NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, under existing law, and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinion of Bond Counsel, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "TAX EXEMPTION" herein.

THE COMMONWEALTH OF MASSACHUSETTS

$250,000,000
General Obligation Bonds
Consolidated Loan of 2001, Series A

The Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds will bear interest from January 1, 2001 and interest will be payable on July 1, 2001 and semiannually thereafter on January 1 and July 1, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity, as more fully described herein.

The Bonds will constitute general obligations of The Commonwealth of Massachusetts (the "Commonwealth"), and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and on expenditures for debt service, see "SECURITY FOR THE BONDS" (herein) and the Commonwealth Information Statement (referred to herein) under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "COMMONWEALTH BOND AND NOTE LIABILITIES – Limit on Debt Service Appropriations."

The Bonds are offered when, as and if issued and received by the original purchasers, and subject to the unqualified approving opinion as to legality of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Settlement of the issue is expected at DTC in New York, New York, on or about January 23, 2001.

January 18, 2001

THE COMMONWEALTH OF MASSACHUSETTS

$250,000,000
General Obligation Bonds
Consolidated Loan of 2001, Series A

Dated: January 1, 2001 **Due: January 1, as shown below**

Maturity	Amount	Interest Rate	Price or Yield
2014	$23,460,000	5.00%	4.60%
2015	27,965,000	5.00	4.70
2016	29,290,000	5.125	4.76
2017	30,695,000	5.25	4.85
2018	32,185,000	5.25	4.88
2019	33,765,000	5.25	4.96
2020	35,435,000*	5.00	5.02
2021	37,205,000*	5.00	5.06

(accrued interest, if any, to be added)

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* Insured by Financial Security Assurance Inc. See "BOND INSURANCE."

Other than with respect to information concerning the Insurer (as defined herein) contained under the caption "Bond Insurance" and in Appendix C attached hereto, none of the information in this Official Statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax-exempt status of the interest on the Bonds.

FOR NEW HAMPSHIRE RESIDENTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts or the original purchasers of the Bonds to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein or included by reference herein has been furnished by the Commonwealth and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the original purchasers of the Bonds or, as to information from other sources, the Commonwealth. The information and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth, or its agencies, authorities or political subdivisions, since the date hereof, except as expressly set forth herein.

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CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci .... **Governor**
Jane M. Swift .... **Lieutenant Governor**
William F. Galvin .... **Secretary of the Commonwealth**
Thomas F. Reilly .... **Attorney General**
Shannon P. O'Brien .... **Treasurer and Receiver-General**
A. Joseph DeNucci .... **Auditor**

LEGISLATIVE OFFICERS

Thomas F. Birmingham .... **President of the Senate**
Thomas M. Finneran .... **Speaker of the House**

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

$250,000,000
General Obligation Bonds
Consolidated Loan of 2001, Series A

INTRODUCTION

This Official Statement (including the cover pages and Appendices A through D attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of $250,000,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2001, Series A (the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service, see "SECURITY FOR THE BONDS" and the Commonwealth Information Statement (described below) under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "COMMONWEALTH BOND AND NOTE LIABILITIES – Limit on Debt Service Appropriations."

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

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through D. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Specific reference is made to the Commonwealth's Information Statement dated March 3, 2000 (the "March Information Statement"), as it appears as Appendix A in the Official Statement dated August 9, 2000 of the Route 3 North Transportation Improvements Association with respect to its Commonwealth of Massachusetts Lease Revenue Bonds, Series 2000 (the "Route 3 Official Statement"). A copy of the Route 3 Official Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. The information contained in the March Information Statement has been supplemented by the Commonwealth Information Statement Supplement dated January 9, 2001 (the "Supplement"), which is attached hereto as Appendix A. The March Information Statement, as supplemented by the Supplement, contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth.

Appendix B attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains a specimen of the bond insurance policy to be issued with respect to certain maturities of the Bonds. Appendix D attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by bidders with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission.

THE BONDS

General

The Bonds will be dated January 1, 2001 and will bear interest from such date payable semiannually on July 1 and January 1 of each year, commencing July 1, 2001 (each an "Interest Payment Date") until the principal amount is paid. The Bonds will mature on January 1 in the years and in the aggregate principal amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months), as set forth on the inside cover page of this Official Statement. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with one bond certificate for each maturity immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid in clearing house funds to DTC or its nominee as registered owner of the Bonds. The record date for payments on account of the Bonds will be the business day next preceding an Interest Payment Date. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption

The Bonds maturing on or prior to January 1, 2011 will not be subject to redemption prior to their stated maturity dates.

