or before October 31 and the ACFR is usually published by the Comptroller by the second Wednesday in January. As a result of the COVID-19 pandemic, the fiscal 2021 SBFR was issued on November 19, 2021, and the ACFR will be delayed.

The SBFR for the year ended June 30, 2021 and the ACFR 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 2021 and the ACFR 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 ACFRs, 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 ACFR 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 ACFR 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, 2021 and the ACFR for the year ended June 30, 2020, attention is called in particular to the portion of the ACFR under the heading "Management's Discussion and Analysis."

Auditors' Report on Annual Comprehensive Financial Report for Fiscal 2020

The basic financial statements included in the ACFR 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 ACFR 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 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 fiscal 2022 budget, as approved by the Governor on July 16, 2021, includes approximately \$47.6 billion in authorized spending, excluding transfers to the Medical Assistance Trust Fund, a \$250 million supplemental transfer to the Pension Liability Fund, a one-time \$350 million transfer to a new Student Opportunity Act Investment Fund, and other interfund transfers. The fiscal 2022 budget reflects approximately 3.6% growth in authorized spending over fiscal 2021. The fiscal 2022 budget as approved by the Governor incorporates an increased \$34.350 billion tax revenue forecast before various tax initiatives, which represents an increase of \$4.230 billion over the fiscal 2022 consensus tax revenue estimate of \$30.120 billion announced in January 2021, due to better-than-expected actual tax collections in recent months. The fiscal 2022 budget as enacted is in structural balance, with no planned Stabilization Fund withdrawal.

The Governor vetoed \$7.9 million in gross spending, vetoed an outside section that would have delayed the implementation of the charitable tax deduction, and returned with amendment another tax initiative. These were subsequently overridden or rejected by the Legislature.

On December 13, 2021, the Governor signed legislation appropriating approximately \$4 billion to support COVID-19 recovery needs, including \$2.55 billion from the Commonwealth’s federal allocation of the American Rescue Plan Act Coronavirus State Fiscal Recovery Fund and \$1.45 billion from the state’s fiscal 2021 budget surplus held in the Transitional Escrow Fund. The legislation includes approximately \$1.1 billion in health and human services spending, \$624 million in investments to expand homeownership and other housing initiatives, a \$500 million deposit to the Unemployment Insurance Trust Fund, a \$500 million program for essential workers that performed in-person work during the pandemic, \$422 million in water, sewer, and other environmental infrastructure, and \$853 million for a range of other smaller initiatives. The funds are available through June 30, 2027.

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 the following liquidity support: a \$500 million line of credit and a Note Purchase Agreement which permits the issuance of up to \$200 million of either revenue anticipation notes or bond anticipation notes. As of November 30, 2021, there was no balance outstanding under either of these facilities. See “LONG-TERM LIABILITIES – Liquidity Facilities.”

For cash flow needs, the State Treasurer has historically issued revenue anticipation notes (RANs). As of November 30, 2021, there were no RANs outstanding and the State Treasurer does not anticipate issuing RANs in fiscal 2022.

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 October 31, 2021, the Cash Portfolio holdings were made up of Certificate of Deposit 32.1%, Asset Backed Commercial Paper 22.3%, Non-Negotiable Time Deposit 14.6%, Financial Company Commercial Paper 13.7%, U.S. Government Agency Repurchase Agreement 8.4%, U.S. Treasury Debt 3.8%, Non-Financial Company Commercial Paper 2.9%, Tender Option Bond 1.8%, Variable Rate Demand Note 0.3%, Other Municipal Securities 0.1%. As of November 30, 2021, the Cash Portfolio’s monthly weighted average life was 65 days, and the monthly weighted average maturity was 45 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 October 31, 2021, the Short-Term Bond Fund holdings were made up of U.S. Treasury Securities 48.1%, Financial Inst. - Banking 5.3%, Auto Receivables 4.6%, FNMA MBS 4.3%, Utility - Electric 4.0%, Consumer Non-Cyclical Pharmaceuticals 2.4%, Consumer Cyclical – Automotive 1.8%, Financial Inst.- Insurance - Life 1.8%, Consumer Non-Cyclical Food/Beverage 1.6%, Equipment Lease 1.5 %, Other 24.6%. 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 2021, the Governor announced the five-year capital investment plan for fiscal 2022 through fiscal 2026. The plan projects \$4.97 billion of spending in fiscal 2022 on capital projects, including \$2.66 billion of administrative bond cap spending, \$1.11 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 \$1.21 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 2018 through fiscal 2022 and the tables on the following pages provide cash flow detail for fiscal 2022. The balance for July of fiscal 2022 is actual and the remainder of fiscal 2022 is projected.

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Month-End General Fund Cash Balances (in millions)

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022 (1)</u>
July	\$1,307.3	\$2,269.5	\$3,613.7	\$4,659.2	\$11,693.0
August	2,304.1	3,143.8	2,794.4	4,081.8	11,200.0
September	2,328.6	4,125.0	3,706.0	4,621.8	12,200.0
October	2,147.2	3,645.3	4,558.2	3,904.4	12,264.4
November	1,841.5	2,592.1	3,929.0	3,247.2	10,820.2
December	1,897.8	2,816.3	3,884.1	4,626.0	10,963.1
January	2,582.3	3,276.0	3,360.8	5,945.1	11,136.7
February	2,165.8	2,593.5	2,958.0	5,483.1	9,784.9
March	1,775.8	2,913.6	3,537.9	5,746.1	9,656.3
April	2,897.4	4,603.0	4,809.9	6,524.3	12,030.1
May	2,666.2	4,239.6	3,573.5	13,548.1	11,685.0
June	3,607.9	4,497.4	3,358.5	12,691.1	13,057.4

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2022 ending balance for July is actual and the remaining months are projected.

The fiscal 2021 and 2022 cash flow statement released on October 19, 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>	<u>Feb-21</u>	<u>Mar-21</u>	<u>Apr-21</u>	<u>May-21</u>	<u>Jun-21</u>	Total FY 2021
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	\$5,945.1	\$5,483.1	\$5,746.1	\$6,524.2	\$13,548.1	\$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	(851.9)	(851.9)
Total Budgetary Revenue/Inflows (4)	5,707.1	3,947.4	4,343.7	3,797.6	3,461.3	5,692.3	4,784.1	3,406.4	4,818.8	6,085.4	5,556.5	9,973.1	61,573.8
Total Budgetary Expenditures/Outflows	4,218.1	3,680.1	3,354.7	4,040.0	3,530.9	3,511.7	3,596.4	3,725.8	4,076.9	4,134.9	3,946.2	4,174.7	45,990.4
Net Budgetary Funds	\$1,489.0	\$267.4	\$989.0	(\$242.3)	(69.6)	\$2,180.6	\$1,187.7	(\$319.4)	\$741.8	\$1,950.5	\$1,610.3	\$5,798.5	\$15,583.4
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	953.4	(662.5)	1,778.3	1,175.4	875.9	1,033.8	1,870.6	484.8	11,749.2
Total Non Budgetary Expenditures/Outflows	1,422.4	1,346.2	1,061.4	1,566.0	1,575.9	1,758.8	1,500.8	1,746.2	1,534.7	1,326.0	1,340.4	1,995.2	18,174.0
Net Non Budgetary Funds	(179.5)	(299.5)	(377.4)	(300.1)	(622.5)	(2,421.3)	277.5	(570.8)	(658.9)	(292.2)	530.1	(1,510.3)	(6,424.8)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	2.5	3.4	3.0	4.1	2.6	4.9	2.3	2.3	2.2	2.2	12.1	6.6	48.3
Net Operating Activities	\$1,311.9	(\$28.7)	\$614.7	(\$538.2)	(\$689.5)	(\$235.8)	\$1,467.5	(\$887.9)	\$85.1	\$1,660.5	\$2,152.5	\$4,294.7	\$9,206.9
Federal Grants:													
Total Federal Grants Revenue/Inflows	240.6	180.3	190.1	158.4	263.8	296.1	151.1	713.3	615.4	289.8	5,599.8	(4,422.5)	4,276.2
Total Federal Grants Expenditures/Outflows	211.2	203.2	183.2	202.1	241.3	289.6	262.4	275.1	324.1	455.9	334.7	570.8	3,553.7
Net Federal Grants	\$29.4	(\$22.9)	\$6.9	(\$43.7)	\$22.5	\$6.5	(\$111.4)	\$438.2	\$291.3	(\$166.1)	\$5,265.1	(\$4,993.4)	\$722.5
Capital Funds:													
Total Capital Revenue/Inflows	298.0	345.2	195.6	187.1	304.6	423.5	216.6	214.4	164.5	29.5	308.5	734.5	3,422.0
Total Capital Expenditures/Outflows	338.7	371.0	277.2	322.5	294.9	315.3	253.7	226.6	278.0	242.4	301.8	292.0	3,514.2
Net Capital Funds	(\$40.7)	(\$25.8)	(\$81.6)	(\$135.5)	\$9.7	\$108.2	(\$37.1)	(\$12.2)	(\$113.5)	(\$212.8)	\$6.6	\$442.5	(\$92.2)
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	\$5,945.1	\$5,483.1	\$5,746.1	\$6,524.2	\$13,548.1	\$12,691.1	\$12,691.1

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) Includes federal reimbursements such as the CARES Act and ARPA funds.

Overview of Fiscal 2022 Non-Segregated Operating Cash Flow (in millions) (1) (2)

	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sep-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>	<u>Jan-22</u>	<u>Feb-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>May-22</u>	<u>Jun-22</u>	<u>Total FY 2022</u>
Opening Non-Segregated Operating Cash Balance:	\$12,691.1	\$11,693.0	\$11,200.0	\$12,200.0	\$12,264.4	\$10,820.2	\$10,963.1	\$11,136.7	\$9,784.9	\$9,656.3	\$12,030.1	\$11,685.0	\$12,691.1
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	\$0.0	(\$246.3)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$246.3)
Total Budgetary Revenue/Inflows	\$3,500.1	\$3,961.8	\$5,136.7	\$4,069.3	\$3,496.5	\$5,124.9	\$4,619.1	\$3,613.7	\$5,078.6	\$7,368.9	\$4,128.9	\$5,977.8	\$56,076.3
Total Budgetary Expenditures/Outflows	\$3,982.9	\$4,788.1	\$3,894.3	\$4,247.4	\$4,152.3	\$4,134.9	\$3,965.1	\$4,371.9	\$4,677.7	\$4,491.0	\$3,963.9	\$4,198.5	\$50,867.9
Net Budgetary Funds	(\$482.8)	(\$826.3)	\$1,242.4	(\$178.1)	(\$655.8)	\$990.0	\$654.0	(\$758.2)	\$400.9	\$2,877.9	\$165.0	\$1,779.3	\$5,208.3
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	\$1,334.1	\$2,114.3	\$1,740.2	\$1,069.4	\$1,051.9	\$974.7	\$907.8	\$834.8	\$852.8	\$905.0	\$884.8	\$1,043.5	\$13,713.3
Total Non Budgetary Expenditures/Outflows	\$1,575.6	\$1,527.5	\$1,835.3	\$1,424.7	\$1,595.4	\$1,743.8	\$1,463.5	\$1,330.7	\$1,460.3	\$1,288.3	\$1,438.8	\$1,711.2	\$18,394.9
Net Non Budgetary Funds	(\$241.6)	\$586.9	(\$95.1)	(\$355.3)	(\$543.4)	(\$759.1)	(\$555.6)	(\$495.9)	(\$607.5)	(\$383.3)	(\$553.9)	(\$667.7)	(\$4,681.6)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	\$1.5	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$23.5
Net Operating Activities	(\$722.9)	(\$237.4)	\$1,149.3	(\$531.4)	(\$1,197.2)	\$222.8	\$100.4	(\$1,252.1)	(\$204.5)	\$2,496.6	(\$386.9)	\$1,113.6	\$550.2
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$242.3	\$211.6	\$195.0	\$168.6	\$181.0	\$204.1	\$234.1	\$242.9	\$261.0	\$221.1	\$255.7	\$317.3	\$2,734.7
Total Federal Grants Expenditures/Outflows	\$351.7	\$227.4	\$151.7	\$210.4	\$207.6	\$226.8	\$228.6	\$218.8	\$233.6	\$228.3	\$227.0	\$248.5	\$2,760.4
Net Federal Grants	(\$109.4)	(\$15.8)	\$43.3	(\$41.8)	(\$26.6)	(\$22.7)	\$5.5	\$24.1	\$27.4	(\$7.2)	\$28.7	\$68.8	(\$25.7)
Capital Funds:													
Total Capital Revenue/Inflows	\$235.6	\$93.2	\$167.0	\$877.9	\$81.6	\$310.5	\$368.2	\$162.5	\$490.4	\$297.6	\$419.0	\$695.6	\$4,199.3
Total Capital Expenditures/Outflows	\$401.4	\$332.9	\$359.6	\$240.3	\$302.0	\$367.8	\$300.5	\$286.4	\$441.9	\$413.2	\$405.9	\$505.6	\$4,357.5
Net Capital Funds	(\$165.8)	(\$239.7)	(\$192.6)	\$637.6	(\$220.4)	(\$57.3)	\$67.7	(\$123.9)	\$48.5	(\$115.6)	\$13.1	\$190.0	(\$158.3)
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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper / Line of Credit – (Principal + Interest)</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>RANS – (Principal + Interest)</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 Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$11,693.0	\$11,200.0	\$12,200.0	\$12,264.4	\$10,820.2	\$10,963.1	\$11,136.7	\$9,784.9	\$9,656.3	\$12,030.1	\$11,685.0	\$13,057.4	\$13,057.4

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures for July are actual and all other months 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 2017</u>	<u>June 2018</u>	<u>June 2019</u>	<u>June 2020</u>	<u>June 2021</u>
Executive Office	74	77	84	83	83
Executive Departments					
Administration and Finance	2,274	2,214	2,191	2,172	2,143
Energy and Environmental Affairs	1,736	1,725	1,784	1,825	1,877
Health and Human Services	19,849	20,162	20,362	20,363	20,125
Housing and Economic Development	640	748	752	762	783
Labor and Workforce Development	231	234	237	354	375
Executive Office of Education	507	523	561	580	609
Public Safety and Security	7,994	8,042	8,064	8,238	8,108
Technology Services and Security	333	354	395	402	466
Federal Grant, Trust and Capital Funded (2)	<u>8,139</u>	<u>8,133</u>	<u>8,070</u>	<u>7,984</u>	<u>7,940</u>
Subtotal under Governor's Authority	<u>41,777</u>	<u>42,212</u>	<u>42,500</u>	<u>42,763</u>	<u>42,509</u>
Judiciary	7,208	7,229	7,164	7,217	7,061
Higher Education	25,283	24,887	25,229	25,318	24,437
Other (3)	<u>11,092</u>	<u>11,048</u>	<u>11,227</u>	<u>11,285</u>	<u>11,167</u>
Total	<u>85,360</u>	<u>85,376</u>	<u>86,120</u>	<u>86,583</u>	<u>85,174</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 35,438 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, runs from July 1, 2020 through June 30, 2023, providing salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$97.5 million.

2. The contract with the American Federation of State, County and Municipal Employees (AFSCME), representing Unit 2, runs from July 1, 2020 through June 30, 2023, providing annual salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$54.8 million.

3. The contract with the Massachusetts Correction Officers Federated Union (MCOFU), representing Unit 4, ran from July 1, 2018 through June 30, 2021. Subject to legislative approval, a new contract with MCOFU will run from July 1, 2021 through June 30, 2024, providing annual salary increases of 2.5% in 2021, 2% in 2022, and 2% in 2023, effective July 1 of each year. Eligible employees will receive a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$43.5 million.

4. The contract with the New England Police Benevolent Association (NEPBA), representing Unit 4A, ran from July 1, 2017 through June 30, 2020. Subject to legislative approval, a new contract with NEPBA will run from July 1, 2020 through June 30, 2023, providing annual salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees will receive a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$1.2 million.

5. The contract with the Coalition of Public Safety (COPS), representing Unit 5, ran from July 1, 2018 through June 30, 2021, and provided salary increases of 1% (2% if fiscal 2018 revenues exceeded \$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 was \$1.7 million. This contract has expired and negotiations are ongoing.

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 (MNA), representing Unit 7, runs from January 1, 2021 through December 31, 2023, providing annual salary increases of 2.5% in 2021, 2% in 2022, and 2% in 2023, effective January 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$29.0 million.

8. The contract with the Service Employees International Union (SEIU), representing Units 8 and 10, runs from January 1, 2020 through December 31, 2022, providing salary increases of 2.5% in 2020, 2% in 2021, and

2% in 2022, effective January 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$90 million.

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. Subject to legislative approval, a new contract with MOSES will run from July 1, 2020 through June 30, 2023, providing annual salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees will receive a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$15.7 million.

10. The contract with the International Association of Fire Fighters (IAFF), 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	9,787	6/30/23
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	7,600	6/30/23
4	Massachusetts Correction Officers Federated Union	Corrections	3,398	6/30/21 (3)
4A	New England Police Benevolent Association	Corrections	69	6/30/20 (3)
5	Coalition of Public Safety	Law enforcement	216	6/30/21 (2)
5A	State Police Association of Massachusetts	State Police	2,134	12/31/20 (2)
7	Massachusetts Nurses Association	Health professionals	1,650	12/31/23
8, 10	Alliance/Service Employees International Union	Social workers, Secondary Education	8,576	12/31/22)
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	1,951	6/30/20 (3)
11	International Association of Fire Fighters	Fire fighters	58	12/31/20 (2)
		Total	35,438	

SOURCE: Executive Office for Administration and Finance.

- (1) Numbers represent full-time equivalent filled positions (FTEs) in the standard workforce as of July 3, 2021, 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.
- (3) This contract has expired. A new contract has been ratified and funding for the new contract will be duly submitted to the Legislature for approval.

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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, 2021, 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	66,901	68,780
Terminated employees entitled to benefits but not yet receiving them	<u>4,570</u>	<u>N/A</u>
Subtotal	71,471	68,780
Current Members	<u>87,136</u>	<u>96,527</u>
Total	158,607	165,307

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 2022 has been determined to be \$179.4 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 2022 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. Discussions with the IRS are ongoing.

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):

Employee Contribution Rates

<u>MTRS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	36	0.0%
1975-1983	7	190	0.2
1984-June 30, 1996	8	4,343	4.5
July 1, 1996-Present	9	14,020	14.5
July 1, 2001-Present	11	<u>77,938</u>	<u>80.8</u>
Totals		<u>96,527</u>	<u>100.0%</u>

SOURCE: Public Employee Retirement Administration Commission. Membership data from Teachers' Retirement System January 1, 2021 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.

<u>MSERS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	195	0.2%
1975-1983	7	1,635	1.9
1984-June 30, 1996	8	11,848	13.6
July 1, 1996-Present	9	72,264	82.9
State Police 1996-Present	12	<u>1,194</u>	<u>1.4</u>
Totals		<u>87,136</u>	<u>100.0%</u>

SOURCE: Public Employee Retirement Administration Commission. Membership data from State Retirement Board January 1, 2021 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, 2021. The assumptions underlying the funding schedule include valuation of assets and liabilities as of January 1, 2020, 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>
2022	\$3,415,154	2030	\$7,125,997
2023	3,744,033	2031	7,812,230
2024	4,104,584	2032	8,564,548
2025	4,499,855	2033	9,389,314
2026	4,933,191	2034	10,293,505
2027	5,408,258	2035	11,284,770
2028	5,929,073	2036	12,364,051
2029	6,500,043	2037	1,554,984

SOURCE: Executive Office for Administration and Finance

In addition to the funding schedule above, the fiscal 2022 budget includes a supplemental \$250 million transfer to the Pension Liability Fund.

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 21, 2021, is available at: <https://www.mass.gov/doc/commonwealth-valuation-report-2021/download>. In this report, the unfunded actuarial accrued liability for the Commonwealth's total pension obligation as of January 1, 2021, based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2020, was approximately \$45.575 billion, including approximately \$15.334 billion for MSERS, \$27.659 billion for MTRS, \$2.477 billion for Boston teachers that are members of the BRS, and \$105.0 million for cost-of-living increases reimbursable to local systems. This valuation estimates the total actuarial accrued liability as of January 1, 2021 to be approximately \$108.982 billion (comprising \$45.704 billion for MSERS, \$58.830 billion for MTRS, \$4.342 billion for Boston teachers and \$105.0 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately \$63.407 billion based on a five-year average valuation method (comprising \$30.370 billion for MSERS, \$31.171 billion for MTRS and \$1.866 billion for Boston teachers), which equaled 93.1% of the December 31, 2020 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. Since the last valuation, there was an overall actuarial gain of \$3.22 billion, consisting of a non-investment related gain on actuarial liability of approximately \$924 million and a gain of approximately \$2.296 billion on the actuarial value of assets.

The January 1, 2021 valuation report used a 7.00% investment return assumption, reduced from the 7.25% assumption used in the January 1, 2019 valuation. The investment return assumption had previously decreased consistently from 8.25% as of January 1, 2012 to 7.25% as of January 1, 2019. The most recent change in the investment return assumption from 7.25% to 7.00% increased the total actuarial accrued liability by approximately \$2.85 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 2017 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. There was a small adjustment for disability retirees of MSERS in the January 1, 2018 valuation. PERAC maintained these assumptions in the January 1, 2019 valuation. In 2020, PERAC performed an analysis of mortality for retirees of MSERS and MTRS. Based on this analysis, PERAC adopted the Pub-2010 Teachers mortality table (headcount weighted) for MTRS and made no changes to MSERS. The most recent change in the mortality assumption reduced the total actuarial accrued liability by approximately \$759 million.

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.

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, 2021 was 93.1% of the market value. This figure was 102.8% as of January 1, 2019.

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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>
2021	\$63,407	\$68,090	93.1%	58.2%	62.5%
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

SOURCE: Public Employee Retirement Administration Commission.
(1) Based on five-year average smoothing methodology.

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 (excluding fiscal 2020 as no valuation was completed), 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 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						
2021	\$30,370,096	\$45,704,298	\$15,334,202	66.5%	\$6,544,575	234.3%
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
MTRS						
Actuarial Valuation as of Jan. 1						
2021	\$31,170,723	\$58,829,999	\$27,659,276	53.0%	\$7,670,306	360.6%
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

**Aggregate
Commonwealth
Pension
Obligations (1)**
Actuarial Valuation
as of Jan. 1

2021	\$63,406,551	\$108,981,772	\$45,575,221	58.2%	\$14,851,350	306.9%
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

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.

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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						
2021	\$32,611,969	\$45,704,298	\$13,092,329	71.4%	\$6,544,575	200.0%
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
MTRS						
Actuarial Valuation as of Jan. 1						
2021	\$33,473,661	\$58,829,999	\$25,356,338	56.9%	\$7,670,306	330.6%
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
Aggregate Commonwealth Pension Obligations (1)						
Actuarial Valuation as of Jan. 1						
2021	\$68,089,639	\$108,981,772	\$40,892,133	62.5%	\$14,851,350	275.3%
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

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> (3)	<u>2022</u>
Annual required contribution (ARC) (1)	\$3,292,000	\$3,500,000	\$3,800,000	\$4,125,000	\$4,230,000
Contributions made (2)	\$2,394,000	\$2,608,000	\$2,841,525	\$3,115,164	\$3,415,154
% of ARC funded for the fiscal year	73%	75%	75%	76%	80.7%

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.
- (2) The amounts shown for contributions include the costs associated with the 2015 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.

Assumption changes made in the 2018 and 2019 valuations affected 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%. Assumption changes made in the 2021 valuations affect the percentage of the ARC funded in fiscal 2022; if there had been no assumption changes in the 2021 valuation, the percentage of the ARC funded would have been 85%. 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 Annual Comprehensive Financial Report 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 ACFR for fiscal 2020. See Exhibit C – Annual Comprehensive 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 ACFR 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 ACFR 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 ACFR for fiscal 2020. Additional information regarding the inflows and outflows that under GASB 68 are recognized either in the ACFR for fiscal 2020 or are deferred and projected to be recognized in the ACFRs for future fiscal years can be found in Note 9C to Basic Financial Statements to the ACFR for fiscal 2020. See Exhibit C – Annual Comprehensive 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 ACFR 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 ACFR 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 ACFR for fiscal 2020. Pension valuation information as of June 30, 2020 will be used in the ACFR 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	(18,089)	(15,853)	(16,369)	(30,030)	(20,624)
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 ACFR for fiscal 2020. Pension valuation information as of June 30, 2020 will be used in the ACFR 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 used 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 2023 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. The actual fiscal 2022 ADC for MSERS, MTRS and Boston teachers were provided in a memorandum dated May 13, 2021 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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Target Ranges</u>
Global Equity	45.7%	41.9%	43.2%	42.0%	42.7%	34.0 – 44.0%
Core Fixed Income	12.0	12.8	13.6	15.7	15.3	12.0 – 18.0
Value-Added Fixed Income	8.1	8.0	7.9	7.5	6.9	5.0 – 11.0
Private Equity	10.6	10.8	11.3	11.4	14.5	11.0 – 17.0
Real Estate	9.1	9.0	9.4	9.2	8.3	7.0 – 13.0
Timber/Natural Resources	3.7	3.4	3.9	3.7	3.0	1.0 – 7.0
Portfolio Completion Strategies	9.5	13.4	10.0	9.7	8.3	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>
2021	29.91%	2016	2.29%
2020	2.38	2015	3.86
2019	6.12	2014	17.53
2018	9.97	2013	12.69
2017	13.20	2012	(0.08)
	3yr annualized		12.17%
	5yr annualized		11.93%
	10yr annualized		9.47%

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 ACFR for fiscal 2015.

The GASB 74 actuarial valuation for fiscal year ended June 30, 2020, which was issued on March 12, 2021, as revised on April 14, 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 2017, 2018, 2019, 2020 and 2021, the required transfer was modified to 30%, 10%, 30%, 10% and 10%, respectively, of annual tobacco settlement payments. The fiscal 2022 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⁾⁽⁴⁾	77.3	-	-
2017⁽³⁾	25.4	-	-
2018	53.1	19.8	26.0
2019	38.9	32.1	42.4
2020⁽⁴⁾	23.0	-	-
2021⁽⁵⁾	24.6	-	61.0

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.
- (3) Capital gains tax revenues did not exceed statutory capital gains threshold in fiscal 2017, therefore no deposit was made.
- (4) In fiscal years 2016 and 2020, the Commonwealth temporarily suspended the requirement to transfer 5% of capital gains tax collections above the threshold.
- (5) Unaudited.

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 ACFR 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 2020.

During the audit of the GASB 75 report as of the June 30, 2019 measurement date (which is reported in the ACFR 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 ACFR 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 ACFR for fiscal 2020 pursuant to GASB 75, as well as the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2020 or are deferred and projected to be recognized in the ACFR 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 ACFR 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 ACFR 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 ACFR for fiscal 2020. OPEB valuation information as of June 30, 2020 will be used in the ACFR for fiscal 2021. Additional information regarding the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2020 or are deferred and projected to be recognized in the ACFRs for future fiscal years is in Note 10D to Basic Financial Statements to the ACFR for fiscal 2020. See Exhibit C –Annual Comprehensive 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 ACFR for fiscal 2020. OPEB valuation information as of June 30, 2020 will be used in the ACFR 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.

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 2021, the Governor announced the five-year capital investment plan for fiscal years 2022 through 2026, with an administrative bond cap of \$2.655 billion for fiscal 2022. This represents a 4.9% increase over the administrative bond cap recommendation in fiscal 2021.

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 2022 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 2022.

Fiscal 2022 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	\$76.3	\$5.0	-	\$31.1	\$112.4
Capital Asset Management	558.2	6.3	\$39.9	97.3	701.7
Education	19.0	-	-	16.8	35.8
Energy and Environmental Affairs	308.9	-	41.3	33.8	384.0
Housing and Community Development	255.6	-	-	-	255.6
Housing and Economic Development	208.6	-	0.3	34.5	243.3
Technology Services and Security	161.5	20.9	98.2	-	280.6
Public Safety	26.9	7.7	0.8	-	35.3
MassDOT	<u>1,040.1</u>	<u>-</u>	<u>1,024.9</u>	<u>856.6</u>	<u>2,921.6</u>
Total (1)	\$2,655.0	\$39.9	\$1,205.3	\$1,070.0	\$4,970.2

SOURCE: Executive Office for Administration and Finance as of June 14, 2021.

(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 2022 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> <p><i>Next Generation Bridge GANs</i> – Borrowing backed by federal highway grant anticipation notes (GANs) to support the MassDOT Highway Division’s bridge program.</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	\$94
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 14, 2021, 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 2023. The Committee determined that \$2.78 billion of general obligation debt may prudently be issued by the Commonwealth for fiscal 2023. This amount represents an increase of 4.7% or \$125 million, over the Committee's recommended bond cap for fiscal 2022.

Cybersecurity

The Commonwealth, like many other large public and private entities, relies on a large and complex information technology (IT) environment to conduct its operations. While the Commonwealth has made significant progress in the past few years in standardizing and centralizing policies and procedures, a number of state agencies, departments, and branches continue to maintain their own distinct IT infrastructure.

In August 2017 Governor Baker established the Executive Office of Technology Services and Security (EOTSS). EOTSS maintains much of the Executive Branch's enterprise infrastructure in the form of two datacenters that host agency and statewide business applications, the Commonwealth-wide area network, and internet service. Since its formation, EOTSS has been working to standardize the Commonwealth's IT infrastructure by adopting and implementing a standard operating environment, and strengthening the Commonwealth's cybersecurity posture. While several Executive Branch entities still operate distinct data centers and networks, EOTSS is working with these entities to transfer their enterprise infrastructure services to EOTSS. Enterprise Information Security Policies and Standards have been published for all Executive Offices and their agencies and other agencies that rely on EOTSS services, and the Executive Offices that maintain separate environments are obligated to adhere to these security policies and standards. EOTSS also has worked closely with each Executive Office to make critical improvements in the areas of IT policies, procedures, infrastructure and services. EOTSS provides annual cybersecurity awareness training for Commonwealth employees.

EOTSS also provides a set of enterprise-wide cybersecurity services, including operating a Security Incident Response Team (SIRT) at the direction of the Commonwealth Chief Information Security Officer (CISO), which is aligned within EOTSS' Security Operations Center (SOC). Incident reporting and responses are coordinated through the SOC. The SIRT monitors, alerts, responds to and mitigates security threats to all stakeholders and partners. Additional security services include vulnerability management and mitigation scanning services, threat analysis, threat management and information sharing programs. EOTSS maintains an integrated security technology framework that includes multi-factor authentication for applications and users, enhanced cloud and mail security tools, network monitoring and analytical tools, and a suite of specialized enterprise security technologies and services to protect the Commonwealth's assets.

To ensure that the Commonwealth's IT investments are guided by a strategic planning process, EOTSS created an IT Investment Advisory Board, comprising security, IT and business operation executives from across state government to review IT capital proposals and projections. Additionally, the Commonwealth Chief Information Officer (CCIO) maintains authority and oversight over all Executive Branch IT planning, procurement, and projects. Agencies are obligated to report on these matters to the CCIO on an annual basis. The fiscal 2022 capital budget includes \$162 million for EOTSS.

In addition to EOTSS, the Office of the Comptroller's (CTR) Statewide Risk Management Team maintains a Cyber Center which works to identify key cybersecurity internal control elements, to create best practices protocols and procedures for all Commonwealth agencies to include in their internal controls, and to promote cybersecurity awareness. CTR's Risk Management Team works closely with EOTSS to assist agencies with remediation and corrective measures in the event of reported security incidents

As a recipient and provider of personal, private and sensitive information, the Commonwealth is subject to multiple cyber threats, including but not limited to hacking, viruses, malware and other attacks on IT networks and systems. While the Commonwealth continues to enhance its IT infrastructure and security systems to address these issues, no assurances can be given that the Commonwealth's efforts to mitigate cyber threats will be successful or that such attacks will not materially impact the Commonwealth.

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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 of 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 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (4)</u>	<u>Fiscal 2022 (5)</u>
Total principal balance	\$27,360,819	\$27,739,221	\$28,098,890	\$29,048,457	\$28,888,621
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)	(657,340)	(608,565)	(559,545)	(508,030)	(508,030)
Accelerated bridge program	(1,680,555)	(1,665,205)	(1,663,350)	(1,555,219)	(1,555,219)
Rail enhancement program (2)	(1,131,105)	(1,104,610)	(1,260,565)	(1,637,221)	(1,637,221)
Federal grant anticipation notes (1)	(748,445)	(684,745)	(662,270)	(582,550)	(582,550)
MBTA forward funding	(207)	(207)	(207)	(207)	(207)
Transportation Infrastructure Fund	(1,036,935)	(1,013,492)	(945,574)	(847,789)	(691,674)
School Building Assistance (SBA)	(598,985)	(574,902)	(496,936)	(430,926)	(337,411)
Outstanding direct debt, principal (3)	<u>\$21,507,247</u>	<u>\$22,087,495</u>	<u>\$22,510,443</u>	<u>\$23,486,513</u>	<u>\$23,576,310</u>
Statutory Debt Limit	<u>\$22,875,433</u>	<u>\$24,019,204</u>	<u>\$25,220,164</u>	<u>\$26,481,173</u>	<u>\$27,805,231</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 June 30, 2021; unaudited.
- (5) Amounts are as of November 30, 2021.

General Obligation Debt

As of November 30, 2021, the Commonwealth had \$24.6 billion in general obligation bonds outstanding, of which \$23.6 billion, or 96.1% was fixed rate debt and \$966.3 million, or 3.9%, was variable rate debt. As of November 30, 2021, \$20.2 billion, or 82.0%, of the Commonwealth's general obligation debt was tax-exempt and \$4.4 billion, or 18.0%, 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 "U. Plan" College Opportunity Bonds (COBS), 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.

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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 (\$132.4 million), direct purchase agreements in various interest rate modes (\$300 million), multi-modal bonds currently in the Term Mode (\$377.2 million), and college opportunity bonds (\$156.7 million). Of all Commonwealth variable rate debt outstanding, the interest rates on \$239.9 million, or approximately 1.0% 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 \$726.4 million or approximately 3.0% of the total outstanding general obligation debt, is unhedged and, accordingly, floats with interest rates re-set on a periodic basis.

As of November 30, 2021, the Commonwealth had outstanding approximately \$156.7 million (\$81.9 million of original principal and including a discount equal to \$74.8 million) of variable rate COBS, 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) may be 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 November 30, 2021, the Commonwealth did not have any 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 November 30, 2021, the Commonwealth had outstanding approximately \$28.4 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 November 30, 2021, the Commonwealth had outstanding approximately \$3.2 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 \$1.6 billion of which have been issued in support of the REP.

In January 2021, Governor Baker signed a new transportation bond act, Chapter 383 of the Acts of 2020 (Transportation Bond Bill or Chapter 383), which authorizes approximately \$16.2 billion of total capital authorization to improve the Commonwealth's transportation infrastructure. The Transportation Bond Bill 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. Included in the \$16.2 billion total authorization is \$5.1 billion to support the MBTA, which is proposed as CTF Bonds, although such authorization also is eligible to be issued as general obligation bonds. Also included is authorization for \$1.25 billion of federal highway grant anticipation notes (GANs) to fund repairs, rehabilitation or replacement of the Commonwealth's bridges. The new GANs will provide funding to increase the level of annual funding to help achieve long-term bridge condition targets. An additional \$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. The remaining authorization includes \$4.4 billion for federally aided highway projects, with \$880 million eligible to be issued as either general obligation 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). As of November 30, 2021, the only bonds outstanding pursuant to such authorization are certain special obligation bonds issued in 2005 (the Series 2005 Bonds) currently outstanding in the amount of \$479.6 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 November 30, 2021, the balance of the trustee-held Convention Center Revenue Fund available for debt service was \$132.1 million and retained earnings in the Convention Center Fund was \$223.0 million. The trust agreement for the 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 November 30, 2021, the balance of the Capital Reserve Fund was \$53.0 million.

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.

Federal Grant Anticipation Notes

In 2008, the Commonwealth was authorized to issue \$1.1 billion of 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 November 30, 2021, \$582.6 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 November 30, 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 2017 through fiscal 2021, exclusive of unamortized bond premiums.

General and Special Obligation Long-Term Debt Issuance and Repayment Analysis (in thousands) (1)

	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (3)</u>
Beginning Balance as of July 1	\$25,079,591	\$26,445,665	\$27,360,819	\$27,739,221	\$28,098,890
Debt Issued	<u>2,877,265</u>	<u>2,391,763</u>	<u>1,814,564</u>	<u>1,778,439</u>	<u>2,387,135</u>
Subtotal	<u>27,956,856</u>	<u>28,837,428</u>	<u>29,175,383</u>	<u>29,517,660</u>	<u>30,486,025</u>
Debt retired or defeased, exclusive of refunded debt	(1,389,581)	(1,389,419)	(1,295,322)	(1,383,670)	(1,284,183)
Refunding debt issued, net of refunded debt (2)	<u>(121,610)</u>	<u>(87,190)</u>	<u>(140,840)</u>	<u>(35,100)</u>	<u>(153,385)</u>
Ending Balance June 30	<u>\$26,445,665</u>	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>

SOURCE: Office of the Comptroller.

(1) Including accretion of capital appreciation bonds.

(2) Amounts may be negative due to defeasances of debt of authorities from the issuance of Commonwealth debt as afforded under General Laws.

(3) Unaudited.

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 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021 (1)</u>
General Obligation Debt	\$22,716,695	\$23,143,374	\$23,676,096	\$23,953,160	\$24,765,437
Special Obligation Debt	2,990,960	3,469,000	3,378,380	3,483,460	3,700,470
Federal Grant Anticipation Notes	<u>738,010</u>	<u>748,445</u>	<u>684,745</u>	<u>662,270</u>	<u>582,550</u>
<u>TOTAL</u>	<u>\$26,445,665</u>	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>

SOURCE: Office of the Comptroller.

(1) Unaudited.

Debt Service Requirements

The following tables sets forth, as of November 30, 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.

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Debt Service Requirements on Commonwealth Bonds as of November 30, 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	Interest	Build America Bond Subsidies	Net Interest	Debt Service
6/30/2022	\$348,170	\$554,020	-	(\$16,992)	\$537,027	\$885,197	\$56,780	\$28,697	(\$357)	\$28,340	\$85,120
6/30/2023	1,180,028	1,013,856	\$4,532	(31,412)	982,443	2,167,004	86,470	25,880	(122)	25,758	112,228
6/30/2024	1,097,035	950,682	4,606	(31,412)	919,270	2,020,910	89,510	21,965	-	21,965	111,475
6/30/2025	1,107,547	898,671	4,948	(31,177)	867,494	1,979,990	93,985	17,490	-	17,490	111,475
6/30/2026	1,043,700	848,571	5,396	(30,776)	817,795	1,866,892	122,185	12,790	-	12,790	134,975
6/30/2027	956,814	801,152	6,068	(30,203)	770,949	1,733,830	133,620	6,681	-	6,681	140,301
6/30/2028	943,677	758,355	6,225	(28,953)	729,401	1,679,303	-	-	-	-	-
6/30/2029	1,046,389	715,685	5,838	(26,687)	688,998	1,741,225	-	-	-	-	-
6/30/2030	1,055,085	668,313	5,663	(22,892)	645,421	1,706,169	-	-	-	-	-
6/30/2031	1,050,798	613,771	5,501	(16,808)	596,963	1,653,262	-	-	-	-	-
6/30/2032	1,032,003	569,697	5,546	(14,776)	554,922	1,592,471	-	-	-	-	-
6/30/2033	781,232	528,897	4,742	(12,440)	516,457	1,302,431	-	-	-	-	-
6/30/2034	755,376	494,916	4,026	(11,068)	483,848	1,243,250	-	-	-	-	-
6/30/2035	748,808	465,254	3,379	(9,647)	455,607	1,207,794	-	-	-	-	-
6/30/2036	789,895	434,732	2,770	(8,177)	426,555	1,219,221	-	-	-	-	-
6/30/2037	822,661	401,213	2,179	(6,654)	394,559	1,219,400	-	-	-	-	-
6/30/2038	832,103	366,460	1,568	(5,077)	361,383	1,195,053	-	-	-	-	-
6/30/2039	883,734	333,007	1,049	(3,445)	329,562	1,214,344	-	-	-	-	-
6/30/2040	828,265	298,511	492	(1,609)	296,902	1,125,658	-	-	-	-	-
6/30/2041	776,664	267,277	216	-	267,277	1,044,157	-	-	-	-	-
6/30/2042	817,304	240,437	75	-	240,437	1,057,816	-	-	-	-	-
6/30/2043	934,180	208,261	-	-	208,261	1,142,441	-	-	-	-	-
6/30/2044	829,510	176,382	-	-	176,382	1,005,892	-	-	-	-	-
6/30/2045	694,985	146,872	-	-	146,872	841,857	-	-	-	-	-
6/30/2046	695,820	116,506	-	-	116,506	812,326	-	-	-	-	-
6/30/2047	600,835	88,452	-	-	88,452	689,287	-	-	-	-	-
6/30/2048	439,835	66,509	-	-	66,509	506,344	-	-	-	-	-
6/30/2049	498,330	47,626	-	-	47,626	545,956	-	-	-	-	-
6/30/2050	580,000	26,763	-	-	26,763	606,763	-	-	-	-	-
6/30/2051	260,000	11,125	-	-	11,125	271,125	-	-	-	-	-
6/30/2052	100,000	2,500	-	-	2,500	102,500	-	-	-	-	-
Totals(1)	\$24,530,782	\$13,114,472	\$74,820	(\$340,206)	\$12,774,266	\$37,379,867	\$582,550	\$113,503	(\$479)	\$113,024	\$695,574

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
6/30/2022	\$25,970	\$13,190	\$39,160	\$17,615	\$77,507	(\$12,314)	\$65,193	\$82,808
6/30/2023	27,440	24,952	52,392	30,245	77,504	(12,314)	65,190	95,435
6/30/2024	28,990	23,443	52,433	39,870	76,004	(12,314)	63,690	103,560
6/30/2025	30,625	21,848	52,473	51,720	74,013	(11,937)	62,076	113,796
6/30/2026	32,360	20,164	52,524	54,340	71,389	(11,529)	59,859	114,199
6/30/2027	34,190	18,384	52,574	56,420	68,530	(11,065)	57,465	113,885
6/30/2028	36,125	16,504	52,629	51,520	65,553	(10,575)	54,977	106,497
6/30/2029	38,170	14,517	52,687	49,475	62,859	(10,058)	52,801	102,276
6/30/2030	40,330	12,418	52,748	49,420	60,210	(9,512)	50,698	100,118
6/30/2031	42,610	10,199	52,809	60,350	57,555	(8,935)	48,619	108,969
6/30/2032	45,020	7,856	52,876	63,445	54,311	(8,316)	45,995	109,440
6/30/2033	47,565	5,380	52,945	61,415	50,901	(7,661)	43,239	104,654
6/30/2034	50,250	2,764	53,014	64,485	47,697	(6,970)	40,727	105,212
6/30/2035	-	-	-	64,320	44,400	(6,239)	38,161	102,481
6/30/2036	-	-	-	67,635	41,104	(5,466)	35,638	103,273
6/30/2037	-	-	-	75,415	37,636	(4,650)	32,985	108,400
6/30/2038	-	-	-	74,995	33,551	(3,718)	29,833	104,828
6/30/2039	-	-	-	79,130	29,636	(2,546)	27,089	106,219
6/30/2040	-	-	-	83,080	25,674	(1,308)	24,366	107,446
6/30/2041	-	-	-	87,640	21,152	-	21,152	108,792
6/30/2042	-	-	-	92,410	17,274	-	17,274	109,684
6/30/2043	-	-	-	96,155	13,310	-	13,310	109,465
6/30/2044	-	-	-	109,415	8,556	-	8,556	117,971
6/30/2045	-	-	-	13,034	3,146	-	3,146	16,180
6/30/2046	-	-	-	61,670	2,554	-	2,554	64,224
Totals (1)	\$479,645	\$191,620	\$671,265	\$1,555,219	\$1,122,025	(\$157,429)	\$964,596	\$2,519,815

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
6/30/2022	\$28,385	\$1,436	\$29,821	\$28,760	\$74,622	\$103,382
6/30/2023	-	-	-	29,580	74,387	103,967
6/30/2024	-	-	-	22,910	72,937	95,847
6/30/2025	-	-	-	14,075	71,850	85,925
6/30/2026	-	-	-	14,710	71,158	85,868
6/30/2027	-	-	-	16,140	70,436	86,576
6/30/2028	-	-	-	24,745	69,629	94,374
6/30/2029	-	-	-	30,590	68,440	99,030
6/30/2030	-	-	-	34,740	66,911	101,651
6/30/2031	-	-	-	27,955	65,330	93,285
6/30/2032	-	-	-	29,405	63,933	93,338
6/30/2033	-	-	-	36,215	62,462	98,677
6/30/2034	-	-	-	38,050	60,652	98,702
6/30/2035	-	-	-	43,300	58,749	102,049
6/30/2036	-	-	-	45,140	56,769	101,909
6/30/2037	-	-	-	42,960	54,512	97,472
6/30/2038	-	-	-	49,470	52,364	101,834
6/30/2039	-	-	-	51,530	49,899	101,429
6/30/2040	-	-	-	53,920	47,325	101,245
6/30/2041	-	-	-	56,375	44,633	101,008
6/30/2042	-	-	-	58,200	41,913	100,113
6/30/2043	-	-	-	61,140	39,191	100,331
6/30/2044	-	-	-	55,500	36,326	91,826
6/30/2045	-	-	-	159,826	33,794	193,620
6/30/2046	-	-	-	118,700	26,874	145,574
6/30/2047	-	-	-	97,245	21,844	119,089
6/30/2048	-	-	-	101,955	17,132	119,087
6/30/2049	-	-	-	106,800	12,284	119,084
6/30/2050	-	-	-	91,880	6,944	98,824
6/30/2051	-	-	-	95,405	3,419	98,824
Totals (1)	\$28,385	\$1,436	\$29,821	\$1,637,221	\$1,496,720	\$3,133,940

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 November 30, 2021, approximately \$268.3 million of the Commonwealth's outstanding variable-rate debt was synthetically fixed via floating-to-fixed interest rate swap hedge agreements, including \$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, 2021, 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 \$268.3 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 4.515% 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 November 30, 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 11/30/2021	Counterparty
<i>General Obligation Bonds:</i>								
Series 2016B & C	<u>\$239,890</u>	VRDB	4.515%	67% 3-Month LIBOR	4/2/2009	6/15/2033	<u>(\$58,666,739)</u>	Barclays Bank PLC
<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>951,852</u>	Merrill Lynch Capital Services
<u>Total</u>	<u>\$268,275</u>						<u>(\$57,714,887)</u>	

SOURCE: Office of the Treasurer and Receiver General.

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Liquidity Facilities

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 for cash flow purposes. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. The line of credit was scheduled to expire on May 10, 2021, and 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. As of November 30, 2021, no amount was outstanding under the line of credit.

The Commonwealth has capacity under a note purchase agreement to issue revenue anticipation notes or bond anticipation notes up to \$200 million. The agreement is with RBC Capital Markets, LLC and has a termination date of February 8, 2024. As of November 30, 2021, no notes were issued or outstanding under the note purchase agreement.

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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 November 30, 2021.

<u>Direct Purchase Bonds</u>	<u>Outstanding Principal Amount (in thousands)</u>	<u>Mandatory Tender Date</u>
2016 Series B	\$100,000	4/01/2026
2016 Series C	200,000	4/01/2024

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 provide low-interest loans and grants to cities, towns, and water utilities to help Massachusetts communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities. 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. Most of the Trust's loans are subsidized to a 2% interest rate set by statute. 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 November 30, 2021, the Trust had approximately \$2.4 billion of bonds outstanding. Approximately 4.39% 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 November 30, 2021, total "I-Cubed" bonds were outstanding in the amount of approximately \$179.8 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 November 30, 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 obligated the Commonwealth to make up to \$28 million in success payments, in the aggregate, through fiscal 2024. 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 (and amended in October 2021) 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 \$3.0 million in success payments, in the aggregate, through fiscal 2023.

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The following table sets forth the Commonwealth’s general obligation contract assistance requirements for all of fiscal 2022 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>
2022	63,383	125,000	10,586	800	199,769
2023	27,534	125,000	10,579	2,500	165,163
2024	19,117	125,000	10,579	500	155,196
2025	14,802	125,000	10,594	-	150,396
2026	12,280	125,000	12,601	-	149,881
2027 through 2051	71,339 (1)	1,900,000 (2)	247,038 (4)	-	2,218,377
Total (5)	<u>\$208,455</u>	<u>\$2,525,000</u>	<u>\$301,978</u>	<u>\$3,800</u>	<u>\$3,039,233</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 year 2051.
- (2) Represents \$125 million per year for fiscal years 2027 to 2039, inclusive, and \$25 million per year for fiscal years 2040 to 2050, 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) Aggregate of fiscal years 2027 to 2049.
- (5) 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 November 30, 2021, the MBTA had approximately \$121.2 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 November 30, 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 2022, the Commonwealth's budget includes a \$94.0 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 November 30, 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>
2017	\$22,716,302
2018	20,860,482
2019	28,417,839
2020	26,397,710
2021	38,964,565

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.

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. On April 9, 2021, the Court allowed plaintiff's motion for class certification and certified a class of plaintiffs for this action. On September 10, 2021, the Court allowed, in part, and denied, in part, plaintiff's motion for judgment on the pleadings. The Court determined in its ruling that: (1) the EEC Fee Scale in effect prior to February 2021 for parent fees for the Income Eligible Child Care Program was unlawful; (2) EEC may not deny eligibility for the Income Eligible Child Care Program to any family member of the certified class on the basis of outstanding parent fees accrued between March 2019 and February 2021 pursuant to the Pre-2021 Fee Scale; (3) EEC may not disqualify or otherwise

sanction any family member of the certified class previously deemed eligible for the Income Eligible Child Care Program, based solely on accrued and owing parent fees assessed pursuant to the Pre-2021 Fee Scale for the period of March 2019 through February 2021; (4) plaintiff's request to order the Department to promulgate a new fee scale is moot; and (5) the February 2019 Updated Regulations are lawful, and EEC may exercise its executive discretion going forward to apply the Updated Regulations to the Income Eligible Child Care Program based on the 2021 Fee Scale.

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 board voted to approve final establishment and implementation of the new fee scale in June 2021.

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 January 31, 2021. At this time the Commonwealth cannot predict the timing, outcome or, should the plaintiff prevail, the budgetary impact of this litigation.

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. On August 2, 2021, the administrative law judge denied the motion to dismiss but continued to stay the case based on an anticipated request for an interlocutory appeal of the decision. DESE timely appealed the denial to U.S. Education Secretary Cardona on August 17, 2021. Secretary Cardona granted the petition and established a briefing schedule. DESE has filed its opening brief and reply brief. OSERS received leave to file a sur-reply brief, which is due January 3, 2022.

At this time, DESE cannot predict the timing or outcome of this process, including whether a reduction in the allocation to the Commonwealth of IDEA special education funding would be in the full amount of the penalty claimed (\$114 million), or whether any penalty amount found to be due would be deducted in a single year or over multiple years.

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 \$3.695 billion in surcharge payments between 1998 and the end of Health Safety Net fiscal year 2022.

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. At oral arguments, the DAB asked whether CMS would consider waiving the two-year-claiming rule if the state were to now submit the fee-for-service claims for primary care services rendered through the PCPR program. On July 30, 2021, CMS filed a Case Statement apprising the DAB that CMS is not willing to consider reviewing disallowed claims because CMS believes it is unable to waive the timely filing requirement unless the state meets an exception to the rule, and CMS does not believe the state meets any such exception. EOHHS responded that, in light of CMS' decision to issue the disallowance more than two years after the claims accrued, CMS' unwillingness to consider reviewing the disallowed claims for the services provided under PCPR based on the timely filing requirement is arbitrary, capricious, and an abuse of discretion. 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).

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granted. On August 2, 2021, the administrative law judge denied the motion to dismiss but continued to stay the case based on an anticipated request for an interlocutory appeal of the decision. DESE intends to seek said interlocutory appeal and will do so before the August 17, 2021 deadline. 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 \$ 113 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 62, § 6(l), chapter 63, § 38X, and chapter 64H, § 6(ww), 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 \$12 million, with no individual credit amount claims exceeding \$10 million

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	893,000,000	300,000 (5)
2017	913,000,000 (1)	300,000 (5)
2018	1,000,000,000 (2)	300,000 (5)
2019	1,200,000,000 (3)	300,000 (5)
2020	1,500,000,000 (4)	300,000 (5)

- (1) Subject to revision until a final calculation in March 2022.
- (2) Subject to revision until a final calculation in March 2023.
- (3) Subject to revision until a final calculation in March 2024.
- (4) Subject to revision until a final calculation in March 2025.
- (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. More recently, the Suffolk County District Attorney's Office has sought to vacate additional convictions tied to the Boston laboratory, announcing that it was seeking to vacate all Suffolk County drug convictions for any individual whose drug certification was done at the Boston laboratory between May 2003 and August 2012. This action potentially impacts many more defendants.

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 plaintiff and the remaining defendants in the *Penate* case cross-moved for summary judgment, and the Court heard arguments on these motions on November 23, 2021. The Court took these cross-motions under advisement. 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 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 (D. Mass. filed Feb. 23, 2018). In *Foster*, the District Court has granted several motions to stay the proceedings, most recently until December 15, 2021 to permit the parties to pursue settlement negotiations and potential resolution of plaintiffs' claims in state court. In the latest joint motion to stay the proceeding, the parties asserted that they had recently reached an agreement in principle on the most significant material terms of a potential settlement and are negotiating the remaining components of a comprehensive administrative scheme. 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. They have not agreed, however, that forfeited property must be returned pursuant to *Nelson v. Colorado*.

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, but ruled that the civil forfeiture judgment was not solely a consequence of the invalidated drug convictions and need not be vacated under *Nelson v. Colorado*. 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.

There are 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. Given this, 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. The District Attorneys for both Middlesex and Suffolk Counties have separately filed motions asking that the SJC consider whether the remedies in response to the overall conduct and operation of the Boston and Amherst drug labs are sufficient, or whether convictions based on the drug analyses performed by all the chemists, in addition to the two identified chemists, should also be set aside. The motion of the Middlesex County District Attorney was denied without prejudice as premature. See *Commonwealth v. Ricky Simmons*, No. SJC-13114 (July 28, 2021). The motion of the Suffolk County District Attorney asked the Superior Court to report certain questions to the SJC. See *Commonwealth v. Justino Escobar*, 479 Mass. 1010, 94 N.E.3d 844 (2018). After the Superior Court denied the motion on October 6, 2021, the criminal defendant filed a notice of appeal and a petition for direct appellate review, which are pending. See *Commonwealth v. Justino Escobar*, No. 2021-P-0920; *Commonwealth v. Justino Escobar*, DAR-28550. Were the SJC to grant the relief sought in these motions and petitions, the number of affected defendants would be significantly increased. 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.

Sniadach vs. Walsh, et al., No. 3:20-cv-30115 (D. Mass July 17, 2020). On July 17, 2020, a class action lawsuit was filed in Massachusetts District Court, Springfield, under the Fourteenth Amendment to the United States Constitution and 42 U.S.C. § 1983 (Section 1983). The suit seeks class certification and alleges civil rights violations by five former state employees, named in their individual capacity, related to the COVID-19 outbreak at the Holyoke Soldiers’ Home in March 2020. The plaintiffs seek damages for residents or their estates who contracted COVID-19 at the Soldiers’ Home during a three month period starting in March 2020. On September 20, 2021, the suit was amended to add sixteen named plaintiffs (primarily filing on behalf of estates), as well as adding a sixth defendant, also in such person’s individual capacity. The class has not yet been certified.

The Commonwealth has agreed to indemnify all defendants for defensive legal fees and costs, and has agreed to fully indemnify four of the six defendants for settlements and judgments, pursuant to G.L. c. 258, § 9, which allows for indemnification up to \$1 million per claimant. Plaintiffs recently presented a settlement demand of \$76 million.

There are significant defenses to this lawsuit, including qualified immunity for certain defendants, and immunity under the federal Public Readiness and Emergency Preparedness Act and similar state immunity under An Act to Provide Liability Protections for Health Care Workers and Facilities During the Covid-19 pandemic. Responsive pleadings are due January 31, 2022; none have been filed to date.

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CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Annual Comprehensive 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 Annual Comprehensive 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 an event notice in December 2017 when the insurer on certain insured special obligation bonds payable from the Convention Center Fund asked that the ratings on such bonds be withdrawn. The Commonwealth has filed a notice of such rating change 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

January 6, 2022

EXHIBIT A

STATEMENT OF ECONOMIC INFORMATION AS OF JANUARY 4, 2022

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Socioeconomic Indicators

January 2022

UMassAmherst

Donahue Institute
Economic and
Public Policy Research

Prepared by the UMass Donahue Institute's Economic & Public Policy Research Group

This report was prepared by the UMass Donahue Institute and the information in text, tables, charts and graphs are the most recently available information as of January 4, 2022.

Established in 1971, the UMass Donahue Institute is a public service, research, and economic development arm of the University of Massachusetts. Our mission is to apply theory and innovation to solve real world challenges and enable our clients to achieve their goals and aspirations. We serve clients in the public, non-profit, and private sectors in the Commonwealth and throughout the nation and the world. For more information, www.donahue.umass.edu.

The Institute's Economic & Public Policy Research (EPPR) group is a leading provider of applied research, helping clients make more informed decisions about strategic economic and public policy issues.

EPPR produces in-depth economic impact and industry studies that help clients build credibility, gain visibility, educate constituents, and plan economic development initiatives. EPPR is known for providing unbiased economic analysis on state-level economic policy issues in Massachusetts and beyond, and has completed a number of industry studies on IT, defense industries, telecommunications, health care, and transportation. Their trademark publication is called *MassBenchmarks*, an economic journal that presents timely information concerning the performance of and prospects for the Massachusetts economy, including economic analyses of key industries that make up the economic base of the state.

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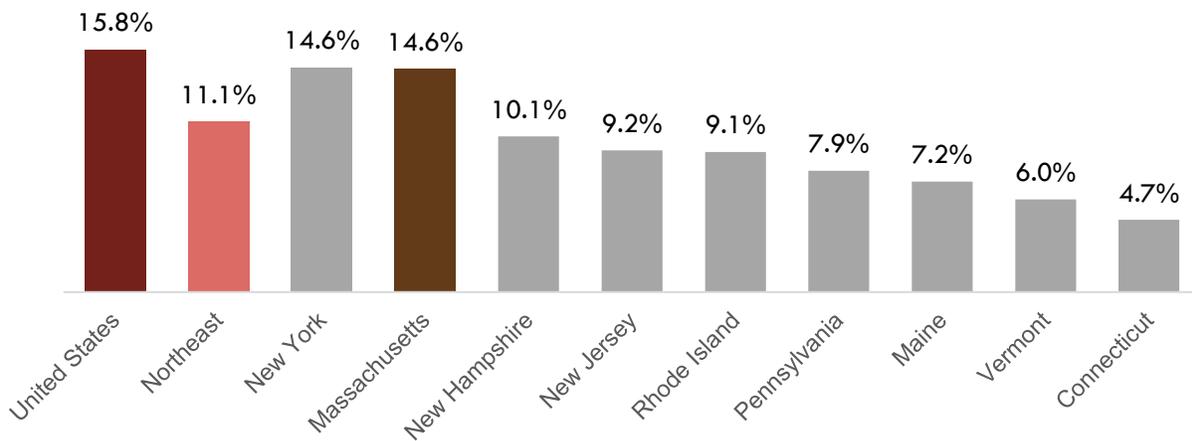
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Economy

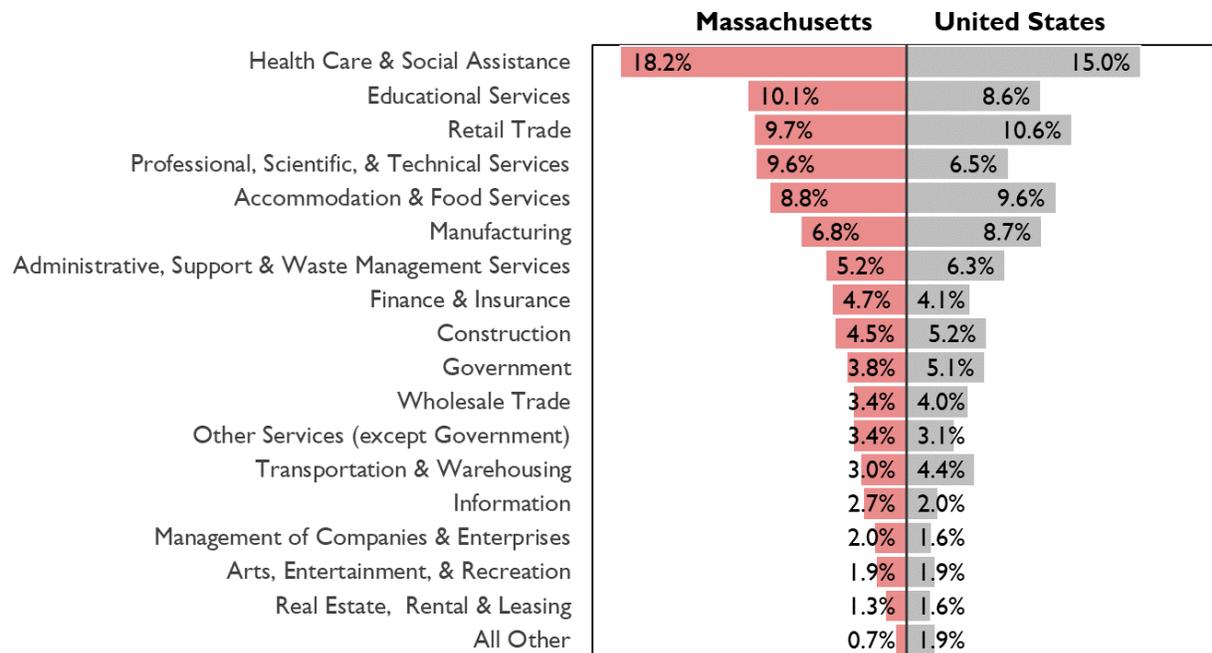
Over the past decade, Massachusetts has been a leader in job growth in the Northeast (Figure 1), driven largely by the state’s highly-educated workforce, the overall diversity of industries, and strengths in knowledge-based industries, such as health care, education, and professional services (Figure 2). Professional services and technical services have been increasingly important in the state, both as a share of employment and in terms of its contribution to state GDP. In terms of employment, professional services and technical services is fourth in the state and makes up 9.6 percent of jobs; the sector is second in the state as a share of GDP, making up 13.5 percent of the state GDP. While the sector includes everything from legal services to veterinary services, in Massachusetts the two leading subsectors in terms of employees are computer systems design and related services, and scientific research and development services. These subsectors benefit from the Commonwealth’s well-established higher education and health care sectors.

Figure 1: Percent change in employment by Northeast state, 2010-2019



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW); UMDI analysis

Figure 2: Industry mix in Massachusetts and the United States, 2019 (Percent of total jobs)



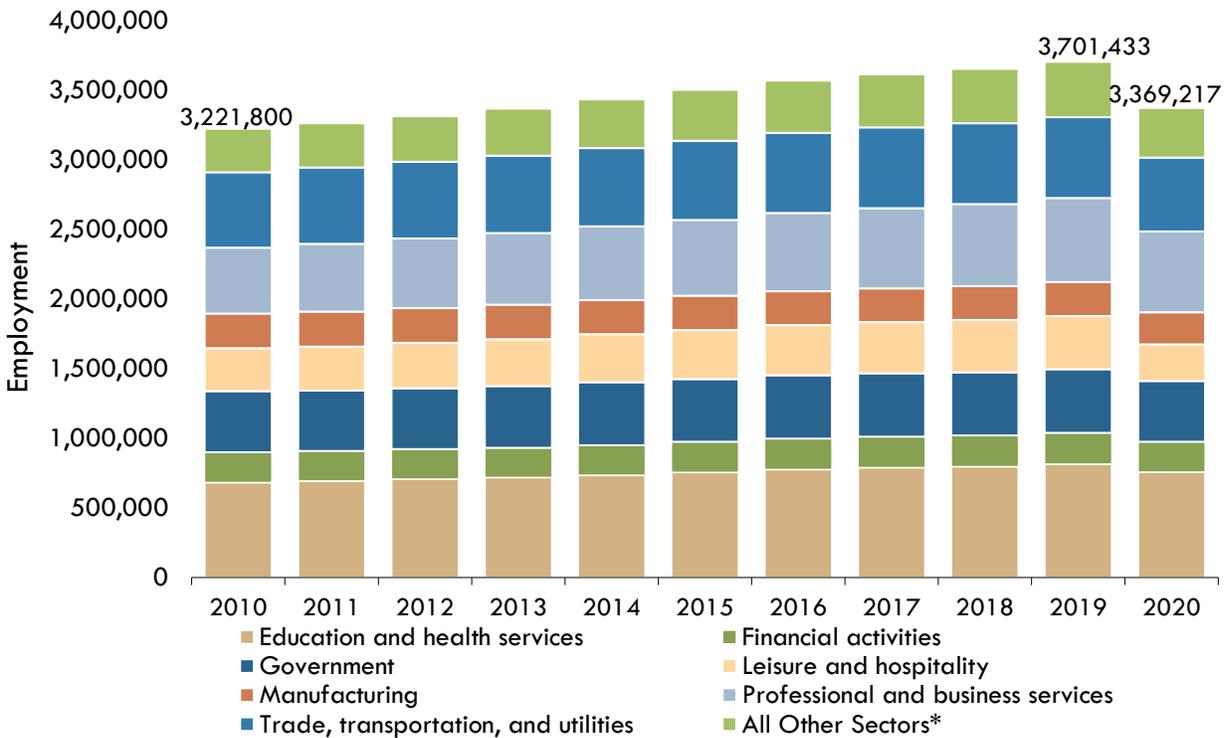
Source: Massachusetts Executive Office of Labor and Workforce Development, ES-202; U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), UMDI analysis.

Note: All Other includes: Utilities; Agriculture, Forestry, Fishing, & Hunting; and Mining, Quarrying, and Oil & Gas Extraction.

Massachusetts continues to experience a decline in manufacturing employment and the Commonwealth's share of manufacturing employment is lower than in the United States as a whole. Since 1990, the earliest year for which NAICS data are available, manufacturing in Massachusetts went from 16.1 percent of the nonfarm payroll to 6.8 percent in 2020. The rate of decline has slowed considerably.

Several NAICS service sectors, education and health services, professional 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 and utilities have remained relatively level or declined in share (Figure 3).

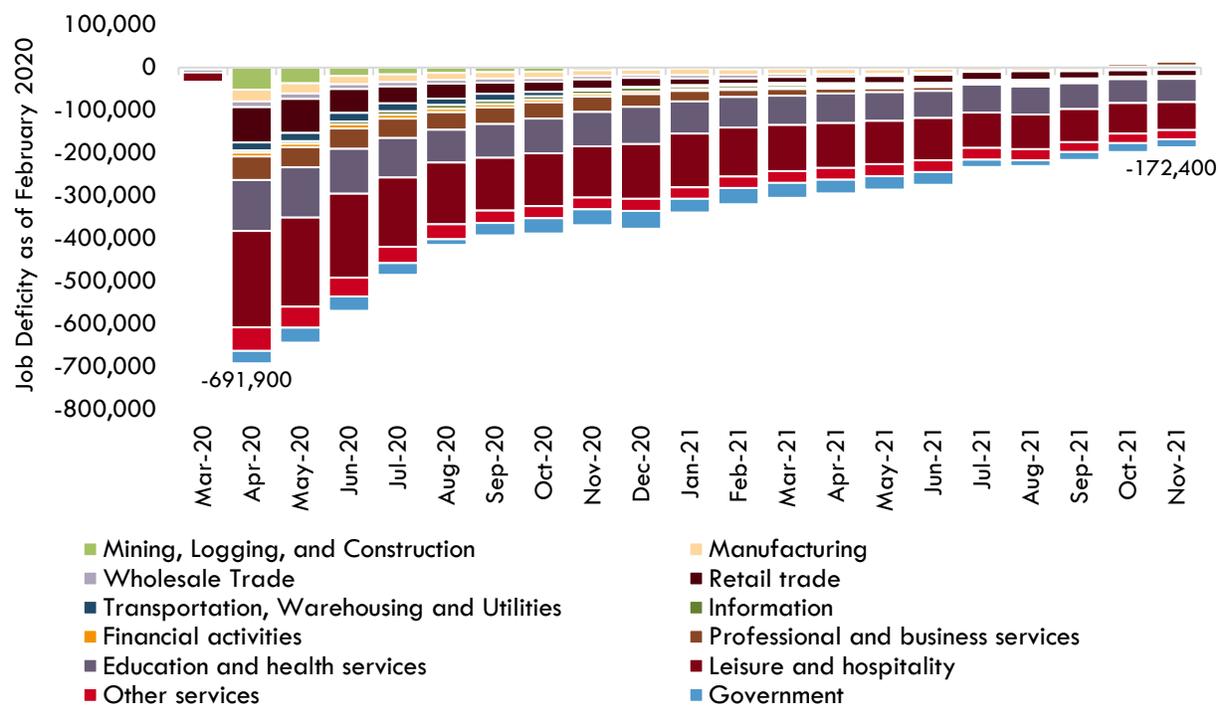
Figure 3: Annual Average Employment in Massachusetts, 2010-2020 by NAICS Supersectors



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES). *Includes Mining & Natural Resources, Construction, Information, and Other Services.

The COVID-19 pandemic interrupted the trajectory of the state’s economic growth and has had tremendous short- and long-term ramifications for the state’s economy. Over 690,000 jobs were lost in Spring 2020. The pandemic recovery continues, but as of November 2021, the state still has over 170,000 fewer jobs than the peak in February 2020 (Figure 4). Leisure and hospitality services is the slowest sector to recover both in terms of absolute number of jobs lost and as a share jobs lost compared to levels prior to the pandemic (Figure 4). Leisure and hospitality jobs are now recovering fastest, but the disproportionate losses mean that the sector’s recovery continues to lag behind others’. The size of the labor force, which includes those who are unemployed and employed, has also begun to rebound, but is still below pre-pandemic levels: with a labor force of 3.74 million in November 2021, there were 6,800 fewer people in the labor force than there were in February 2020.

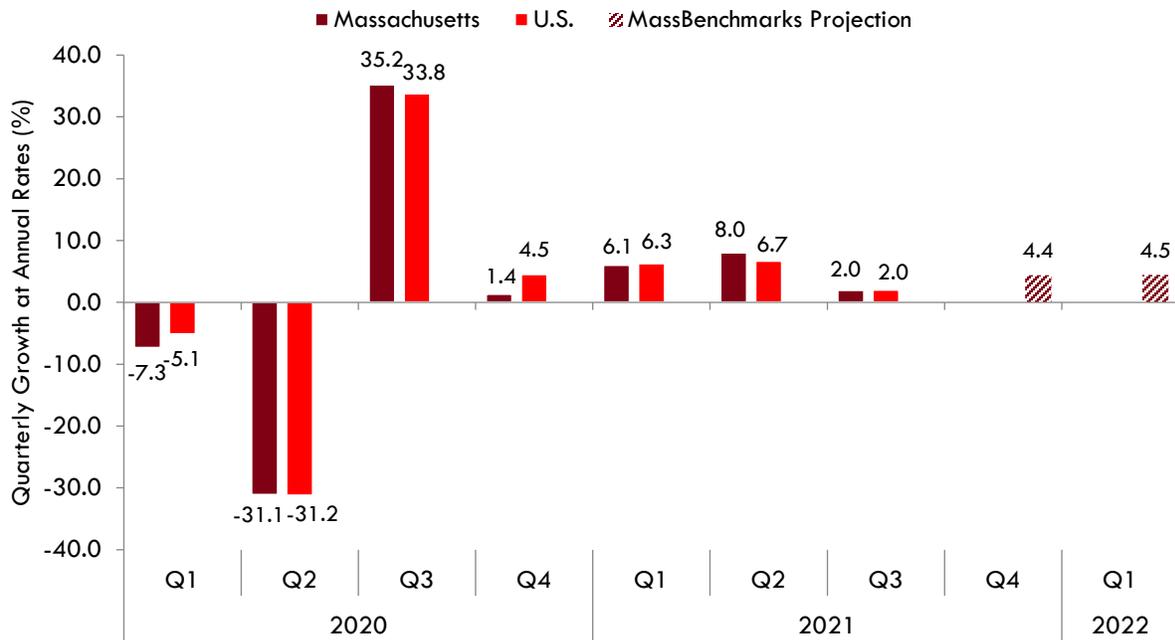
Figure 4: Jobs deficit in Massachusetts relative to February 2020 peak



Source: Massachusetts Executive Office of Labor and Workforce Development, Current Employment Statistics (CES-790); UMDI analysis

Over the course of 2021, the state has demonstrated continued economic recovery. That said, the pace of economic growth has slowed recently after robust gains in the first half of the year. According to MassBenchmarks, the journal of the Massachusetts economy produced by the University of Massachusetts Donahue Institute (UMDI) and Federal Reserve Bank of Boston, real gross domestic product (GDP) increased at a 2.0 percent annualized rate in Massachusetts during the third quarter of 2021. This is similar to the U.S., which also grew at a 2.0 percent rate, according to the U.S. Bureau of Economic Analysis (BEA). Comparatively, Massachusetts real gross domestic product grew at annualized rates of 6.1 percent in the first quarter and 8.0 percent in the second quarter, while U.S. real gross domestic product grew at annualized rates of 6.3 percent in the first quarter and 6.7 percent in the second quarter (Figure 5).

Figure 5: Growth in Real Product, Massachusetts and the United States



Source: U.S. Bureau of Economic Analysis, MassBenchmarks calculations by Dr. Alan Clayton-Matthews

The slowdown in the pace of growth from the second to third quarter of 2021 is the result of the Delta variant of COVID-19 restraining the pace of reopening, associated ongoing supply chain disruptions and labor shortages, and less exuberant consumer spending on goods, especially durable goods such as automobiles and home appliances. Much of the growth that did occur was driven by increased consumer spending and associated job growth in the leisure and hospitality, as well as other services sectors. Inflation diminished the impact of this consumer spending on real output and by extension real GDP growth.

Despite the slowdown in economic activity, payroll employment in the third quarter of 2021 expanded at a faster pace than in the second quarter. The number of jobs in Massachusetts grew at a 6.9 percent annual rate in the third quarter as compared to a 6.3 percent rate for the U.S. Despite this growth, total employment in Massachusetts remains 5.8 percent below the pre-pandemic peak in February 2020, a larger jobs deficit than the nation, which in Q3 stood at 3.3 percent below its previous peak.

Looking ahead to the end of 2021 and the start of 2022, MassBenchmarks projections, which were made prior to the Omicron variant and the seasonal surge, expected the state economy to expand at a 4.5 percent annual rate, consistent with continued gradual progress in getting back to normal. This reflects a dampening of the optimism that was present earlier this summer. The AIM Business Confidence Index fell in both August and September, and the Conference Board's Consumer Confidence Index for the U.S. declined throughout the third quarter. However, both indexes are at levels that indicate a continuation of moderate growth.

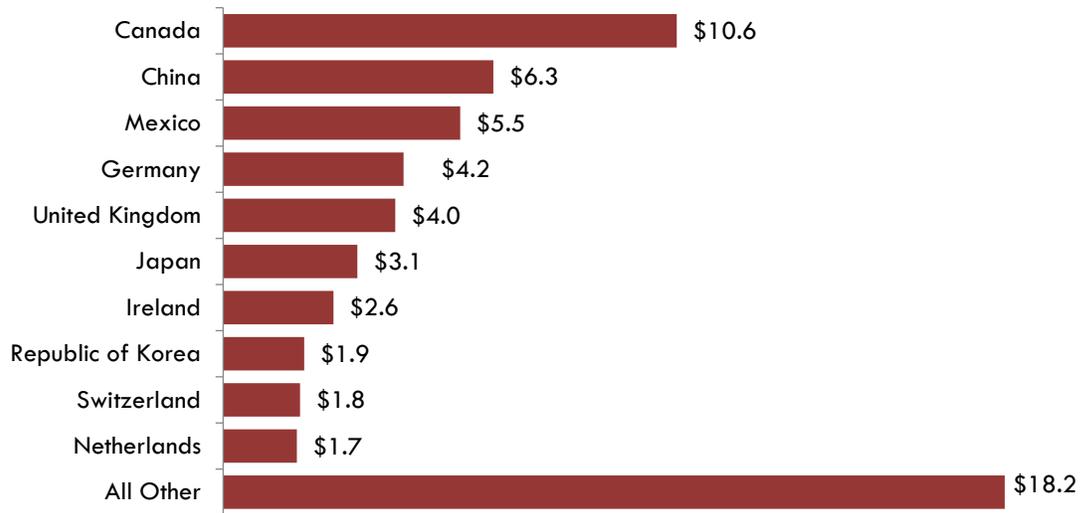
While it is not possible to isolate the impacts of COVID-19 on trade, the declines of 2020 were most likely related to the pandemic. Compared to the U.S. as a whole, the Massachusetts' declines were modest. The national total trade volume (exports and imports) decreased 13.9 percent from 2019, and Massachusetts decreased 5.5 percent (Figure 6). Massachusetts' total trade volume was \$59.9 billion in 2020. Canada was by far our most valuable trading partner, with a trade volume of \$10.6 billion, 17.6 percent of the total state trade (Figure 7). The Massachusetts' trade deficit, \$10.1 billion, decreased 3.4 percent in 2020. Massachusetts ranked 18th in the U.S. in 2020 and first in New England with \$24.8 billion in exports. This was a 5.9 percent decrease from the previous year's export value, while national exports decreased by 14.3 percent and total exports from New England decreased by 10.3 percent (Figure 8). Canada was again our top export destination in 2020 with \$2.8 billion. Imports decreased 5.2 percent to \$35.0 billion in 2020. Canada was also the largest source for Massachusetts imports in 2020, from which we imported \$7.8 billion, or 22.3 percent, of our total.

Figure 6: Massachusetts Imports, Exports, and Trade Deficit



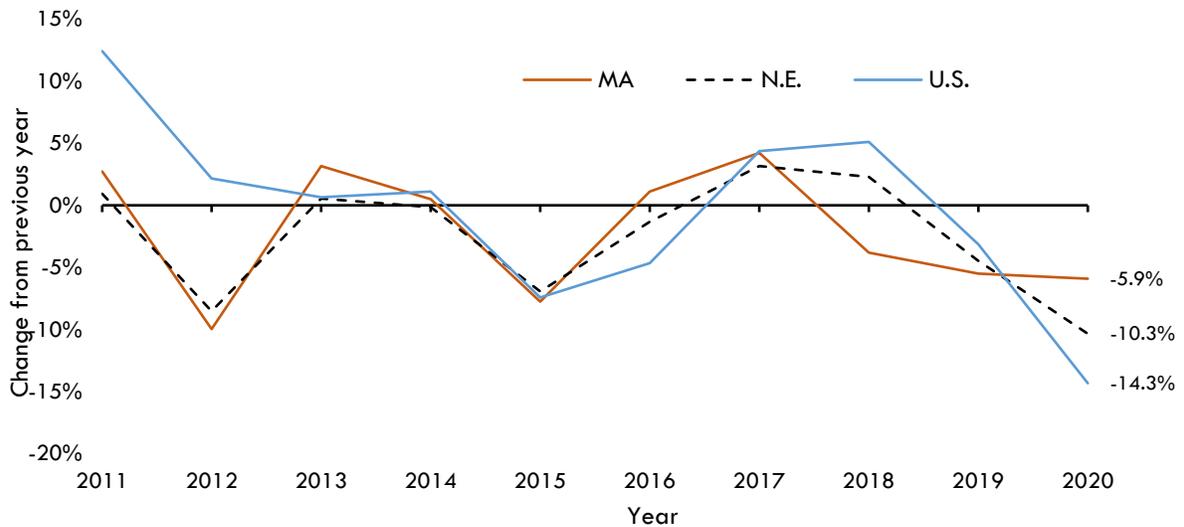
Source: WISERTrade.org; UMDI analysis

Figure 7: Massachusetts Top Ten Trade Partners in 2020 (In billions of \$2020)



Source: WISERTrade.org; UMDI analysis

Figure 8. Export Growth for Massachusetts, the United States, and New England

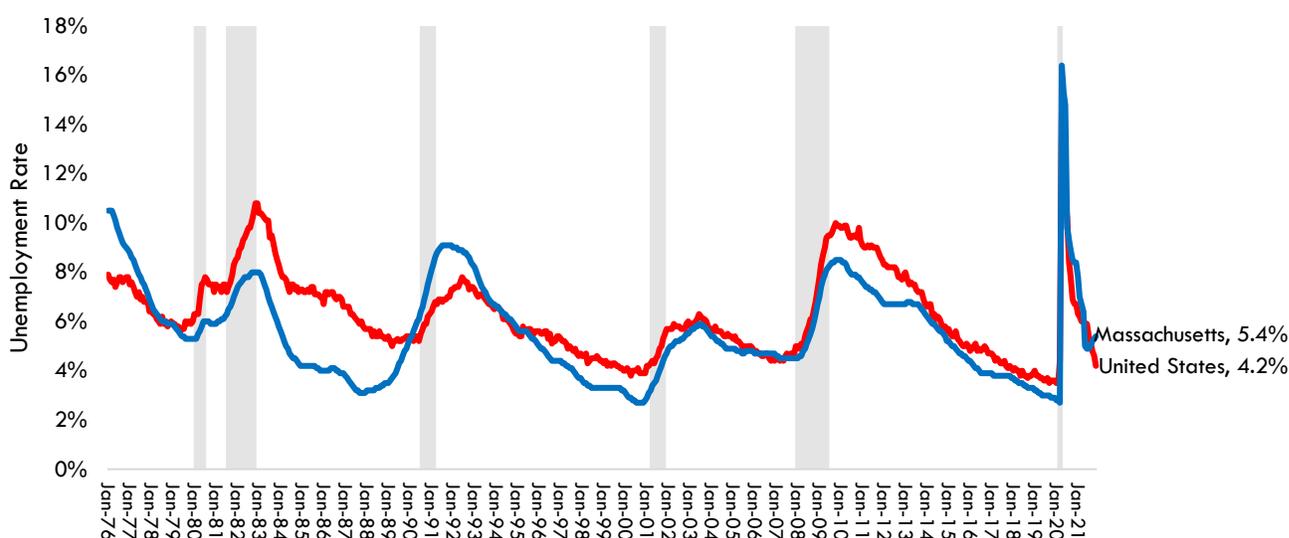


Source: WISERTrade.org; UMDI analysis

Workforce

In recent history, the Massachusetts economy has generally performed better than the U.S., with the state unemployment rate typically below the nation. This was especially the case during and the period following the Great Recession. The Commonwealth's mix of knowledge-based industries and well-educated workforce led to high levels of labor force participation and low levels of unemployment in the state overall. That said, the early outbreak of COVID-19 in the northeastern part of the U.S. coupled with proactive social distancing efforts by the Commonwealth in the spring and summer of 2020 led to significant job losses throughout the state. Massachusetts unemployment peaked at 16.4 percent, while the U.S. peaked at 14.8 percent (Figure 9). As of November 2021 Massachusetts unemployment is at 5.4 percent and the U.S. is at 4.2 percent.

Figure 9: Unemployment Rates in Massachusetts and the United States as of November 2021 (Seasonally adjusted)



Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis

Both the public health and the economic crises caused by COVID-19 have disproportionately harmed historically marginalized groups. In part this is due to the concentration of marginalized populations in certain sectors of the economy that meant they were more likely to be working in essential services or losing their jobs as shut-down orders shuttered restaurants and retail establishments. For example, the leisure and hospitality sector, which has a younger and less educated workforce, experienced the greatest loss of jobs and has been the slowest to recover. In contrast, highly-educated workers in knowledge-based industries were more likely to be able to work from the home during the COVID-19 pandemic and less likely to lose their jobs. Massachusetts ranked fourth in the U.S. for teleworking during the pandemic. In

Massachusetts, workers with previous well-established capacity to work from home were clustered in the Greater Boston area.

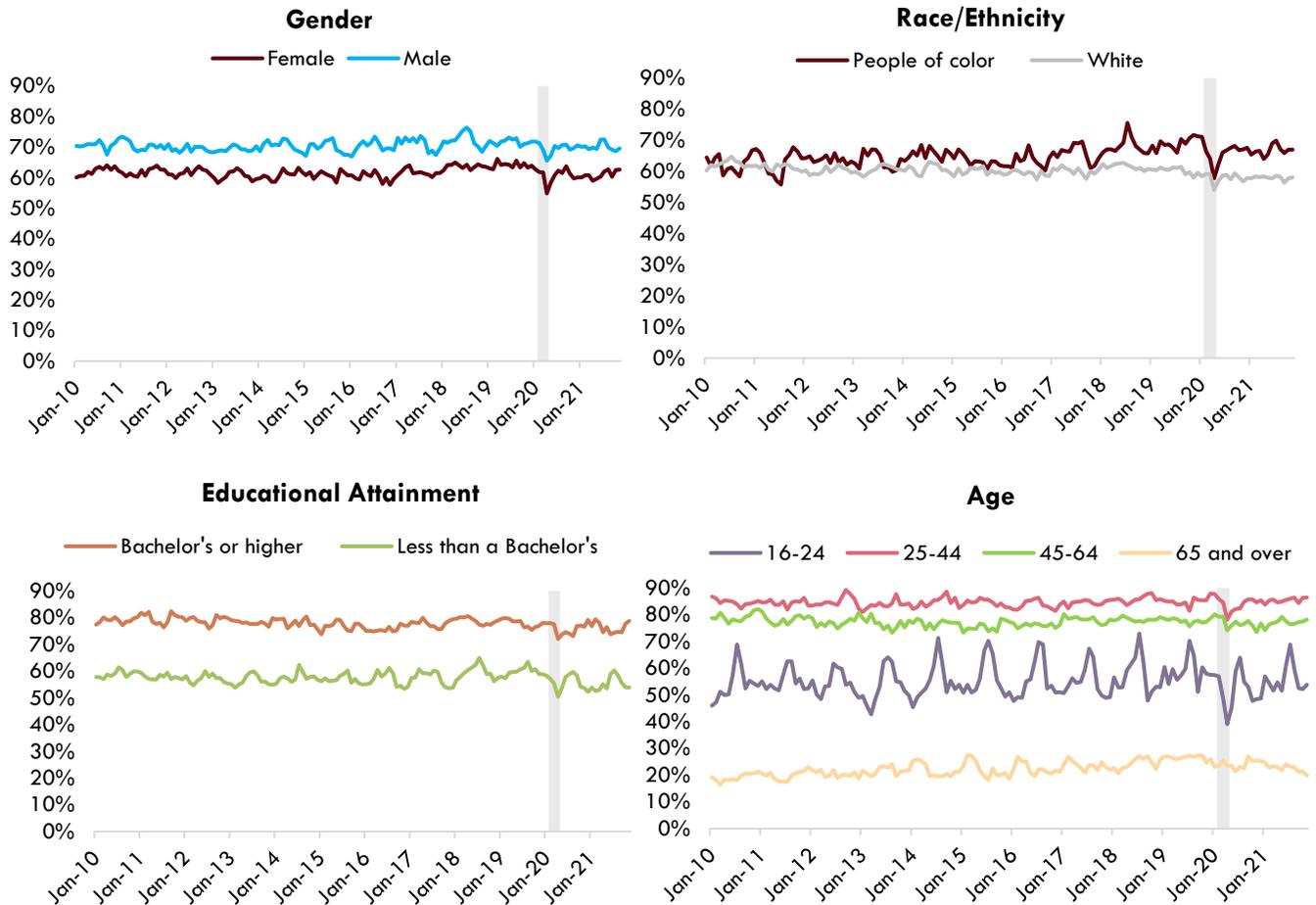
The peak unemployment rate among people of color (POC) exceeded rates among white workers and the recovery has been slower.¹ In addition, while rates of labor force participation have remained higher among people of color, they have been slower to rebound the (Figures 10 and 11).

Women experienced higher rates of unemployment than men through much of the pandemic, as well as greater declines in labor force participation. This is explained by the fact that family caregiving responsibilities (e.g. caring for children or elderly family members) fell disproportionately on women and women are concentrated in industries that experienced significant job losses (e.g. service sector). From January 2020 to April 2020, Women's labor force participation rate fell by 7.9 percentage points from 62.8 percent to 54.9 percent, where men's rate fell by 6.2 percentage points from 71.8 percent to 65.6 percent.

Younger workers and those with lower levels of education were particularly hard hit as well. With regard to age, workers aged 16 to 24 had, and continue to have, the highest rates of unemployment. Workers with less than a bachelor's degree had higher rates of unemployment than those with a bachelor's degree or more. The fact that educational attainment, age, race, and gender are all interconnected with access to job opportunities in the more resilient sectors of the economy has meant that historically marginalized populations have faced greater challenges during the pandemic.

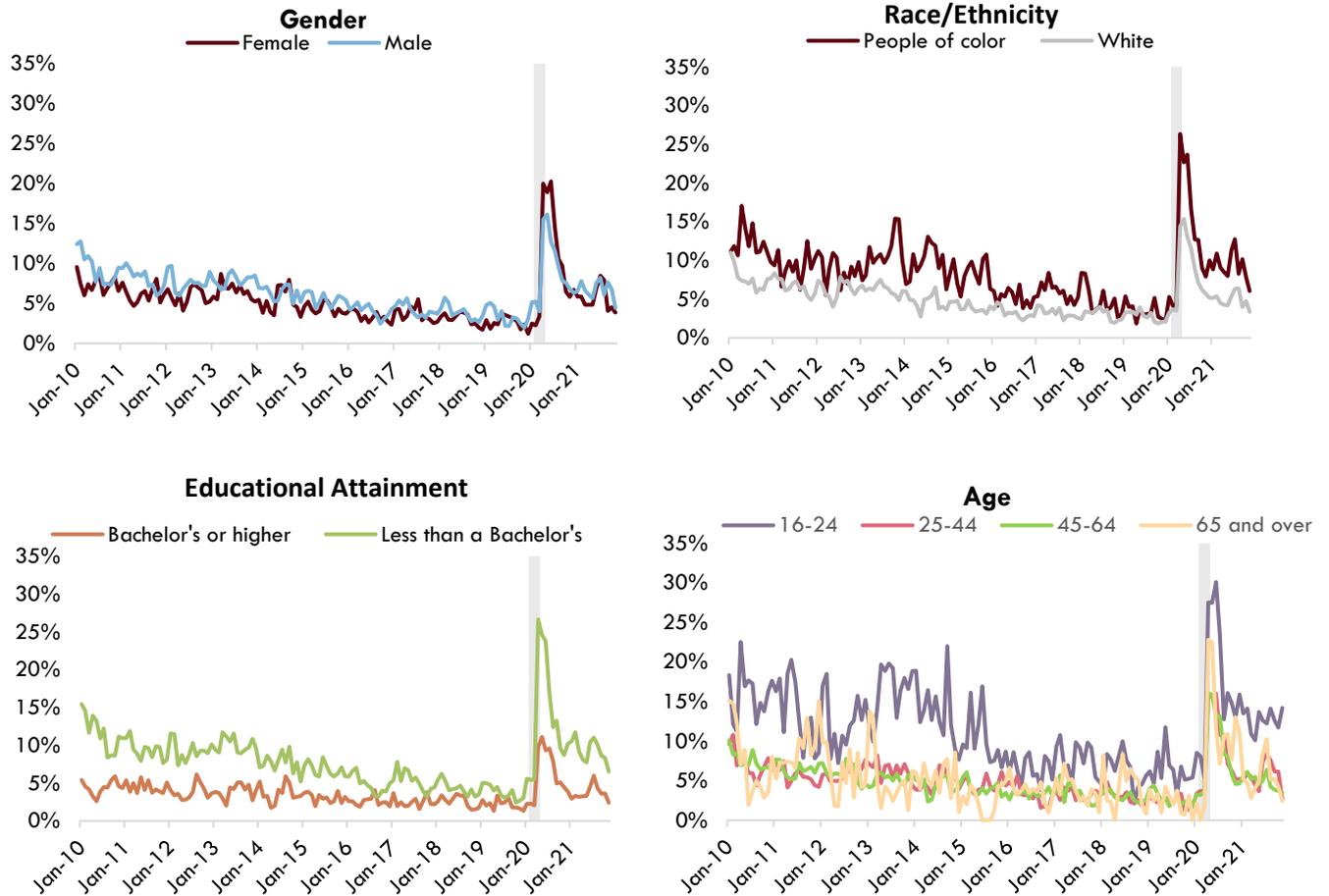
¹ People of color includes all individuals who self-reported a race other than white or reported multiple races, and did not identify as Hispanic. We recognize that there is significant variation among people of color, data limitations do not allow for more granular comparisons.

Figure 10: Labor Force Participation Rates in Massachusetts by Demographics, January 2010- November 2021 (Not seasonally adjusted)



Source: UMDI analysis of Integrated Public Use Microdata Series (IPUMS), Monthly Current Population Survey (CPS)
 Note: Data are not seasonally adjusted.

Figure 11: Unemployment Rates in Massachusetts by Demographics, January 2010–November 2021 (Not seasonally adjusted)

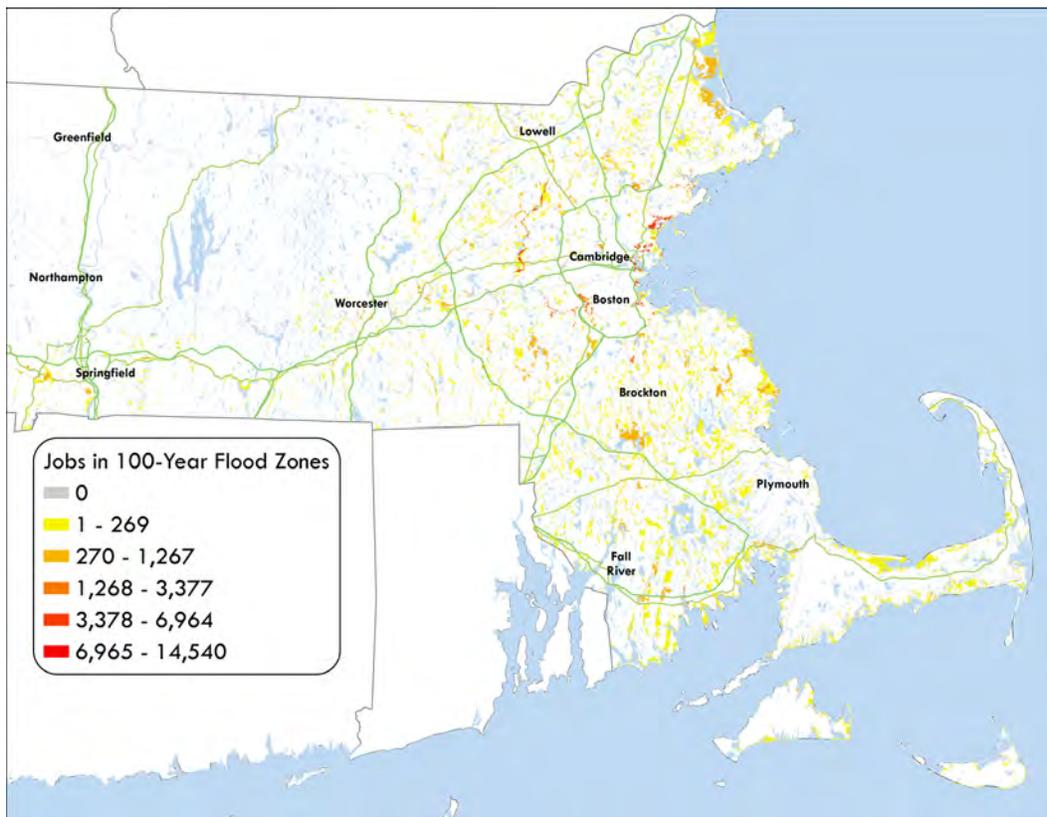


Source: UMDI analysis of Integrated Public Use Microdata Series (IPUMS), Monthly Current Population Survey (CPS)
 Note: Data are not seasonally adjusted.

Environment

Massachusetts faces diverse risks related to climate change that will have broad economic impacts, depending on the extent to which adaptive measures are taken, at the state, national, and global levels. The threat posed by sea-level rise is of particular concern in Massachusetts because so much of the state's economic activity is concentrated along the coast, where the effects of climate change are already being felt. For example, in Boston the average number of flood days per a year has increased from 2.8 days during the 1950s and 1960s to 13.8 days from 2010 through 2020. The impact of coastal alteration, larger storm surges, and greater storm damage may be acutely felt where economic activity and residents are clustered. In 2018, approximately 300,000 jobs in Massachusetts were located in 100-year flood plains (Figure 12).

Figure 12: Jobs located in 100-year flood zones



Source: FEMA National Flood Hazard Layer via MA GIS, U.S. Census Bureau 2018 LODES data on Total Jobs, Analysis by the Donahue Institute

Note: Counts of jobs in this table represent jobs in Census Blocks or parts of blocks that intersect or are fully contained within areas designated as 100 Year Flood Zones by FEMA and assumes an even distribution of jobs in those blocks. FEMA's current national flood hazard layer does not contain finalized flood data for Berkshire, Franklin or Hampshire counties so analysis was not done on those areas.

If you examine risk posed by hurricanes the number of jobs potentially effected is even greater, with over 800,000 job in areas designated by the Army Corps of engineers as being in hurricane inundation zones (Figure 13).

Figure 13: Job located in hurricane inundation zones



Source: U.S. Army Corps of Engineers Hurricane Surge Inundation Zones via MA GIS, U.S. Census Bureau 2018 LODS data on Total Jobs, Analysis by the Donahue Institute

There are also risks associated with rising temperatures. According to the 2020 National Climate Report, published by National Oceanic and Atmospheric Administration, 2020 ranked as the second warmest year on record for Massachusetts. Abnormal dryness and drought were experienced throughout the Northeast and Massachusetts, which may have contributed to Massachusetts having more than 1,000 wildfires in 2020.

While the full effects of climate change are hard to predict at this time, it is certain that some industries will bear more of the burden than others. For example, the tourism industry will likely be affected as there are more than a dozen ski areas in the Commonwealth that will face challenges as precipitation is expected to shift from snow to rain with warmer winter temperatures. Agriculture will be impacted by changes to the growing season and increased risk of drought. Fisheries will be impacted as increasing temperatures change the habitats of ocean species. The health of residents may be impacted by climate change. For

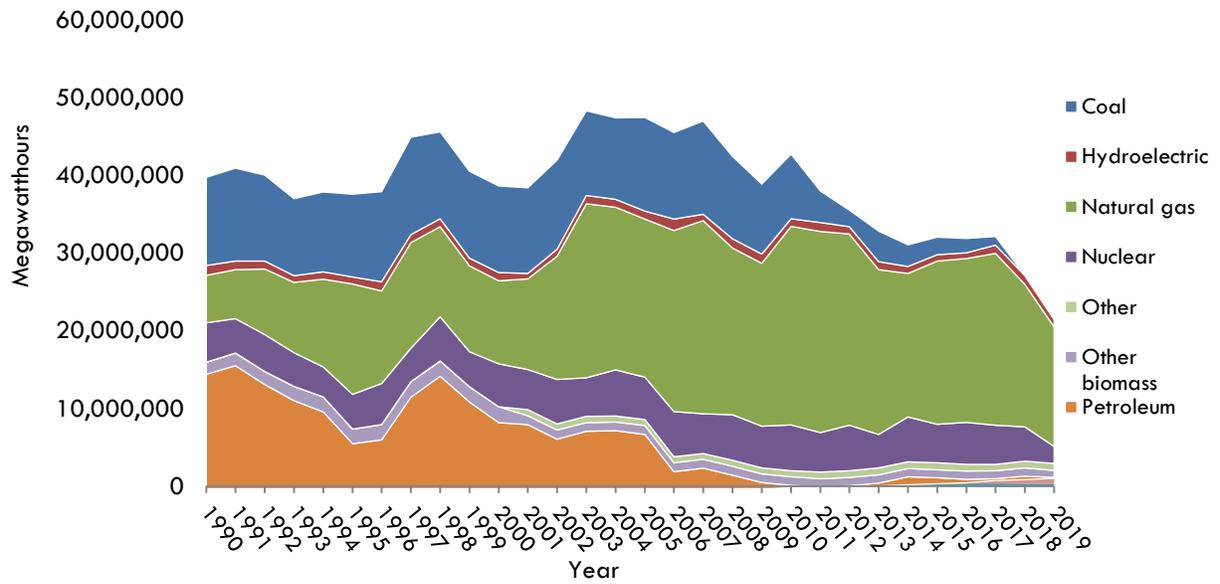
example, changes in temperature will likely increase the risk or incidence of acute respiratory diseases, such as Asthma, and increase the presence of ticks that carry Lyme disease and mosquitoes carrying West Nile Virus. The risks vary across the state, within communities, and from resident to resident. Vulnerability to climate change is a function of exposure, sensitivity, and adaptive capacity. The most vulnerable are often the young, old, and medically vulnerable, those who live in areas with higher risk of extreme events and those without the resources to adapt.

Changes to the environment, such as extreme weather events, do not respect political boundaries, therefore, policy makers have limited ability to mitigate the course of environmental change. However, local officials can prepare for natural disasters and plan for predicted changes in the environment, such as rising temperatures and sea-levels. To this end Massachusetts established the Municipal Vulnerability Preparedness grant program that supports city and towns through grants and technical assistance that fund and support local assessments of vulnerability to climate change and adaptation projects. Over 90 percent of municipalities in the state have enrolled in the program.

Citing the environmental risks of climate change, in March 2021, Governor Baker signed a net-zero emissions law setting the goal of Massachusetts achieving net-zero emissions by 2050. The law sets interim emission targets and sets targets for six sectors: electricity, transportation, commercial and industrial buildings, residential buildings, industrial processes, and natural gas distribution. Currently, Massachusetts consumes more energy than it produces and relies on the regional grid to meet demand. Massachusetts uses less energy to produce a dollar of GDP than all but two other states, New York and California. Furthermore, according to the US Energy Information Administration, Massachusetts used less energy per capita than all but six other states in 2019.

Over the past 20 years, Massachusetts has increasingly been reliant on natural gas for electric power generation, with the share of electric power from natural gas more than doubling from 2001 to 2019; the Commonwealth's reliance on natural gas is greater than the U.S. as a whole, where natural gas makes up only 38 percent of electricity generated in 2019 compared to over 70 percent in Massachusetts (Figure 14). The Commonwealth is generating less energy from coal, petroleum, and nuclear; the last nuclear power plant in the state closed in 2019. While the shift from coal and petroleum to natural gas has the potential to reduce greenhouse gas emissions because natural gas releases less carbon dioxide when burned, natural gas contributes to greenhouse gas emissions when methane leaks from both pipeline leakage and end users, such as furnaces in buildings. Solar energy has grown to be 19 percent of Massachusetts's total in state electricity net generation. Furthermore, Massachusetts ranked ninth in the U.S. in net generation from all solar in 2020. Electricity prices in Massachusetts are higher than in the nation as a whole. In July 2021, Massachusetts consumers faced the third highest electricity prices. Massachusetts consumers pay the 35th highest natural gas prices; during the winter months prices are frequently higher than in the U.S. These higher prices can place burden on lower income residents. After the sharp declines of 2020, it is expected that heating oil prices will increase sharply.

Figure 14: Electric Power Generation by Primary Energy Source, 1990-2019



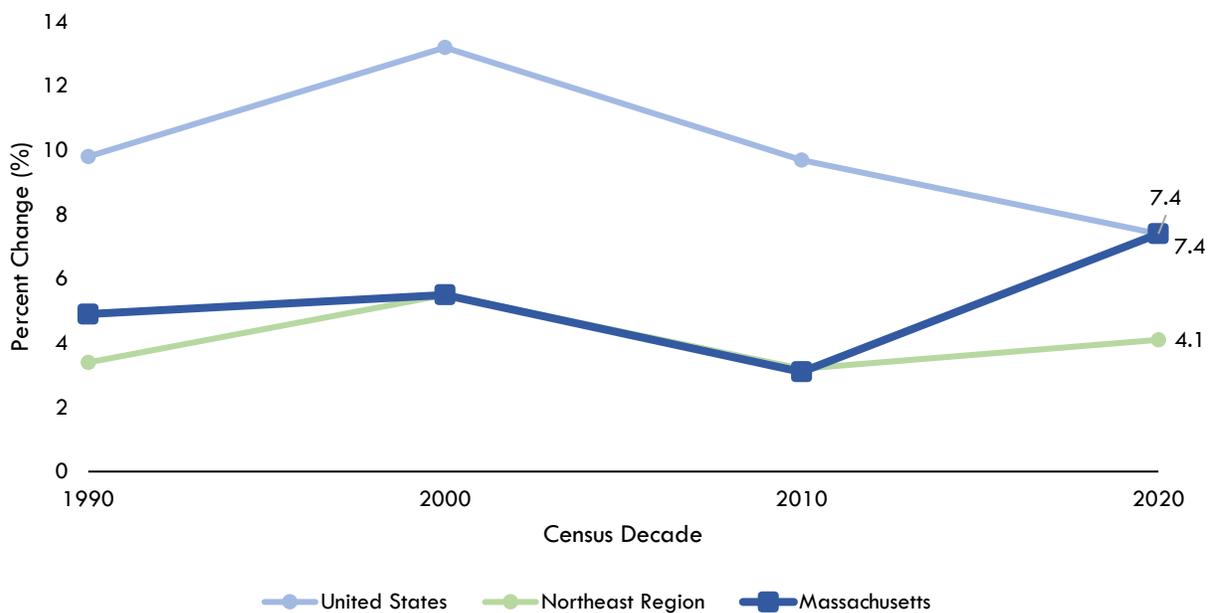
Source: U.S. Dept. of Energy, <http://www.eia.doe.gov/>; state electricity profiles.

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.

Residents

Just over seven million residents called Massachusetts home in 2020, an increase of 7.4 percent since 2010, making it the fastest-growing state in the Northeast. The 2020 Decennial Census P.L. 94-171 Redistricting dataset, which was released in August 2021, provides a snapshot of Massachusetts' population and how it has changed over the past decade. From 2010-2020 the population increased by 482,288 people, from 6,547,629 to 7,029,917 (7.4%). In contrast the average population growth in the Northeast was 4.1 percent (Figure 15).²

Figure 15: Change in Resident Population by Decade



Source: U.S. Census Bureau; UMDI analysis

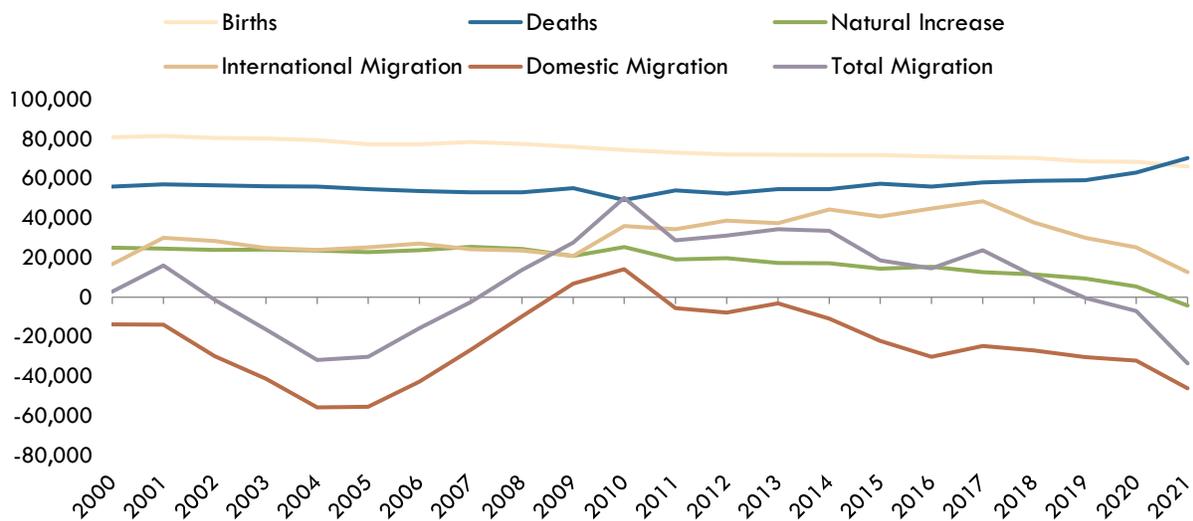
Increasing levels of international migration has driven population growth in Massachusetts over the last couple of decades. Conversely, migration from Massachusetts to other states has increased. Natural increases in the population have slowly declined largely due to an aging population and declining birth rates (Figure 16). Massachusetts' combination of higher education institutions and knowledge-based industries appears to be an important factor in attracting and retaining foreign-born residents. The foreign-born in Massachusetts has a bimodal education distribution with a high concentration with less than a high school education (20% in 2019) and a significant concentration with college degree (18%).

² The Northeast includes: Maine, New Hampshire, Vermont, Massachusetts, New York, Connecticut, Rhode Island, Pennsylvania, and New Jersey.

Interestingly, a higher proportion of immigrants in the state hold a graduate degree (22%) than native-born residents (20%).

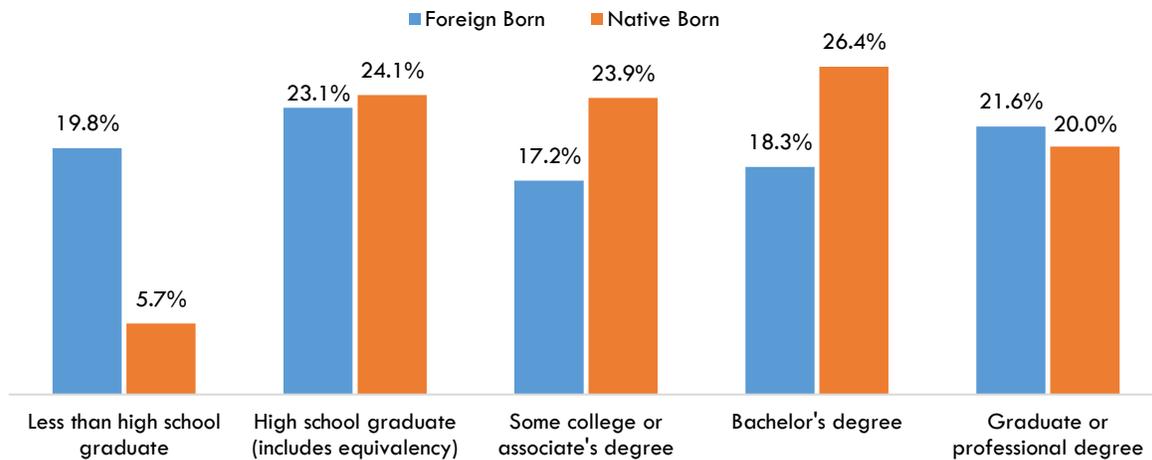
While the population in Massachusetts has grown strongly over the past decade, the latest population estimates showed a 0.6 percent decline in the state’s population from April 2020 to July 2021. This cumulative decrease is more substantial than other Northeast states, with the exception of New York, which decreased by 1.8 percent. Massachusetts is not unique in experiencing a pandemic slowdown in population growth. The U.S. grew at the slowest rate since the nation’s founding during this past year (0.1%). The pandemic has halted migration to the state, and contributed to higher death rates and lower birth rates. For the first time, deaths exceeded births in the state leading to negative growth attributable to natural increases. Furthermore, domestic migration out of the state increased. Again this trend was not unique to Massachusetts, as the Southern Region of the U.S. was the only region to experience positive net domestic migration. As the pandemic recedes a return to international migration will be essential for resuming growth in the population.

Figure 16: Massachusetts Estimated Components of Change, 2000-2021



UMass Donahue Institute. Source Data: ST-2000-7; CO-EST2010-ALLDATA; and NST-EST2018-ALLDATA, U.S. Census Bureau Population Division.

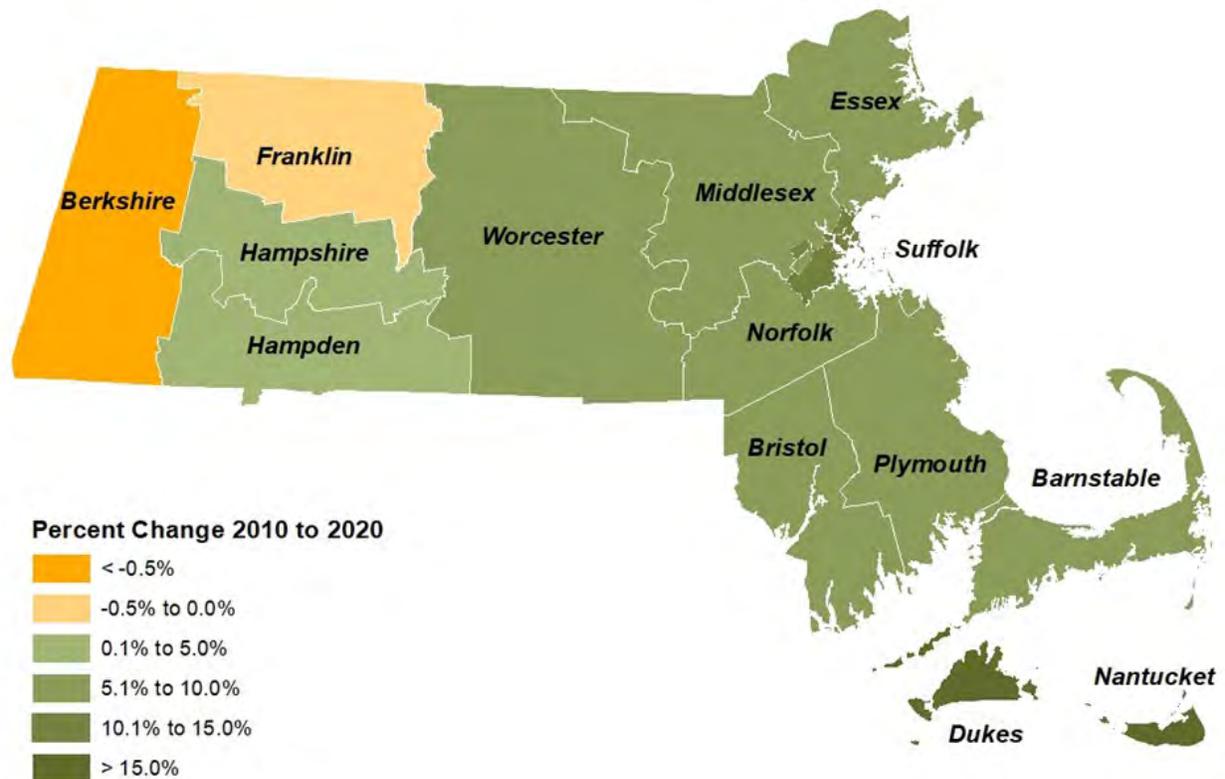
Figure 17. Educational Attainment of the Foreign Born in Massachusetts, 2019



Source: U.S. Census Bureau, 2019 1-Year American Community Survey; UMDI analysis

Overall, population growth in the state between 2010 and 2020 was uneven. Population growth, much like the previous decade, was strongest in the eastern part of the state, particularly in the Greater Boston region. Middlesex County saw the largest growth in absolute terms and grew at a rate of 8.6 percent. It was followed by Essex and Worcester Counties which grew at rates of 9 and 8 percent respectively, all faster than the state as whole. In terms of percentage change, the fastest population growth since Census 2010 was observed in the small island counties of Nantucket and Dukes, at 40.1 percent and 24.6 percent respectively. The two western-most counties, Franklin and Berkshire, saw small population declines over the last decade (Figure 17).

Figure 18: Percent Change in Massachusetts County Population, Census 2010 to Census 2020



Source: UMDI, U.S. Census Bureau

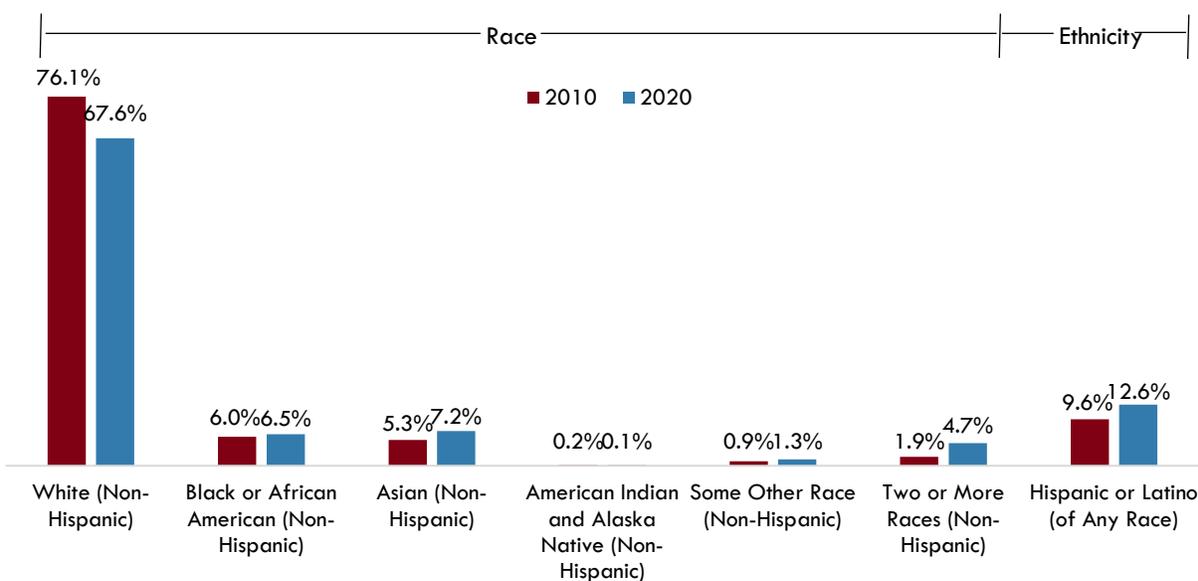
The population growth trends in Massachusetts reflect trends in the U.S. over the past decade. Metropolitan areas and urban and suburban counties grew much more rapidly than small places and rural counties. Similarly, in Massachusetts, population growth has been clustered around the Greater Boston area and Gateway Cities. The cities that grew the most in absolute terms were Boston, Worcester, Cambridge, Lawrence, and Brockton. In addition, all but two of Massachusetts’ 26 “Gateway Cities” showed Census 2020 population counts greater than the Vintage 2020 evaluation estimates, which are based on the 2010 Census, suggesting that growth in these cities out-performed the Census Bureau’s estimates. The Gateway Cities account for 15 out of the 25 most populous places in Massachusetts, and 25 out of the top 40.

The four slowest growing Gateway Cities were all in Hampden County. Hampden County, along with Berkshire, Franklin, and Hampshire counties is located in the Western Massachusetts region, which had a much slower rate of growth than Massachusetts as a whole, 0.5 percent. Furthermore, the region grew at a slower rate from 2010 to 2020 than it had from 2000 to 2010 (1.1% from 2000 to 2010; 0.5% from 2010 to 2020). Both Berkshire and Franklin counties have been declining in population since 2000, while Hampden and Hampshire counties have seen modest growth. In contrast the Cape and the Islands region

has experienced a dramatic increase in population. The Island of Nantucket was the fastest growing place in Massachusetts followed by Martha’s Vineyard. Cape Cod also experienced increased growth compared to the prior decade, growing at a rate of 6.1 percent. The strong growth in these areas that had seen declines from 2000 to 2010 may be attributable to the pandemic, as more individuals could choose where to live untethered from where their employer was located.

As with the nation, Massachusetts is becoming more racially and ethnically diverse. The share of the population that identifies as non-Hispanic, white decreased from 76 percent to 68 percent from 2010 to 2020, while the shares that identify as Black non-Hispanic, Asian non-Hispanic, and Hispanic increased to 6.5 percent, 7.2 percent, and 12.6 percent respectively. The share that identifies as two or more races (non-Hispanic) more than doubled to 4.7 percent (Figure 18). The state’s population is older than the nation as a whole, the median ages is 39.7. However, due to the presence of higher education institutions, young adults are somewhat overrepresented in the Commonwealth, 21 percent of residents are between the ages of 20-34 compared to 20 percent in the U.S.

Figure 19. Massachusetts Race and Ethnicity in 2010 and 2020

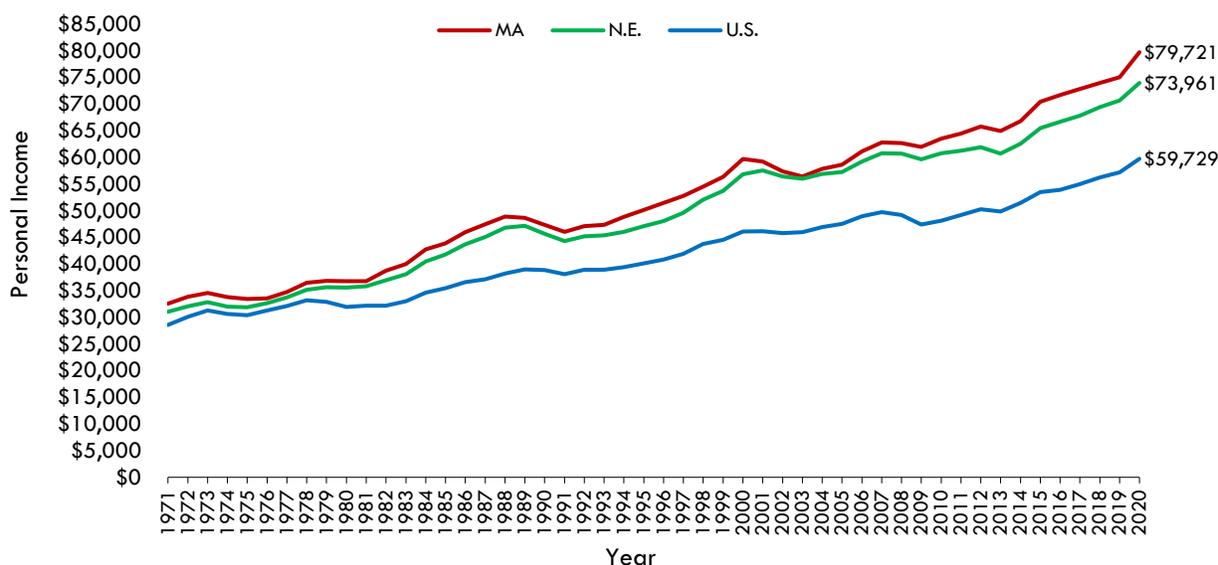


Source: 2010 Source Data: Census 2010 Summary File 1; 2020 Source Data: Census 2020 PL-91-171; UMDI analysis

Massachusetts’ residents earn some of the highest incomes in the nation. Real per capita income consistently exceeds incomes in the Northeast and U.S. In 2020, the real per capita personal income in the Commonwealth was nearly \$80,000 compared to approximately \$74,000 in the Northeast and just under \$60,000 in the U.S. (Figure 19). The relatively high-income levels reflect the high level of education and the concentration of high-wage industries such as, health care, professional services, and finance and insurance. The poverty rate is lower in Massachusetts than in the nation as a whole at 9.4 percent compared to 12.3 percent. However, in several cities the poverty rate exceeds the state average,

Holyoke, Springfield, and Worcester all Gateway cities, have poverty rates of 15.2 percent, 10.9 percent and 10.7 percent respectively. Boston is slightly above the state average with a rate of 9.6 percent. Higher rates of poverty in these Gateway Cities and Boston are particularly concerning because Gateway Cities are home to a large share of the state’s communities of color and immigrant communities. Forty-one percent of all people of color in Massachusetts live in Gateway Cities 18 percent live in Boston. Furthermore, 36 percent of Massachusetts immigrants live in Gateway Cities and 17 percent live in Boston. The concentration of poverty in these cities raises concerns about equity and quality of life.

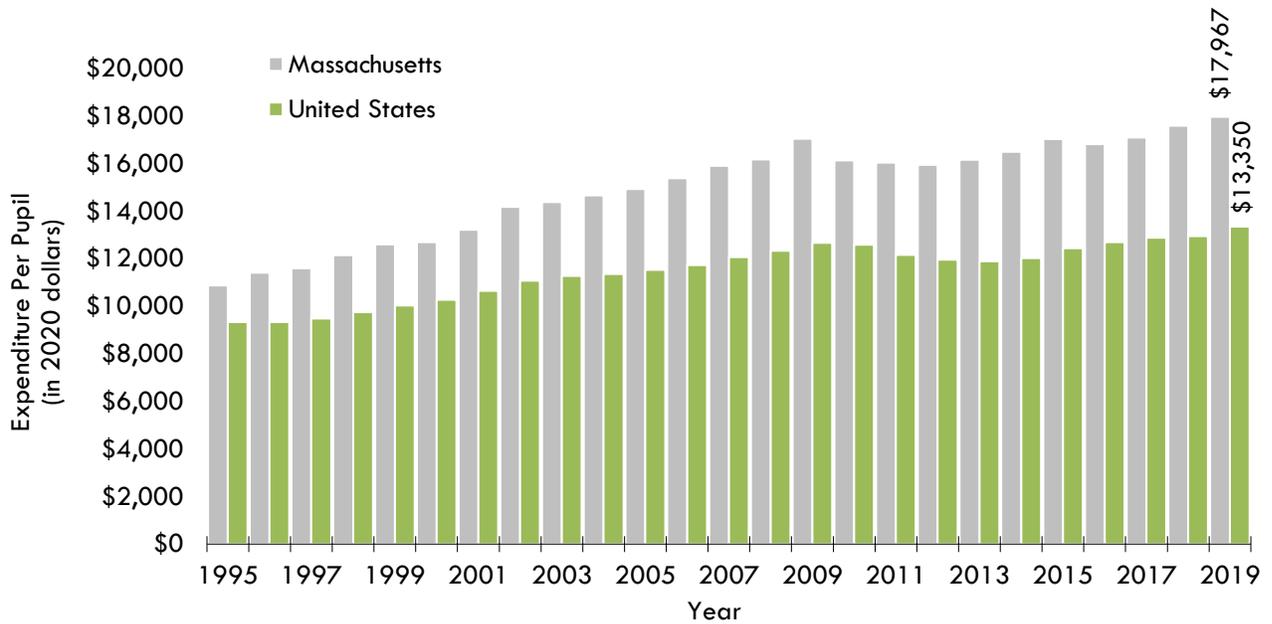
Figure 20: Real Per Capita Personal Income in Massachusetts, the United States, and New England, 1971-2020 (in \$2020)



Source: U.S. Department of Commerce, Bureau of Economic Analysis

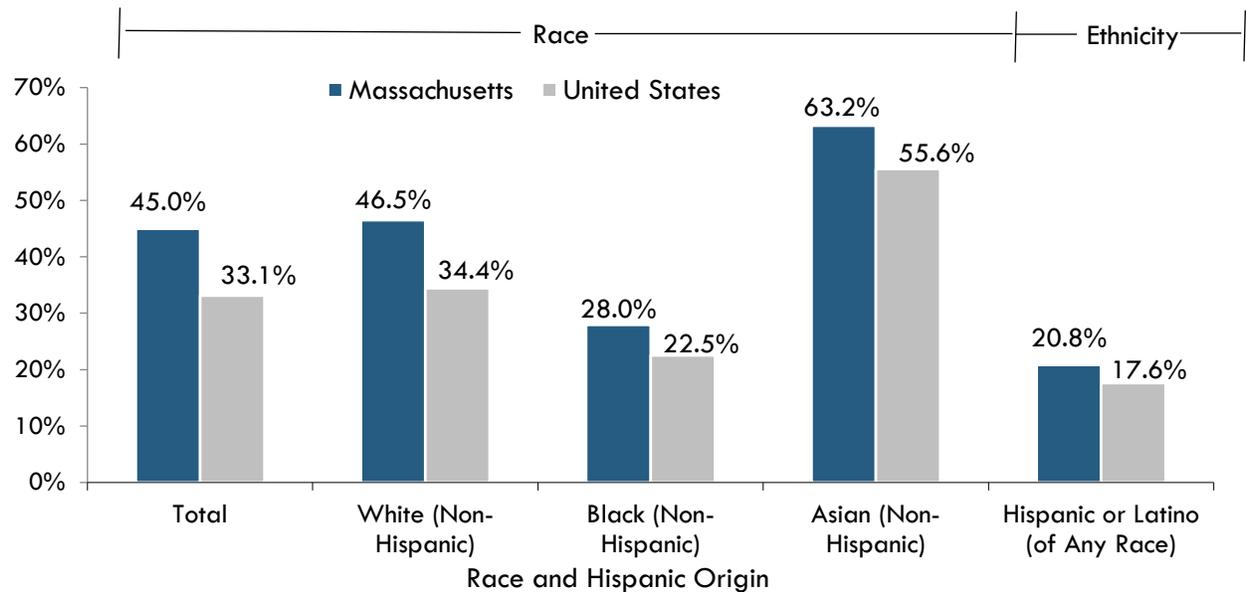
The presence of a skilled and well-educated population is an important resource for the Commonwealth. At the primary and secondary level, the state invests more than the national average in its public schools (Figure 20). Furthermore, students in Massachusetts’ K-12 public schools consistently outperform their peers in the U.S. on national assessments. The state has the most well-educated population in the country, with 45 percent of all residents 25 years of age or older earning a bachelor’s degree or more. However, educational attainment varies significantly across racial groups: Black and Hispanic residents are less likely to have a bachelor’s degree than the state average, at 28 percent and 21 percent respectively. Forty-seven percent of white residents and 63 percent of Asian residents hold a bachelor’s degree or higher. That said, across all racial groups, educational attainment rates are higher than the national average (Figure 7). The well-educated population supports and is a product of the concentration of elite public and private colleges and universities in the state. Educational services is the second largest industry in Massachusetts in terms of jobs. Over half a million students are enrolled in higher education in the state, including over 73,000 foreign students in the 2019/2020 academic year.

Figure 21: Per Pupil Expenditure in Public Elementary and Secondary Schools (in 2020 adjusted dollars)



Source: U.S. Census Bureau, Public Elementary–Secondary Education Finance Data.

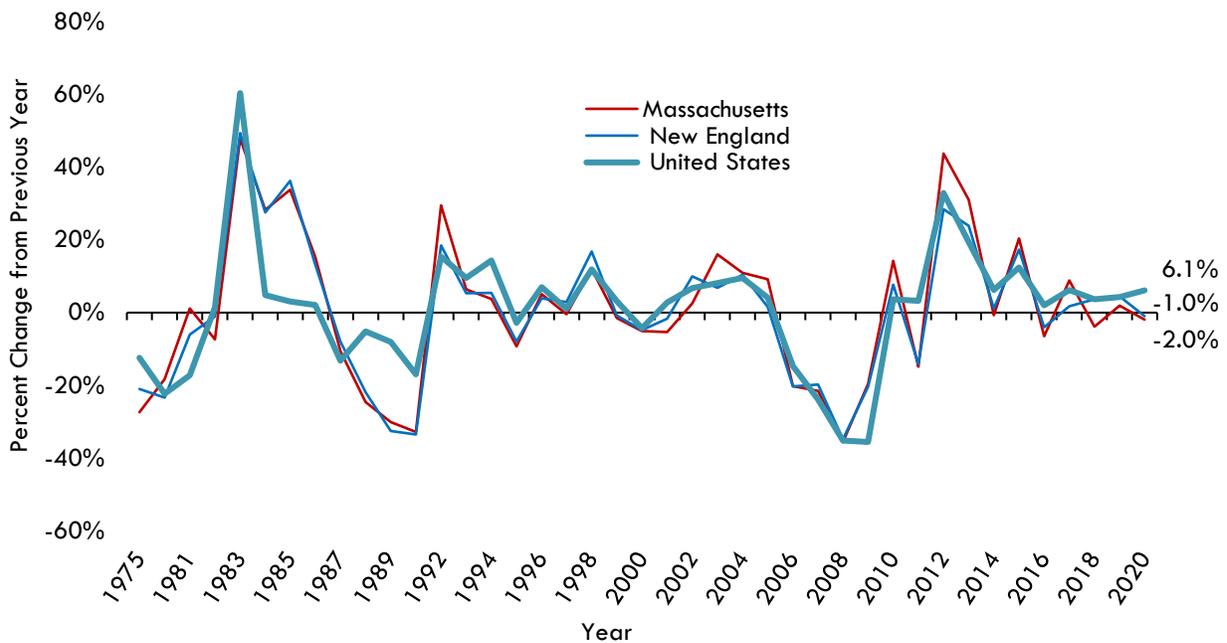
Figure 22: Persons in Massachusetts and the United States 25 Years and Older with a Bachelor’s Degree or Higher by Race and Ethnicity in 2019



Source: U.S. Census Bureau, 2019 1-Year Estimates American Community Survey; UMDI analysis

While residents enjoy higher incomes than most other states, the cost of housing in Massachusetts is a burden for many, especially for Black and Hispanic households. Housing costs are rising across the Commonwealth, driven in part by population and economic growth and inadequate housing production over the last couple of decades. The increase in sale prices and the low supply of homes for sale has translated into high rental costs as well. Median sales price of existing homes increased to \$460,000 in 2020 from just over \$418,000 in 2019, well above the national median of \$296,700. Construction is not keeping up with demand. Nationally, the number of building permits increased 6.1 percent from 2019 to 2020, but were actually down two percent in Massachusetts over the same time period (Figure 23). Nearly a quarter (23%) of Massachusetts renters are severely cost burdened, meaning they spend 50 percent or more of their income on housing. The rates of cost burden are highest among low-income residents, as well as Black and Hispanic households.

Figure 23: Housing Units Authorized by Building Permit, Percent Change from Previous Year



Source: U.S. Census Bureau; UMDI analysis

Note: Reported data plus data imputed for non-reporters & partial reporters.

EXHIBIT B

STATUTORY BASIS FINANCIAL REPORT

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Commonwealth of Massachusetts

STATUTORY BASIS FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2021

ALUM. ROADSIDE "W"
BARRIER, 3" TALL, 188'
SUPPORTS 9' APART

16'
DRAINAGE BASIN, 6' DEEP
CONCRETE LINER (SEE P. 147)

JURISDICTION
CHANNEL (SHOULDER)
8" WIDE

133.8'

POLISHED CONCRETE DECK,
144' LONG
STEEL (SEE P. 26)

71.4'
4' SHLDR
12'
12'
4' SHLDR

CENTER LINE,
YELLOW, 8" WIDE

Commonwealth of Massachusetts



Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2021

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

From all of his colleagues and friends at the Office of the Comptroller, we offer our sincerest thanks to Deputy Comptroller Howard Merkowitz for decades of leadership and service to the Commonwealth. Your professionalism, ability, and integrity are an example to all.

Best wishes on the occasion of your retirement.

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

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Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2021

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Introductory Section



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WILLIAM McNAMARA
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



November 19, 2021

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 2021, the 12-month period ended June 30, 2021.

The SBFR provides independent and unbiased accounting of Commonwealth revenues and expenditures for Fiscal Year 2021. The SBFR was prepared by the professional staff of the Office of Comptroller and reviewed by the Commonwealth's independent audit firm, CliftonLarsonAllen LLP (CLA), in accordance with professional standards established by the American Institute of Certified Public Accountants.

Pursuant to M.G.L. c. 7A, § 12, the Comptroller is required to 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 October 31 due date was not achievable, given that the final FY2021 Supplemental Appropriations Act was enacted on October 20, 2021. This filing comes nearly three weeks after

the statutory due date. While regrettable, this timing represents a marked improvement over the two preceding years, when the SBFR filings for Fiscal Years 2019 and 2020 occurred on January 6 and December 18, respectively. My sincere hope is that in the coming years, each step in the process can be initiated and completed earlier, allowing for the timely submission of the Statutory Basis Financial Report.

As in each annual cycle, the Office of Comptroller and financial professionals across the Commonwealth worked diligently to complete every task possible before the passage of the final supplemental appropriation of the year. After its enactment, the process of “closing the books” is executed with both speed and accuracy.

The completed draft is reviewed at two levels: First, by the Commonwealth’s independent audit firm. This independent review function is critical, and I thank CliftonLarsonAllen LLP for completing it on a timely basis. Second, the SBFR is reviewed by the Comptroller Advisory Board, as required by statute.

I thank the staff of the Office of the Comptroller and financial professionals across the Commonwealth for their work, including Chief Financial Reporting Officer Pauline Lieu, Chief Accounting Officer Kristin Lacroix, and their respective teams. They have produced this informative, unbiased, and valuable record of the state’s financial position. Finally, I would like to commend Howard Merkowitz on the occasion of his retirement. As Deputy Comptroller throughout Fiscal Year 2021 and for many years previously, he provided exemplary service and leadership to the Commonwealth during a distinguished career in service of state government.

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.

William McNamara
Comptroller of the Commonwealth

Report Summary

As of June 30, 2021, the Commonwealth had a budgetary fund balance of approximately \$12.099 billion and completed FY21 with a budget surplus (“consolidated net surplus”) of \$1.460 billion according to state finance law (see below for the statutory definition of a balanced budget). Per legislation enacted at the end of FY21, that surplus was deposited into a newly created Transitional Escrow Fund, whose balance was carried forward for use in FY22. During the fiscal year, the balance of the Commonwealth’s Stabilization (or rainy day) Fund increased by \$1.125 billion, to \$4.626 billion, as a result of transfers of capital gains and gaming tax revenue transferred to the Fund and investment earnings on the Fund’s balances. No funds were drawn from the Stabilization Fund in FY21. (The [Budgeted Funds – Operations](#) table on page 9 displays the FY21 summary of budgeted funds compared to FY20. Details of the FY21 Stabilization Fund activity are provided on pages 11-13 and [144](#).) The total budgeted fund balance of \$12.099 billion reflects a gain (revenues and other financing sources greater than expenditures and other financing uses) of approximately \$7.804 billion, from the FY21 beginning balance of \$4.295 billion. This follows an FY20 operating gain of \$336 million. In addition to the \$4.626 billion reserved in the Stabilization Fund, \$1.099 billion is reserved for continuing appropriations and debt service in FY22, \$1.460 billion is held in the Transitional Escrow Fund, and \$4.892 billion is in the Federal COVID-19 Response Fund, which was created to hold funds received from the federal government under the American Rescue Plan Act of 2021 (ARPA). The remaining undesignated balance of \$21 million is made up of other budgeted fund balances.

During FY21, budgeted fund tax revenues increased by \$4.159 billion, or 15.1%, from FY20, as the national and Massachusetts economies recovered from the COVID-19-induced recession. Before transfers between budgeted funds (which do not affect total budgeted fund balances), total budgeted fund revenues and other financing sources increased by \$9.566 billion, or 20.2%. Budgeted fund expenditures and other financing uses increased by \$2.098 billion, or 4.5%, 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 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 satisfies the requirements of state finance law and to present the results of FY21 activity in the Commonwealth’s funds. The report contains computations required by state finance law, including the certification of the state’s consolidated net surplus and the 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 Annual Comprehensive Financial Report (ACFR). That report provides a basis for comparison with other jurisdictions, as the accounting rules for the ACFR 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 ACFR, the major ones being that the ACFR

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 ACFR 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 accounts receivable for revenues received from other government entities.

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 (including the Federal COVID-19 Response Fund) 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 FY21 together accounted for approximately 94.4% and 4.0%, respectively, of total budgeted fund expenditures and other financing uses. The remaining approximately 1.6% of budgeted fund activity comprises fifteen other funds, nine 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 FY21 supplemental budget bill was not enacted and signed into law until mid-October, this SBFR is being transmitted on November 19, 2021 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, 2021 is reviewed, not audited, by the state’s independent auditor, CliftonLarsonAllen, 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 FY21, the Commonwealth’s economy began to recover from the economic impact of the global Coronavirus or COVID-19 pandemic. Between June 2020 and June 2021, employment increased by approximately 294,600 jobs, or 9.3%, compared to an increase in employment of 5.8% for the United States as a whole. With the relatively rapid growth of the Commonwealth’s economy over the past year, as of June 2021 the Massachusetts unemployment rate was 4.9%, compared to 5.9% nationally.

The Budgeted Funds

The FY21 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY21 tax revenue estimate of \$27.637 billion prior to tax initiatives (and including \$125 million in tax settlements), a decrease of \$3.514 billion from the FY21 consensus estimate of \$31.151 billion, with the reduction due to the actual and projected impact of the pandemic on tax revenue in FY21. The GAA estimate was further increased to \$27.976 billion as a result of enacted tax law changes and other tax-generating initiatives included in the budget. \$25.908 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.520 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.102 billion) and the Massachusetts School Building Authority (\$942 million), capital gains tax revenues transferred to the Stabilization Fund (\$452 million), and revenue allocated to the non-budgeted Workforce Training Fund (\$25 million).

In October 2020, the Secretary of Administration and Finance reduced the FY21 tax revenue estimate by \$334 million, to \$27.642 billion (including \$50 million in judgments and settlements revenue exceeding \$10 million each). In January 2021, the Secretary of Administration and Finance revised the Fiscal Year 2021 state tax revenue estimate upward to \$29.090 billion (including \$50 million in judgment and settlement revenue), to reflect stronger than projected growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

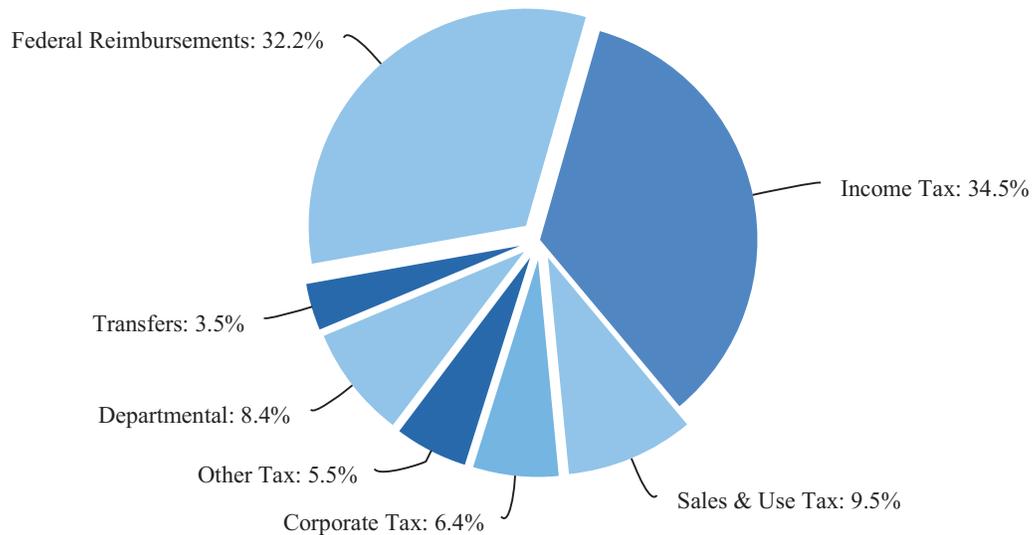
FY21 tax revenues ended the year at \$34.156 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$31.772 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds increased by \$4.159 billion, or 15.1%, from FY20, \$5.864 billion above the original FY21 tax estimate and \$5.202 billion above the final FY21 estimate.

The FY21 General Appropriation Act (GAA) authorized approximately \$47.898 billion in spending, exclusive of approximately \$3.115 billion in required pension contributions and \$756 million in FY20 spending authorized to be continued into FY21 as part of the FY20 and FY21 general appropriation acts and various FY20 supplemental budgets.

Approximately \$593 million in supplemental appropriations were authorized during FY21, \$259 million of which were enacted by June 30, 2021. Subsequent to year end, a supplemental budget was enacted totaling approximately \$334 million in new appropriations. The year's significant supplemental appropriation activity included:

- \$252 million to fund collective bargaining costs of state employees;
- \$131 million to fund childcare services;
- \$32 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$28 million for aid to families with dependent children;
- \$26 million to fund Sheriffs' personnel costs;
- \$20 million for additional aid to local schools;
- \$17 million for homeless services;
- \$13 million to fund services provided by the Massachusetts National Guard.
- \$13 million to fund police reform initiatives
- \$11 million to fund State Police operations

**Budgeted Fund Revenues and Other Financing Sources
Before Transfers Between Budgeted Funds (Total of \$56.882 billion)**



FY21 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 \$56.882 billion, an increase of \$9.566 billion, or 20.2%, from FY20. Tax revenue growth picked up in FY21 as the Massachusetts economy reopened following a decline in FY20 due to the pandemic, with total taxes receipts increasing by \$4.159 billion, or 15.1% from FY20. All major tax types grew strongly in FY21. Total income tax collections increased by \$2.258 billion, or 13.0%, with personal income tax withholding growing by \$983 million, or 7.2%, non-withheld personal income tax increased by \$1.225 billion, or 35.9%, the latter driven in large part by growth in capital gains tax revenue, which totaled \$2.533 billion an increase of \$873 million, or 52.6%, from FY20. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) increased by \$1.206 billion, or 40.9% (with approximately \$50 million of that increase due to businesses taking advantage of a delay in the tax payment deadline from the first half of calendar year 2020 to July 2021, which shifted payments from FY20 to FY21) and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax) increased by \$629 million, or 13.1%, despite a \$131 million, or 12.1% decline in sales and meals taxes as the pandemic cut into restaurant dining. Other notable tax revenue changes include deeds excise revenues, which increased by \$83 million, or 26.4%, as the real estate market staged a strong recovery, cannabis sales and excise taxes, which also increase by \$83 million, or 116.8%, as the number of cannabis dispensaries expanded, and estate and inheritance taxes, which grew by \$88 million, 12.6%.

Budgetary fund federal reimbursements totaled \$18.339 billion, an increase of \$5.544 billion, or 43.3%, with growth primarily the result of \$4.892 billion in America Rescue Plan Act (ARPA) revenues received in the fourth quarter of FY21, and deposited in the newly created budgeted Federal COVID-19 Response Fund (a fund subject to appropriation by the Legislature) and carried forward for expenditure in future years (an additional \$394 million in ARPA revenues was retained in the non-budgeted Federal Grants, Special Revenue, and Expendable Trust funds in FY21 for COVID-19-related expenditures). Federal reimbursements for the Commonwealth's Medicaid program totaled \$12.338 billion, an increase of \$968 million, or 8.5%, primarily due to increased costs of the program during the pandemic (see explanation on following page).

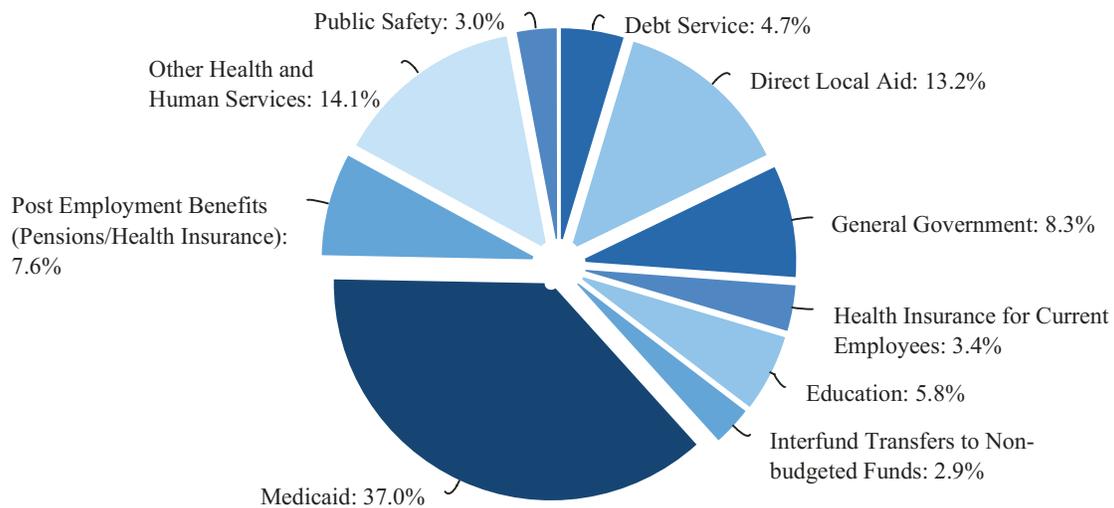
Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.776 billion, a decrease of \$145 million, or 2.9%, from FY20, with the largest revenue declines being a reduction of \$90 million in one-time health insurance assessments received in FY20 and a drop of \$98 million, or 8.1%, in Medicaid manufacturer prescription drug rebates. These declines were partly offset by growth in several other

revenue sources, the most significant of which was an increase motor vehicle license and registration revenues, which rose by \$67 million, or 13.8%.

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$1.996 billion, an increase of \$8 million, or 0.4%, from FY20, including a \$121 million, or 21.0% decrease in fringe benefit assessments resulting from reductions in payroll in higher education (which accounts for a significant share of the Commonwealth’s a fringe benefit recoveries) as well as reduced non-budgeted personnel spending in coronavirus-related accounts. These reductions were offset by a \$123 million, or 12.7% increase in Lottery Fund transfers to the General Fund as Lottery profits recovered in FY21 from their coronavirus-induced slump in the fourth quarter of FY20 (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 FY21, the Commonwealth received \$246 million in tobacco settlement funds, an increase of \$16 million compared to FY20. Statute requires that a portion of tobacco settlement proceeds be transferred 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 FY21, the statutorily required transfer was 90% of tobacco settlement revenues; however, FY21 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 90% to 10%. That action reduced the FY21 transfer to approximately \$25 million, compared to the statutorily required amount of \$221 million.

**Budgeted Expenditures and Other Financing Uses
Before Transfers Between Budgeted Funds (Total of \$49.078 billion)**



FY21 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$49.078 billion, an increase of \$2.098 billion, or 4.5%, from FY20, 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 \$41.593 billion, an increase of \$1.726 billion, or 4.3%, from FY20. Medicaid expenditures totaled \$18.122 billion, an increase of \$1.100 billion, or 6.5%, from FY20, due to an approximate 10% increase in caseload during the coronavirus epidemic, when disenrollment of beneficiaries was suspended as long as a federally-declared public health emergency is in effect. Spending for direct local aid (both

education aid and unrestricted aid), at \$6.482 billion, was up \$106 million, or 1.7%, from FY20. Other significant spending included \$46 million in new spending for economic recovery from COVID-19, \$50 million for a homeless prevention program (an increase of \$32 million from FY20),

Spending on state employee health benefits paid through the Group Insurance Commission increased by \$55 million, or 3.3%, from \$1.680 billion to \$1.736 billion. Transfers to the state pension fund (including the \$61 million transfer capital gains tax transfer, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold) totaled \$3.176 billion, an increase of \$335 million, or 11.8%. Budgeted debt service totaled \$2.289 billion, down \$121 million, or 5.0%, from FY20, due to savings achieved when the Commonwealth refunded debt service at favorable interest rates.

Interfund transfers from budgeted to non-budgeted funds totaled \$1.444 billion, an increase of \$46 million or 3.3%, from FY20.

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 FY21, transfers among the Budgeted Funds totaled \$3.100 billion, an increase of \$2.087 billion, or 205.9%, from FY20, primarily due to transfers of \$1.116 billion in capital gains tax revenue deposited in the Stabilization Fund (there were no such transfers in FY20) and the \$1.460 billion to the Transitional Escrow Fund, which were partially offset by the expiration of annual transfers from the General Fund to the Commonwealth Transportation Fund and smaller deficit elimination transfers between the budgeted funds at fiscal year-end.

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)

	2021	2020
Beginning 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
Revenues and other financing sources:		
Taxes	31,771,947	27,612,766
Federal reimbursements	18,338,990	12,794,687
Departmental and other revenues, including tobacco settlement	4,775,501	4,920,247
Interfund transfers from non-budgeted funds and other financing sources	1,996,000	1,988,432
Budgeted revenues and other financing sources	56,882,438	47,316,132
Intragovernmental Service Fund revenues	441,643	441,353
Interfund transfers among budgeted funds and other financing sources	2,658,449	571,925
Total revenues and other financing sources	59,982,530	48,329,410
Expenditures and other financing uses:		
Programs and services	41,592,766	39,866,322
Debt service	2,289,446	2,410,163
Post employment benefits	3,751,854	3,304,975
Interfund transfers to non-budgeted funds and other financing uses	1,444,400	1,398,664
Budgeted expenditures and other financing uses	49,078,466	46,980,124
Intragovernmental Service Fund expenditures	441,643	441,353
Interfund transfers among budgeted funds and other financing uses	2,658,449	571,925
Total expenditures and other financing uses	52,178,558	47,993,402
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	7,803,972	336,008
Ending fund balances:		
Reserved for Prior Appropriations Continued and Designated for Debt Service ..	1,099,338	776,645
Reserved for Stabilization Fund	4,626,419	3,501,181
Undesignated in Federal COVID-19 Response Fund	4,891,987	—
Undesignated in Transitional Escrow Fund	1,460,324	—
Other Undesignated	21,107	17,379
Total	<u>\$ 12,099,175</u>	<u>\$ 4,295,205</u>

***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, 2021, the ending balance is comprised mainly of the \$1.057 billion fund balance of the General Fund, \$4.892 billion in the Federal COVID-19 Response Fund, \$4.626 billion in the Stabilization Fund and \$1.460 billion in the Transitional Escrow Fund. Due to designations of fund balances, \$1.099 billion of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY21. The remaining \$21 million is undesignated in the budgeted environmental and other funds that are not included in the consolidated net surplus calculation and therefore was not transferred to the Transitional Escrow Fund at the close of FY21.

Lottery and Gaming

FY21 Lottery revenues and profits recovered from the decline caused by the coronavirus pandemic in the second half FY20. Gross Lottery revenues (including revenues from the Arts Lottery) grew from \$5.396 billion in FY20 to \$5.959 billion in FY21, an increase of \$564 million, or 10.4%. 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 FY21 budget, totaled \$1.113 billion, an increase of \$126 million, or 12.7%, from FY20. Of that \$1.113 billion in profits, and as mandated in the FY21 General Appropriation Act, approximately \$1.014 billion was transferred to the General Fund to fund so-called Unrestricted General Government Aid (formerly Lottery Local Aid), \$18 million funded the Massachusetts Cultural Council appropriation, and \$1 million reimbursed a compulsive gambling program appropriation.

FY21 gaming revenues also recovered from the FY20 decline caused by the pandemic. FY21 budgeted fund tax revenues remitted to the Commonwealth by the Plainridge slot machine parlor, which are equal to 40% of gross profits (or “gross gaming revenues”) from slot machines, totaled approximately \$49 million, an increase of approximately \$11 million, or 27.6% from FY20, but still well below the FY19 pre-pandemic revenue of \$68 million. An additional \$11 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 \$51 million, an increase of \$7 million, or 16.6%, from FY20, Taxes from the first

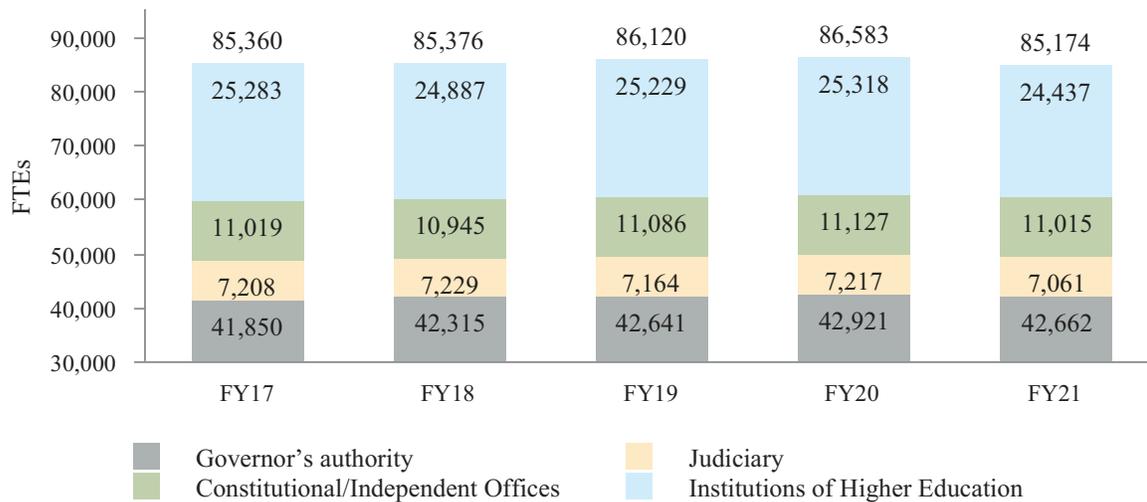
fully fiscal year of gaming operations of the Everett casino (also equal to 25% of gross gaming revenues) totaled \$123 million during FY21, up \$18 million, or 17.2%, from FY20 .

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 FY21 General Appropriation Act allocated \$114 million in gaming revenues to local aid, but taxes on gaming revenues deposited in the Gaming Local Aid Fund generated only \$84 million, with the remaining \$30 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, 2021, the number of Commonwealth employees decreased by a net of 1,409 full-time equivalent employees (FTEs) from June 30, 2020, to a total of 85,174. The largest decreases were in the Higher Education system, where FTEs declined by 1,308, with the University of Massachusetts dropping by 847, Community Colleges dropping by 244 FTEs, and State Universities declining by 217 due to furloughs, attrition, and layoffs in response to the declines in fee revenue caused by the COVID-19 pandemic. The Executive Office of Health and Human Services also reduced its FTE count by 430 compared to June 30, 2020.

**Full Time Equivalent Workforce
Including Higher Education
June 2017 – June 2021**



The Stabilization Fund

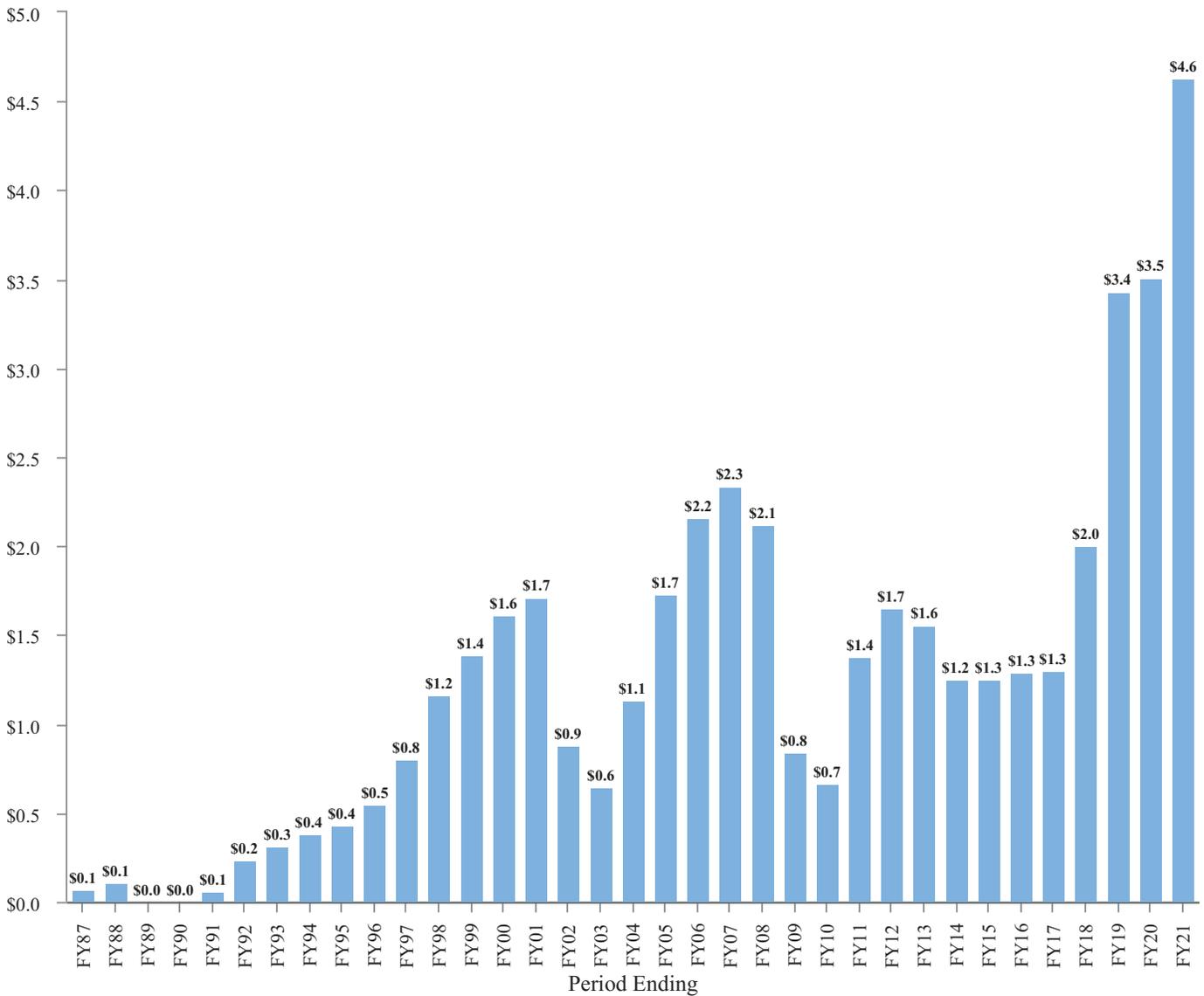
The Stabilization (or rainy day) Fund provides a reserve to be used in the event of an economic downturn or other fiscal emergency. The balance of the Stabilization Fund increased by \$1.125 billion, to \$4.626 billion, between FY20 and FY21, with the main sources of growth being the transfer of capital gains tax revenues to the Fund, with additional transfers of gaming tax revenues and crediting of interest income.

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 FY21 capital gains tax threshold, as determined by the Department of Revenue, was \$1.312 billion. In July 2021, the Department of Revenue certified that FY21 tax collections attributable to capital gains totaled \$2.533

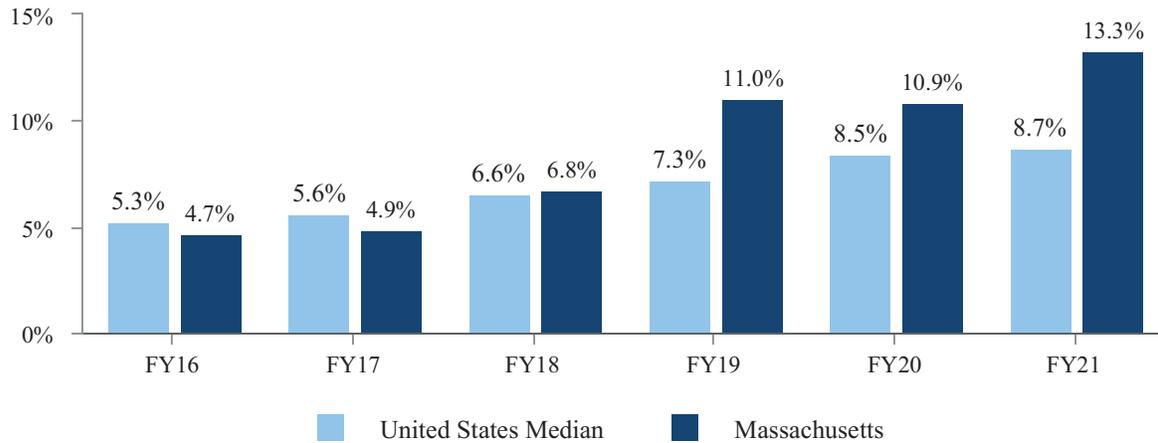
billion, 90%, or \$1.098 billion of which was transferred to the Stabilization Fund, with the remaining \$122 million divided equally between the Commonwealth pension fund and State Retiree Benefits Trust Fund (which funds post employee health benefits). During the fiscal year, the Stabilization Fund also earned \$9 million in investment income, \$17 million from casino gaming tax revenue and a small amount of tax revenue. The Commonwealth made no withdrawals from the Stabilization in FY21. (Details of transfers and to and investment earnings of the Stabilization Fund are shown in the table on [page 144](#)).

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 2021 Fiscal Survey of the States](#), at the close of FY20 (the most recent year for which final rainy day fund balances were available for all states), the Commonwealth Stabilization Fund’s balance of \$3.501 billion was the third largest in the nation in absolute terms, and Massachusetts will again have the third largest Stabilization Fund balance at the end of FY21. As a percentage of total General Fund expenditures (after subtracting federally reimbursed General Fund expenditures, since all other states in the NASBO survey exclude such spending from their General Fund totals, making their Stabilization Fund percentage calculations a proportion of “own-source” General Fund expenditures), the Commonwealth’s FY20 Stabilization Fund balance of 10.9% as a percentage of General Fund own-source expenditures was well above the national median of 8.5%. For FY21, the Commonwealth’s Stabilization Fund balance as a percentage of General Fund own source expenditures was 13.3%, well above the projected national median of 8.7% as reported in the NASBO Spring survey.

With the \$1.125 billion added to the Stabilization Fund balance in FY21, the Fund’s balance has risen to its highest level since its creation 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 FY21, the Commonwealth maintained 125 non-budgeted funds, while another 40 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 Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Commonwealth received \$2.461 billion in federal revenue during FY20, of which \$761 million was spent in during that fiscal year and \$1.309 billion was expended spent in FY21, allocated to eligible COVID-19 related expenditures. (The Coronavirus Relief Fund financial statement is shown on page 134 of this report.) FY21, the Commonwealth received an additional \$5.286 billion in federal American Rescue Plan Act (ARPA) funds, of which \$4.892 billion was transferred to the newly established Federal COVID-19 Response Fund (a budgetary fund, subject to appropriation) and carried forward for allocation in FY22, \$109 million was distributed to certain cities and towns to equalize COVID-19 aid under the CARES Act, \$10 million was allocated to the Lottery for a program to encourage COVID-19 vaccinations, \$75 million was transferred to the COVID-19 Emergency Paid Leave Fund, and \$200 million remained in the Federal Grants Fund for spending on other COVID-19 relief programs. In addition to the CARES Act and ARPA funding, approximately \$1.314 billion 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 FY21 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. The \$257 million FY21 operating deficit in the non-budgeted funds is primarily due to the fact that the Coronavirus Relief Fund spent down revenues that it received in FY20.

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

	2021	2020
Beginning fund balance.....	\$ 4,506,466	\$ 2,457,474
Revenues and other financing sources:		
Taxes.....	2,877,080	2,543,261
Assessments.....	898,752	835,852
Federal grants and reimbursements.....	5,806,155	6,230,207
Departmental and miscellaneous.....	7,119,175	6,655,753
Transfers and other financing sources.....	1,637,880	2,336,553
Total revenues and other financing sources.....	18,339,042	18,601,626
Expenditures and other financing uses:		
Programs and services.....	15,807,172	13,254,161
Debt service.....	218,500	207,811
Transfers and other financing uses.....	2,570,802	3,090,662
Total expenditures and other financing uses.....	18,596,474	16,552,634
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(257,432)	2,048,992
Ending fund balance.....	<u>\$ 4,249,034</u>	<u>\$ 4,506,466</u>

In FY21, \$80 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 \$33 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 78% of total non-budgeted fund FY21 year-end balances include:

- \$1.159 billion – Massachusetts Transportation Trust Fund;
- \$476 million – Coronavirus Relief Fund;
- \$329 million – Central Artery/Tunnel Project Repair and Maintenance Trust Fund;
- \$222 million – Enhanced 911 Fund;
- \$194 million – Convention and Exhibition Center Fund;
- \$159 million – Substance Use Disorder Federal Reinvestment Trust Fund;
- \$138 million – Medical Assistance Trust Fund
- \$122 million – MassHealth Delivery System Reform Trust Fund;
- \$110 million – Commonwealth Care Trust Fund;
- \$88 million – Grant Anticipation Note Trust Fund;
- \$77 million – Health Safety Net Trust Fund;
- \$75 million – COVID-19 Emergency Paid Sick Leave Trust Fund
- \$88 million – Regional Greenhouse Gas Initiative (RGGI) Auction Trust Fund;
- \$61 million – Workforce Training Trust Fund;

- \$66 million – Community Preservation Trust Fund;
- \$42 million – Debt and Long-Term Liability Reduction Trust Fund;
- \$31 million – Community Mitigation Fund;
- \$20 million – Race Horse Development Trust Fund;
- \$20 million – Workforce Competitiveness Trust Fund;
- \$19 million – Child Support Enforcement Fund;
- \$19 million – Housing Preservation and Stabilization Trust Fund; and
- \$10 million – Department of Industrial Accidents Special Fund;

In FY21, three non-budgeted special revenue funds had operating deficits in excess of \$10 million. These were the , the Massachusetts Coronavirus Relief Fund with a deficit of \$1.224 billion (where revenue was received from the federal government in FY20, but most spending occurred in FY21), the Massachusetts Convention and Exhibition Center Fund, with a deficit of \$120 million (due to payment of debt service from previously collected revenue, and the Commonwealth Care Trust Fund, which had a deficit of \$38 million.

As noted in previous years, the Government Land Bank Fund has a continuing structural fund deficit. The FY21 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.

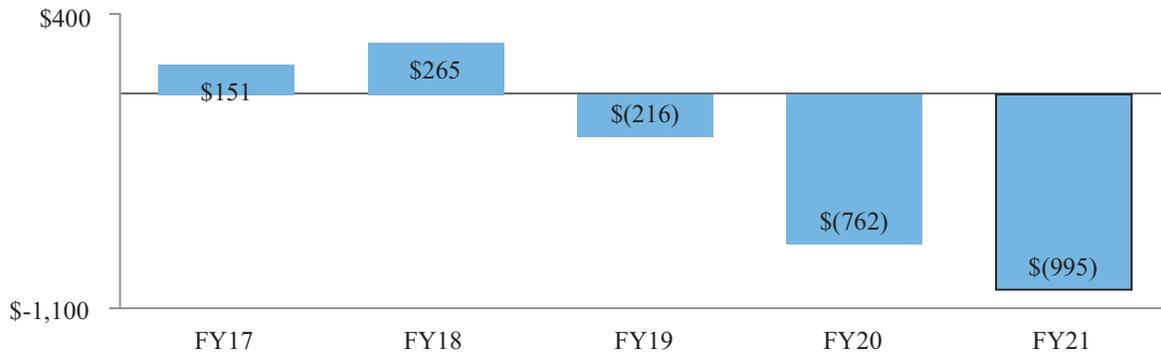
The structure of these funds is such that each capital outlay authorization is in balance, creating authorization for inflows (which may be from sales of bonds, federal reimbursements or other revenues) and expenditures. Imbalances due to timing differences develop when the expenditure precedes the inflow 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 FY21 capital budget, the Commonwealth borrowed by issuing \$2.382 billion in new money long-term bonds; \$1.982 billion of which was general obligation debt and \$400 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. In addition, the Commonwealth issued \$1.766 billion in debt to refund already existing obligations, taking advantage of continued low interest rates in FY21.

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 FY21, the capital projects funds had a \$995 million deficit balance (including \$841 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.

Capital Projects Funds – Fund Balance/(Deficit)
(Amounts in millions)



The following table, Capital Projects Funds - Operations, includes the FY21 capital projects funds, summarized and compared to FY20. Financial statements for each of the individual funds are included in the financial section of this report.

Capital Projects Funds - Operations
(Amounts in thousands)

	2021	2020
Beginning fund balance/(deficit)	\$ (762,098)	\$ (216,393)
Revenues and other financing sources:		
Federal grants and reimbursements	77,259	77,964
Departmental and miscellaneous	894	3,046
Proceeds of general and special obligation bonds	2,863,217	1,946,279
Proceeds of refunding bonds	1,963,003	1,264,622
Transfers and other financing sources	774,450	679,379
Total revenues and other financing sources	5,678,823	3,971,290
Expenditures and other financing uses:		
Acquisition and maintenance of capital assets	3,773,992	3,101,099
Payments to advance refunding escrow agent/principal on current refundings	1,963,002	1,264,622
Transfers and other financing uses	174,609	151,274
Total expenditures and other financing uses	5,911,603	4,516,995
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(232,780)	(545,705)
Ending fund balance/(deficit)	<u>\$ (994,878)</u>	<u>\$ (762,098)</u>

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 FY21, significant capital spending included:

- \$649 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;
- \$433 million for state-owned facilities including higher education campuses, trial courts, and state health care facilities;
- \$273 million for affordable housing development and public housing;
- \$208 million in Chapter 90 reimbursements to municipalities for local road and bridge projects;
- \$119 million in spending for the Department of Conservation and Recreation, including improvements to roadways, parks, and for environmental spending;
- \$111 million for the MassWorks economic development initiative, which provides infrastructure grants to municipalities;
- \$51 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;
- \$43 million for the Life Sciences Capital program, providing grants to promote job growth, business expansion, discovery, and innovation in the industry and the Commonwealth economy;
- \$22 million for the Food Security Infrastructure program, which provides grants to enhance food security for the people of the Commonwealth and to enhance access and production of local food;
- \$20 million for construction and planning grants from the Board of Library Commissioners to public library systems;
- \$19 million for the Workforce Mobility programs, providing software and device deployment to support the ability to securely deliver government services including from remote work locations;
- \$17 million for the Workforce Skills capital grants to educational institutions;
- \$10 million in bridge repair projects under the Commonwealth’s Municipal Bridge Program; and
- \$8 million for aid to towns in western Massachusetts to extend high-speed broadband networks.

Some capital spending originally planned for FY20 was delayed due to the COVID-19 pandemic and was expended in FY21.

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.

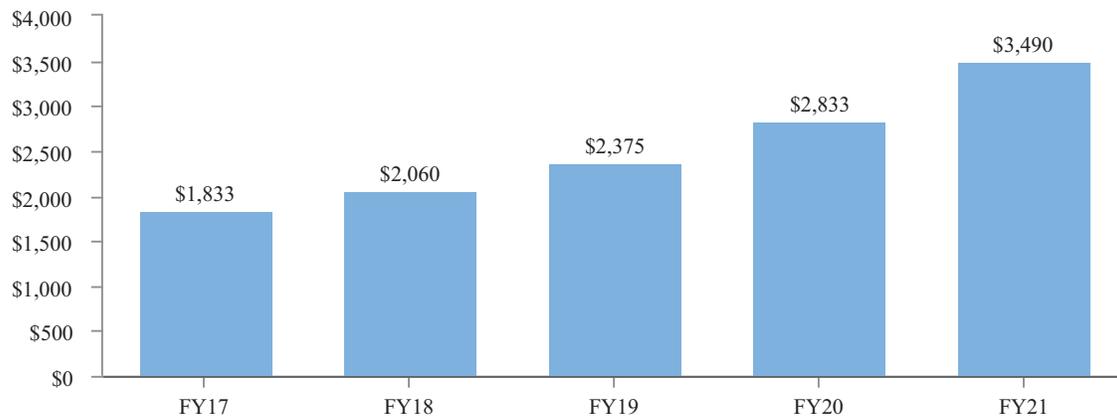
The following table, Non-Appropriated Funds of Higher Education – Operations, includes the FY21 activity in the higher education funds, summarized and compared to FY20. Financial statements for each of the individual funds are included in the statistical section of this report.

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

	2021	2020
Beginning fund balance	\$ 2,833,293	\$ 2,374,986
Revenues and other financing sources:		
Federal grants and reimbursements	603,554	527,352
Departmental revenue	2,414,009	2,574,621
Miscellaneous revenue	1,712,901	1,793,494
Total revenues and other financing sources	4,730,464	4,895,467
Expenditures and other financing uses:		
Programs and services	4,073,853	4,437,160
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	656,611	458,307
Ending fund balance	<u>\$ 3,489,904</u>	<u>\$ 2,833,293</u>

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 \$1.879 billion fund balance for the University of Massachusetts, approximately \$969 million fund balance for the State University System and approximately \$642 million fund balance for the Community Colleges.

Non-Appropriated Funds of Higher Education – Fund Balance
(Amounts in millions)



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President of the Senate

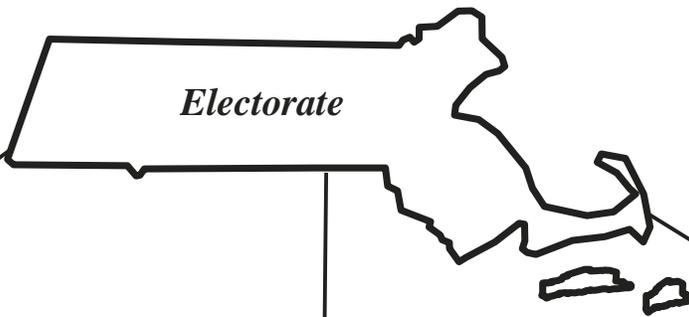
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Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



<i>Legislative Branch</i>	<i>Executive Branch</i>	<i>Judicial Branch</i>
House of Representatives Senate	Governor and Lieutenant Governor [#] Governor's Council District Attorneys Sheriffs State Auditor Attorney General Victim and Witness Assistance Board Secretary of the Commonwealth Treasurer and Receiver-General Lottery Commission Massachusetts Cultural Council Independent Offices and Commissions*	Supreme Judicial Court Appeals Court Trial Court Committee for Public Counsel Board of Bar Examiners Commission on Judicial Conduct Mental Health Legal Advisors

<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>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>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>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>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>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>
	<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>	

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Massachusetts Convention Center Authority
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Office of the Inspector General
Gubernatorial Appointee

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller (FY20/21)

Statewide Financial Reporting Team

Pauline Lieu, CPA, CFE, CGFM
Chief Financial Reporting Officer

Christine Bender
Accountant

Wagdy Rizk
Accountant

Nana Law, CPA
Accountant

Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Cathy Hunter
Program Coordinator



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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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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, 2021, 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 these 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 (hereinafter referred to as the Statutory Basis of Accounting) as described in Notes 1 and 2, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements—statutory basis that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of 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 Statutory Basis of Accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's 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 as described in Notes 1 and 2.

Basis of Accounting

We draw attention to Notes 1 and 2 of the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the Commonwealth of Massachusetts' Statutory Basis of Accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with Section 12 of Chapter 7A of the Massachusetts General Laws, as amended, and the budgetary principles of the Commonwealth of Massachusetts. Our conclusion is not modified with respect to this matter. As a result, the financial statements may not be suitable for another purpose.

Other Matters

The combining and individual fund financial statements—statutory basis and supplemental information are presented for the purpose 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 the combined financial statements—statutory basis. We are not aware of any material modifications that should be made to the 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 do not express an opinion on such information.

The introductory and statistical sections have not been subjected to the review procedures applied in our review 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 on Use

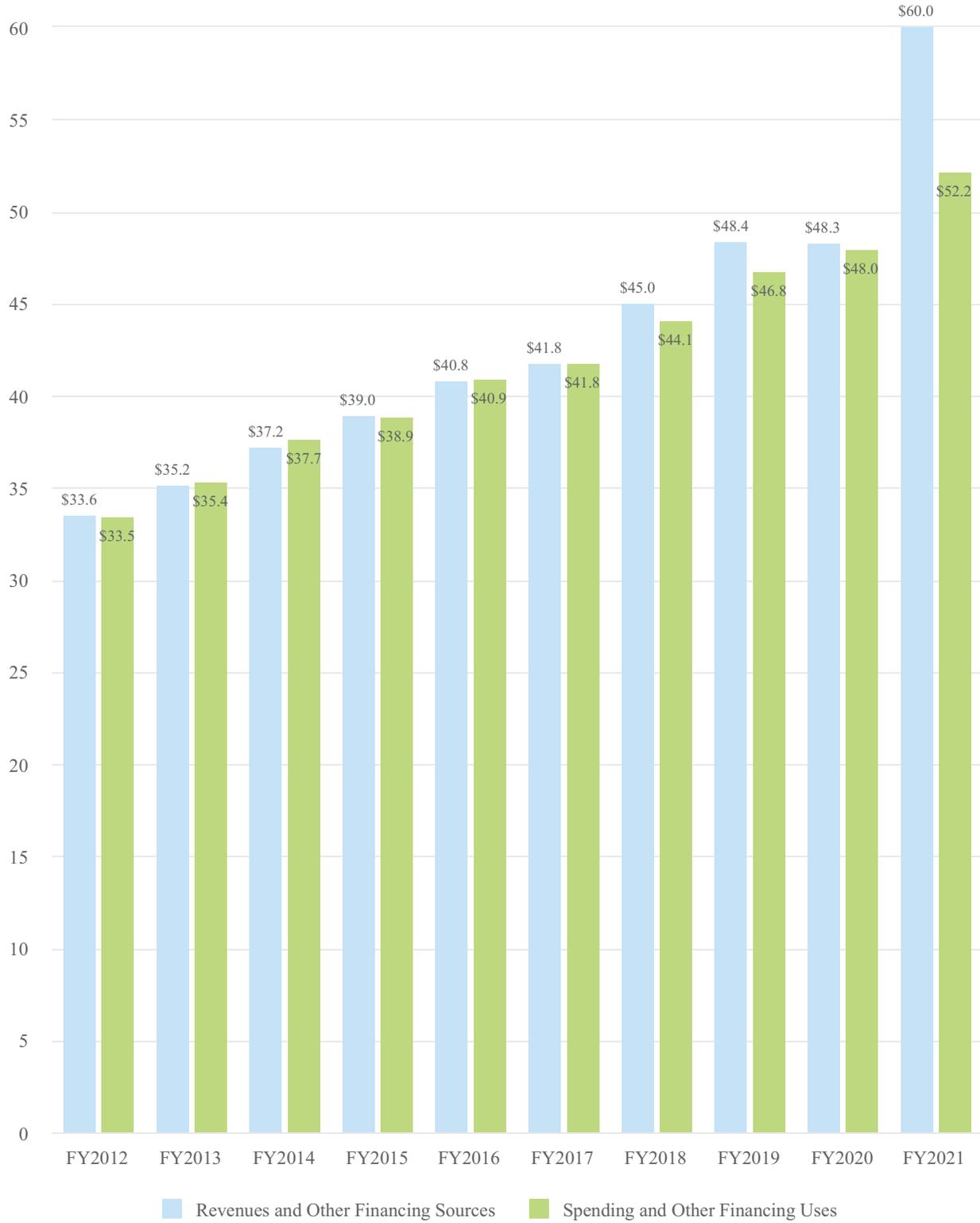
This report is intended solely for the information and use of management and elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 19, 2021

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)





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Combined Financial Statements - Statutory Basis

Budgeted Funds
 Combined Balance Sheet - Statutory Basis

As of June 30, 2021
 (Amounts in thousands)

	Totals (Memorandum only)	
	2021	2020
ASSETS		
Cash and short-term investments	\$ 12,898,809	\$ 3,299,351
Cash with fiscal agent	15,553	20,366
Investments	304,140	302,134
Receivables, net of allowance for uncollectibles:		
Taxes	—	2,333,872
Due from federal government	1,059,548	1,282,178
Other receivables	38,127	25,114
Due from cities and towns	9,312	10,936
Total assets	<u>\$ 14,325,489</u>	<u>\$ 7,273,951</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	\$ —	\$ 1,548,450
Accounts payable	2,061,902	1,291,124
Accrued payroll	164,410	139,172
Total liabilities	<u>2,226,312</u>	<u>2,978,746</u>
Fund balance:		
Combined fund balance:		
Reserved for:		
Continuing appropriations	1,083,785	756,279
Commonwealth Stabilization	4,626,419	3,501,181
Debt service	15,553	20,366
Unreserved:		
Undesignated	6,373,420	17,379
Total fund balance	<u>12,099,177</u>	<u>4,295,205</u>
Total liabilities and fund balance	<u>\$ 14,325,489</u>	<u>\$ 7,273,951</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, 2021
 (Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	\$ 25,908,200	\$ 31,771,947	\$ 5,863,747
Assessments	454,453	423,025	(31,428)
Federal grants and reimbursements	13,875,876	18,338,990	4,463,114
Tobacco settlement revenue	261,482	245,636	(15,846)
Departmental	3,744,448	4,255,760	511,312
Miscellaneous	467,603	292,723	(174,880)
Total revenues	<u>44,712,062</u>	<u>55,328,081</u>	<u>10,616,019</u>
Other financing sources:			
Fringe benefit cost recovery	—	453,299	453,299
Lottery reimbursements	—	105,986	105,986
Lottery distributions	—	1,090,040	1,090,040
Operating transfers in	2,027,109	399,135	(1,627,974)
Stabilization transfer	17,106	1,115,597	1,098,491
Transfer for transitional escrow	—	1,460,324	1,460,324
Other fund deficit support	—	30,068	30,068
Total other financing sources	<u>2,044,215</u>	<u>4,654,449</u>	<u>2,610,234</u>
Total revenues and other financing sources	<u>46,756,277</u>	<u>59,982,530</u>	<u>13,226,253</u>
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	120,011	72,682	47,329
Judiciary	1,077,142	1,018,349	58,793
Inspector General	6,059	5,747	312
Governor and Lieutenant Governor	10,864	9,385	1,479
Secretary of the Commonwealth	61,404	58,444	2,960
Treasurer and Receiver-General	281,209	221,914	59,295
Auditor of the Commonwealth	21,243	19,825	1,418
Attorney General	57,436	54,951	2,485
Ethics Commission	2,584	2,489	95
District Attorney	148,905	145,969	2,936
Office of Campaign & Political Finance	1,840	1,660	180
Sheriffs' Departments	695,002	686,751	8,251
Disabled Persons Protection Commission	7,897	5,464	2,433
Commission on Status of Women	206	206	—
Board of Library Commissioners	34,018	33,821	197
Comptroller	66,551	19,689	46,862
Administration and Finance	2,855,813	2,350,156	505,657
Energy and Environmental Affairs	339,375	305,957	33,418
Health and Human Services	7,453,409	6,913,367	540,042
Executive Office of Technology Services and Security	195,918	146,520	49,398
Massachusetts Department of Transportation	127,000	127,000	—
Office of the Child Advocate	2,999	1,723	1,276
Commission Against Discrimination	8,349	6,824	1,525
Cannabis Control Commission	15,497	11,334	4,163
Executive Office of Education	3,155,703	2,838,327	317,376
Center for Health Information and Analysis	23,588	23,330	258
Public Safety and Security	1,555,280	1,466,042	89,238
Massachusetts Peace Officer Standards and Training	250	23	227
Housing and Economic Development	914,862	817,115	97,747
Labor and Workforce Development	90,569	64,646	25,923
Direct local aid	6,485,200	6,482,323	2,877
Medicaid program expenses	18,280,385	18,122,376	158,009
Post employment benefits	3,751,891	3,751,854	37
Debt service:			
Principal retirement	1,247,802	1,176,279	71,523
Interest and fiscal charges	1,163,943	1,113,167	50,776
Total expenditures	<u>50,260,204</u>	<u>48,075,709</u>	<u>2,184,495</u>
Other financing uses:			
Fringe benefit cost assessment	—	17,029	(17,029)
Operating transfers out	988,088	992,039	(3,951)
State Retiree Benefits transfer	—	—	—
State Pension transfer	—	—	—
Stabilization transfer	1,098,140	1,098,139	1
Medical assistance transfer	537,187	505,250	31,937
Transfer for transitional escrow	—	1,460,324	(1,460,324)
Other fund deficit support	—	30,068	(30,068)
Total other financing uses	<u>2,623,415</u>	<u>4,102,849</u>	<u>(1,479,434)</u>
Total expenditures and other financing uses	<u>52,883,619</u>	<u>52,178,558</u>	<u>705,061</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (6,127,342)</u>	<u>7,803,972</u>	<u>\$ 13,931,314</u>
Fund balance/(deficit) at beginning of year	—	4,295,205	—
Fund balance/(deficit) at end of year	—	<u>\$ 12,099,177</u>	—

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, 2021

(Amounts in thousands)

	Non-Budgeted Special Revenue	Capital Projects	Totals (Memorandum only)	
			2021	2020
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 2,877,080	\$ —	\$ 2,877,080	\$ 2,543,261
Assessments	898,752	—	898,752	835,852
Federal grants and reimbursements	5,806,155	77,259	5,883,414	6,308,171
Departmental	7,086,221	729	7,086,950	6,569,439
Miscellaneous	32,956	165	33,121	89,360
Total revenues	16,701,164	78,153	16,779,317	16,346,083
Other financing sources:				
Issuance of general obligation bonds	—	1,982,048	1,982,048	1,518,386
Bond premiums/(discounts) on general obligation bonds	—	393,984	393,984	120,356
Issuance of special obligation bonds	—	400,000	400,000	253,500
Bond premiums/(discounts) on special obligation bonds	—	87,185	87,185	54,037
Issuance of current refunding bonds	—	865,115	865,115	1,030,830
Bond premiums/(discounts) on current refunding bonds	—	199,529	199,529	187,159
Issuance of advance refunding bonds	—	900,775	900,775	858,435
Bond premiums/(discounts) on advance refunding bonds	—	(2,416)	(2,416)	(2,704)
Operating transfers in	1,132,630	632,766	1,765,396	1,581,963
Medical assistance transfer	505,250	—	505,250	505,785
State share of federal highway construction	—	141,684	141,684	119,086
Total other financing sources	1,637,880	5,600,670	7,238,550	6,226,833
Total revenues and other financing sources	18,339,044	5,678,823	24,017,867	22,572,916
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	3,343	9,984	13,327	17,920
Inspector General	103	—	103	276
Governor and Lieutenant Governor	189	—	189	168
Secretary of the Commonwealth	4,938	2,137	7,075	6,231
Treasurer and Receiver-General	7,313,402	29,022	7,342,424	6,502,709
Auditor of the Commonwealth	—	102	102	—
Attorney General	52,609	135	52,744	48,488
Ethics Commission	—	82	82	—
District Attorney	4,654	—	4,654	3,690
Sheriffs' Departments	11,423	4,636	16,059	98,304
Disabled Persons Protection Commission	1,203	—	1,203	922
Board of Library Commissioners	3,274	20,133	23,407	21,955
Massachusetts Gaming Commission	45,589	—	45,589	43,879
Comptroller	1,508	1,754	3,262	4,397
Administration and Finance	977,139	341,632	1,318,771	987,977
Energy and Environmental Affairs	104,432	258,673	363,105	299,465
Health and Human Services	2,653,770	82,509	2,736,279	2,555,580
Executive Office of Technology Services and Security	7,642	56,896	64,538	41,907
Massachusetts Department of Transportation	1,016,379	2,300,699	3,317,078	2,936,423
Office of the Child Advocate	—	—	—	59
Executive Office of Education	1,467,556	136,713	1,604,269	1,138,310
Center for Health Information and Analysis	—	4,974	4,974	4,595
Public Safety and Security	300,104	53,173	353,277	577,892
Massachusetts Peace Officer Standards and Training	—	—	—	—
Housing and Economic Development	1,604,815	469,459	2,074,274	907,057
Labor and Workforce Development	233,101	1,279	234,380	157,056
Debt service:				
Principal retirement	107,905	—	107,905	102,682
Interest and fiscal charges	110,595	—	110,595	105,129
Total expenditures	16,025,673	3,773,992	19,799,665	16,563,071
Other financing uses:				
Payments to advance refunding bonds escrow	—	898,358	898,358	855,731
Principal on current refundings	—	1,064,644	1,064,644	1,217,989
Fringe benefit cost assessment	217,254	32,925	250,179	321,466
Lottery operating reimbursements	105,986	—	105,986	110,928
Lottery distributions	1,090,040	—	1,090,040	967,263
Operating transfers out	1,140,066	—	1,140,066	899,181
Stabilization transfer	17,457	—	17,457	14,914
State share of federal highway construction	—	141,684	141,684	119,086
Total other financing uses	2,570,803	2,137,611	4,708,414	4,506,558
Total expenditures and other financing uses	18,596,476	5,911,603	24,508,079	21,069,629
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(257,432)	(232,780)	(490,212)	1,503,287
Fund balance/(deficit) at beginning of year	4,506,466	(762,098)	3,744,368	2,241,081
Fund balance/(deficit) at end of year	\$ 4,249,034	\$ (994,878)	\$ 3,254,156	\$ 3,744,368

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 Annual Comprehensive Financial Report (ACFR), 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, and the newly created Federal COVID-19 Response Fund, which are identified by the Comptroller as the operating funds of the Commonwealth. In addition, there are 12 other 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. At the close of FY21 the Legislature also created the budgeted Transitional Escrow Fund, into which was transferred the FY21 consolidated net surplus for appropriation in FY22.

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 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 were recorded in the FY20 financial statements. For FY21, the Commonwealth reverted to its traditional statutory receivable definition, as described above.

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 ACFR.

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. The Commonwealth had no GANs in FY21. As of June 30, 2021, total principal remaining to be paid was approximately \$583 million. Maturities are from FY22 through FY27. Debt service paid during FY21 was approximately \$113 million.

In FY21, the Commonwealth issued approximately \$400 million in new money special obligation bonds under the Rail Enhancement Program (REP) and \$289 million to refund special obligation bonds under the Accelerated Bridge Program (ABP). These bonds mature from FY22 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, 2021, approximately \$1.555 billion and \$1.637 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$965 million and \$1.497 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 FY21. As of June 30, 2021, bonds secured by these pledged funds totaled approximately \$28 million of principal. These bonds were issued in multiple series and those outstanding mature in FY22. Principal and interest paid during FY21 amounted to approximately \$27 million and \$3 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 FY21, total dedicated sales tax revenue that was directed to the MBTA was approximately \$1.261 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 FY21, approximately \$1.101 billion 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, 2021, taxes within the Convention Center districts support approximately \$480 million of outstanding principal and approximately \$205 million of interest on debts related to these Convention Centers. Taxes collected in FY21 were approximately \$46 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 FY21, approximately \$577 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 \$1 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 \$453 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, 2020, 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 FY21 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2020:		
Direct appropriations	\$ 43,641,100	\$ 45,730,612
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2020	—	2,166,957
Total original budget	<u>43,641,100</u>	<u>47,897,569</u>
Supplemental Acts of 2020:		
Chapter 316	—	47
Supplemental Acts of 2021:		
Chapter 29	—	259,008
Chapter 76	—	333,575
Total budgeted revenues and expenditures per Legislative action	<u>—</u>	<u>592,631</u>
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,115,177	4,393,419
Budgeted revenues and expenditures as reported	<u>\$ 46,756,277</u>	<u>\$ 52,883,619</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	\$ 59,982,530	\$ 52,178,558
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(441,643)	(441,643)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(17,029)	(17,029)
Transfer of surplus revenues from the Intragovernmental Service Fund to the General Fund	(13,580)	(13,580)
RMV license plates	(4,394)	(4,394)
Transfers from General Fund to the Stabilization Fund	(1,098,140)	(1,098,140)
CNS Transfers from budgeted funds to the Transitional Escrow Fund	(1,460,324)	(1,460,324)
Other fund deficit support	(30,068)	(30,068)
Other	(34,914)	(34,914)
Adjusted actuals pertaining to the budgeted funds	<u>\$ 56,882,438</u>	<u>\$ 49,078,466</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 ACFR, 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, 2021, as follows (amounts in thousands) (excludes MassDOT):

Non-budgeted special revenue:	
Other:	
Government Land Bank Fund.....	\$ (35,033)
Capital projects:	
General Capital Projects Fund.....	(481,298)
Highway Capital Projects Fund.....	(592,720)
Government Land Bank Capital Projects Fund.....	(500)
Total Capital Projects Funds.....	<u>(1,074,518)</u>
Total.....	<u>\$ (1,109,551)</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 43.6% 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, 2021, the General Fund includes approximately \$18.122 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis includes Medicaid claims processed but unpaid at June 30, 2021 of approximately \$97 million as accounts payable.



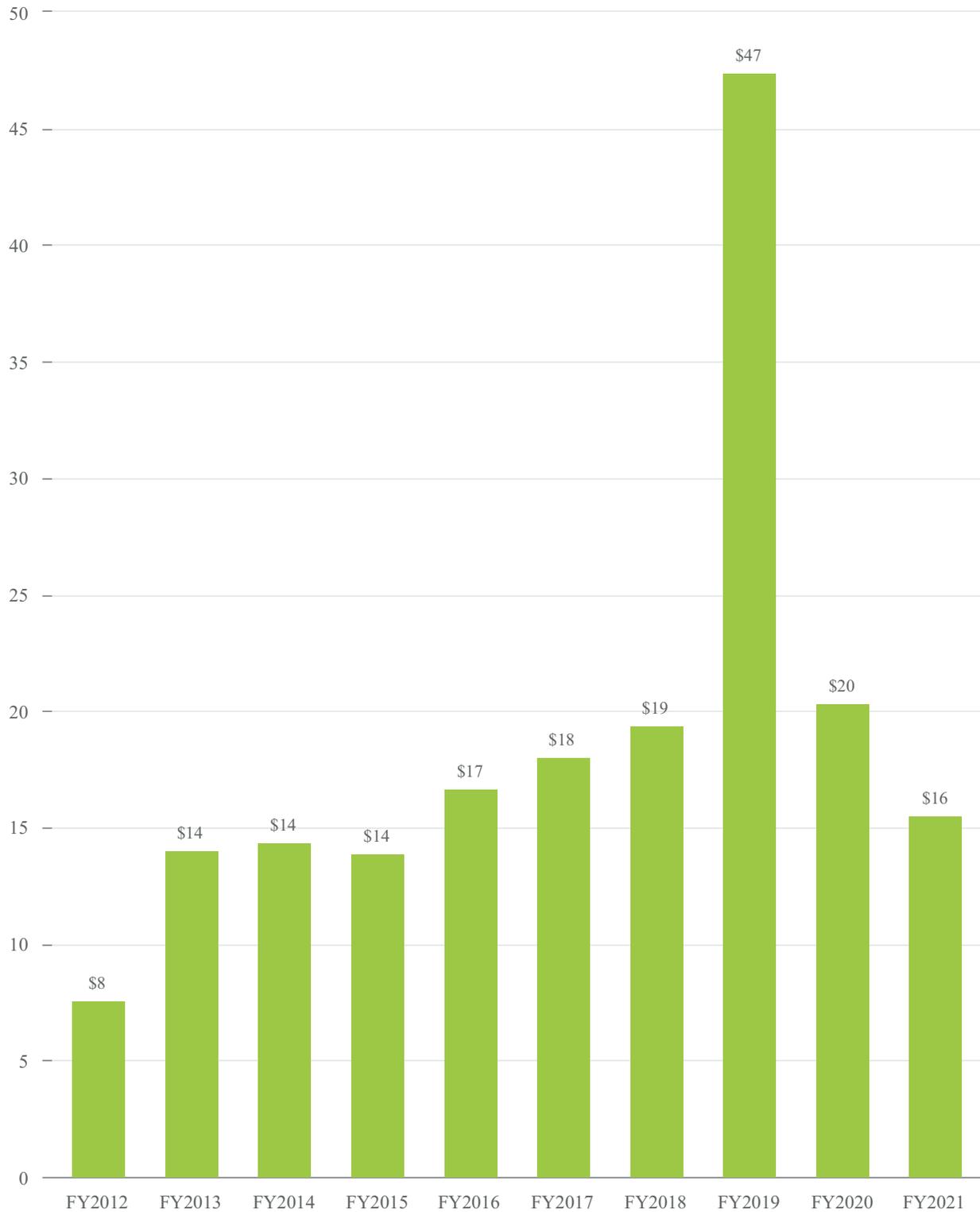
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Combining and Individual Fund Financial Statements - Statutory Basis



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THE BIG PICTURE: HISTORICAL CONTEXT
Commonwealth Transportation Fund
Fund Balance (deficit) at End of Year
Last Ten Fiscal Years
(Amounts in \$ Millions)



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.

Transitional Escrow Fund - to account for an amount equal to the fiscal year 2021 consolidated net surplus. This Fund shall not be subject to section 5C of Chapter 29 of the General Laws. The fund shall expire on June 30, 2022, and transfer the remaining unexpended balance to the Stabilization Fund established in section 2H of chapter 29 of the General Laws.

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.

Federal COVID-19 Response Fund - to account for federal funds authorized under the federal legislation enacted after December 4, 2020 and in response to the COVID-19 outbreak or related economic recovery. Expenditures assist the commonwealth in its public health, community and economic recovery efforts to respond to the novel coronavirus disease outbreak.

The following funds have been enacted in legislation but had no activity in FY21 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 Resilience 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.



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Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2021
(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control Intragovernmental Service
ASSETS				
Cash and short-term investments	\$ 2,137,303	\$ 635	\$ 4,322,279	\$ 46,454
Cash with fiscal agent	—	15,553	—	—
Investments	—	—	304,140	—
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	—
Due from federal government	1,059,548	—	—	—
Other receivables	38,127	—	—	—
Due from cities and towns	9,312	—	—	—
Total assets	<u>\$ 3,244,290</u>	<u>\$ 16,188</u>	<u>\$ 4,626,419</u>	<u>\$ 46,454</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments	\$ —	\$ —	\$ —	\$ —
Accounts payable	2,028,577	635	—	27,823
Accrued payroll	158,539	—	—	5,283
Total liabilities	<u>2,187,116</u>	<u>635</u>	<u>—</u>	<u>33,106</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations	1,057,174	—	—	13,348
Commonwealth Stabilization	—	—	4,626,419	—
Debt service	—	15,553	—	—
Unreserved:				
Undesignated	—	—	—	—
Total fund balance/(deficit)	<u>1,057,174</u>	<u>15,553</u>	<u>4,626,419</u>	<u>13,348</u>
Total liabilities and fund balance	<u>\$ 3,244,290</u>	<u>\$ 16,188</u>	<u>\$ 4,626,419</u>	<u>\$ 46,454</u>

See accountants' review report

Administrative Control	Environmental			Budgeted Other				
Transitional Escrow	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
\$ 1,460,324	\$ 10,724	\$ 3,866	\$ 3,787	\$ 387	\$ 2,500	\$ —	\$ —	\$ 50
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 1,460,324</u>	<u>\$ 10,724</u>	<u>\$ 3,866</u>	<u>\$ 3,787</u>	<u>\$ 387</u>	<u>\$ 2,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	412	91	51	—	—	—	—	—
—	302	37	40	—	—	—	—	—
—	714	128	91	—	—	—	—	—
—	—	—	3,696	—	2,500	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,460,324	10,010	3,738	—	387	—	—	—	50
1,460,324	10,010	3,738	3,696	387	2,500	—	—	50
<u>\$ 1,460,324</u>	<u>\$ 10,724</u>	<u>\$ 3,866</u>	<u>\$ 3,787</u>	<u>\$ 387</u>	<u>\$ 2,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>

continued

Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2021
(Amounts in thousands)

	Budgeted Other			
	Gaming Economic Development	Marijuana Regulation	Behavioral Health Outreach, Access and Support Trust	Federal COVID-19 Response Fund
ASSETS				
Cash and short-term investments.....	\$ 2,931	\$ 3,114	\$ 12,467	\$ 4,891,987
Cash with fiscal agent.....	—	—	—	—
Investments.....	—	—	—	—
Receivables, net of allowance for uncollectibles:				
Taxes.....	—	—	—	—
Due from federal government.....	—	—	—	—
Other receivables.....	—	—	—	—
Due from cities and towns.....	—	—	—	—
Total assets.....	<u>\$ 2,931</u>	<u>\$ 3,114</u>	<u>12,467</u>	<u>4,891,987</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments.....	\$ —	\$ —	\$ —	\$ —
Accounts payable.....	2,931	805	576	—
Accrued payroll.....	—	209	—	—
Total liabilities.....	<u>2,931</u>	<u>1,014</u>	<u>576</u>	<u>—</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations.....	—	2,100	4,967	—
Transitional escrow.....	—	—	—	—
Commonwealth Stabilization.....	—	—	—	—
Debt service.....	—	—	—	—
Unreserved:				
Undesignated.....	—	—	6,924	4,891,987
Total fund balance/(deficit).....	<u>—</u>	<u>2,100</u>	<u>11,891</u>	<u>4,891,987</u>
Total liabilities and fund balance.....	<u>\$ 2,931</u>	<u>\$ 3,114</u>	<u>\$ 12,467</u>	<u>\$ 4,891,987</u>

See accountants' review report

Totals
(Memorandum only)

	2021		2020
\$	12,898,809	\$	3,299,351
	15,553		20,366
	304,140		302,134
	—		2,333,872
	1,059,548		1,282,178
	38,127		25,114
	9,312		10,936
\$	<u>14,325,489</u>	\$	<u>7,273,951</u>

\$	—	\$	1,548,450
	2,061,902		1,291,124
	164,410		139,172
	<u>2,226,312</u>		<u>2,978,746</u>

	1,083,785		756,279
	—		—
	4,626,419		3,501,181
	15,553		20,366
	<u>6,373,420</u>		<u>17,379</u>
	<u>12,099,177</u>		<u>4,295,205</u>
\$	<u>14,325,489</u>	\$	<u>7,273,951</u>

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control	
				Intragovernmental Service	Transitional Escrow
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes	\$ 30,302,064	\$ 1,356,340	\$ 324	\$ —	\$ —
Assessments	399,848	23,177	—	—	—
Federal grants and reimbursements	13,440,226	—	—	—	—
Tobacco settlement revenue	245,636	—	—	—	—
Departmental	3,073,616	655,187	—	460,619	—
Miscellaneous	283,308	33	9,317	—	—
Total revenues	<u>47,744,698</u>	<u>2,034,737</u>	<u>9,641</u>	<u>460,619</u>	<u>—</u>
Other financing sources:					
Fringe benefit cost recovery	453,299	—	—	—	—
Lottery reimbursements	105,986	—	—	—	—
Lottery distributions	1,090,040	—	—	—	—
Operating transfers in	203,049	52,618	—	—	—
Stabilization transfer	—	—	1,115,597	—	—
Transfer for transitional escrow	—	—	—	—	1,460,324
Other fund deficit support	—	—	—	—	—
Total other financing sources	<u>1,852,374</u>	<u>52,618</u>	<u>1,115,597</u>	<u>—</u>	<u>1,460,324</u>
Total revenues and other financing sources	<u>49,597,072</u>	<u>2,087,355</u>	<u>1,125,238</u>	<u>460,619</u>	<u>1,460,324</u>
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature	72,682	—	—	—	—
Judiciary	1,016,437	—	—	—	—
Inspector General	5,747	—	—	—	—
Governor and Lieutenant Governor	9,328	—	—	57	—
Secretary of the Commonwealth	58,444	—	—	—	—
Treasurer and Receiver-General	220,935	977	—	1	—
Auditor of the Commonwealth	19,825	—	—	—	—
Attorney General	54,951	—	—	—	—
Ethics Commission	2,489	—	—	—	—
District Attorney	145,969	—	—	—	—
Office of Campaign & Political Finance	1,660	—	—	—	—
Sheriffs' Departments	686,626	—	—	—	—
Disabled Persons Protection Commission	5,464	—	—	—	—
Commission on Status of Women	206	—	—	—	—
Board of Library Commissioners	33,821	—	—	—	—
Comptroller	9,270	—	—	10,419	—
Administration and Finance	2,211,033	—	—	126,660	—
Energy and Environmental Affairs	286,838	—	—	2,964	—
Health and Human Services	6,762,074	—	—	113,861	—
Executive Office of Technology Services and Security	46,826	—	—	99,694	—
Massachusetts Department of Transportation	—	127,000	—	—	—
Office of the Child Advocate	1,723	—	—	—	—
Commission Against Discrimination	6,824	—	—	—	—
Cannabis Control Commission	—	—	—	—	—
Executive Office of Education	2,833,844	—	—	—	—
Center for Health Information and Analysis	23,330	—	—	—	—
Public Safety and Security	1,407,723	—	—	55,658	—
Massachusetts Peace Officer Standards and Training	23	—	—	—	—
Housing and Economic Development	805,572	—	—	1,920	—
Labor and Workforce Development	59,672	—	—	—	—
Direct local aid	6,352,585	—	—	—	—
Medicaid program expenses	18,122,376	—	—	—	—
Post employment benefits	3,739,584	12,271	—	—	—
Debt service:					
Principal retirement	595,467	547,451	—	33,361	—
Interest and fiscal charges	569,410	543,757	—	—	—
Total expenditures	<u>46,168,758</u>	<u>1,231,456</u>	<u>—</u>	<u>444,595</u>	<u>—</u>
Other financing uses:					
Fringe benefit cost assessment	8,730	—	—	—	—
Operating transfers out	305,108	641,672	—	13,580	—
Stabilization transfer	1,098,139	—	—	—	—
Medical assistance transfer	505,250	—	—	—	—
Transfer for transitional escrow	1,151,006	214,622	—	—	—
Other fund deficit support	23,699	4,419	—	—	—
Total other financing uses	<u>3,091,932</u>	<u>860,712</u>	<u>—</u>	<u>13,580</u>	<u>—</u>
Total expenditures and other financing uses	<u>49,260,690</u>	<u>2,092,168</u>	<u>—</u>	<u>458,175</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	336,382	(4,813)	1,125,238	2,444	1,460,324
Fund balance/(deficit) at beginning of year	720,792	20,366	3,501,181	10,904	—
Fund balance/(deficit) at end of year	<u>\$ 1,057,174</u>	<u>\$ 15,553</u>	<u>\$ 4,626,419</u>	<u>\$ 13,348</u>	<u>\$ 1,460,324</u>

See accountants' review report

Budgeted Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Budgeted Other			Totals (Memorandum only)	
	Marijuana Regulation	Behavioral Health Outreach, Access and Support Trust	Federal COVID-19 Response Fund	2021	2020
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes.....	\$ 112,370	\$ —	\$ —	\$ 31,771,947	\$ 27,612,766
Assessments.....	—	—	—	423,025	431,551
Federal grants and reimbursements.....	—	—	4,891,987	18,338,990	12,794,687
Tobacco settlement revenue.....	—	—	—	245,636	229,690
Departmental.....	25,066	—	—	4,255,760	4,314,582
Miscellaneous.....	7	—	—	292,723	385,777
Total revenues.....	137,443	—	4,891,987	55,328,081	45,769,053
Other financing sources:					
Fringe benefit cost recovery.....	—	—	—	453,299	573,874
Lottery reimbursements.....	—	—	—	105,986	110,928
Lottery distributions.....	—	—	—	1,090,040	967,263
Operating transfers in.....	—	10,000	—	399,135	587,966
Stabilization transfer.....	—	—	—	1,115,597	14,914
Transfer for transitional escrow.....	—	—	—	1,460,324	—
Other fund deficit support.....	—	—	—	30,068	305,412
Total other financing sources.....	—	10,000	—	4,654,449	2,560,357
Total revenues and other financing sources.....	137,443	10,000	4,891,987	59,982,530	48,329,410
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature.....	—	—	—	72,682	70,381
Judiciary.....	1,912	—	—	1,018,349	1,018,791
Inspector General.....	—	—	—	5,747	5,762
Governor and Lieutenant Governor.....	—	—	—	9,385	7,330
Secretary of the Commonwealth.....	—	—	—	58,444	50,064
Treasurer and Receiver-General.....	—	—	—	221,914	237,778
Auditor of the Commonwealth.....	—	—	—	19,825	19,472
Attorney General.....	—	—	—	54,951	53,912
Ethics Commission.....	—	—	—	2,489	2,360
District Attorney.....	—	—	—	145,969	140,682
Office of Campaign & Political Finance.....	—	—	—	1,660	1,723
Sheriffs' Departments.....	117	—	—	686,751	624,848
Disabled Persons Protection Commission.....	—	—	—	5,464	4,878
Commission on Status of Women.....	—	—	—	206	—
Board of Library Commissioners.....	—	—	—	33,821	30,382
Comptroller.....	—	—	—	19,689	14,498
Administration and Finance.....	—	—	—	2,350,156	2,371,897
Energy and Environmental Affairs.....	564	—	—	305,957	285,984
Health and Human Services.....	36,823	609	—	6,913,367	6,740,778
Executive Office of Technology Services and Security.....	—	—	—	146,520	135,085
Massachusetts Department of Transportation.....	—	—	—	127,000	127,900
Office of the Child Advocate.....	—	—	—	1,723	1,521
Commission Against Discrimination.....	—	—	—	6,824	—
Cannabis Control Commission.....	11,334	—	—	11,334	12,597
Executive Office of Education.....	—	—	—	2,838,327	2,694,126
Center for Health Information and Analysis.....	—	—	—	23,330	19,930
Public Safety and Security.....	2,053	—	—	1,466,042	1,532,519
Massachusetts Peace Officer Standards and Training.....	—	—	—	23	—
Housing and Economic Development.....	28	—	—	817,115	636,770
Labor and Workforce Development.....	—	—	—	64,646	66,762
Direct local aid.....	—	—	—	6,482,323	6,376,321
Medicaid program expenses.....	—	—	—	18,122,376	17,022,624
Post employment benefits.....	—	—	—	3,751,854	3,304,975
Debt service:					
Principal retirement.....	—	—	—	1,176,279	1,280,987
Interest and fiscal charges.....	—	—	—	1,113,167	1,129,176
Total expenditures.....	52,831	609	—	48,075,709	46,022,813
Other financing uses:					
Fringe benefit cost assessment.....	2,429	—	—	17,029	15,591
Operating transfers out.....	—	—	—	992,039	1,143,801
Stabilization transfer.....	—	—	—	1,098,139	—
Medical assistance transfer.....	—	—	—	505,250	505,785
Transfer for transitional escrow.....	80,133	—	—	1,460,324	—
Other fund deficit support.....	1,650	—	—	30,068	305,412
Total other financing uses.....	84,212	—	—	4,102,849	1,970,589
Total expenditures and other financing uses.....	137,043	609	—	52,178,558	47,993,402
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	400	9,391	4,891,987	7,803,972	336,008
Fund balance/(deficit) at beginning of year.....	1,700	2,500	—	4,295,205	3,959,197
Fund balance/(deficit) at end of year.....	\$ 2,100	\$ 11,891	\$ 4,891,987	\$ 12,099,177	\$ 4,295,205

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, 2021

(Amounts in thousands)

	General			Commonwealth Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$24,716,800	\$30,302,064	\$ 5,585,264	\$ 1,136,100	\$ 1,356,340	\$ 220,240
Assessments	430,650	399,848	(30,802)	23,803	23,177	(626)
Federal grants and reimbursements	13,868,076	13,440,226	(427,850)	—	—	—
Tobacco settlement revenue	261,482	245,636	(15,846)	—	—	—
Departmental	3,034,358	3,073,616	39,258	656,476	655,187	(1,289)
Miscellaneous	428,178	283,308	(144,870)	—	33	33
Total revenues	<u>42,739,544</u>	<u>47,744,698</u>	<u>5,005,154</u>	<u>1,816,379</u>	<u>2,034,737</u>	<u>218,358</u>
Other financing sources:						
Fringe benefit cost recovery	—	453,299	453,299	—	—	—
Lottery reimbursements	—	105,986	105,986	—	—	—
Lottery distributions	—	1,090,040	1,090,040	—	—	—
Operating transfers in	1,871,154	203,049	(1,668,105)	28,436	52,618	24,182
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	<u>1,871,154</u>	<u>1,852,374</u>	<u>(18,780)</u>	<u>28,436</u>	<u>52,618</u>	<u>24,182</u>
Total revenues and other financing sources	<u>44,610,698</u>	<u>49,597,072</u>	<u>4,986,374</u>	<u>1,844,815</u>	<u>2,087,355</u>	<u>242,540</u>
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	120,011	72,682	47,329	—	—	—
Judiciary	1,074,157	1,016,437	57,720	—	—	—
Inspector General	6,059	5,747	312	—	—	—
Governor and Lieutenant Governor	10,806	9,328	1,478	—	—	—
Secretary of the Commonwealth	61,388	58,444	2,944	—	—	—
Treasurer and Receiver-General	281,208	220,935	60,273	—	977	(977)
Auditor of the Commonwealth	21,243	19,825	1,418	—	—	—
Attorney General	57,414	54,951	2,463	—	—	—
Ethics Commission	2,584	2,489	95	—	—	—
District Attorney	148,905	145,969	2,936	—	—	—
Office of Campaign & Political Finance	1,840	1,660	180	—	—	—
Sheriffs' Departments	694,877	686,626	8,251	—	—	—
Disabled Persons Protection Commission	7,897	5,464	2,433	—	—	—
Commission on Status of Women	206	206	—	—	—	—
Board of Library Commissioners	34,018	33,821	197	—	—	—
Comptroller	9,645	9,270	375	—	—	—
Administration and Finance	2,636,777	2,211,033	425,744	—	—	—
Energy and Environmental Affairs	313,756	286,838	26,918	—	—	—
Health and Human Services	7,253,671	6,762,074	491,597	—	—	—
Executive Office of Technology Services and Security	48,667	46,826	1,841	—	—	—
Massachusetts Department of Transportation	—	—	—	127,000	127,000	—
Office of the Child Advocate	2,999	1,723	1,276	—	—	—
Commission Against Discrimination	8,349	6,824	1,525	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	3,149,359	2,833,844	315,515	—	—	—
Center for Health Information and Analysis	23,588	23,330	258	—	—	—
Public Safety and Security	1,475,248	1,407,723	67,525	—	—	—
Massachusetts Peace Officer Standards and Training	250	23	227	—	—	—
Housing and Economic Development	890,805	805,572	85,233	—	—	—
Labor and Workforce Development	79,662	59,672	19,990	—	—	—
Direct local aid	6,355,436	6,352,585	2,851	—	—	—
Medicaid program expenses	18,280,385	18,122,376	158,009	—	—	—
Post employment benefits	3,739,620	3,739,584	36	12,271	12,271	—
Debt service:						
Principal retirement	624,981	595,467	29,514	587,215	547,451	39,764
Interest and fiscal charges	597,633	569,410	28,223	566,310	543,757	22,553
Total expenditures	<u>48,013,444</u>	<u>46,168,758</u>	<u>1,844,686</u>	<u>1,292,796</u>	<u>1,231,456</u>	<u>61,340</u>
Other financing uses:						
Fringe benefit cost assessment	—	8,730	(8,730)	—	—	—
Operating transfers out	298,158	305,108	(6,950)	641,672	641,672	—
Stabilization transfer	1,098,140	1,098,139	1	—	—	—
Medical assistance transfer	537,187	505,250	31,937	—	—	—
Transfer for transitional escrow	—	1,151,006	(1,151,006)	—	214,622	(214,622)
Other fund deficit support	—	23,699	(23,699)	—	4,419	(4,419)
Total other financing uses	<u>1,933,485</u>	<u>3,091,932</u>	<u>(1,158,447)</u>	<u>641,672</u>	<u>860,713</u>	<u>(219,041)</u>
Total expenditures and other financing uses	<u>49,946,929</u>	<u>49,260,690</u>	<u>686,239</u>	<u>1,934,468</u>	<u>2,092,169</u>	<u>(157,701)</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (5,336,231)</u>	<u>336,382</u>	<u>\$ 5,672,613</u>	<u>\$ (89,653)</u>	<u>(4,814)</u>	<u>\$ 84,839</u>
Fund balance/(deficit) at beginning of year		720,792			20,366	
Fund balance/(deficit) at end of year		<u>\$ 1,057,174</u>			<u>\$ 15,552</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, 2021

(Amounts in thousands)

	Environmental					
	Inland Fisheries and Game			Marine Recreational Fisheries Development		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ 800	\$ 849	\$ 49	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	7,800	6,776	(1,024)	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	7,082	8,702	1,620	1,765	1,868	103
Miscellaneous	70	58	(12)	—	—	—
Total revenues	<u>15,752</u>	<u>16,385</u>	<u>633</u>	<u>1,765</u>	<u>1,868</u>	<u>103</u>
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	195	236	41	—	—	—
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	<u>195</u>	<u>236</u>	<u>41</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>15,947</u>	<u>16,621</u>	<u>674</u>	<u>1,765</u>	<u>1,868</u>	<u>103</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	21	—	21	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	18,130	14,195	3,935	1,847	1,395	452
Health and Human Services	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
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>18,151</u>	<u>14,195</u>	<u>3,956</u>	<u>1,847</u>	<u>1,395</u>	<u>452</u>
Other financing uses:						
Fringe benefit cost assessment	—	3,443	(3,443)	—	222	(222)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	<u>—</u>	<u>3,443</u>	<u>(3,443)</u>	<u>—</u>	<u>222</u>	<u>(222)</u>
Total expenditures and other financing uses	<u>18,151</u>	<u>17,638</u>	<u>513</u>	<u>1,847</u>	<u>1,617</u>	<u>230</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (2,204)</u>	<u>(1,017)</u>	<u>\$ 1,187</u>	<u>\$ (82)</u>	<u>251</u>	<u>\$ 333</u>
Fund balance/(deficit) at beginning of year		11,027			3,487	
Fund balance/(deficit) at end of year		<u>\$ 10,010</u>			<u>\$ 3,738</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, 2021

(Amounts in thousands)

	Budgeted Other					
	Gaming Local Aid			Education		
	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	79,427	84,351	4,924	23,948	24,441	493
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	30,068	30,068	—	—	—
Total other financing sources	79,427	114,419	34,992	23,948	24,441	493
Total revenues and other financing sources	79,427	114,419	34,992	23,948	24,441	493
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	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
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	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	4,484	4,484	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	114,442	114,419	23	15,323	15,319	4
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	114,442	114,419	23	19,807	19,803	4
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	1,629	(1,629)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	2,948	(2,948)
Other fund deficit support	—	—	—	—	61	(61)
Total other financing uses	—	—	—	—	4,638	(4,638)
Total expenditures and other financing uses	114,442	114,419	23	19,807	24,441	(4,634)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (35,015)	—	\$ 35,015	\$ 4,141	—	\$ (4,141)
Fund balance/(deficit) at beginning of year	—	—	—	—	—	—
Fund balance/(deficit) at end of year	\$ —	—	—	—	\$ —	—

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, 2021

(Amounts in thousands)

	Budgeted Other					
	Behavioral Health Outreach, Access and Support Trust			Federal COVID-19 Response Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	4,891,987	4,891,987
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	4,891,987	4,891,987
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	10,000	10,000	—	—	—
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	10,000	10,000	—	—	—
Total revenues and other financing sources	—	10,000	10,000	—	4,891,987	4,891,987
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	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	5,795	609	5,186	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
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	5,795	609	5,186	—	—	—
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	—
Total expenditures and other financing uses	5,795	609	5,186	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (5,795)	9,391	\$ 15,186	\$ —	4,891,987	\$ 4,891,987
Fund balance/(deficit) at beginning of year	—	2,500	—	—	—	—
Fund balance/(deficit) at end of year	—	\$ 11,891	—	—	\$ 4,891,987	—

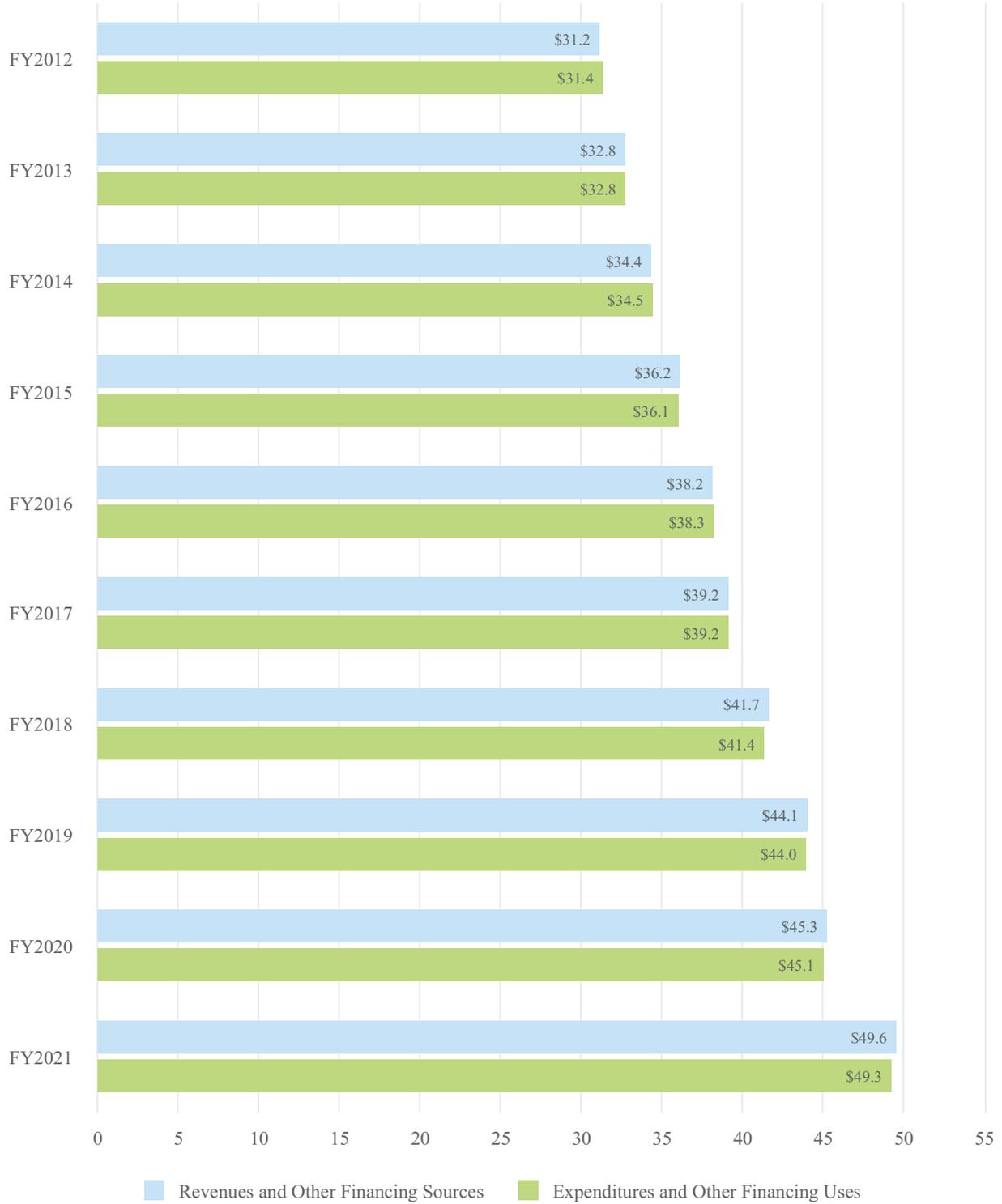
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Totals (Memorandum only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 25,908,200	\$ 31,771,947	\$ 5,863,747
454,453	423,025	(31,428)
13,875,876	18,338,990	4,463,114
261,482	245,636	(15,846)
3,744,448	4,255,760	511,312
467,603	292,723	(174,880)
<u>44,712,062</u>	<u>55,328,081</u>	<u>10,616,019</u>
—	453,299	453,299
—	105,986	105,986
—	1,090,040	1,090,040
2,027,109	399,135	(1,627,974)
17,106	1,115,597	1,098,491
—	1,460,324	1,460,324
—	30,068	30,068
<u>2,044,215</u>	<u>4,654,449</u>	<u>2,610,234</u>
<u>46,756,277</u>	<u>59,982,530</u>	<u>13,226,253</u>
120,011	72,682	47,329
1,077,142	1,018,349	58,793
6,059	5,747	312
10,864	9,385	1,479
61,404	58,444	2,960
281,209	221,914	59,295
21,243	19,825	1,418
57,436	54,951	2,485
2,584	2,489	95
148,905	145,969	2,936
1,840	1,660	180
695,002	686,751	8,251
7,897	5,464	2,433
206	206	—
34,018	33,821	197
66,551	19,689	46,862
2,855,813	2,350,156	505,657
339,375	305,957	33,418
7,453,409	6,913,367	540,042
195,918	146,520	49,398
127,000	127,000	—
2,999	1,723	1,276
8,349	6,824	1,525
15,497	11,334	4,163
3,155,703	2,838,327	317,376
23,588	23,330	258
1,555,280	1,466,042	89,238
250	23	227
914,862	817,115	97,747
90,569	64,646	25,923
6,485,200	6,482,323	2,877
18,280,385	18,122,376	158,009
3,751,891	3,751,854	37
1,247,802	1,176,279	71,523
1,163,943	1,113,167	50,776
<u>50,260,204</u>	<u>48,075,709</u>	<u>2,184,495</u>
—	17,029	(17,029)
988,088	992,039	(3,951)
1,098,140	1,098,139	1
537,187	505,250	31,937
—	1,460,324	(1,460,324)
—	30,068	(30,068)
<u>2,623,415</u>	<u>4,102,849</u>	<u>(1,479,434)</u>
<u>52,883,619</u>	<u>52,178,558</u>	<u>705,061</u>
<u>\$ (6,127,342)</u>	<u>7,803,972</u>	<u>\$ 13,931,314</u>
	<u>4,295,205</u>	
	<u>\$ 12,099,177</u>	



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THE BIG PICTURE: HISTORICAL CONTEXT
General Fund - Total Revenues and Other Financing Sources /
Total Expenditures and Other Financing Uses
Last Ten Fiscal Years
(Amounts in \$ Billions)



General Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 2,137,303	\$ —
Receivables, net of allowance for uncollectibles:		
Taxes receivable	—	2,333,872
Due from federal government	1,059,548	1,282,178
Other receivables	38,127	25,114
Due from cities and towns	9,312	10,936
Total assets	<u>\$ 3,244,290</u>	<u>\$ 3,652,100</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	\$ —	\$ 1,548,450
Accounts payable	2,028,577	1,248,345
Accrued payroll	158,539	134,513
Total liabilities	<u>2,187,116</u>	<u>2,931,308</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	1,057,174	720,792
Total fund balance	<u>1,057,174</u>	<u>720,792</u>
Total liabilities and fund balance	<u>\$ 3,244,290</u>	<u>\$ 3,652,100</u>

See accountants' review report

General Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 24,716,800	\$ 30,302,064	\$ 5,585,264	\$ 26,310,628
Assessments	430,650	399,848	(30,802)	408,928
Federal grants and reimbursements	13,868,076	13,440,226	(427,850)	12,785,622
Tobacco settlement revenue	261,482	245,636	(15,846)	229,690
Departmental	3,034,358	3,073,616	39,258	3,203,982
Miscellaneous	428,178	283,308	(144,870)	323,326
Total revenues	42,739,544	47,744,698	5,005,154	43,262,176
Other financing sources:				
Fringe benefit cost recovery	—	453,299	453,299	573,874
Lottery reimbursements	—	105,986	105,986	110,928
Lottery distributions	—	1,090,040	1,090,040	967,263
Operating transfers in	1,871,154	203,049	(1,668,105)	216,386
Other fund deficit support	—	—	—	207,606
Total other financing sources	1,871,154	1,852,374	(18,780)	2,076,057
Total revenues and other financing sources	44,610,698	49,597,072	4,986,374	45,338,233
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	120,011	72,682	47,329	70,381
Judiciary	1,074,157	1,016,437	57,720	1,018,791
Inspector General	6,059	5,747	312	5,762
Governor and Lieutenant Governor	10,806	9,328	1,478	7,213
Secretary of the Commonwealth	61,388	58,444	2,944	50,064
Treasurer and Receiver-General	281,208	220,935	60,273	237,778
Auditor of the Commonwealth	21,243	19,825	1,418	19,472
Attorney General	57,414	54,951	2,463	53,912
Ethics Commission	2,584	2,489	95	2,360
District Attorney	148,905	145,969	2,936	140,682
Office of Campaign and Political Finance	1,840	1,660	180	1,723
Sheriffs' Department	694,877	686,626	8,251	624,547
Disabled Persons Protection Commission	7,897	5,464	2,433	4,878
Commission on Status of Women	206	206	—	203
Board of Library Commissioners	34,018	33,821	197	30,382
Comptroller	9,645	9,270	375	9,414
Administration and Finance	2,636,777	2,211,033	425,744	2,217,598

General Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
Expenditures (continued):				
Energy and Environmental Affairs	313,756	286,838	26,918	265,648
Health and Human Services	7,253,671	6,762,074	491,597	6,539,351
Executive Office of Technology Services and Security	48,667	46,826	1,841	40,057
Massachusetts Department of Transportation	—	—	—	900
Office of the Child Advocate	2,999	1,723	1,276	1,521
Commission Against Discrimination	8,349	6,824	1,525	—
Executive Office of Education	3,149,359	2,833,844	315,515	2,672,996
Center for Health Information and Analysis	23,588	23,330	258	19,930
Public Safety and Security	1,475,248	1,407,723	67,525	1,477,754
Massachusetts Peace Officer Standards and Training	250	23	227	—
Housing and Economic Development	890,805	805,572	85,233	625,123
Labor and Workforce Development	79,662	59,672	19,990	60,960
Direct local aid	6,355,436	6,352,585	2,851	6,249,547
Medicaid	18,280,385	18,122,376	158,009	17,022,624
Post employment benefits	3,739,620	3,739,584	36	3,295,357
Debt service:				
Principal retirement	624,981	595,467	29,514	704,392
Interest and fiscal charges	597,633	569,410	28,223	586,580
Total expenditures	48,013,444	46,168,758	1,844,686	44,057,900
Other financing uses:				
Fringe benefit cost assessment	—	8,730	(8,730)	5,676
Operating transfers out	298,158	305,108	(6,950)	482,327
Stabilization transfer	1,098,140	1,098,139	1	—
Medical assistance transfer	537,187	505,250	31,937	505,785
Transfer for transitional escrow	—	1,151,006	(1,151,006)	—
Other fund deficit support	—	23,699	(23,699)	—
Total other financing uses	1,933,485	3,091,932	(1,158,447)	993,788
Total expenditures and other financing uses	49,946,929	49,260,690	686,239	45,051,688
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (5,336,231)</u>	336,382	<u>\$ 5,672,613</u>	286,545
Fund balance/(deficit) at beginning of year		720,792		434,247
Fund balance/(deficit) at end of year		<u>\$ 1,057,174</u>		<u>\$ 720,792</u>

continued

See accountants' review report



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Commonwealth Transportation Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 635	\$ 849
Cash with fiscal agent.....	15,553	20,366
Total assets.....	\$ 16,188	\$ 21,215
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 635	\$ 849
Total liabilities	635	849
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	15,553	20,366
Total fund balance	15,553	20,366
Total liabilities and fund balance.....	\$ 16,188	\$ 21,215

See accountants' review report

Commonwealth Transportation Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,136,100	\$ 1,356,340	\$ 220,240	\$ 1,249,176
Assessments	23,803	23,177	(626)	22,623
Departmental	656,476	655,187	(1,289)	598,017
Miscellaneous	—	33	33	852
Total revenues	<u>1,816,379</u>	<u>2,034,737</u>	<u>218,358</u>	<u>1,870,668</u>
Other financing sources:				
Operating transfers in	28,436	52,618	24,182	258,543
Total other financing sources	<u>28,436</u>	<u>52,618</u>	<u>24,182</u>	<u>258,543</u>
Total revenues and other financing sources	<u>1,844,815</u>	<u>2,087,355</u>	<u>242,540</u>	<u>2,129,211</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General	—	977	(977)	—
Massachusetts Department of Transportation	127,000	127,000	—	127,000
Post employment benefits	12,271	12,271	—	9,618
Debt service:				
Principal retirement	587,215	547,451	39,764	552,038
Interest and fiscal charges	566,310	543,757	22,553	542,596
Total expenditures	<u>1,292,796</u>	<u>1,231,456</u>	<u>61,340</u>	<u>1,231,252</u>
Other financing uses:				
Operating transfers out	641,672	641,672	—	619,590
Transfer for transitional escrow	—	214,622	(214,622)	—
Other fund deficit support	—	4,419	(4,419)	305,412
Total other financing uses	<u>641,672</u>	<u>860,712</u>	<u>(219,040)</u>	<u>925,002</u>
Total expenditures and other financing uses	<u>1,934,468</u>	<u>2,092,168</u>	<u>(157,700)</u>	<u>2,156,254</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (89,653)</u>	<u>(4,813)</u>	<u>\$ 84,840</u>	<u>(27,043)</u>
Fund balance/(deficit) at beginning of year		<u>20,366</u>		<u>47,409</u>
Fund balance/(deficit) at end of year		<u>\$ 15,553</u>		<u>\$ 20,366</u>

See accountants' review report

Commonwealth Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 4,322,279	\$ 3,199,047
Investments	304,140	302,134
Total assets	\$ 4,626,419	\$ 3,501,181
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for Commonwealth Stabilization	4,626,419	3,501,181
Total fund balance	4,626,419	3,501,181
Total liabilities and fund balance	\$ 4,626,419	\$ 3,501,181

See accountants' review report

Commonwealth Stabilization Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ 324	\$ 324	\$ 362
Miscellaneous	39,000	9,317	(29,683)	61,529
Total revenues	<u>39,000</u>	<u>9,641</u>	<u>(29,359)</u>	<u>61,891</u>
Other financing sources:				
Stabilization transfer	17,106	1,115,597	1,098,491	14,914
Total other financing sources	<u>17,106</u>	<u>1,115,597</u>	<u>1,098,491</u>	<u>14,914</u>
Total revenues and other financing sources	<u>56,106</u>	<u>1,125,238</u>	<u>1,069,132</u>	<u>76,805</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:				
Stabilization transfer	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 56,106</u>	1,125,238	<u>\$ 1,069,132</u>	76,805
Fund balance/(deficit) at beginning of year		<u>3,501,181</u>		<u>3,424,376</u>
Fund balance/(deficit) at end of year		<u>\$ 4,626,419</u>		<u>\$ 3,501,181</u>

See accountants' review report

Intragovernmental Service Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 46,454	\$ 54,025
Total assets	\$ 46,454	\$ 54,025
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 27,823	\$ 39,027
Accrued payroll	5,283	4,094
Total liabilities	33,106	43,121
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	13,348	10,904
Total fund balance	13,348	10,904
Total liabilities and fund balance	\$ 46,454	\$ 54,025

See accountants' review report

Intragovernmental Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ —	\$ 460,619	\$ 460,619	\$ 454,157
Total revenues.....	—	460,619	460,619	454,157
Other financing sources:				
Operating transfers in.....	—	—	—	—
Total other financing sources.....	—	—	—	—
Total revenues and other financing sources.....	—	460,619	460,619	454,157
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Governor and Lieutenant Governor.....	58	57	1	117
Secretary of the Commonwealth.....	16	—	16	—
Comptroller.....	56,906	10,419	46,487	5,084
Administration and Finance.....	195,968	126,660	69,308	141,498
Energy and Environmental Affairs.....	3,150	2,964	186	3,066
Health and Human Services.....	152,634	113,861	38,773	115,860
Executive Office of Technology Services and Security..	147,251	99,694	47,557	95,022
Executive Office of Education.....	1,860	—	1,860	90
Public Safety and Security.....	77,320	55,658	21,662	53,923
Housing and Economic Development.....	7,684	1,920	5,764	1,737
Debt service:				
Principal retirement.....	35,605	33,361	2,244	24,557
Total expenditures.....	678,453	444,595	233,858	440,954
Other financing uses:				
Operating transfers out.....	13,580	13,580	—	13,268
Total other financing uses.....	13,580	13,580	—	13,268
Total expenditures and other financing uses.....	692,033	458,175	233,858	454,222
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ (692,033)</u>	2,444	<u>\$ 694,477</u>	(65)
Fund balance/(deficit) at beginning of year.....		10,904		10,969
Fund balance/(deficit) at end of year.....		<u>\$ 13,348</u>		<u>\$ 10,904</u>

See accountants' review report

Transitional Escrow Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 1,460,324	\$ —
Total assets	\$ 1,460,324	\$ —
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	1,460,324	—
Total fund balance	1,460,324	—
Total liabilities and fund balance	\$ 1,460,324	\$ —
See accountants' review report		

Transitional Escrow Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021Budget	2021Actual	Variance Favorable (Unfavorable)	2020Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Transfer for transitional escrow	—	1,460,324	1,460,324	—
Total other financing sources	—	1,460,324	1,460,324	—
Total revenues and other financing sources	—	1,460,324	1,460,324	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Transfer for transitional escrow	—	—	—	—
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	\$ —	1,460,324	\$ 1,460,324	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ 1,460,324		\$ —

See accountants' review report

Inland Fisheries And Game Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 10,724	\$ 11,635
Total assets	\$ 10,724	\$ 11,635
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 412	\$ 298
Accrued payroll	302	310
Total liabilities	714	608
Fund balance:		
Unreserved fund balance:		
Undesignated	10,010	11,027
Total fund balance	10,010	11,027
Total liabilities and fund balance	\$ 10,724	\$ 11,635

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, 2021

(Amounts in thousands)

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 800	\$ 849	\$ 49	\$ 916
Federal grants and reimbursements	7,800	6,776	(1,024)	9,065
Departmental	7,082	8,702	1,620	8,508
Miscellaneous	70	58	(12)	68
Total revenues	<u>15,752</u>	<u>16,385</u>	<u>633</u>	<u>18,557</u>
Other financing sources:				
Operating transfers in	195	236	41	218
Total other financing sources	<u>195</u>	<u>236</u>	<u>41</u>	<u>218</u>
Total revenues and other financing sources	<u>15,947</u>	<u>16,621</u>	<u>674</u>	<u>18,775</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General	21	—	21	—
Energy and Environmental Affairs	18,130	14,195	3,935	14,655
Total expenditures	<u>18,151</u>	<u>14,195</u>	<u>3,956</u>	<u>14,655</u>
Other financing uses:				
Fringe benefit cost assessment	—	3,443	(3,443)	3,462
Total other financing uses	<u>—</u>	<u>3,443</u>	<u>(3,443)</u>	<u>3,462</u>
Total expenditures and other financing uses	<u>18,151</u>	<u>17,638</u>	<u>513</u>	<u>18,117</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (2,204)</u>	<u>(1,017)</u>	<u>\$ 1,187</u>	<u>658</u>
Fund balance/(deficit) at beginning of year		<u>11,027</u>		<u>10,369</u>
Fund balance/(deficit) at end of year		<u>\$ 10,010</u>		<u>\$ 11,027</u>

See accountants' review report

Marine Recreational Fisheries Development Fund

Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and short-term investments	\$ 3,866	\$ 3,663
Total assets	<u>\$ 3,866</u>	<u>\$ 3,663</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 91	\$ 146
Accrued payroll	37	30
Total liabilities	<u>128</u>	<u>176</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	100
Unreserved fund balance:		
Undesignated	3,738	3,387
Total fund balance	<u>3,738</u>	<u>3,487</u>
Total liabilities and fund balance	<u>\$ 3,866</u>	<u>\$ 3,663</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, 2021

(Amounts in thousands)

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,765	\$ 1,868	\$ 103	\$ 1,920
Miscellaneous	—	—	—	1
Total revenues	1,765	1,868	103	1,921
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	1,765	1,868	103	1,921
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	1,847	1,395	452	2,161
Total expenditures	1,847	1,395	452	2,161
Other financing uses				
Fringe benefit cost assessment	—	222	(222)	151
Total other financing uses	—	222	(222)	151
Total expenditures and other financing uses	1,847	1,617	230	2,312
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (82)</u>	251	<u>\$ 333</u>	(391)
Fund balance/(deficit) at beginning of year		3,487		3,878
Fund balance/(deficit) at end of year		<u>\$ 3,738</u>		<u>\$ 3,487</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund

Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and short-term investments	\$ 3,787	\$ 11,861
Total assets	<u>\$ 3,787</u>	<u>\$ 11,861</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 51	\$ 526
Accrued payroll	40	35
Total liabilities	<u>91</u>	<u>561</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	3,696	11,300
Total fund balance	<u>3,696</u>	<u>11,300</u>
Total liabilities and fund balance	<u>\$ 3,787</u>	<u>\$ 11,861</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)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
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	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	30,000	30,000	—	30,000
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	23,067	12,463	10,604	12,598
Total expenditures	23,067	12,463	10,604	12,598
Other financing uses:				
Fringe benefit cost assessment	—	462	(462)	460
Operating transfers out	24,679	24,679	—	21,617
Total other financing uses	24,679	25,141	(462)	22,077
Total expenditures and other financing uses	47,746	37,604	10,142	34,675
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (17,746)</u>	(7,604)	<u>\$ 10,142</u>	(4,675)
Fund balance/(deficit) at beginning of year		11,300		15,975
Fund balance/(deficit) at end of year		<u>\$ 3,696</u>		<u>\$ 11,300</u>

See accountants' review report

Public Safety Training Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 387	\$ 414
Total assets	\$ 387	\$ 414
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	387	414
Total fund balance	387	414
Total liabilities and fund balance	\$ 387	\$ 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, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,050	\$ 703	\$ (347)	\$ 940
Total revenues	<u>1,050</u>	<u>703</u>	<u>(347)</u>	<u>940</u>
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	<u>1,050</u>	<u>703</u>	<u>(347)</u>	<u>940</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Sheriffs' Department	8	7	1	5
Executive Office of Technology Services and Security ...	—	—	—	6
Public Safety and Security	635	609	26	447
Total expenditures	<u>644</u>	<u>616</u>	<u>28</u>	<u>458</u>
Other financing uses:				
Fringe benefit cost assessment	—	114	(114)	68
Total other financing uses	—	114	(114)	68
Total expenditures and other financing uses	<u>644</u>	<u>730</u>	<u>(86)</u>	<u>526</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 406</u>	(27)	<u>\$ (433)</u>	414
Fund balance/(deficit) at beginning of year		<u>414</u>		—
Fund balance/(deficit) at end of year		<u>\$ 387</u>		<u>\$ 414</u>

See accountants' review report

Local Capital Projects Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 2,500	\$ 2,699
Total assets	\$ 2,500	\$ 2,699
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	2,500	2,699
Total fund balance	2,500	2,699
Total liabilities and fund balance	\$ 2,500	\$ 2,699

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)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	7,698	7,856	158	6,711
Other fund deficit support	—	—	—	4,081
Total other financing sources	7,698	7,856	158	10,792
Total revenues and other financing sources	7,698	7,856	158	10,792
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and Economic Development	7,696	7,696	—	9,691
Total expenditures	7,696	7,696	—	9,691
Other financing uses:				
Transfer for transitional escrow	—	352	(352)	—
Other fund deficit support	—	7	(7)	—
Total other financing uses	—	359	(359)	—
Total expenditures and other financing uses	7,696	8,055	(359)	9,691
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 2	(199)	\$ (201)	1,101
Fund balance/(deficit) at beginning of year		2,699		1,598
Fund balance/(deficit) at end of year		\$ 2,500		\$ 2,699

See accountants' review report

Gaming Local Aid Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
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, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	79,427	84,351	4,924	68,556
Other fund deficit support	—	30,068	30,068	38,549
Total other financing sources	79,427	114,419	34,992	107,105
Total revenues and other financing sources	79,427	114,419	34,992	107,105
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Direct local aid	114,442	114,419	23	107,105
Total expenditures	114,442	114,419	23	107,105
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	114,442	114,419	23	107,105
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (35,015)	—	\$ 35,015	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ —		\$ —

See accountants' review report

Education Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ —	\$ —
Total assets	\$ —	\$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	—
Total fund balance	—	—
Total liabilities and fund balance	\$ —	\$ —

See accountants' review report

Education Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	23,948	24,441	493	20,880
Other fund deficit support	—	—	—	11,103
Total other financing sources	23,948	24,441	493	31,983
Total revenues and other financing sources	23,948	24,441	493	31,983
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	4,484	4,484	—	10,374
Direct local aid	15,323	15,319	4	19,669
Total expenditures	19,807	19,803	4	30,043
Other financing uses:				
Transfer for transitional escrow	—	2,948	(2,948)	—
Other fund deficit support	—	61	(61)	—
Fringe benefit cost assessment	—	1,629	(1,629)	3,679
Total other financing uses	—	4,638	(4,638)	3,679
Total expenditures and other financing uses	19,807	24,441	(4,634)	33,722
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 4,141</u>	<u>—</u>	<u>\$ (4,141)</u>	<u>(1,739)</u>
Fund balance/(deficit) at beginning of year		<u>—</u>		<u>1,739</u>
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Local Aid Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 50	\$ 50
Total assets	\$ 50	\$ 50
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	50	50
Total fund balance	50	50
Total liabilities and fund balance	\$ 50	\$ 50

See accountants' review report

Local Aid Stabilization Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
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.....		50		50
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, 2021

(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and short-term investments	\$ 2,931	\$ 9,867
Total assets	<u>\$ 2,931</u>	<u>\$ 9,867</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,931	\$ 1,083
Accrued payroll	—	—
Total liabilities	<u>2,931</u>	<u>1,083</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	8,784
Total fund balance	—	8,784
Total liabilities and fund balance	<u>\$ 2,931</u>	<u>\$ 9,867</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, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	16,251	16,585	334	14,168
Other fund deficit support	—	—	—	10,720
Total other financing sources	16,251	16,585	334	24,888
Total revenues and other financing sources	16,251	16,585	334	24,888
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	10,665
Executive Office of Housing and Economic Development	1,900	1,898	2	99
Labor and Workforce Development	10,907	4,975	5,932	5,802
Total expenditures	12,807	6,873	5,934	16,566
Other financing uses:				
Transfer for transitional escrow	—	11,264	(11,264)	—
Other fund deficit support	—	232	(232)	—
Operating transfers out	10,000	7,000	3,000	7,000
Total other financing uses	10,000	18,496	(8,496)	7,000
Total expenditures and other financing uses	22,807	25,369	(2,562)	23,566
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (6,556)	(8,784)	\$ (2,228)	1,322
Fund balance/(deficit) at beginning of year		8,784		7,462
Fund balance/(deficit) at end of year		\$ —		\$ 8,784

See accountants' review report

Marijuana Regulation Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 3,114	\$ 2,741
Total assets	\$ 3,114	\$ 2,741
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 805	\$ 850
Accrued payroll	209	191
Total liabilities	1,014	1,041
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	2,100	1,700
Total fund balance	2,100	1,700
Total liabilities and fund balance	\$ 3,114	\$ 2,741

See accountants' review report

Marijuana Regulation Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 54,500	\$ 112,370	\$ 57,870	\$ 51,685
Departmental	13,717	25,066	11,349	17,058
Miscellaneous	355	7	(348)	—
Total revenues	68,572	137,443	68,871	68,743
Other financing sources:				
Operating transfers in	—	—	—	3
Other fund deficit support	—	—	—	33,353
Total other financing sources	—	—	—	33,356
Total revenues and other financing sources	68,572	137,443	68,871	102,099
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	2,984	1,912	1,072	—
Sheriff's Department	117	117	—	297
Energy and Environmental Affairs	2,492	564	1,928	455
Health and Human Services	41,309	36,823	4,486	85,567
Cannabis Control Commission	15,497	11,334	4,163	12,597
Public Safety and Security	2,077	2,053	24	394
Housing and Economic Development	6,778	28	6,750	119
Total expenditures	71,254	52,831	18,423	99,429
Other financing uses:				
Fringe benefit cost assessment	—	2,429	(2,429)	2,095
Transfer for transitional escrow	—	80,133	(80,133)	—
Other fund deficit support	—	1,650	(1,650)	—
Total other financing uses	—	84,212	(84,212)	2,095
Total expenditures and other financing uses	71,254	137,043	(65,789)	101,524
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (2,682)	400	\$ 3,082	575
Fund balance/(deficit) at beginning of year		1,700		1,125
Fund balance/(deficit) at end of year		\$ 2,100		\$ 1,700

See accountants' review report

Behavioral Health Outreach, Access and Support Trust
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	2021	2020
ASSETS		
Cash and short-term investments	\$ 12,467	\$ 2,500
Total assets	\$ 12,467	\$ 2,500
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 576	\$ —
Total liabilities	576	—
Fund balance:		
Unreserved fund balance:		
Undesignated	6,924	2,500
Total fund balance	11,891	2,500
Total liabilities and fund balance	\$ 12,467	\$ 2,500

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, 2021

(Amounts in thousands)

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>2020 Actual</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	10,000	10,000	2,500
Total other financing sources	—	10,000	10,000	2,500
Total revenues and other financing sources	—	10,000	10,000	2,500
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	5,795	609	5,186	—
Total expenditures	5,795	609	5,186	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	5,795	609	5,186	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (5,795)</u>	9,391	<u>\$ 15,186</u>	2,500
Fund balance/(deficit) at beginning of year		2,500		—
Fund balance/(deficit) at end of year		<u>\$ 11,891</u>		<u>\$ 2,500</u>

See accountants' review report

Federal COVID-19 Response Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and short-term investments	\$ 4,891,987	\$ —
Total assets	<u>\$ 4,891,987</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	4,891,987	—
Total fund balance	<u>4,891,987</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 4,891,987</u>	<u>\$ —</u>

See accountants' review report

Federal COVID-19 Response Fund

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

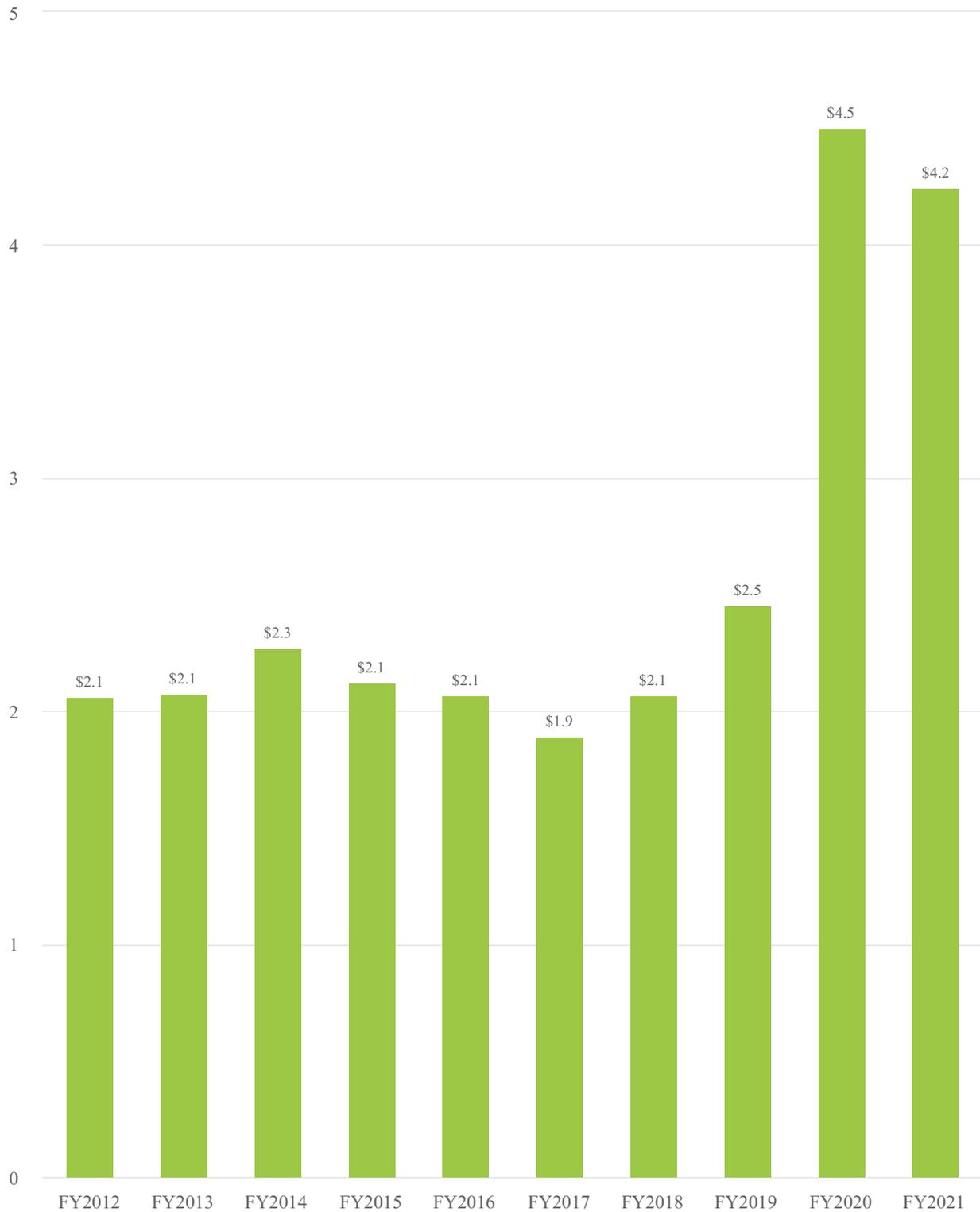
Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	<u>2021 Budget</u>	<u>2021 Actual</u>	Variance Favorable (Unfavorable)	<u>2020 Actual</u>
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ 4,891,987	\$ 4,891,987	\$ —
Total revenues	—	4,891,987	4,891,987	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	4,891,987	4,891,987	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Stabilization transfer	—	—	—	—
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>	4,891,987	<u>\$ 4,891,987</u>	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		<u>\$ 4,891,987</u>		<u>\$ —</u>

See accountants' review report

THE BIG PICTURE: HISTORICAL CONTEXT
Non-Budgeted Special Revenue Funds
Fund Balances (deficits) at End of Year
Last Ten Fiscal Years
(Amounts in \$ Billions)



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.

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.

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.

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.

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, 30% of the excise tax on electronic nicotine delivery systems, 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.

Vaccine Purchase Trust Fund - to account for surcharges and any interest earnings. Funds shall be used to support a universal purchase system for routine childhood immunizations in the commonwealth.

Dairy Promotion Trust Fund - to account for a fee of 10 cents per hundredweight upon milk delivered by Massachusetts milk producers. Funds shall be used to develop programs and policies with the objective of increasing the consumption of Massachusetts dairy products.

Wellfleet Hollow State Campground Trust Fund - to account for a surcharge of \$5 upon each fee charged and collected for admission to camping in Wellfleet hollow state campground for out-of-state residents. Funds shall be used for the long-term preservation and maintenance of Wellfleet hollow state campground in the town of Wellfleet.

COVID-19 Domestic Violence and Sexual Assault Survivors' Safety Trust Fund - to account for appropriations or monies authorized by the general court and specifically designated to be credited to the fund and funds from public or private sources. Funds shall be used to provide grants to support domestic and sexual violence liaisons, advocacy and outreach in communities throughout the commonwealth.

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.

COVID-19 Massachusetts Emergency Paid Sick Leave Fund - to account for monies from specific transfers and any other gifts, grants, or contributions specifically designated for this fund, to be used for the purpose of reimbursing employers for the cost of providing employees with COVID-19 emergency paid sick leave.

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 FY21 and are not presented in this report:

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Castle Island and Marine Park Trust Fund - to account for appropriations from the General Court, bond proceeds, investment earnings, or public or private gifts, donations, and grants to be used for the long-term preservation and maintenance of the Castle Island and Marine Park in South Boston.

Fishing Innovation Fund - to account for appropriations from the General Court, bond proceeds, investment earnings, or public or private gifts, donations, and grants to be used to finance grants to support the design, construction, research, and development of new technology for fishing vessels.

Agricultural Innovation Fund - to account for appropriations from the General Court, bond proceeds, investment earnings, or public or private gifts, donations, and grants to be used to finance grants for the Commonwealth's agricultural and cranberry producers through the agricultural innovation center.

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.

Nonpublic Ambulance Service Reimbursement Trust Fund - to account for assessment, any federal reimbursement, any revenue from appropriations or other money authorized by the general court and specifically designated to be credited to the fund and interest earnings. Funds shall be used for Medicaid payments to nonpublic ambulance services.

Student Loan Assistance Trust Fund - to account for monies appropriated from the General Court and any public and private gifts, grants and donations to support the student loan ombudsman within the Office of the Attorney General.

Healthy Soils Program Fund - to account for monies from the General Court, transfers, any gifts, grants, private contributions, and investment income to implement, administer and develop healthy soils practices under the healthy soils program

Lampson Brook Farm Fund - to account for monies from appropriations, repayment of loans, lease payments, timber sales, settlements, and any other gifts, grants, or donations specifically designated for this fund, to be used for the implementation and administration of the Lampson Brook Farm.

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2021

(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	\$ —	\$ 20	\$ —	\$ —	\$ 224,007	\$ —	\$ 125,803
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	4,403,007	—	—	—	—	—	—
Departmental	—	5,924,286	34,422	32,152	5	—	142,508
Miscellaneous	143	636	16	—	—	—	32
Total revenues	4,403,150	5,924,942	34,438	32,152	224,012	—	268,343
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	12,645	—	—	—	—	2,893	84,069
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	12,645	—	—	—	—	2,893	84,069
Total revenues and other financing sources	4,415,795	5,924,942	34,438	32,152	224,012	2,893	352,412
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	3,344	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	1,014	—	—	—	—	—	—
Treasurer and Receiver-General	5,499	4,726,265	25,454	52	—	—	—
Attorney General	50,930	—	—	1,443	—	—	—
District Attorney	4,385	—	—	—	—	—	—
Sheriffs' Departments	4,752	—	—	—	—	—	—
Disabled Persons Protection Commission	1,203	—	—	—	—	—	—
Board of Library Commissioners	3,274	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	24,239	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	252,516	—	—	—	—	—	295,230
Energy and Environmental Affairs	43,489	—	—	—	—	—	—
Health and Human Services	911,495	—	—	—	—	2,468	—
Executive Office of Technology Services and Security	2,048	—	—	—	—	—	—
Massachusetts Department of Transportation	170	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	1,210,628	—	—	—	—	—	—
Public Safety and Security	172,571	—	—	10	—	—	—
Housing and Economic Development	849,036	—	—	—	—	—	—
Labor and Workforce Development	214,366	—	—	—	—	—	47
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	3,730,720	4,726,265	25,454	25,744	—	2,468	295,277
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	83,540	11,635	—	2,778	—	192	—
Lottery operating reimbursements	—	105,986	—	—	—	—	—
Lottery distributions	—	1,081,056	8,984	—	—	—	—
Operating transfers out	135,440	—	—	2,744	206,554	67	18,893
Stabilization transfer	—	—	—	—	17,458	—	—
Total other financing uses	218,980	1,198,677	8,984	5,522	224,012	259	18,893
Total expenditures and other financing uses	3,949,700	5,924,942	34,438	31,266	224,012	2,727	314,170
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	466,095	—	—	886	—	166	38,242
Fund balances/(deficits) at beginning of year	1,621	—	—	1,059	—	5,856	72,174
Fund balances/(deficits) at end of year	\$ 467,716	\$ —	\$ —	\$ 1,945	\$ —	\$ 6,022	\$ 110,416

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, 2021
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Non-Acute Care Hospital Reimburse- ment 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	Fingerprint- Based Background Check Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	10,641	—	—	—	—	3,725	—
Federal grants and reimbursements	19,032	106,763	—	918	—	—	—
Departmental	—	—	—	—	814	—	3,257
Miscellaneous	—	—	—	—	11	1	—
Total revenues	<u>29,673</u>	<u>106,763</u>	<u>—</u>	<u>918</u>	<u>825</u>	<u>3,726</u>	<u>3,257</u>
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	—	—	93,246	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>93,246</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>29,673</u>	<u>106,763</u>	<u>93,246</u>	<u>918</u>	<u>825</u>	<u>3,726</u>	<u>3,257</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	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	1,519	—
Health and Human Services	29,518	65,149	84,622	2,521	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	2,946
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	<u>29,518</u>	<u>65,149</u>	<u>84,622</u>	<u>2,521</u>	<u>—</u>	<u>1,519</u>	<u>2,946</u>
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	—	—	529	181
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	54	82
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>583</u>	<u>263</u>
Total expenditures and other financing uses	<u>29,518</u>	<u>65,149</u>	<u>84,622</u>	<u>2,521</u>	<u>—</u>	<u>2,102</u>	<u>3,209</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	155	41,614	8,624	(1,603)	825	1,624	48
Fund balances/(deficits) at beginning of year	2,782	117,312	254	4,036	7,571	4,050	6,176
Fund balances/(deficits) at end of year	<u>\$ 2,937</u>	<u>\$ 158,926</u>	<u>\$ 8,878</u>	<u>\$ 2,433</u>	<u>\$ 8,396</u>	<u>\$ 5,674</u>	<u>\$ 6,224</u>

See accountants' review report

Non-Budgeted Other Funds

Liability Management and Reduction	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	Victims of Drunk Driving Trust	State Athletic Commission
\$ —	\$ —	\$ —	\$ 1,261,411	\$ 82,212	\$ —	\$ 1,117	\$ —	\$ —	\$ —
—	—	—	177,901	—	—	792	—	—	—
—	—	—	—	—	13,974	—	—	—	—
2,115	105	1,464	—	—	—	376	9,800	248	6
2	—	—	—	11	—	580	—	1	—
<u>2,117</u>	<u>105</u>	<u>1,464</u>	<u>1,439,312</u>	<u>82,223</u>	<u>13,974</u>	<u>2,865</u>	<u>9,800</u>	<u>249</u>	<u>6</u>
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
<u>2,117</u>	<u>105</u>	<u>1,464</u>	<u>1,439,312</u>	<u>82,223</u>	<u>13,974</u>	<u>2,865</u>	<u>9,800</u>	<u>249</u>	<u>6</u>
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	1,439,312	—	—	—	—	—	—
62	—	—	—	—	—	—	—	88	—
—	—	—	—	—	—	—	—	50	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	2,316	—	—	—
1,509	—	—	—	—	—	—	—	—	—
—	—	—	—	55,670	—	—	—	—	—
—	86	1,376	—	—	11,935	70	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	8,172	—	75
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
<u>1,571</u>	<u>86</u>	<u>1,376</u>	<u>1,439,312</u>	<u>55,670</u>	<u>11,935</u>	<u>2,386</u>	<u>8,172</u>	<u>138</u>	<u>75</u>
—	—	—	—	—	—	—	—	—	—
34	29	—	—	—	232	247	1,448	3	26
—	—	—	—	—	—	—	—	—	—
—	10	—	—	—	102	163	771	3	7
—	—	—	—	—	—	—	—	—	—
<u>34</u>	<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>334</u>	<u>410</u>	<u>2,219</u>	<u>6</u>	<u>33</u>
<u>1,605</u>	<u>125</u>	<u>1,376</u>	<u>1,439,312</u>	<u>55,670</u>	<u>12,269</u>	<u>2,796</u>	<u>10,391</u>	<u>144</u>	<u>108</u>
512	(20)	88	—	26,553	1,705	69	(591)	105	(102)
2,567	238	11,676	—	39,230	2,748	704	5,602	764	369
<u>\$ 3,079</u>	<u>\$ 218</u>	<u>\$ 11,764</u>	<u>\$ —</u>	<u>\$ 65,783</u>	<u>\$ 4,453</u>	<u>\$ 773</u>	<u>\$ 5,011</u>	<u>\$ 869</u>	<u>\$ 267</u>

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Organ and Tissue Donor Registration	Department of Fire Services Hazardous Material Emergency Mitigation Response Recovery Trust	Registers Technological	County Registers Technological	State Election Campaign	Enhanced 911	Counsel for Indigent Salary Enhancement Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	130	162	5,997	3,356	251	160,065	—
Miscellaneous	—	—	—	—	1	134	—
Total revenues	130	162	5,997	3,356	252	160,199	—
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	130	162	5,997	3,356	252	160,199	—
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	3,924	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	6,017	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—
Health and Human Services	100	—	—	—	—	46	—
Executive Office of Technology Services and Security	—	—	—	1,460	—	3,878	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	165	—	—	—	118,951	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	100	165	3,924	1,460	—	128,892	—
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	298	—	—	4,751	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	197	—	—	3,074	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	495	—	—	7,825	—
Total expenditures and other financing uses	100	165	4,419	1,460	—	136,717	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	30	(3)	1,578	1,896	252	23,482	—
Fund balances/(deficits) at beginning of year	927	155	909	4,978	551	198,295	2
Fund balances/(deficits) at end of year	\$ 957	\$ 152	\$ 2,487	\$ 6,874	\$ 803	\$ 221,777	\$ 2

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, 2021
(Amounts in thousands)

	Non-Budgeted Other Funds					
	Build America Bonds Subsidy Trust	Housing Preservation and Stabilization Trust	Office of Refugees and Immigrants Trust	Veterans Independence Plus Initiative Trust	Environmental Police Trust	Domestic and Sexual Violence Prevention and Victim Assistance
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	57,459	—	—	—	—	—
Departmental	—	—	1	—	592	5
Miscellaneous	—	1,306	—	—	—	—
Total revenues	<u>57,459</u>	<u>1,306</u>	<u>1</u>	<u>—</u>	<u>592</u>	<u>5</u>
Other financing sources:						
Issuance of current refunding bonds	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—
Operating transfers in	—	13,139	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>13,139</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>57,459</u>	<u>14,445</u>	<u>1</u>	<u>—</u>	<u>592</u>	<u>5</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	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	642	—
Health and Human Services	—	—	16	—	—	—
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	—	7,179	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	48,951	—	—	—	—	—
Total expenditures	<u>48,951</u>	<u>7,179</u>	<u>16</u>	<u>—</u>	<u>642</u>	<u>—</u>
Other financing uses:						
Principal on current refundings	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	—	38	—
Lottery operating reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers out	—	—	1	—	23	—
Stabilization transfer	—	—	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>61</u>	<u>—</u>
Total expenditures and other financing uses	<u>48,951</u>	<u>7,179</u>	<u>17</u>	<u>—</u>	<u>703</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	8,508	7,266	(16)	—	(111)	5
Fund balances/(deficits) at beginning of year	298	11,487	156	58	640	58
Fund balances/(deficits) at end of year	<u>\$ 8,806</u>	<u>\$ 18,753</u>	<u>\$ 140</u>	<u>\$ 58</u>	<u>\$ 529</u>	<u>\$ 63</u>

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, 2021
(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.....	\$ 21,363	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	220	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—
Departmental.....	—	—	—	—	502	41
Miscellaneous.....	—	—	—	—	—	—
Total revenues.....	<u>21,363</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>502</u>	<u>41</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>21,363</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>502</u>	<u>41</u>
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Judiciary.....	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—
Attorney General.....	—	—	86	—	—	—
District Attorney.....	—	—	28	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	1	—	359	315	45
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.....	10,197	—	—	—	—	—
Debt service:						
Principal retirement.....	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—
Total expenditures.....	<u>10,197</u>	<u>1</u>	<u>114</u>	<u>359</u>	<u>315</u>	<u>45</u>
Other financing uses:						
Principal on current refundings.....	—	—	—	—	—	—
Fringe benefit cost assessment.....	—	—	—	100	32	—
Lottery operating reimbursements.....	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—
Operating transfers out.....	1	—	—	13	—	—
Stabilization transfer.....	—	—	—	—	—	—
Total other financing uses.....	<u>1</u>	<u>—</u>	<u>—</u>	<u>113</u>	<u>32</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>10,198</u>	<u>1</u>	<u>114</u>	<u>472</u>	<u>347</u>	<u>45</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....						
	11,165	(1)	(114)	(252)	155	(4)
Fund balances/(deficits) at beginning of year.....	49,963	394	158	372	328	30
Fund balances/(deficits) at end of year.....	<u>\$ 61,128</u>	<u>\$ 393</u>	<u>\$ 44</u>	<u>\$ 120</u>	<u>\$ 483</u>	<u>\$ 26</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	18,134	—	—	—	—
—	—	—	27,351	—	—	—	—	—	—
639	—	—	6,191	294	3,839	—	157	3,571	9,918
3	—	—	24	—	5	1	—	1	—
642	—	—	33,566	294	21,978	1	157	3,572	9,918
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	5,300	—	—	—	—	—	—	—	—
—	5,300	—	—	—	—	—	—	—	—
642	5,300	—	33,566	294	21,978	1	157	3,572	9,918
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	15	—	—	—	—	—	—
—	—	—	186	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	4,269	—	25,337	—	—	—	—	—	—
861	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	94	1,412	7,609
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	2	—	—	—	—	—	—	—
—	—	—	—	350	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	1,943	—	—	—	—
—	—	—	—	—	—	—	—	—	—
861	4,269	2	25,538	350	1,943	—	94	1,412	7,609
—	—	—	—	—	—	—	—	—	—
95	—	—	515	—	4,415	—	—	—	1,773
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
34	—	—	185	—	17,797	—	—	—	627
—	—	—	—	—	—	—	—	—	—
129	—	—	700	—	22,212	—	—	—	2,400
990	4,269	2	26,238	350	24,155	—	94	1,412	10,009
(348)	1,031	(2)	7,328	(56)	(2,177)	1	63	2,160	(91)
1,325	8,231	189	11,689	831	11,860	14	241	5,755	6,668
\$ 977	\$ 9,262	\$ 187	\$ 19,017	\$ 775	\$ 9,683	\$ 15	\$ 304	\$ 7,915	\$ 6,577

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2021
(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.....	\$ —	\$ —	\$ 45,744	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	6,818	—	—	—	715,140	—	—
Departmental.....	—	154	—	2,758	—	11,033	—
Miscellaneous.....	—	—	79	—	424	—	—
Total revenues.....	<u>6,818</u>	<u>154</u>	<u>45,823</u>	<u>2,758</u>	<u>715,564</u>	<u>11,033</u>	<u>—</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	—	—	—	26,271	4,364	11,351
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,271</u>	<u>4,364</u>	<u>11,351</u>
Total revenues and other financing sources.....	<u>6,818</u>	<u>154</u>	<u>45,823</u>	<u>2,758</u>	<u>741,835</u>	<u>15,397</u>	<u>11,351</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.....	—	—	—	—	—	—	5
Sheriffs' Departments.....	—	—	—	—	—	—	400
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	12,175	2,664
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	—	—	42,344	—	—	—	—
Energy and Environmental Affairs.....	3,925	—	—	—	—	—	—
Health and Human Services.....	—	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	—	31	—	—	—	—	220
Public Safety and Security.....	—	—	—	1,371	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	24,610	—	79,720	—	—
Interest and fiscal charges.....	—	—	27,673	—	32,648	—	—
Total expenditures.....	<u>3,925</u>	<u>31</u>	<u>94,627</u>	<u>1,371</u>	<u>112,368</u>	<u>12,175</u>	<u>3,289</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	1,307	—	—	—	—	—	56
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	1,686	—	71,000	—	632,766	—	26
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>2,993</u>	<u>—</u>	<u>71,000</u>	<u>—</u>	<u>632,766</u>	<u>—</u>	<u>82</u>
Total expenditures and other financing uses.....	<u>6,918</u>	<u>31</u>	<u>165,627</u>	<u>1,371</u>	<u>745,134</u>	<u>12,175</u>	<u>3,371</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	(100)	123	(119,804)	1,387	(3,299)	3,222	7,980
Fund balances/(deficits) at beginning of year.....	1,583	1,368	313,305	1,900	90,929	17,042	23,106
Fund balances/(deficits) at end of year.....	<u>\$ 1,483</u>	<u>\$ 1,491</u>	<u>\$ 193,501</u>	<u>\$ 3,287</u>	<u>\$ 87,630</u>	<u>\$ 20,264</u>	<u>\$ 31,086</u>

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, 2021
(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	—	85	206	3,241	—	2,311	692
Miscellaneous	—	—	—	—	—	—	—
Total revenues	—	85	206	3,241	—	2,311	692
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—	100
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	100
Total revenues and other financing sources	—	85	206	3,241	—	2,311	792
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	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	1	—	—	—	1	—	—
Energy and Environmental Affairs	—	—	—	—	—	1,279	—
Health and Human Services	—	—	19	—	—	—	392
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	72	—	2,964	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	1	72	19	2,964	1	1,279	392
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	—	—	408	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	260	—	43	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	—	260	—	451	—
Total expenditures and other financing uses	1	72	19	3,224	1	1,730	392
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	(1)	13	187	17	(1)	581	400
Fund balances/(deficits) at beginning of year	1,218	424	1,288	5,573	247	1,605	347
Fund balances/(deficits) at end of year	\$ 1,217	\$ 437	\$ 1,475	\$ 5,590	\$ 246	\$ 2,186	\$ 747

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, 2021
 (Amounts in thousands)

	Non-Budgeted Other Funds						
	Coronavirus Relief	Vaccine Purchase Trust	Dairy Promotion Trust	Wellfleet Hollow State Campground Trust Fund	COVID-19 Domestic Violence & Sexual Assault Survivors' Safety Trust	Opioid Recovery and Remediation	COVID-19 Emergency Paid Sick Leave
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—	—
Federal grants and reimbursements.....	85,272	—	—	—	—	—	—
Departmental.....	—	—	188	3	—	11,530	—
Miscellaneous.....	—	—	—	—	—	—	—
Total revenues.....	<u>85,272</u>	<u>—</u>	<u>188</u>	<u>3</u>	<u>—</u>	<u>11,530</u>	<u>—</u>
Other financing sources:							
Issuance of current refunding bonds.....	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds.....	—	—	—	—	—	—	—
Operating transfers in.....	—	45,379	54	—	5,000	—	75,000
Medical assistance transfer.....	—	—	—	—	—	—	—
Total other financing sources.....	<u>—</u>	<u>45,379</u>	<u>54</u>	<u>—</u>	<u>5,000</u>	<u>—</u>	<u>75,000</u>
Total revenues and other financing sources.....	<u>85,272</u>	<u>45,379</u>	<u>242</u>	<u>3</u>	<u>5,000</u>	<u>11,530</u>	<u>75,000</u>
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary.....	—	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	11,208	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—	—
Administration and Finance.....	297,275	—	—	—	—	—	—
Energy and Environmental Affairs.....	416	—	77	—	—	—	—
Health and Human Services.....	12,211	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	257	—	—	—	—	—	—
Massachusetts Department of Transportation.....	3,280	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—	—
Executive Office of Education.....	251,756	—	—	—	—	—	—
Public Safety and Security.....	388	—	—	—	—	—	—
Housing and Economic Development.....	728,925	—	—	—	—	—	—
Labor and Workforce Development.....	2,468	—	—	—	—	—	—
Debt service:							
Principal retirement.....	—	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—	—
Total expenditures.....	<u>1,308,184</u>	<u>—</u>	<u>77</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing uses:							
Principal on current refundings.....	—	—	—	—	—	—	—
Fringe benefit cost assessment.....	155	—	6	—	—	—	—
Lottery operating reimbursements.....	—	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—	—
Operating transfers out.....	570	—	5	—	—	—	—
Stabilization transfer.....	—	—	—	—	—	—	—
Total other financing uses.....	<u>725</u>	<u>—</u>	<u>11</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses.....	<u>1,308,909</u>	<u>—</u>	<u>88</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	(1,223,637)	45,379	154	3	5,000	11,530	75,000
Fund balances/(deficits) at beginning of year.....	1,699,890	—	—	—	—	—	—
Fund balances/(deficits) at end of year.....	<u>\$ 476,253</u>	<u>\$ 45,379</u>	<u>\$ 154</u>	<u>\$ 3</u>	<u>\$ 5,000</u>	<u>\$ 11,530</u>	<u>\$ 75,000</u>

See accountants' review report

MassDOT				Totals (Memorandum only)	
Massachusetts Transportation Trust	Central Artery/ Tunnel Project Repair and Maintenance Trust	Motor Vehicle Inspection Trust	Transportation Infrastructure and Development	2021	2020
\$ —	\$ —	\$ —	\$ —	\$ 2,877,080	\$ 2,543,261
—	—	—	—	898,752	835,852
15,310	—	—	—	5,806,155	6,230,207
470,375	—	45,708	—	7,086,221	6,568,054
26,843	2,027	16	6	32,956	87,699
512,528	2,027	45,724	6	16,701,162	16,265,073
—	—	—	—	—	664,155
—	—	—	—	—	144,943
649,833	—	—	—	1,132,630	1,021,670
—	—	—	—	505,250	505,785
649,833	—	—	—	1,637,880	2,336,553
1,162,361	2,027	45,724	6	18,339,042	18,601,626
—	—	—	—	3,343	2,881
—	—	—	—	103	276
111	—	—	—	189	168
—	—	—	—	4,938	5,206
472	—	—	—	7,313,402	6,479,902
—	—	—	—	52,609	48,401
—	—	—	—	4,654	3,690
254	—	—	—	11,423	91,914
—	—	—	—	1,203	922
—	—	—	—	3,274	2,555
—	—	—	—	45,589	43,879
—	—	—	—	1,508	1,947
—	—	—	—	977,139	672,174
253	—	1,537	—	104,432	104,258
—	—	—	—	2,653,770	2,469,121
—	—	—	—	7,642	6,363
977,712	25,355	9,862	—	1,016,379	1,032,768
—	—	—	—	—	59
—	—	—	—	1,467,556	1,031,341
6	—	—	—	300,104	527,188
—	—	—	—	1,604,815	573,026
—	—	—	—	233,101	156,122
—	—	—	—	107,905	102,682
—	—	—	—	110,595	105,129
978,808	25,355	11,399	—	16,025,672	13,461,972
—	—	—	—	—	809,098
91,631	—	1,623	—	217,254	290,162
—	—	—	—	105,986	110,928
—	—	—	—	1,090,040	967,263
3,077	—	35,856	—	1,140,066	898,297
—	—	—	—	17,457	14,914
94,708	—	37,479	—	2,570,802	3,090,662
1,073,516	25,355	48,878	—	18,596,474	16,552,634
88,845	(23,328)	(3,154)	6	(257,432)	2,048,992
1,069,894	352,104	5,260	3,217	4,506,466	2,457,474
\$ 1,158,739	\$ 328,776	\$ 2,106	\$ 3,223	\$ 4,249,034	\$ 4,506,466



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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 FY21 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.

Capital Projects Funds

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

Fiscal Year Ended June 30, 2021

(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	\$ 77,259	\$ —	\$ —	\$ —
Departmental	—	—	—	—
Miscellaneous	(5)	—	—	39
Total revenues	77,254	—	—	39
Other financing sources:				
Issuance of general obligation bonds	995,674	—	—	986,374
Bond premiums (discounts) on general obligation bonds	159,056	—	—	234,928
Issuance of special obligation bonds	—	—	—	400,000
Bond premiums (discounts) on special obligation bonds	—	—	—	87,185
Issuance of current refunding bonds	395,972	—	—	469,143
Bond premiums (discounts) on current refunding bonds	78,183	—	—	121,346
Issuance of advance refunding bonds	513,000	—	1,361	346,462
Bond premiums (discounts) on advance refunding bonds	(1,407)	—	(3)	(908)
Operating transfers in	—	—	—	—
State share of federal highway construction	—	—	—	—
Total other financing sources	2,140,478	—	1,358	2,644,530
Total revenues and other financing sources	2,217,732	—	1,358	2,644,569
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	9,984	—	—	—
Secretary of the Commonwealth	2,137	—	—	—
Treasurer and Receiver-General	26,696	—	—	2,326
Auditor of the Commonwealth	102	—	—	—
Attorney General	10	—	—	125
Ethics Commission	82	—	—	—
Sheriffs' Departments	4,636	—	—	—
Board of Library Commissioners	20,133	—	—	—
Comptroller	1,754	—	—	—
Administration and Finance	341,632	—	—	—
Energy and Environmental Affairs	258,133	—	—	540
Health and Human Services	82,509	—	—	—
Executive Office of Technology Services and Security	56,565	—	—	—
Massachusetts Department of Transportation	51,691	—	—	1,487,217
Executive Office of Education	136,713	—	—	—
Center for Health Information and Analysis	4,974	—	—	—
Public Safety and Security	53,173	—	—	—
Housing and Economic Development	467,869	—	—	1,091
Labor and Workforce Development	1,279	—	—	—
Total expenditures	1,520,072	—	—	1,491,299
Other financing uses:				
Payments to advance refunding bonds escrow	511,593	—	1,358	345,554
Principal on current refundings	474,155	—	—	590,489
Fringe benefit cost assessment	19,867	—	—	—
Operating transfers out	—	—	—	—
State share of federal highway construction	—	—	—	141,684
Total other financing uses	1,005,615	—	1,358	1,077,727
Total expenditures and other financing uses	2,525,687	—	1,358	2,569,026
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(307,955)	—	—	75,543
Fund balances/(deficits) at beginning of year	(173,343)	8,393	—	(668,263)
Fund balances/(deficits) at end of year	\$ (481,298)	\$ 8,393	\$ —	\$ (592,720)

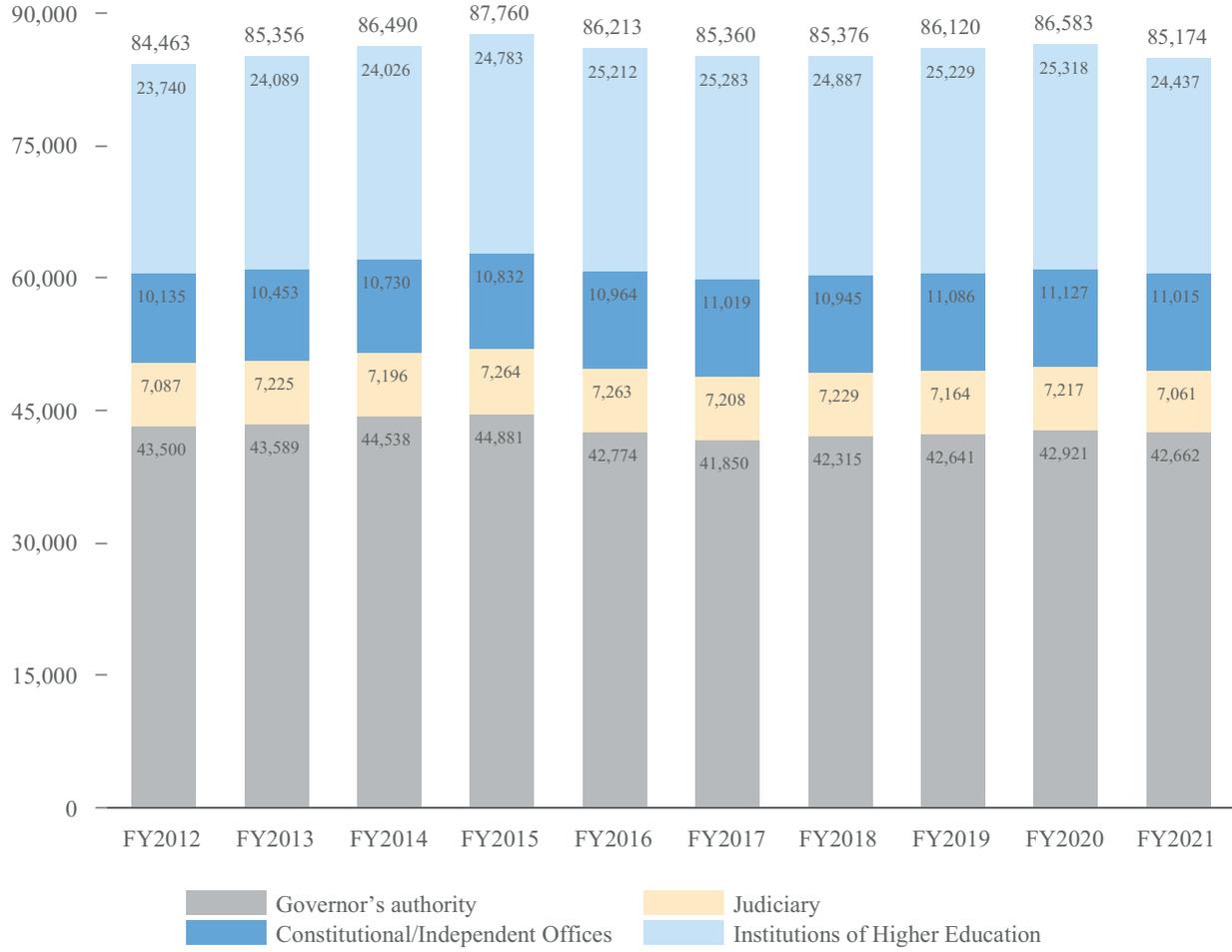
See accountant's review report

Federal Highway Construction Program	Government Land Bank Capital Projects	Local Aid Capital Projects	MassDOT		Totals (Memorandum only)	
			Central Artery Statewide Road and Bridge Infrastructure			
				2021	2020	
\$ —	\$ —	\$ —	\$ —	\$ 77,259	\$ 77,964	
729	—	—	—	729	1,385	
—	—	—	131	165	1,661	
<u>729</u>	<u>—</u>	<u>—</u>	<u>131</u>	<u>78,153</u>	<u>81,010</u>	
—	—	—	—	1,982,048	1,518,386	
—	—	—	—	393,984	120,356	
—	—	—	—	400,000	253,500	
—	—	—	—	87,185	54,037	
—	—	—	—	865,115	366,675	
—	—	—	—	199,529	42,216	
—	2,112	6,344	31,496	900,775	858,435	
—	(5)	(17)	(76)	(2,416)	(2,704)	
632,766	—	—	—	632,766	560,293	
<u>141,684</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>141,684</u>	<u>119,086</u>	
<u>774,450</u>	<u>2,107</u>	<u>6,327</u>	<u>31,420</u>	<u>5,600,670</u>	<u>3,890,280</u>	
<u>775,179</u>	<u>2,107</u>	<u>6,327</u>	<u>31,551</u>	<u>5,678,823</u>	<u>3,971,290</u>	
—	—	—	—	9,984	15,039	
—	—	—	—	2,137	1,025	
—	—	—	—	29,022	22,807	
—	—	—	—	102	—	
—	—	—	—	135	87	
—	—	—	—	82	—	
—	—	—	—	4,636	6,390	
—	—	—	—	20,133	19,400	
—	—	—	—	1,754	2,450	
—	—	—	—	341,632	315,803	
—	—	—	—	258,673	195,207	
—	—	—	—	82,509	86,459	
330	—	—	—	56,896	35,544	
<u>761,791</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,300,699</u>	<u>1,903,655</u>	
—	—	—	—	136,713	106,969	
—	—	—	—	4,974	4,595	
—	—	—	—	53,173	50,704	
—	500	—	—	469,459	334,031	
—	—	—	—	1,279	934	
<u>762,121</u>	<u>500</u>	<u>—</u>	<u>—</u>	<u>3,773,992</u>	<u>3,101,099</u>	
—	2,107	6,327	31,420	898,358	855,731	
—	—	—	—	1,064,644	408,891	
13,058	—	—	—	32,925	31,304	
—	—	—	—	—	884	
—	—	—	—	141,684	119,086	
<u>13,058</u>	<u>2,107</u>	<u>6,327</u>	<u>31,420</u>	<u>2,137,611</u>	<u>1,415,896</u>	
<u>775,179</u>	<u>2,607</u>	<u>6,327</u>	<u>31,420</u>	<u>5,911,603</u>	<u>4,516,995</u>	
—	(500)	—	131	(232,780)	(545,705)	
517	—	—	70,598	(762,098)	(216,393)	
<u>\$ 517</u>	<u>\$ (500)</u>	<u>\$ —</u>	<u>\$ 70,729</u>	<u>\$ (994,878)</u>	<u>\$ (762,098)</u>	

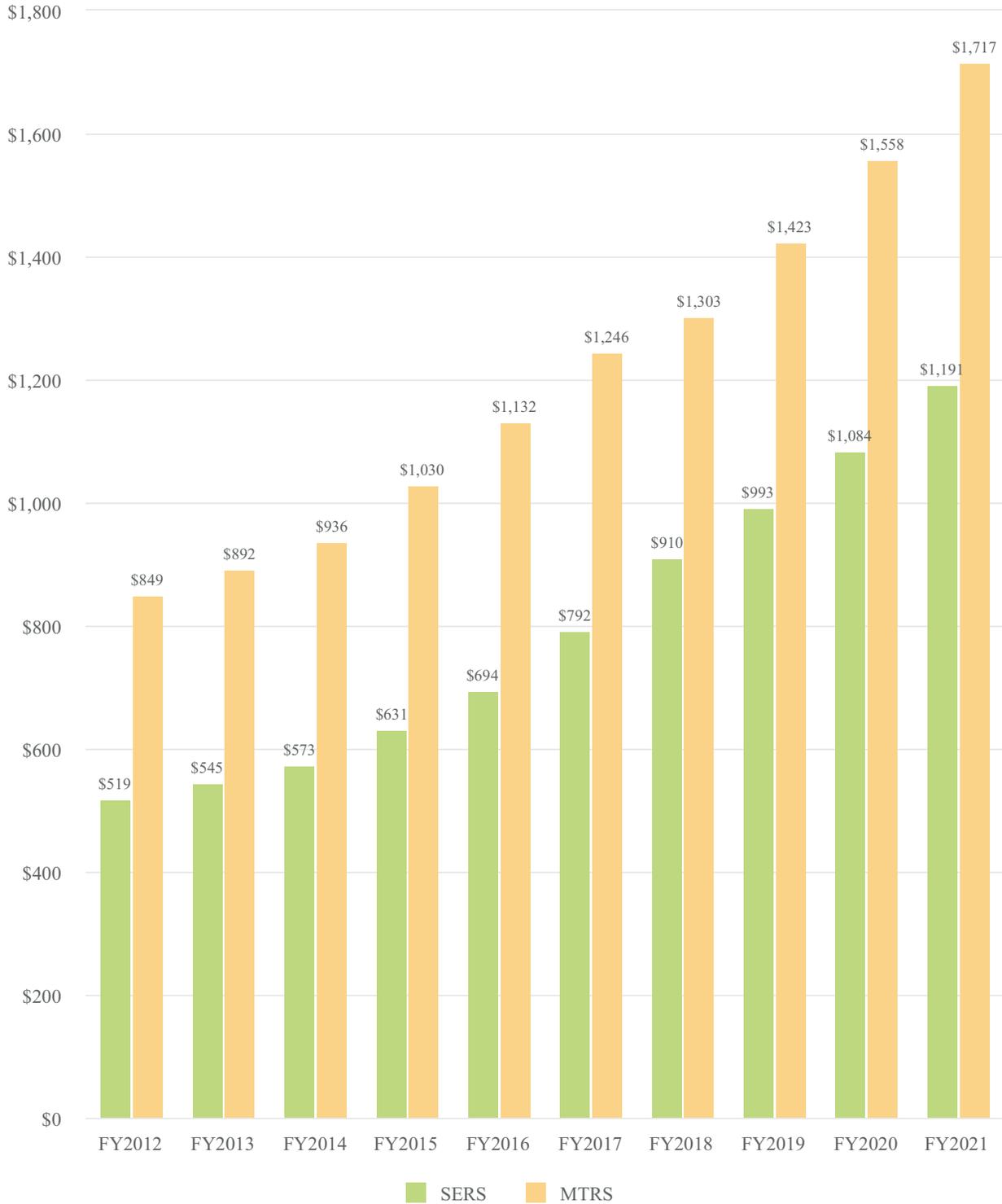


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THE BIG PICTURE: HISTORICAL CONTEXT
Full-Time Equivalent Workforce
Last Ten Fiscal Years



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, Transitional Escrow Fund and Stabilization Fund Reconciliation
Calculation of Transfers – Tax Reduction Fund
Schedule A – FY2021 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

Calculations of Consolidated Net Surplus, Transfers to Transitional Escrow Fund, and Stabilization Fund Balance Reconciliation

Fiscal Year Ended June 30, 2021
(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)	\$ 1,174,704	\$ 219,041	\$ 359	\$ (30,068)	\$ 3,009	\$ 11,496	\$ 81,783	\$ 1,460,324
Fund Balance Deficit Elimination Transfers Per Section 16 of Ch. 76 of the Acts of 2021:	(23,698)	(4,419)	(7)	30,068	(61)	(233)	(1,650)	—
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	<u>\$ 1,151,006</u>	<u>\$ 214,622</u>	<u>\$ 352</u>	<u>\$ —</u>	<u>\$ 2,948</u>	<u>\$ 11,263</u>	<u>\$ 80,133</u>	<u>\$ 1,460,324</u>
Year-end Transfers to the General Fund to Fund Statutory Allocations								—

Disposition of Consolidated Net Surplus per Section 16 of Ch. 76 of the Acts of 2021:

Transfer to the Massachusetts Transitional Escrow Fund	\$ (1,151,006)	\$ (214,622)	\$ (352)	\$ —	\$ (2,948)	\$ (11,263)	\$ (80,133)	\$ (1,460,324)
--------------------------------------------------------	----------------	--------------	----------	------	------------	-------------	-------------	----------------

Stabilization Fund Balance Reconciliation:

Balance as of July 1, 2020	\$ 3,501,181
Capital Gains Tax Revenue Transfers to Stabilization Fund during FY2021 per Chapter 29, Section 5G	1,098,140
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year	—
Certain tax revenues	324
Transfer of 10% of casino gaming tax revenue (MGM and Encore)	17,458
Stabilization Fund investment income	9,317
Stabilization Fund Balance as of June 30, 2021	\$ 4,626,419
Memo: Change in Stabilization Fund Balance, FY20-21	\$ 1,125,238

* Excludes funds not part of the consolidated net surplus or with no FY21 balances or activity; statute supersedes Section 2C of Chapter 29 of the Massachusetts General Laws, which determines transfers to the Commonwealth Stabilization Fund

Note: Details may not add to totals due to rounding

Calculation of Transfers: Tax Reduction Fund

Fiscal Year Ended June 30, 2021

(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	\$ 4,626,419
Allowable Stabilization Fund balance (per Schedule B)	<u>8,532,366</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 4,626,419
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 4,626,419</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
FY2021 Tax Revenues by Revenue Class

Fiscal Year Ended June 30, 2021
(Amounts in thousands)

Alcoholic beverages	\$ 92,660
Cigarette	316,073
Cigarette excise - Commonwealth Care	82,141
Corporations	3,672,995
Deeds	397,177
Estate and inheritance	787,764
Health care coverage penalty - Commonwealth Care	43,662
Income	19,618,461
Insurance	480,483
Motor and special fuels	662,932
Room occupancy	121,237
Sales and use	7,849,245
Club alcoholic beverages	546
Motor vehicle excise	783
Convention center surcharges	4,233
Community preservation	82,212
Satellite	6,708
Gaming revenue - Massachusetts Gaming Commission	224,007
State racing - Massachusetts Gaming Commission	1,117
Beano	47
Raffles and bazaars	585
Boxing	—
DOI excess and surplus lines	56,922
UI surcharge	21,363
Controlled substances	112,370
Electronic Nicotine Delivery System	13,304
FY 2021 state tax revenue	<u>\$ 34,649,027</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, 2021
(Amounts in thousands)

Total revenues and other financial resources pertaining to the budgeted funds.....	\$ 59,982,530
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C).....	<u>(3,100,092)</u>
Adjusted revenues and other financial resources pertaining to the budgeted funds.....	<u>56,882,438</u>
Allowable Stabilization Fund balance, 15% of budgeted fund revenue	<u><u>\$ 8,532,366</u></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, 2021
(Amounts in thousands)

Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund	\$ (441,643)
Adjustments to other financing sources and uses:	
Fringe benefit cost assessments	(17,029)
Transfer from the Intragovernmental Service Fund to the General Fund	(13,580)
RMV license plates	(4,394)
Capital Gains Tax Transfers from General Fund to the Commonwealth Stabilization Fund	(1,098,140)
Transfer from budgeted funds to the Transitional Escrow Fund	(1,460,324)
Other fund deficit support	(30,068)
Other	(34,914)
Elimination of budgetary interfund activity	\$ (3,100,092)

Non-Tax Revenue Initiatives

Fiscal Year Ended June 30, 2021
(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 FY21 were (amounts in thousands):

Department Collectors	Collections	Fees
Allen Daniels	\$ 1,245	\$ 174
F.H. Cann & Associates	895	164
Premier Credit of North America, LLC	1,170	149
Linebarger, Goggan, Blair & Sampson, LLP	217	55
Financial Asset Management Systems, Inc	25	3
Reliant Capital Solutions, Inc.	1,511	233
Windham Professionals Inc	1,063	173
Total	\$ 6,126	\$ 951

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
Allen Daniels	\$ 1,057	\$ 146
Premier Credit of North America, LLC	683	102
F.H. Cann & Associates	895	164
Reliant Capital Solutions, Inc.	1,206	181
Windham Professionals Inc	957	161
Total	\$ 4,798	\$ 754

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 FY21, the following amounts were generated (amounts in thousands):

State expenditures avoided	\$ 801
Contractor payments	(163)
Net cost savings/avoidance	\$ 638

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. FY21 activity (amounts in thousands):

Total Commonwealth intercepts	\$ 19,063
Amounts included above that were intercepted on behalf of the Institutions of Higher Education	\$ 8,100

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, 2021	\$ 30,370,096	\$ 45,704,298	15,334,202	66.5 %	\$ 6,544,575	234.3 %
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 %
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2021	\$ 31,170,723	\$ 58,829,999	27,659,276	53.0 %	\$ 7,670,306	360.6 %
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 %

*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 Annual Comprehensive Financial Report (ACFR).

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 ACFR due to changes in accounting standards.

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





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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, 2021
(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Taxes	\$ 34,649	41.3	\$ 30,156	42.7	\$ 30,200	44.4	\$ 28,177	44.0	\$ 26,042	42.1
Federal reimbursements	19,819	23.6	16,598	23.4	12,961	19.1	12,536	19.5	11,801	19.1
Federal grants	4,403	5.2	2,505	3.5	2,438	3.6	2,428	3.8	2,370	3.8
Lotteries	5,959	7.1	5,395	7.6	5,652	8.3	5,441	8.5	5,257	8.5
Assessments	1,322	1.6	1,267	1.8	1,328	2.0	1,246	1.9	1,209	2.0
Motor vehicle licenses and registrations	577	0.7	515	0.7	566	0.8	565	0.9	546	0.9
Fees, investment earnings, etc	5,378	6.4	5,679	8.0	5,650	8.3	5,525	8.6	4,963	8.0
Proceeds of general and special obligation bonds and related premiums	2,863	3.4	1,946	2.7	2,111	3.1	2,727	4.3	3,136	5.1
Proceeds of refunding bonds	1,963	2.3	2,074	2.9	1,443	2.1	1,311	2.0	2,269	3.7
Other interfund transfers	7,067	8.4	4,767	6.7	5,624	8.3	4,202	6.5	4,233	6.8
Total revenues and other financing sources	\$ 84,000	100.0	\$ 70,902	100.0	\$ 67,973	100.0	\$ 64,158	100.0	\$ 61,826	100.0

2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 25,800	42.7	\$ 25,239	44.4	\$ 23,665	43.6	\$ 22,396	43.8	\$ 21,384	42.7
11,528	19.1	10,287	18.1	9,265	17.1	9,078	17.8	8,931	17.8
2,363	3.9	2,269	4.0	2,328	4.3	2,396	4.7	2,655	5.3
5,407	8.9	5,194	9.1	5,050	9.3	5,043	9.9	4,941	9.9
1,058	1.7	1,033	1.8	1,079	2.0	1,018	2.0	986	2.0
546	0.9	546	1.0	495	0.9	487	1.0	474	0.9
5,016	8.3	4,409	7.8	4,252	7.9	3,858	7.5	3,580	7.2
3,003	5.0	3,404	6.0	2,262	4.2	1,512	3.0	1,921	3.8
1,674	2.8	707	1.2	722	1.3	231	0.5	480	1.0
4,067	6.7	3,748	6.6	5,093	9.4	4,982	9.8	4,731	9.4
<u>\$ 60,462</u>	<u>100.0</u>	<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>

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

Fiscal Year Ended June 30, 2021
(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Income	\$ 19,618	56.6	\$ 17,361	57.6	\$ 17,109	56.6	\$ 16,240	57.7	\$ 14,684	56.3
Sales and use	7,849	22.7	6,846	22.7	6,842	22.7	6,490	23.0	6,241	24.0
Corporations	3,673	10.6	2,532	8.4	2,947	9.8	2,409	8.5	2,196	8.4
Motor fuels	663	1.9	708	2.3	775	2.6	769	2.7	769	3.0
Cigarette and tobacco	398	1.1	524	1.7	553	1.8	594	2.1	619	2.4
Insurance	480	1.4	415	1.4	401	1.3	364	1.3	358	1.4
Estate and inheritance	788	2.3	700	2.3	601	2.0	473	1.7	337	1.3
Alcoholic beverages	93	0.3	88	0.3	86	0.3	85	0.3	84	0.3
Other	1,087	3.1	982	3.3	886	2.9	753	2.7	754	2.9
Total taxes	\$ 34,649	100.0	\$ 30,156	100.0	\$ 30,200	100.0	\$ 28,177	100.0	\$ 26,042	100.0

2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 14,394	55.9	\$ 14,449	57.2	\$ 13,202	55.8	\$ 12,831	57.3	\$ 11,911	55.6
6,090	23.6	5,804	23.0	5,519	23.3	5,184	23.1	5,079	23.8
2,333	9.0	2,227	8.8	2,195	9.3	1,888	8.4	2,002	9.4
767	3.0	756	3.0	732	3.1	651	2.9	662	3.1
641	2.5	647	2.6	661	2.8	558	2.6	574	2.6
369	1.4	333	1.3	316	1.3	373	1.7	318	1.5
399	1.5	341	1.4	402	1.7	313	1.4	293	1.4
83	0.3	80	0.3	79	0.3	77	0.3	77	0.4
724	2.8	602	2.4	559	2.4	521	2.3	468	2.2
<u>\$ 25,800</u>	<u>100.0</u>	<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>

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

Fiscal Year Ended June 30, 2021

(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Legislature.....	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1
Judiciary.....	1,031	1.3	1,037	1.5	997	1.5	933	1.5	929	1.5
Inspector General.....	6	—	6	—	5	—	4	—	4	—
Governor and Lieutenant Governor.....	9	—	7	—	7	—	7	—	7	—
Secretary of the Commonwealth.....	65	0.1	56	0.1	57	0.1	46	0.1	52	0.1
Treasurer and Receiver-General.....	7,564	9.9	6,741	9.8	6,849	10.3	6,631	10.5	6,314	10.3
Auditor of the Commonwealth.....	20	—	19	—	18	—	20	—	21	—
Attorney General.....	108	0.1	102	0.1	100	0.2	98	0.2	71	0.1
Ethics Commission.....	2	—	2	—	2	—	2	—	2	—
District Attorney.....	151	0.2	145	0.2	132	0.2	122	0.2	123	0.2
Office of Campaign and Political Finance.....	2	—	2	—	3	—	2	—	2	—
Sheriffs' Departments.....	703	0.9	723	1.0	674	1.0	637	1.0	624	1.0
Disabled Persons Protection Commission.....	6	—	6	—	5	—	4	—	3	—
Board of Library Commissioners.....	57	0.1	52	0.1	50	0.1	48	0.1	40	0.1
Massachusetts Gaming Commission.....	47	0.1	45	0.1	51	0.1	45	0.1	38	0.1
Comptroller.....	23	—	18	—	16	—	16	—	16	—
Administration and Finance.....	10,079	13.1	9,657	14.0	9,119	13.7	8,969	14.2	9,010	14.6
Energy and Environmental Affairs.....	669	0.9	585	0.8	598	0.9	565	0.9	543	0.9
Health and Human Services.....	27,842	36.3	26,391	38.5	25,325	38.1	24,438	38.2	23,037	37.6
Executive Office of Technology Services and Security.....	212	0.3	177	0.3	167	0.3	137	0.2	—	—
Massachusetts Department of Transportation.....	3,444	4.5	3,064	4.4	2,855	4.3	2,980	4.7	3,129	5.1
Office of the Child Advocate.....	2	—	2	—	1	—	1	—	1	—
Commission Against Discrimination.....	7	—	7	—	7	—	6	—	6	—
Cannabis Control Commission.....	11	—	13	—	10	—	2	—	—	—
Executive Office of Education.....	4,442	5.8	3,832	5.5	3,604	5.4	3,353	5.3	3,280	5.3
Center for Health Information and Analysis.....	28	—	25	—	23	—	21	—	23	—
Public Safety and Security.....	1,819	2.4	2,111	3.1	1,462	2.2	1,430	2.3	1,406	2.3
Massachusetts Peace Officer Standards and Training.....	—	—	—	—	—	—	—	—	—	—
Housing and Economic Development.....	2,891	3.8	1,544	2.2	1,585	2.4	1,500	2.4	1,359	2.2
Labor and Workforce Development.....	299	0.4	224	0.3	207	0.3	195	0.3	214	0.3
Post employment benefits.....	3,752	4.9	3,305	4.8	3,110	4.7	2,891	4.6	2,660	4.3
Debt service.....	2,508	3.3	2,618	3.8	2,533	3.8	2,519	4.0	2,479	4.0
Payments to advance refunding escrow agent/ Principal on current refunding.....	1,963	2.6	2,074	3.0	1,443	2.2	1,311	2.1	2,269	3.7
Other fund deficit support.....	30	—	305	0.4	—	—	—	—	145	0.2
Other interfund transfers.....	6,818	8.9	4,099	5.9	5,421	8.1	4,412	7.0	3,677	6.0
Total expenditures and other financing uses.....	\$76,682	100.0	\$69,063	100.0	\$66,504	100.0	\$63,414	100.0	\$61,550	100.0

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.

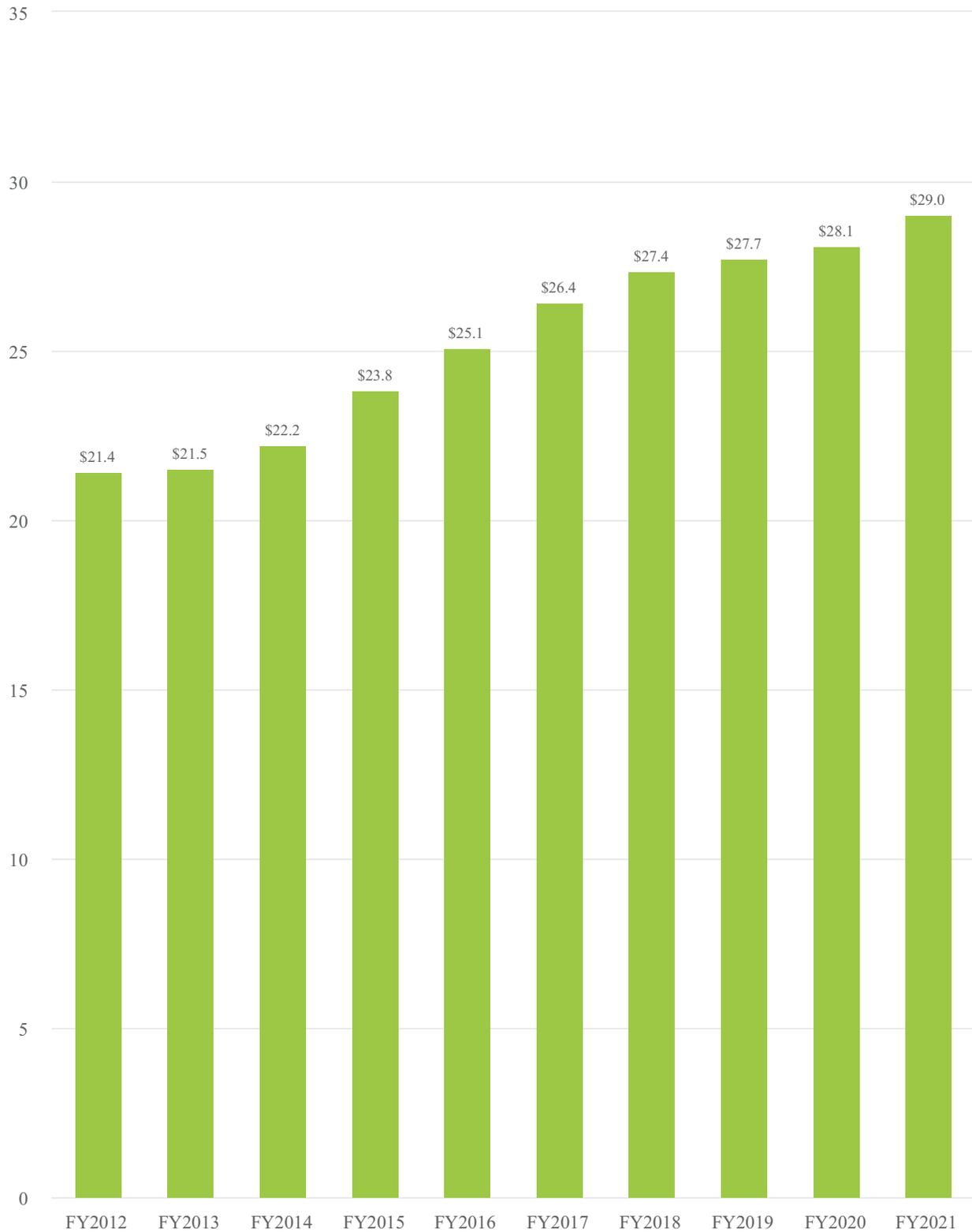
2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 61	0.1	\$ 60	0.1	\$ 56	0.1	\$ 57	0.1	\$ 58	0.1
896	1.5	852	1.5	831	1.5	802	1.5	780	1.6
4	—	5	—	6	—	6	—	3	—
7	—	7	—	5	—	6	—	7	—
45	0.1	52	0.1	53	0.1	50	0.1	43	0.1
6,485	10.7	6,224	11.1	5,893	10.9	5,867	11.3	5,847	11.7
20	—	21	—	19	—	19	—	18	—
63	0.1	56	0.1	53	0.1	50	0.1	53	0.1
3	—	2	—	2	—	2	—	2	—
116	0.2	111	0.2	108	0.2	108	0.2	101	0.2
2	—	2	—	1	—	1	—	1	—
616	1.0	595	1.1	571	1.0	543	1.0	532	1.1
3	—	3	—	2	—	2	—	2	—
48	0.1	49	0.1	45	0.1	41	0.1	34	0.1
35	0.1	21	—	23	—	14	—	1	—
17	—	20	—	18	—	14	—	13	—
8,817	14.8	8,827	15.9	8,857	16.3	8,660	16.8	7,451	14.9
627	1.0	628	1.1	561	1.0	490	0.9	456	0.9
22,579	37.3	20,398	36.0	18,649	34.1	17,447	34.1	17,632	35.1
—	—	—	—	—	—	—	—	—	—
3,287	5.4	3,248	5.8	2,914	5.4	2,439	4.7	2,323	4.6
1	—	—	—	—	—	—	—	—	—
6	—	5	—	5	—	5	—	5	—
—	—	—	—	—	—	—	—	—	—
3,320	5.5	3,218	5.7	3,130	5.8	2,952	5.7	3,030	6.0
27	—	28	—	25	—	9	—	—	—
1,396	2.3	1,350	2.4	1,313	2.4	1,324	2.6	1,236	2.5
—	—	—	—	—	—	—	—	—	—
1,320	2.2	1,281	2.3	1,251	2.3	1,214	2.3	1,203	2.4
214	0.4	223	0.4	237	0.4	300	0.6	390	0.8
2,503	4.1	2,287	3.9	2,109	3.7	1,990	3.8	1,892	3.8
2,470	4.1	2,507	4.5	2,410	4.4	2,351	4.5	2,272	4.5
—	—	—	—	—	—	—	—	—	—
1,674	2.8	707	1.3	722	1.3	230	0.4	388	0.8
71	0.1	89	0.2	168	0.3	—	—	—	—
3,685	6.1	3,409	6.2	4,673	8.6	4,752	9.2	4,352	8.7
<u>\$ 60,417</u>	<u>100.0</u>	<u>\$ 56,285</u>	<u>100.0</u>	<u>\$ 54,710</u>	<u>100.0</u>	<u>\$ 51,745</u>	<u>100.0</u>	<u>\$ 50,125</u>	<u>100.0</u>

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

Fiscal Year Ended June 30, 2021
(Amounts in millions)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Direct local aid	\$ 6,482	\$ 6,376	\$ 6,075	\$ 5,886	\$ 5,703	\$ 5,568	\$ 5,420	\$ 5,292	\$ 5,116	\$ 4,929
Medicaid	18,122	17,023	16,521	15,745	15,252	14,851	13,655	11,901	10,800	10,431
Other Health and Human Services	6,800	6,625	6,210	5,931	5,600	5,433	5,301	4,980	4,769	4,711
Elementary and Secondary Education	717	665	605	552	523	539	515	515	489	436
Higher Education	1,337	1,317	1,284	1,173	1,168	1,194	1,162	1,092	991	937
Early Education and Care	785	712	607	564	540	548	538	510	483	494
Public Safety and Security	1,410	1,479	1,168	1,102	1,060	1,066	1,041	1,010	960	930
Energy and Environmental Affairs	303	283	255	230	222	221	225	215	202	187
Post employment benefits	3,752	3,305	3,110	2,900	2,660	2,503	2,287	2,109	1,990	1,892
Group health insurance	1,721	1,662	1,644	1,634	1,663	1,630	1,665	1,403	1,278	1,206
Debt service	2,289	2,410	2,327	2,323	2,285	2,174	2,190	2,133	2,117	1,923
Major programs	43,718	41,857	39,806	38,039	36,676	35,727	33,999	31,160	29,195	28,076
Other program expenditures	3,916	2,762	3,563	3,113	3,235	3,241	3,326	3,294	3,007	2,899
Interfund transfers and other financing uses	4,545	3,374	3,434	2,945	1,908	1,959	1,527	3,200	3,149	2,515
Total expenditures and other financing uses	<u>\$ 52,179</u>	<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>

THE BIG PICTURE: HISTORICAL CONTEXT
Commonwealth Long-Term Bonds and Notes Outstanding
Last Ten Fiscal Years
(Amounts in \$ Billions)



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

As of June 30, 2021

(Amounts in millions)

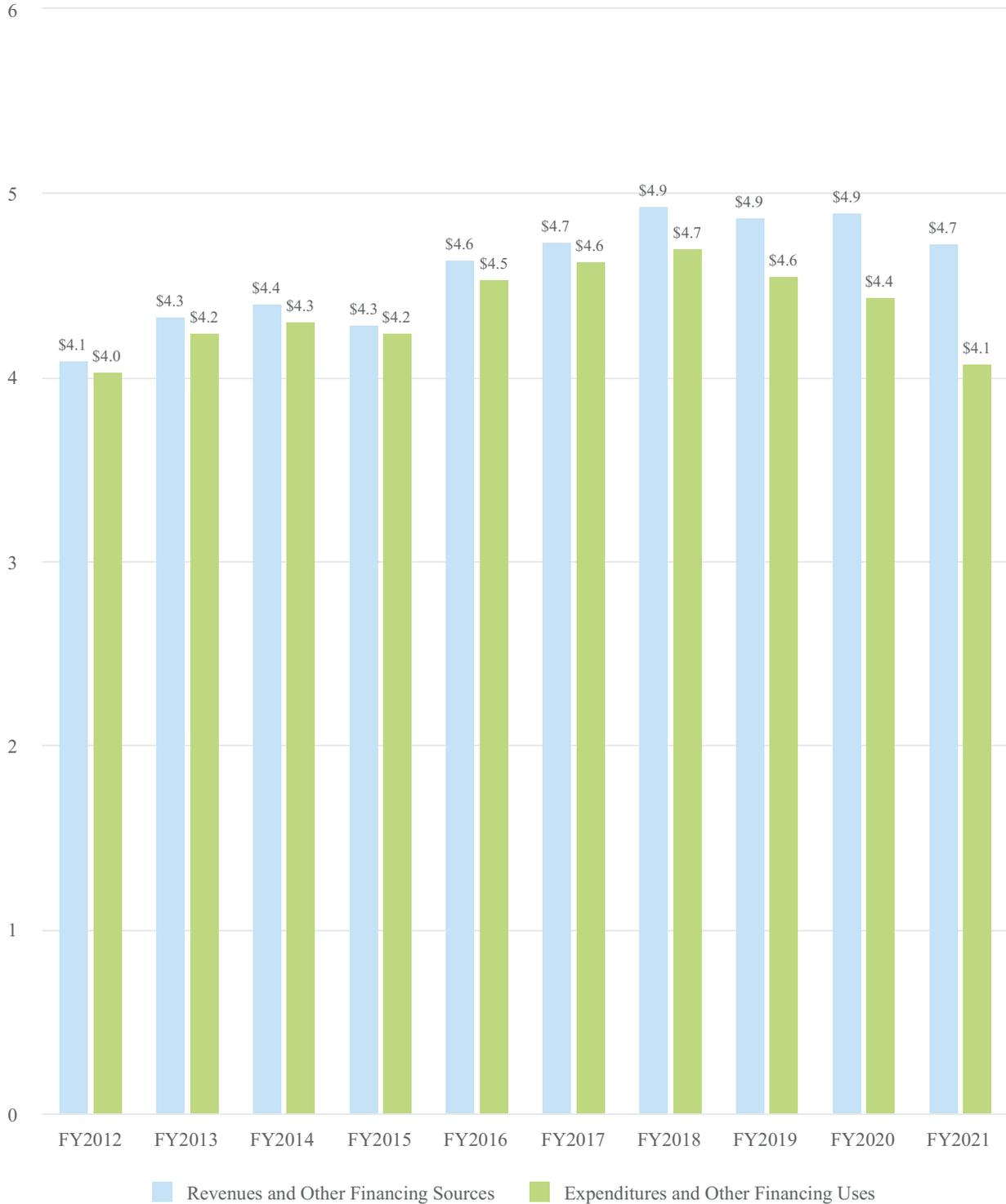
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General obligation bonds	\$ 24,765	\$ 23,953	\$ 23,676	\$ 23,144	\$ 22,717	\$ 21,668	\$ 20,802	\$ 19,387	\$ 19,140	\$ 18,852
Grant anticipation notes*	583	662	685	748	738	657	700	531	449	610
Special obligation bonds	3,700	3,483	3,378	3,469	2,991	2,754	2,324	2,292	1,924	1,972
Commonwealth long-term bonds ...	<u>\$ 29,048</u>	<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>

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

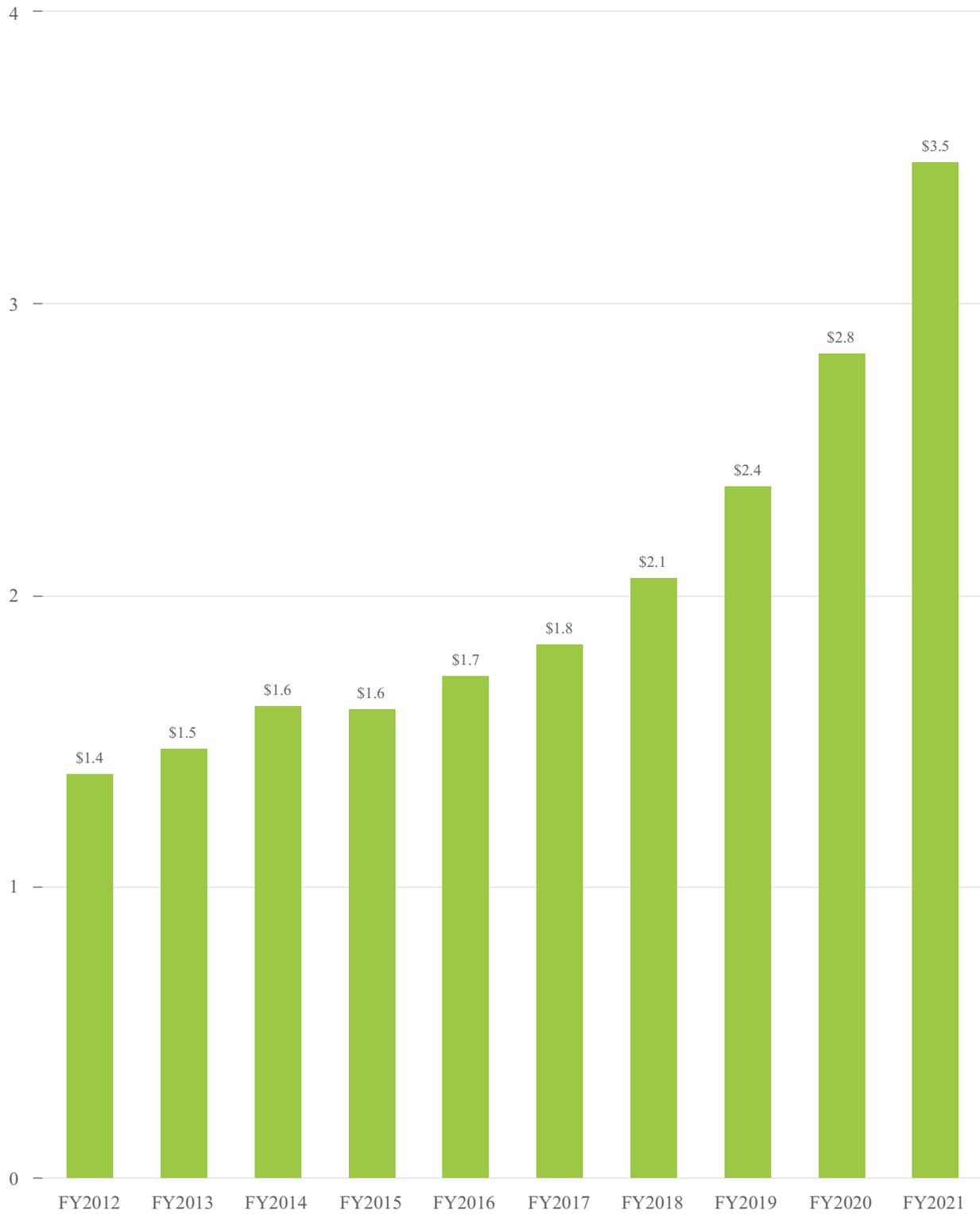


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THE BIG PICTURE: HISTORICAL CONTEXT
Revenues & Other Financing Sources vs.
Expenditures & Other Financing Uses
Combined Institutions of Higher Education
Last Ten Fiscal Years
(Amounts in \$ Billions)



THE BIG PICTURE: HISTORICAL CONTEXT
Non-Appropriated Funds of Higher Education
Ending Fund Balance
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, 2021

(Amounts in thousands)

	University of Massachusetts	State Universities and Colleges	Community Colleges	Totals	
				2021	2020
Revenues and other financing sources:					
Federal grants and reimbursements.....	\$ 380,070	\$ 79,441	\$ 144,043	\$ 603,554	\$ 527,352
Departmental revenue	1,363,651	596,965	453,393	2,414,009	2,574,621
Miscellaneous revenue	1,192,271	316,404	204,226	1,712,901	1,793,494
Total revenues and other financing sources	2,935,992	992,810	801,662	4,730,464	4,895,467
Expenditures and other financing uses:					
(by MMARS subsidiary):					
AA Regular employee compensation	757,651	155,450	124,526	1,037,627	1,115,265
BB Regular employee related expenses	6,082	1,995	1,588	9,665	25,209
CC Special employees and contracted services.....	235,695	114,704	160,509	510,908	581,734
DD Pension and insurance	212,770	51,551	23,832	288,153	320,084
EE Administrative expenditures	219,494	68,179	26,268	313,941	314,083
FF Facility operational supplies	90,667	17,489	12,427	120,583	146,223
GG Energy costs and space rental	118,020	40,068	24,010	182,098	200,057
HH Consultant services.....	230,553	19,380	19,967	269,900	203,240
JJ Operational services	46,596	35,484	10,697	92,777	109,165
KK Equipment purchase	27,686	5,795	10,013	43,494	49,786
LL Equipment leases, maintenance and repair	29,126	7,084	6,667	42,877	43,583
MM Purchased client services and programs	36,742	2,111	3,812	42,665	49,344
NN Construction and improvements	130,826	38,005	16,021	184,852	202,444
PP Aid to local governments	—	—	1,549	1,549	2,293
RR Benefit programs	144,589	155,114	177,278	476,981	555,032
SS Debt payment	30,283	7,946	3,594	41,823	61,755
TT Loans and special payments	160,866	68,571	22,596	252,033	315,458
UU Information technology (IT) expenses	89,236	38,228	34,463	161,927	142,405
Total expenditures and other financing uses	2,566,882	827,154	679,817	4,073,853	4,437,160
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	369,110	165,656	121,845	656,611	458,307
Fund balance at beginning of year	1,509,743	803,726	519,824	2,833,293	2,374,986
Fund balance at end of year	\$ 1,878,853	\$ 969,382	\$ 641,669	\$ 3,489,904	\$ 2,833,293

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, 2021
(Amounts in thousands)

	Totals	
	2021	2020
Revenues and other financing sources:		
Federal grants and reimbursements	\$ 380,070	\$ 306,483
Departmental revenue	1,363,651	1,564,891
Miscellaneous revenue	1,192,271	1,216,961
Total revenues and other financing sources	2,935,992	3,088,335
Expenditures and other financing uses:		
(by MMARS subsidiary):		
AA Regular employee compensation	757,651	801,212
BB Regular employee related expenses	6,082	18,080
CC Special employees and contracted services	235,695	266,366
DD Pension and insurance	212,770	231,215
EE Administrative expenditures	219,494	232,966
FF Facility operational supplies	90,667	116,629
GG Energy costs and space rental	118,020	132,161
HH Consultant services	230,553	174,436
JJ Operational services	46,596	49,414
KK Equipment purchase	27,686	33,351
LL Equipment leases, maintenance and repair	29,126	29,345
MM Purchased client services and programs	36,742	43,016
NN Construction and improvements	130,826	147,856
RR Benefit programs	144,589	257,084
SS Debt payment	30,283	39,413
TT Loans and special payments	160,866	156,809
UU Information technology (IT) expenses	89,236	78,289
Total expenditures and other financing uses	2,566,882	2,807,642
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	369,110	280,693
Fund balance at beginning of year	1,509,743	1,229,050
Fund balance at end of year	<u>\$ 1,878,853</u>	<u>\$ 1,509,743</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, 2021

(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.....	\$ 30,585	\$ 6,176	\$ 9,895	\$ 2,551
Departmental revenue	148,863	55,685	60,001	27,674
Miscellaneous revenue	72,397	80,799	24,710	22,073
Total revenues and other financing sources	251,845	142,660	94,606	52,298
Expenditures and other financing uses:				
(by MMARS subsidiary):				
AA Regular employee compensation	65,824	10,298	19,233	9,856
BB Regular employee related expenses	311	106	127	87
CC Special employees and contracted services.....	39,421	9,798	14,147	5,603
DD Pension and insurance	24,826	2,922	5,716	830
EE Administrative expenditures	5,723	31,263	1,984	3,165
FF Facility operational supplies.....	4,028	2,030	1,553	1,009
GG Energy costs and space rental.....	4,413	3,183	4,328	1,671
HH Consultant services.....	1,391	1,207	1,428	1,756
JJ Operational services	5,520	4,299	7,173	1,351
KK Equipment purchase	1,852	394	761	701
LL Equipment leases, maintenance and repair	1,964	367	476	143
MM Purchased client services and programs.....	1,011	831	43	—
NN Construction and improvements.....	12,336	1,980	3,045	5,947
PP Aid to local governments	—	—	—	—
RR Benefit programs	49,598	13,001	11,374	8,731
SS Debt payment	481	315	364	—
TT Loans and special payments	7,770	3,559	11,086	2,649
UU Information technology (IT) expenses	6,890	5,340	4,105	2,901
Total expenditures and other financing uses	233,359	90,893	86,943	46,400
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	18,486	51,767	7,663	5,898
Fund balance at beginning of year	48,966	101,731	47,495	19,538
Fund balance at end of year.....	<u>\$ 67,452</u>	<u>\$ 153,498</u>	<u>\$ 55,158</u>	<u>\$ 25,436</u>

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	
					2021	2020
\$ 1,358	\$ 2,481	\$ 11,281	\$ 7,343	\$ 7,771	\$ 79,441	\$ 65,422
31,904	16,998	111,922	65,660	78,258	596,965	618,549
8,833	11,153	43,236	16,925	36,278	316,404	355,112
42,095	30,632	166,439	89,928	122,307	992,810	1,039,083
4,510	5,440	15,397	5,547	19,345	155,450	188,355
269	39	69	727	260	1,995	4,662
7,316	5,033	15,143	9,135	9,108	114,704	139,853
1,523	571	6,345	1,459	7,359	51,551	60,035
2,595	1,412	14,115	6,505	1,417	68,179	52,368
44	206	2,369	2,576	3,674	17,489	16,087
1,778	1,731	4,272	13,859	4,833	40,068	42,430
1,325	999	1,218	7,559	2,497	19,380	12,762
6,769	1,689	5,552	2,823	308	35,484	44,929
322	530	112	889	234	5,795	6,159
1,171	82	353	1,787	741	7,084	7,837
—	—	163	—	63	2,111	3,108
144	1,263	5,649	5,808	1,833	38,005	37,392
—	—	—	—	—	—	50
1,367	6,415	23,587	26,669	14,372	155,114	123,278
—	447	543	863	4,933	7,946	18,391
2,818	1,548	5,462	70	33,609	68,571	135,707
2,275	1,354	7,241	4,047	4,075	38,228	34,632
34,226	28,759	107,590	90,323	108,661	827,154	928,035
7,869	1,873	58,849	(395)	13,646	165,656	111,048
6,490	13,087	180,103	303,945	82,371	803,726	692,678
\$ 14,359	\$ 14,960	\$ 238,952	\$ 303,550	\$ 96,017	\$ 969,382	\$ 803,726

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

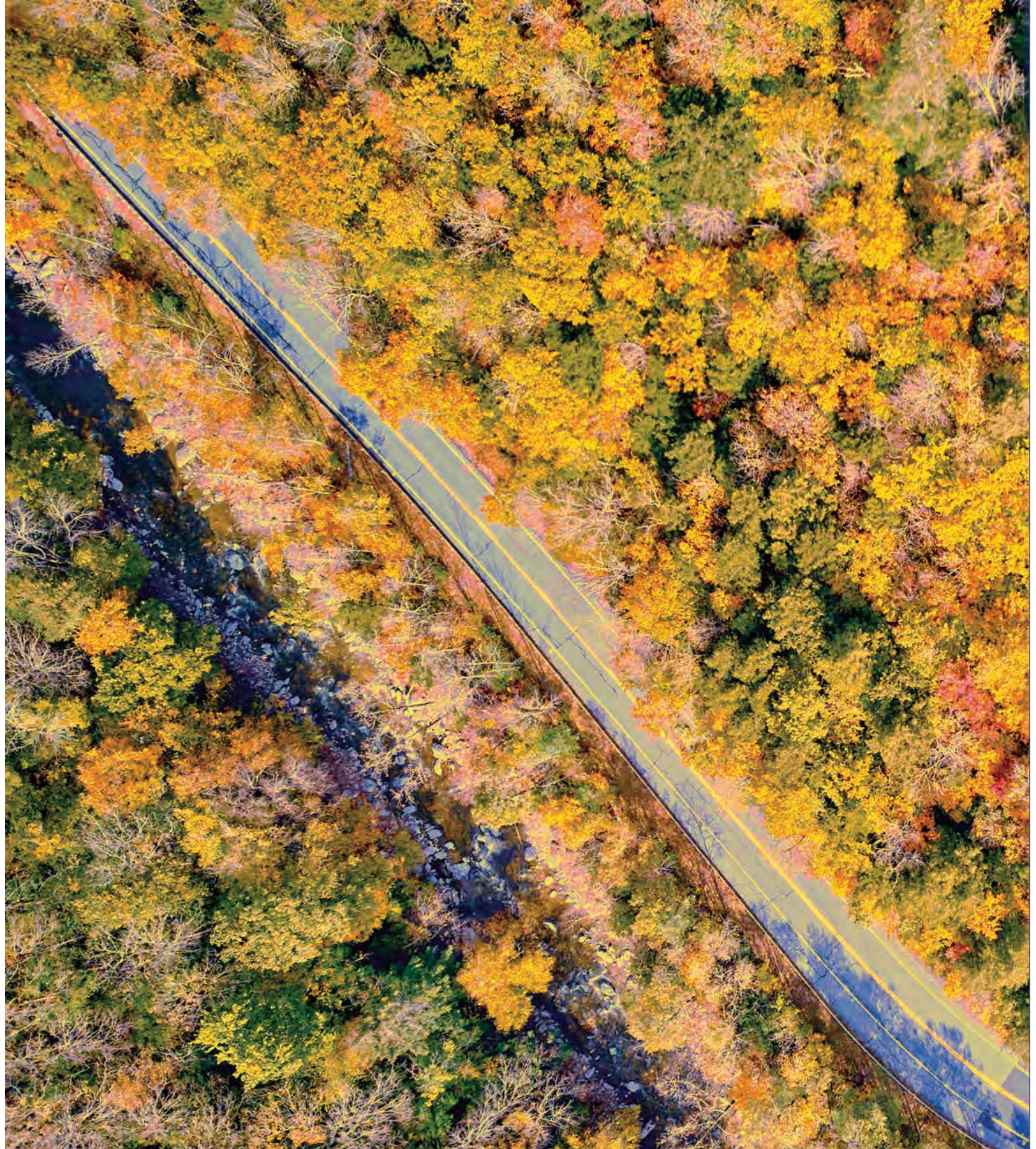
Fiscal Year Ended June 30, 2021

(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.....	\$ 4,369	\$ 17,794	\$ 16,577	\$ 8,723	\$ 3,295	\$ 10,571	\$ 9,637
Departmental revenue.....	7,596	62,472	43,898	12,207	11,589	19,522	43,144
Miscellaneous revenue.....	3,525	27,978	23,196	15,028	4,198	11,615	19,082
Total revenues and other financing sources.....	15,490	108,244	83,671	35,958	19,082	41,708	71,863
Expenditures and other financing uses:							
(by MMARS subsidiary):							
AA Regular employee compensation.....	1,578	38,770	9,795	3,900	1,756	3,529	10,084
BB Regular employee related expenses.....	95	69	228	52	18	49	35
CC Special employees and contracted services.....	3,308	14,681	23,221	11,757	5,076	6,467	16,152
DD Pension and insurance.....	578	3,017	3,888	1,772	617	899	2,637
EE Administrative expenditures.....	973	1,833	1,796	1,399	758	1,672	1,844
FF Facility operational supplies.....	405	704	867	349	338	462	856
GG Energy costs and space rental.....	320	4,296	2,282	1,650	196	1,111	1,013
HH Consultant services.....	575	1,198	1,487	343	403	1,914	550
JJ Operational services.....	330	1,986	623	475	267	820	263
KK Equipment purchase.....	182	451	1,448	241	157	509	210
LL Equipment leases, maintenance and repair.....	75	402	130	147	134	75	343
MM Purchased client services and programs.....	—	970	1,151	—	6	1	893
NN Construction and improvements.....	457	2,329	4,728	558	292	1,577	747
PP Aid to local governments.....	—	—	101	—	155	—	67
RR Benefit programs.....	3,972	19,927	18,050	6,504	4,131	11,239	12,899
SS Debt payment.....	11	245	—	—	—	356	989
TT Loans and special payments.....	1,513	—	381	—	651	1	2,925
UU Information technology (IT) expenses.....	1,090	7,594	3,487	1,197	542	2,092	2,558
Total expenditures and other financing uses.....	15,462	98,472	73,663	30,344	15,497	32,773	55,065
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	28	9,772	10,008	5,614	3,585	8,935	16,798
Fund balance at beginning of year.....	3,289	24,719	21,165	26,885	5,129	14,486	46,267
Fund balance at end of year.....	\$ 3,317	\$ 34,491	\$ 31,173	\$ 32,499	\$ 8,714	\$ 23,421	\$ 63,065

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	
								2021	2020
\$ 9,127	\$ 15,786	\$ 882	\$ 6,281	\$ 17,501	\$ 12,007	\$ 2,934	\$ 8,559	\$ 144,043	\$155,447
17,440	33,349	27,023	47,609	28,591	60,439	—	38,514	453,393	391,181
12,045	20,967	15,929	16,088	11,718	1,518	7,814	13,525	204,226	221,421
38,612	70,102	43,834	69,978	57,810	73,964	10,748	60,598	801,662	768,049
656	5,420	16,124	7,055	16,081	8,197	—	1,581	124,526	125,698
60	447	159	54	29	26	4	263	1,588	2,467
6,757	22,401	6,921	14,134	7,177	14,755	672	7,030	160,509	175,515
292	2,153	982	2,600	950	2,881	30	536	23,832	28,834
1,476	1,782	2,565	1,267	2,199	2,493	932	3,279	26,268	28,749
494	1,475	1,087	540	1,119	903	316	2,512	12,427	13,507
1,615	2,566	1,900	2,433	986	2,838	400	404	24,010	25,466
973	4,518	844	635	2,553	1,239	854	1,881	19,967	16,042
206	36	323	825	220	584	1,030	2,709	10,697	14,822
511	814	1,192	895	107	1,156	550	1,590	10,013	10,276
309	1,572	1,055	248	110	465	60	1,542	6,667	6,401
5	—	186	—	51	—	—	549	3,812	3,220
1,038	—	203	1,922	578	937	486	169	16,021	17,196
—	—	306	—	920	—	—	—	1,549	2,243
8,762	1,421	5,315	20,825	15,098	30,259	3,616	15,260	177,278	174,670
38	—	500	334	1,121	—	—	—	3,594	3,951
—	15,960	840	—	—	325	—	—	22,596	22,942
1,808	1,463	66	3,101	2,177	5,946	1,247	95	34,463	29,484
25,000	62,028	40,568	56,868	51,476	73,004	10,197	39,400	679,817	701,483
13,612	8,074	3,266	13,110	6,334	960	551	21,198	121,845	66,566
52,492	47,367	10,358	15,211	23,502	20,090	21,562	187,302	519,824	453,258
<u>\$ 66,104</u>	<u>\$ 55,441</u>	<u>\$ 13,624</u>	<u>\$ 28,321</u>	<u>\$ 29,836</u>	<u>\$ 21,050</u>	<u>\$ 22,113</u>	<u>\$ 208,500</u>	<u>\$ 641,669</u>	<u>\$ 519,824</u>



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

OFFICE OF THE COMPTROLLER

ONE ASHBURTON PLACE, 9TH FLOOR
BOSTON, MASSACHUSETTS 02108
(617) 727-5000
MACOMPTROLLER.ORG



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.....	(232.2)
Other short term accruals:	
Assessments and other receivables.....	452.6
Amounts due to authorities and municipalities, net.....	(532.2)
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

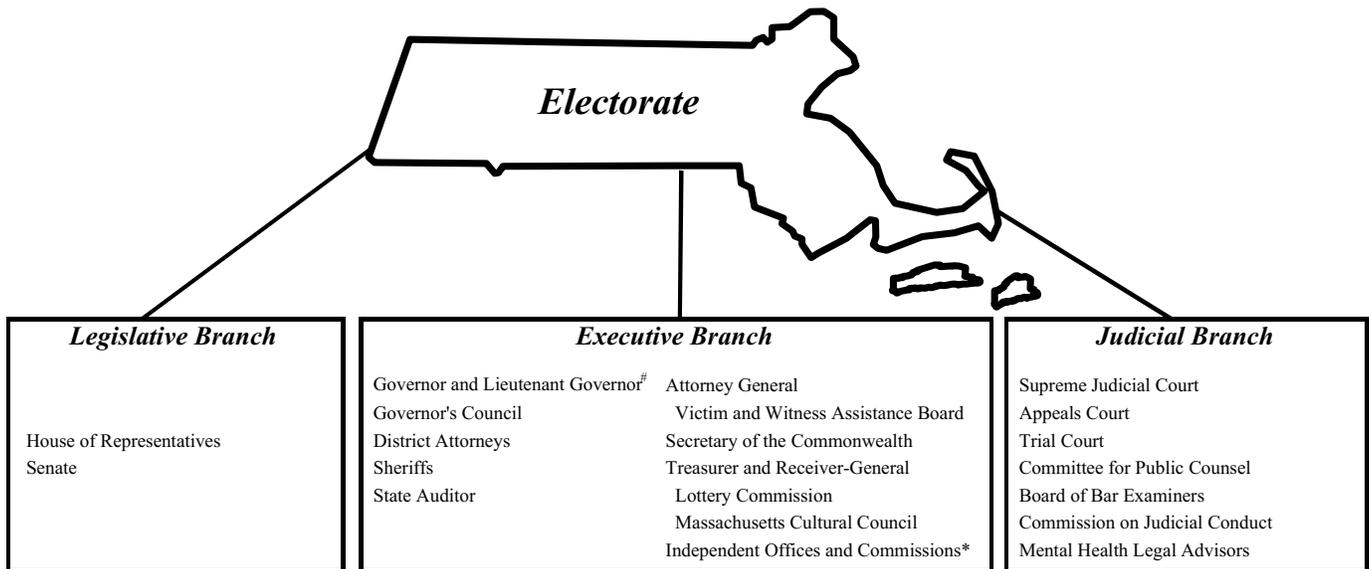
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



Executive Branch Independent Offices and Commissions*

<p>Board of Library Commissioners Campaign and Political Finance Cannabis Control Commission Center for Health Information & Analysis Commission Against Discrimination</p>	<p>Commission on the Status of Women Disabled Persons Protection Commission Massachusetts Gaming Commission Office of the Child Advocate Office of the Comptroller</p>	<p>Office of the Inspector General State Ethics Commission State Retiree Benefits Trust Fund Board University of Massachusetts System</p>
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Executive Departments Under Gubernatorial Authority[#]

<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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ADVISORY BOARD TO THE COMPTROLLER

Michael J. Heffernan (Chair)
Secretary of Administration and Finance

Suzanne Bump
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

John A. Bello
Chief Administrator, Trial Court

Maura Healey
Attorney General

Michael Esmond
Chief Financial Officer
Massachusetts Convention Center Authority
Gubernatorial Appointee

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

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller

Statewide Financial Reporting

Michael Rodino, CPA
Chief Financial Reporting Officer

Pauline Lieu, CPA, CFE, CGFM
Deputy Chief Financial Reporting Officer

Christine Bender
Accountant

Wagdy Rizk
Accountant

Nana Law, CPA
Accountant

Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Cathy Hunter
Program Coordinator



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For its Comprehensive Annual
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 appear to be written in a cursive or semi-cursive style.

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.

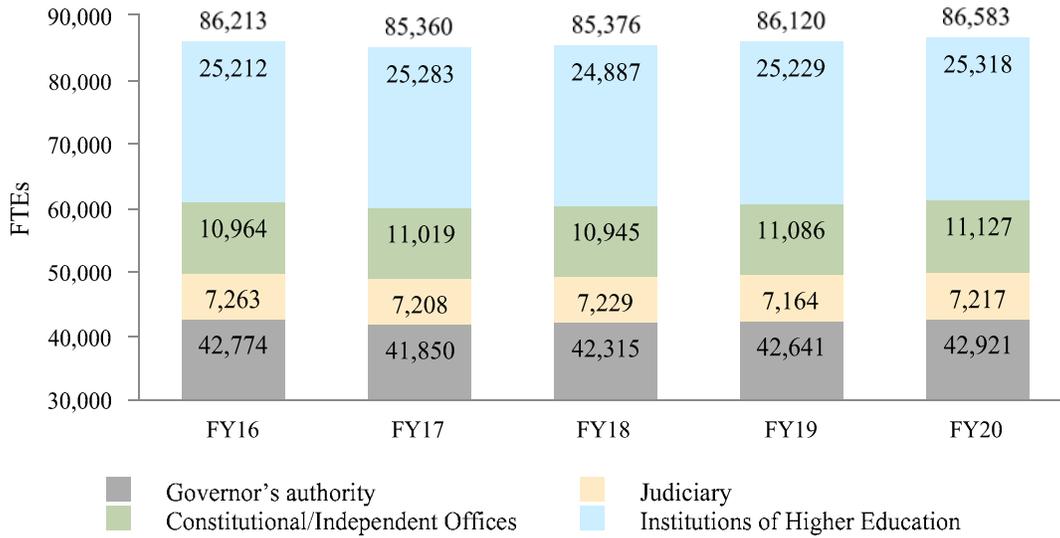
Other highlights of FY20 financial operations include:

- 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.....	\$	18,192,850

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)

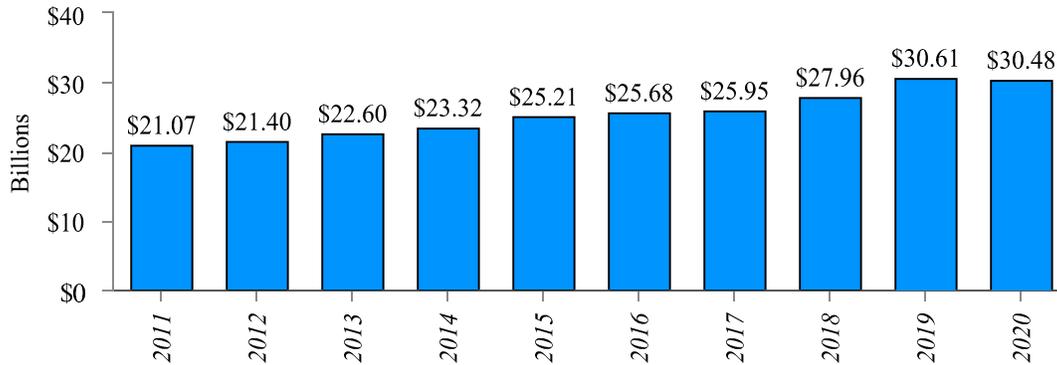
	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Current assets.....	\$ 15,854,027	\$ 13,777,391	\$ 3,316,988	\$ 2,049,611	\$ 19,171,015	\$ 15,827,002
Non-capital non-current assets.....	2,745,184	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.

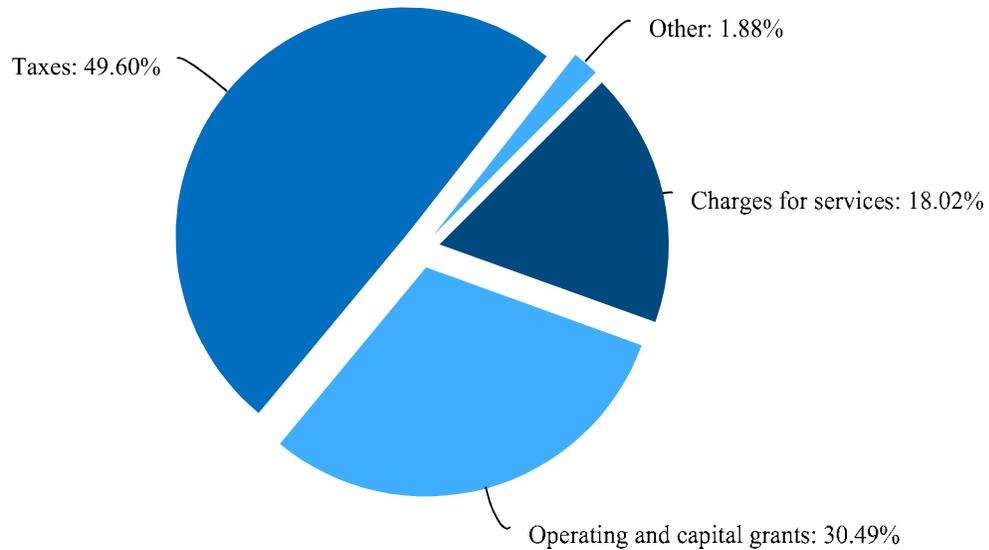
Charges for services totaled \$16.462 billion increasing \$421 million, or 2.6% from FY19, with the increase resulting from \$841 million in charges for the Paid Family and Medical Leave (PFML) program, which began receiving assessments in fourth quarter of calendar year 2019. There were also increases 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.

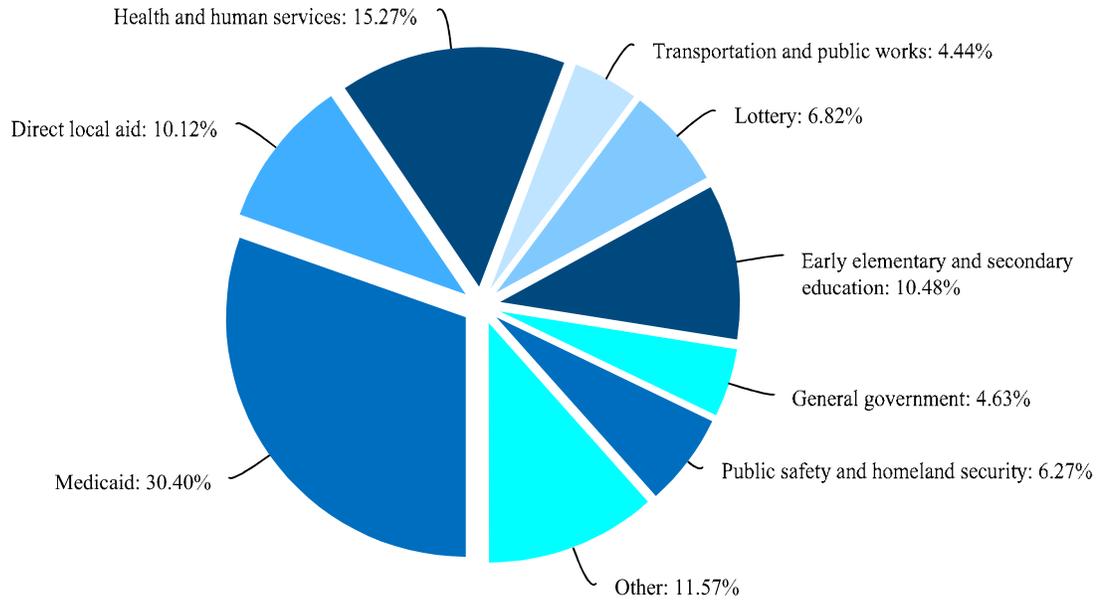
*Revenue-Governmental Activities
Fiscal Year Ending June 30, 2020*



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**

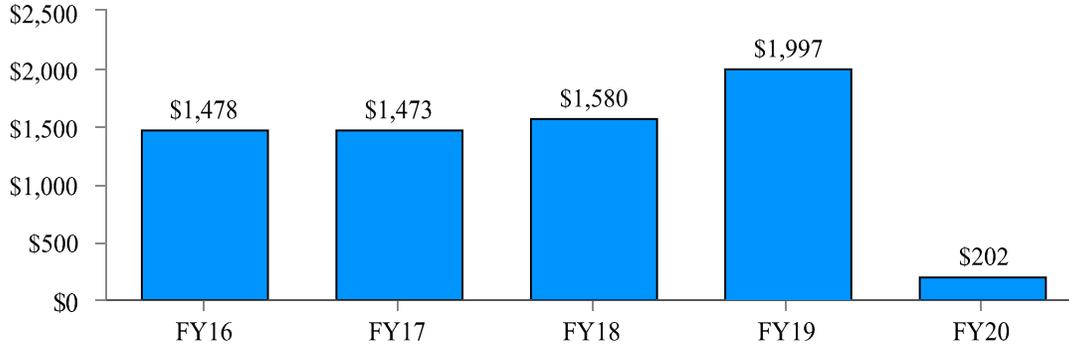


Business-Type Activities

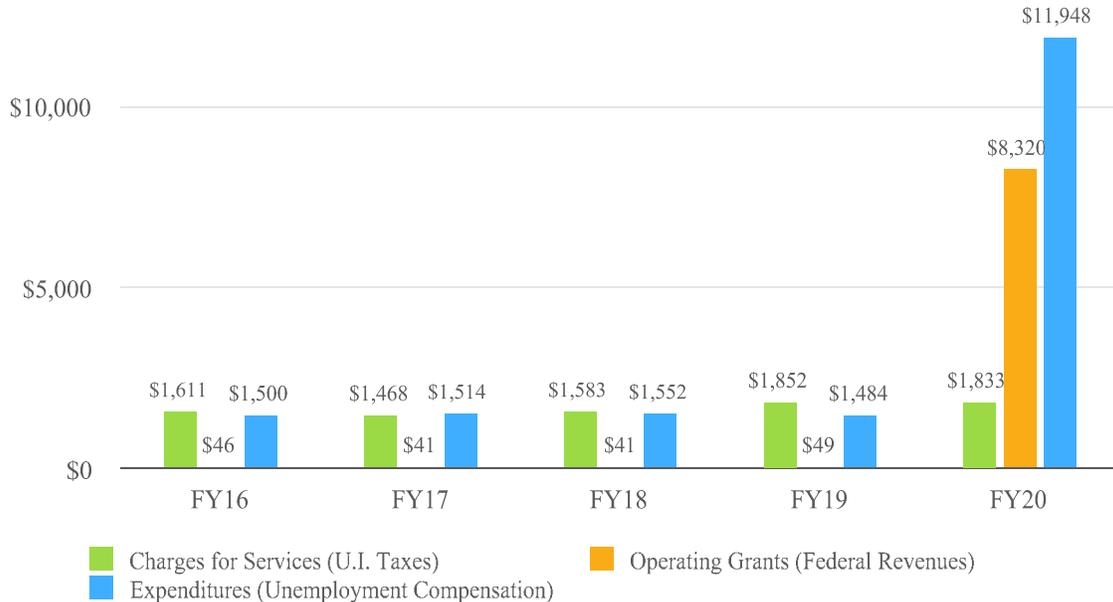
Business-type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation and GASB standards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

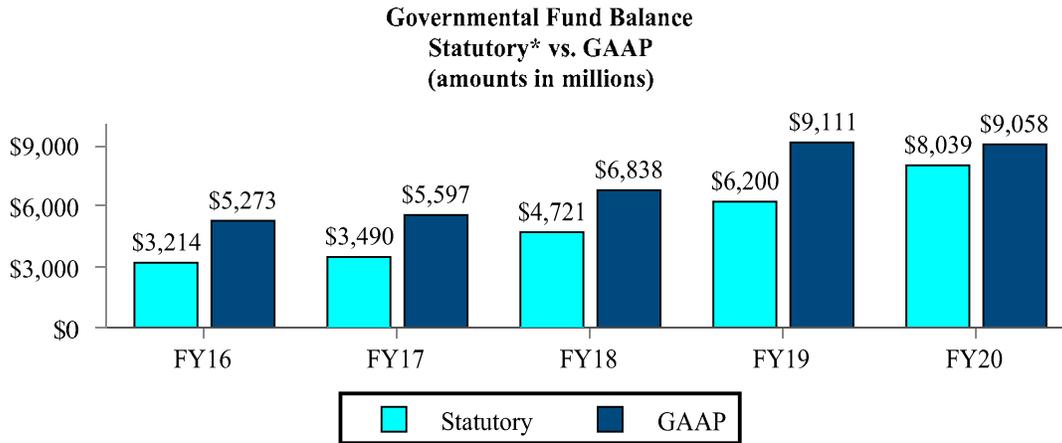
The Commonwealth uses fund accounting to demonstrate inter-period equity and the extent to which current resources are financing the full cost of services that citizens are receiving. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

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 Activities		Business - Type Activities		Total	
	2020	2019	2020	2019	2020	2019
	Land.....	\$ 941,961	\$ 933,152	\$ 228,778	\$ 228,778	\$ 1,170,739
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

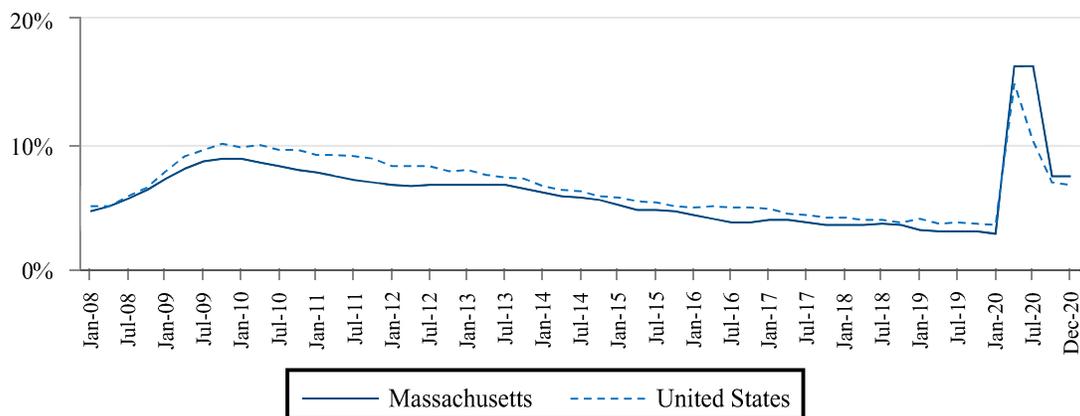
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on pages 96–97 and [Note 7](#) (“Long-Term Obligations”) on pages 97–112.

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	Program Revenues						Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
	Expenses	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	280,252	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
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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		\$ (77,677,365)
------------------------------------------------------------	--	------------------------

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

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

Massachusetts School Building Authority..... 191,681

Net pension costs..... (2,677,100)

Net OPEB costs..... (284,312)

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..... **\$ (3,100,166)**

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	\$ 1,688,208	\$ 2,472,382	\$ 569,212	\$ 558,156	\$ 1,207	\$ 1,188,471

	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	\$ (74,577,199)	\$ 5,596,284	\$ (68,980,915)	\$ 31,411,767

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.....		\$1,269,180,395	\$ (19,827)	\$ 3,328,081	\$ (41,246)	\$ 6,247,427	\$ (21,800)

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.....	1,265,992	1,092,561	173,065	366
Equity securities.....	183,914	182,329	1,585	—
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.....	487,094			
Other investments at fair value:				
MMDT - bond fund.....	386,272			
Subtotal investments at fair value.....	2,323,272	\$ 1,274,890	\$ 174,650	\$ 366
Other investments:				
Guaranteed investment contracts.....	200,099			
Certificates of deposit.....	10,178			
Other.....	641,570			
Total other investments.....	851,847			
Total investments - primary government.....	\$ 3,175,119			
Derivative instruments:				
Interest rate swaps (liabilities).....	\$ 133,001	\$ —	\$ 133,001	\$ —

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(ww) 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

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	\$ —	\$ 1,900,000	\$ (1,400,000)	\$ 500,000

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.....	\$ 4,145,730

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 toll 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.....	\$ 814,065	\$ 40,592	\$ 108,373	\$ 963,030

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):

	<u>Principal Outstanding</u>
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.....	<u>(1,260,565)</u>
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.....	<u>2,488,258</u>	<u>459,477</u>	<u>(408,644)</u>	<u>2,539,091</u>	<u>156,880</u>
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.....	<u>4,294,293</u>	<u>1,103,807</u>	<u>(721,341)</u>	<u>4,676,759</u>	<u>187,621</u>
Long-term liabilities, business - type activities.....	<u>\$ 6,839,435</u>	<u>\$ 1,580,974</u>	<u>\$ (1,129,985)</u>	<u>\$ 7,290,424</u>	<u>\$ 344,501</u>

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.....			<u>10,982,205</u>	<u>1,720,026</u>	<u>(1,888,233)</u>	<u>10,813,998</u>	<u>688,769</u>
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.....	156,846	161,213

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%	\$ 667,050

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.....	\$ 2,663,560	\$ 516,231	\$ 3,967,169	\$ 251,505	\$ 205,818	\$ 172,541	\$ 360,647	\$ 122,955

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.....	\$ 1,135,338	\$ 2,162,231	\$ 33,277	\$ 136,128

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.....	100.00%	

* - 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.....	\$ 28,567,300	\$ 29,317,997	

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.....	159,513

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.....	\$ 1,577,743	\$ 2,955,882	\$ 335,948	\$ 583,505

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.....	\$ (1,904,633)	\$ (318,323)

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.....	100.0 %	

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):

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

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.....	\$ 13,934	\$ 2,128	\$ 1,007,206	\$ 4,812	\$ 1,028,080	\$ 6,172	\$ 602	\$ 325,547	\$ 332,321

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.....	\$ 17,161	\$ 9,441

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.....	—	—	\$ 4,232,877	—

* 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).....	\$ 45,725,000	\$ 43,398,000	\$ 41,225,000	\$ 39,107,000
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).....	\$ 28,567,300	\$ 28,763,796	\$ 27,995,021	\$ 26,282,232
Plan net pension liability - June 30 (a) - (b).....	\$ 17,157,700	\$ 14,634,204	\$ 13,229,979	\$ 12,824,768
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
\$ 37,760,000	\$ 35,425,414	\$ 31,355,000
\$ 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
\$ 23,971,156	\$ 24,042,585	\$ 23,930,895
\$ 13,788,844	\$ 11,382,829	\$ 7,424,105
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
\$ 47,300,000	\$ 45,918,711	\$ 41,435,000
\$ 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
\$ 24,942,072	\$ 25,429,068	\$ 25,538,646
\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
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.....	<u>2,443,405</u>	<u>(99,227)</u>	<u>1,280,397</u>	<u>(1,340,664)</u>
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.....	<u>547,733</u>	<u>595,104</u>	<u>543,029</u>	<u>466,233</u>
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.....	<u>45,764</u>	<u>180,979</u>	<u>191,162</u>	<u>130,364</u>
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).....	\$ —	\$ —	\$ —	\$ —	\$ —
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%

Contributions	Fiscal Year Ending December 31				
	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).....	\$ —	\$ —	\$ —	\$ —
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
S	S	S	S	\$ 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
S (634,444)	S (634,444)	(65)	S 634,379	S 842,432	S (2,831,099)	363,285	S 3,194,384
		10,969				3,869,592	
		S 10,904				S 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.....			<u>47,409</u>				<u>30,222</u>	
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
\$ 1,050	\$ 585	414	\$ (171)	\$ —	\$ —	—	\$ —	\$ 107,141	\$ 35	—	\$ (35)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	\$ 414	—	—	—	\$ —	—	—	—	\$ —	—

(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
\$ 18,468	\$ (14,188)	1,322	\$ 15,510	\$ 6,996	\$ (2,695)	1,101	\$ 3,796	\$ 83,180	\$ (8,939)	575	\$ 9,514
		7,462				1,598				1,125	
		\$ 8,784				\$ 2,699				\$ 1,700	

(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	—

See Independent Auditors' Report



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).....	S 1,870,668	S 50,478	S 940	S —
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>S 1,857,212</u>	<u>S 50,465</u>	<u>S 940</u>	<u>S —</u>
Total actual other financing sources - budgetary basis (pages 182-186).....	S 258,543	S 218	S —	S —
Adjustments:				
Miscellaneous adjustments.....	—	—	—	—
Total actual other financing sources - GAAP basis (pages 178-181).....	<u>S 258,543</u>	<u>S 218</u>	<u>S —</u>	<u>S —</u>
Total actual expenditures- budgetary basis (pages 182-186).....	S 1,231,252	S 29,414	S 458	S —
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>S 717,714</u>	<u>S 29,412</u>	<u>S 458</u>	<u>S 1</u>
Total actual other financing uses - budgetary basis (pages 182-186).....	S 925,002	S 25,690	S 68	S —
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>S 1,433,106</u>	<u>S 25,691</u>	<u>S 68</u>	<u>S 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	1,132,355	142,544	232,618	644,572	20	2,152,109
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	945,211	342	4,268	—	—	949,821
NET POSITION						
Restricted for:						
Individuals, organizations and other governments.....	\$ 187,144	\$ 142,202	\$ 228,350	\$ 644,572	\$ 20	\$ 1,202,288

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

See Independent Auditors' Report

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

This part of the Commonwealth of Massachusetts' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

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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	\$ (77,677,365)	\$ (74,080,352)	\$ (74,154,488)	\$ (63,386,521)	\$ (58,639,504)
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	\$ 4,677,151	\$ 5,649,478	\$ 5,015,313	\$ 6,082,464	\$ 5,736,165
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	\$ (73,000,214)	\$ (68,430,874)	\$ (69,139,175)	\$ (57,304,057)	\$ (52,903,339)

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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
<u>(55,626,250)</u>	<u>(53,381,659)</u>	<u>(26,733,592)</u>	<u>(24,904,848)</u>	<u>(23,630,855)</u>
<u>\$ (54,853,095)</u>	<u>\$ (52,428,325)</u>	<u>\$ (25,939,659)</u>	<u>\$ (24,297,471)</u>	<u>\$ (22,832,622)</u>
\$ 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
<u>697,056</u>	<u>675,796</u>	<u>1,026,230</u>	<u>969,309</u>	<u>978,043</u>
<u>\$ 5,292,285</u>	<u>\$ 5,061,186</u>	<u>\$ 4,841,123</u>	<u>\$ 4,912,212</u>	<u>\$ 4,368,912</u>
\$ 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
<u>(54,929,194)</u>	<u>(52,705,863)</u>	<u>(25,707,362)</u>	<u>(23,935,539)</u>	<u>(22,652,812)</u>
<u>\$ (49,560,810)</u>	<u>\$ (47,367,139)</u>	<u>\$ (21,098,536)</u>	<u>\$ (19,385,259)</u>	<u>\$ (18,463,710)</u>

**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.....	\$ 9,057,516	\$ 9,111,335	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746

(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

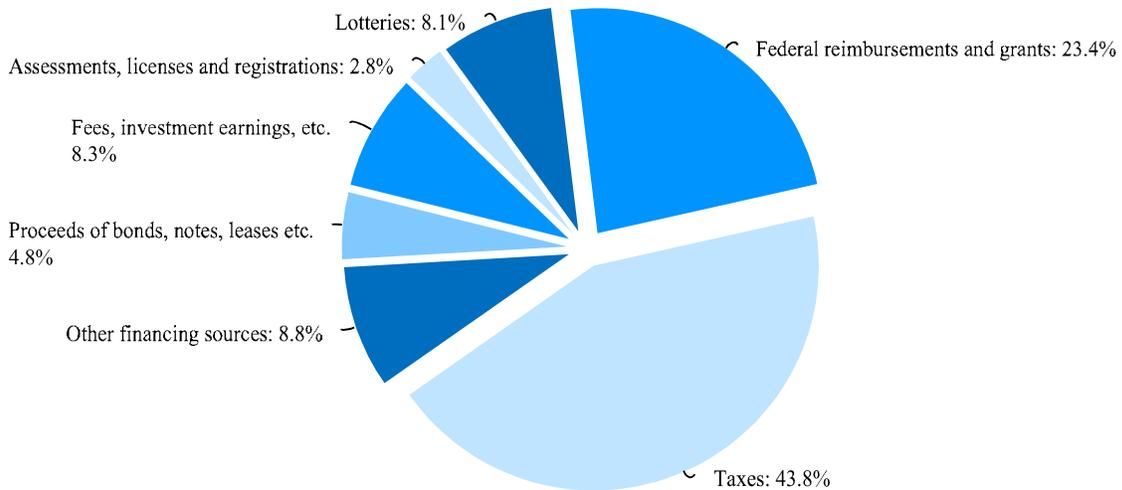
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2020		2019		2018		2017		2016	
	Total	%								
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

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**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>

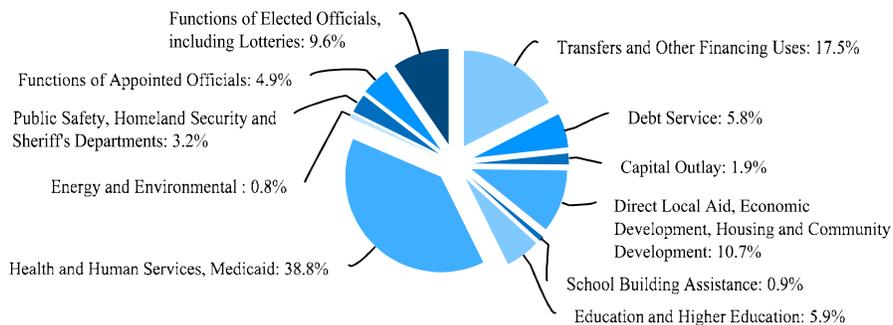
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)
(Amounts in millions)

	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
S	61	0.1	S 56	0.1	S 57	0.1	S 58	0.1	S 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
S	59,973	100.0	S 57,461	100.0	S 56,739	100.0	S 53,319	100.0	S 53,217	100.0
S	686		S (251)		S (1,448)		S 1,051		S 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.

See Independent Auditors' Report

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.....	3,950,360	100.0%	\$ 16,085,827	100.0%

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.....	3,387,049	100.0%	\$ 9,711,137	100.0%

Source: Massachusetts Department of Revenue - 2018 is the most recent tax year for which complete data is available.

See Independent Auditors' Report

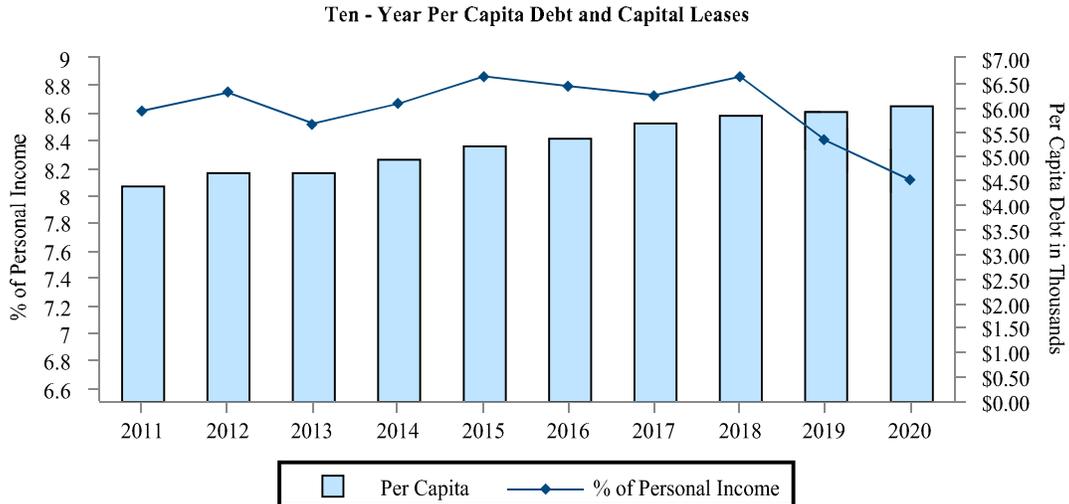
Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

(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](http://www.fedstats.gov) (US Census Bureau.)*

See Independent Auditors' Report



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).....	\$ 2,709,721	\$ 1,931,709	\$ 1,423,770	\$ 812,181	\$ 433,096
Debt margin as a percentage of direct debt limit.....	10.7%	8.0%	6.2%	3.7%	2.1%

(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

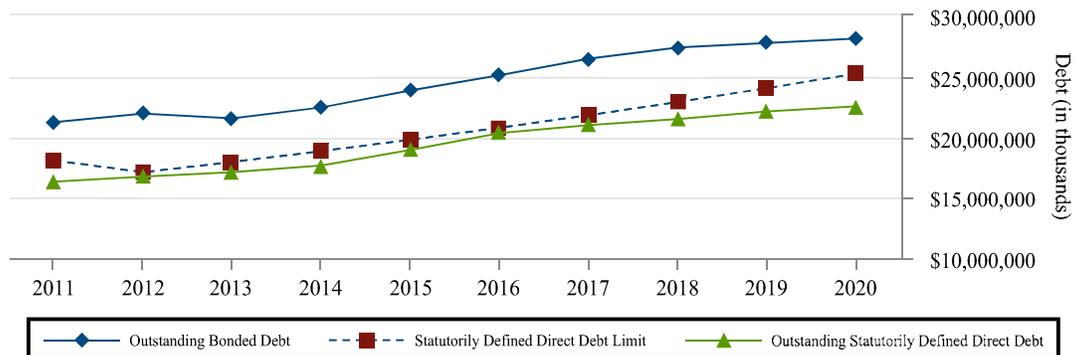
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are 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.					
Pre-2010 Bond Issues					
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				
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
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				
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				
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.					
Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
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				

*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				
\$	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				
\$	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)

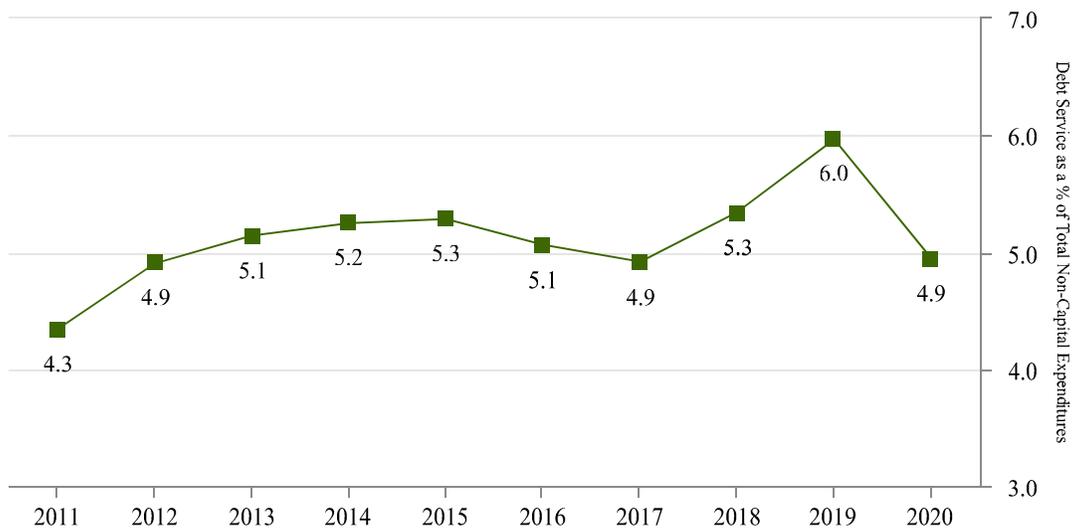
Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2020	\$ 3,026,865	\$ 61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
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

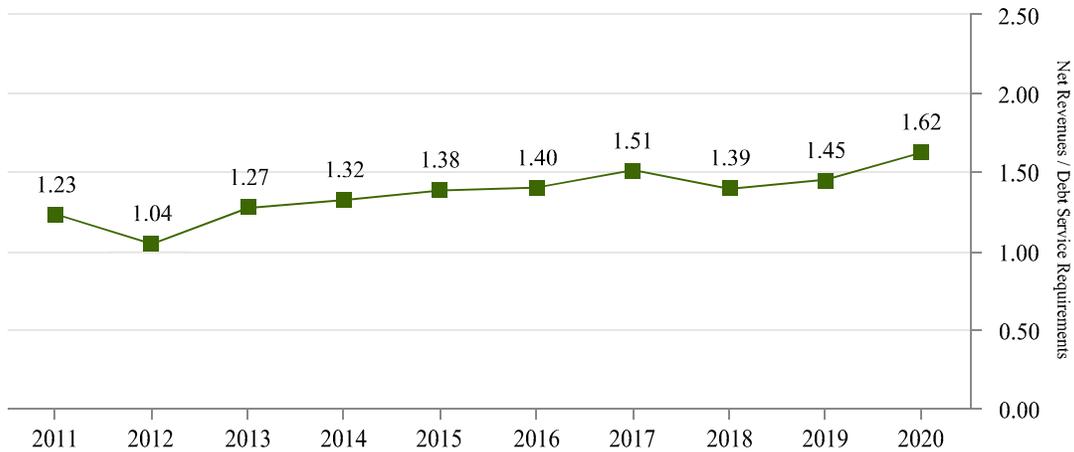
(1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage 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

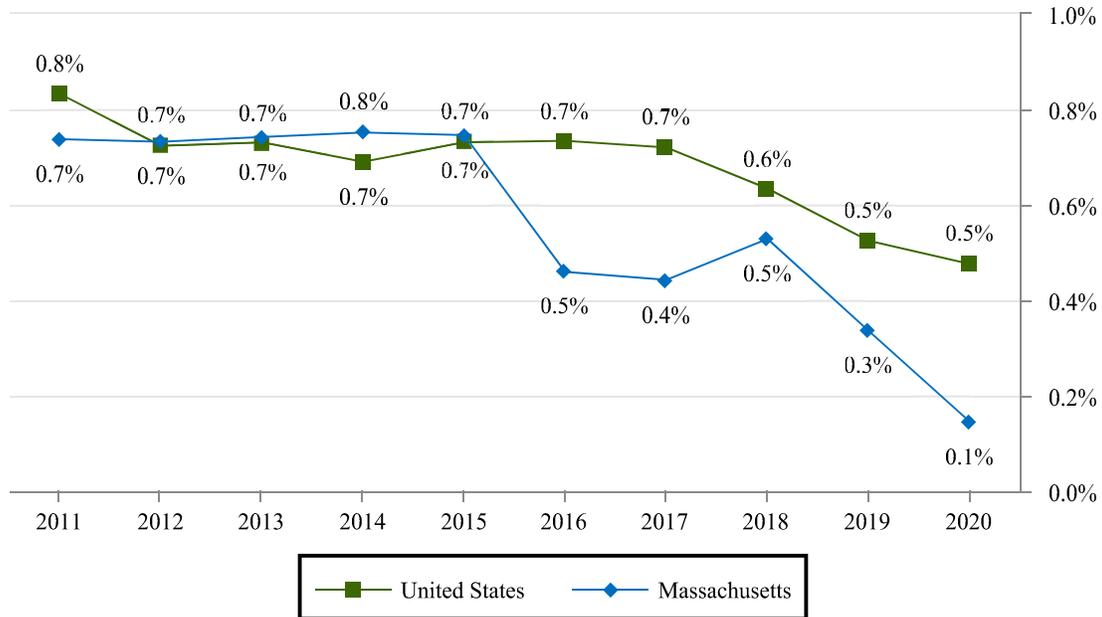
(Amounts in thousands)

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.

See Independent Auditors' Report

**Massachusetts and United States Estimated Year-to-Year Population Change
2011 - 2020**



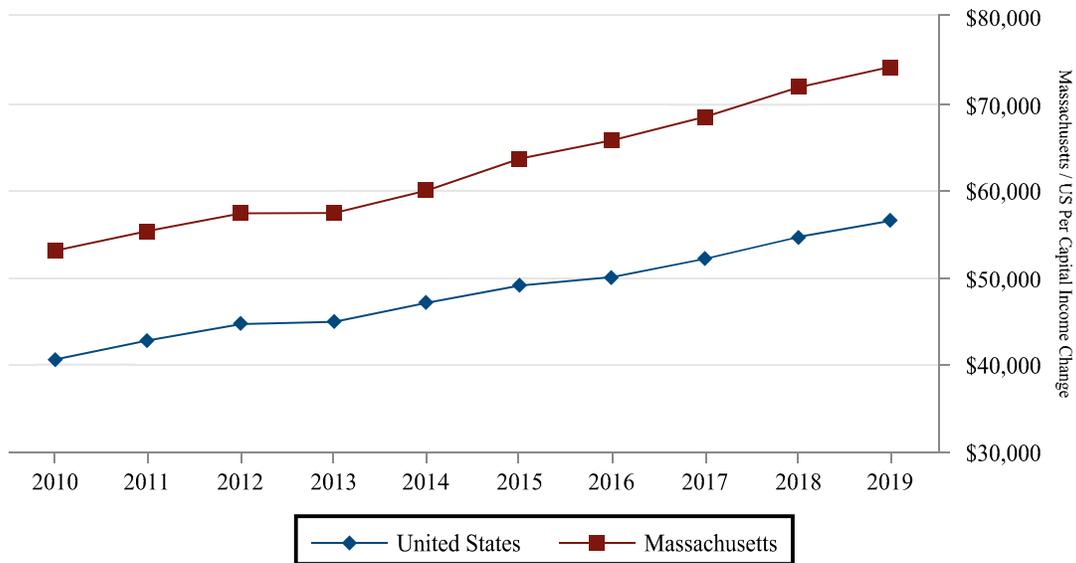
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

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



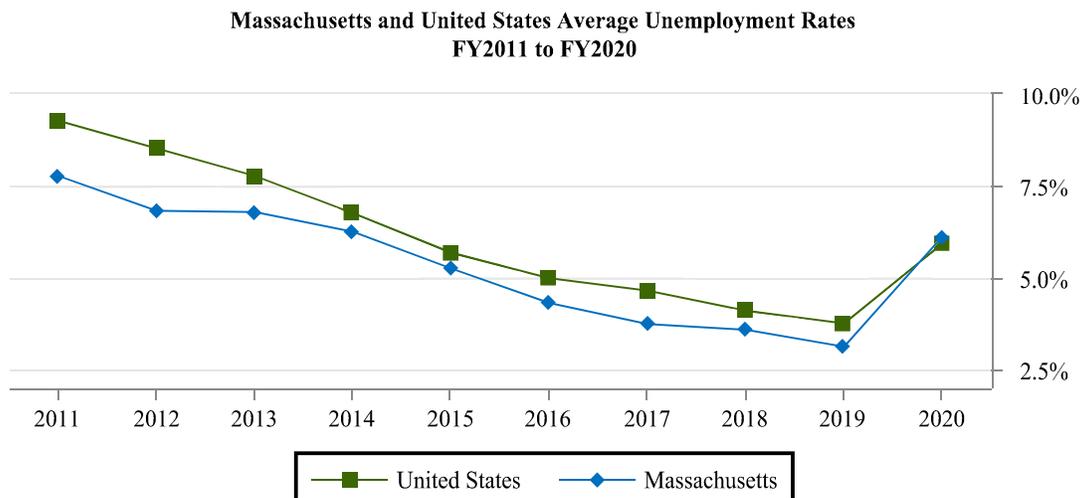
**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**

(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.

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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.

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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)%	

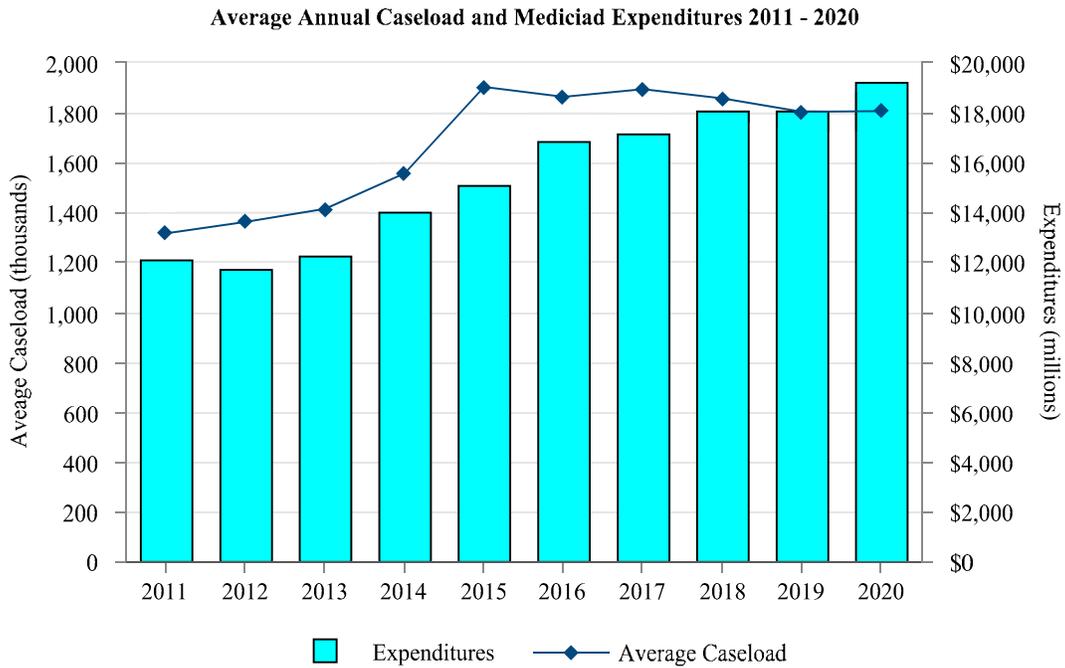
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(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.

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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.

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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>

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MASSACHUSETTS GENERAL INFORMATION

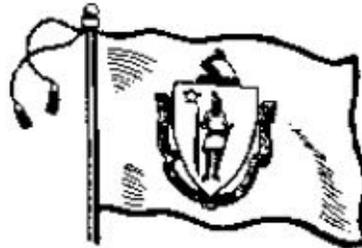
Admitted to Union (6th State): 1788
Population: 6,882,635

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."

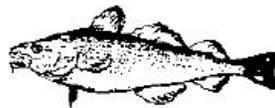
The State Flag is white, a representation of the coat of arms on both sides. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



The Mayflower

The State Fish



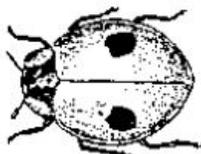
The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

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



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