Optional Redemption. The Bonds maturing on or after January 1, 2012 will be subject to redemption prior to their stated maturity dates on or after January 1, 2011 at the option of the Commonwealth from any moneys legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

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

On the specified redemption date, all Bonds called for redemption shall cease to bear interest, provided the Commonwealth has moneys on hand to pay such redemption in full.

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

Application of Proceeds of the Bonds

The Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and bond authorizations contained in various special laws enacted by the legislature. The net proceeds of the sale of the Bonds will be applied by the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer") to the various purposes for which the issuance of bonds has been authorized pursuant to such special laws, or to the payment of bond anticipation notes previously issued for such purposes, or to reimburse the state treasury for expenditures previously made pursuant to such laws. Any accrued interest payable upon original delivery of the Bonds will be credited ratably to the funds from which debt service on the Bonds is paid and will be used to pay interest on the Bonds. Any premium received by the Commonwealth upon original delivery of the Bonds will be applied to the costs of issuance thereof and other financing costs related thereto or, without appropriation, to the payment of the principal of or sinking fund installments with respect to the Bonds.

The purposes for which the Bonds will be issued have been authorized by the legislature under various bond authorizations. The proceeds will be used to finance or reimburse the Commonwealth for a variety of capital expenditures that are included within the current five-year capital spending plan established by the Executive Office for Administration and Finance. The plan, which is an administrative guideline and is subject to amendment at any time, sets forth capital spending allocations over the next five fiscal years and establishes annual capital spending limits. See Appendix A – "Commonwealth Information Statement" under the headings "COMMONWEALTH CAPITAL SPENDING" and "COMMONWEALTH BOND AND NOTE LIABILITIES."

SECURITY FOR THE BONDS

The Bonds will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. It should be noted further that Section 60B of Chapter 29 of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth. These statutes are both subject to amendment or repeal by the Legislature. Currently, both actual tax revenue growth and annual general obligation debt service are below the statutory limits. See Appendix A – "Commonwealth Information Statement" under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "COMMONWEALTH BOND AND NOTE LIABILITIES – Limit on Debt Service Appropriations."

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the Bonds, and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires a legislative appropriation. Enforcement of a claim for payment of principal of or interest on the Bonds may also be subject to the provisions of federal or state statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to the Commonwealth. Under Massachusetts law, the Bonds have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code. The Bonds are not subject to acceleration.

BOND INSURANCE

The underwriters of the Bonds have contracted with Financial Security Assurance Inc. (the "Insurer") for the issuance of their insurance policy to secure the Bonds maturing on the specific dates as indicated on the inside cover of this Official Statement (the "Insured Bonds"). The issuance of such policy is not a condition to the issuance and delivery of the Bonds by the Commonwealth to the underwriters. The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix C for a specimen of the Insurer's policy.

Bond Insurance Policy

Concurrently with the issuance of the Insured Bonds, the Insurer will issue its Municipal Bond Insurance Policy (the "Policy") for a portion of the Bonds maturing on January 1, 2020 and January 1, 2021, as indicated on the inside cover page. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix C to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

The Insurer is a New York domiciled insurance company and a wholly-owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or the Insurer is liable for the obligations of the Insurer.

At September 30, 2000, the Insurer's total policyholders' surplus and contingency reserves were approximately $1,372,337,000 and its total unearned premium reserve was approximately $693,512,000 in accordance with statutory accounting principles. At September 30, 2000, the Insurer's total shareholders' equity was approximately $1,383,058,000 and its total net unearned premium reserve was approximately $571,460,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Insured Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone 212/826-0100).

The Policy does not protect investors against changes in market value of the Insured Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. The Insurer makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. The Insurer makes no representation regarding this Official Statement, nor has it participated in the preparation thereof, except that the Insurer has provided to the Commonwealth the information presented under this caption for inclusion in this Official Statement.

LITIGATION

No litigation is pending or, to the knowledge of the Attorney General, threatened against or affecting the Commonwealth seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds.

There are pending in courts within the Commonwealth various suits in which the Commonwealth is a defendant. In the opinion of the Attorney General, no litigation is pending or, to his 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. For a description of certain litigation affecting the Commonwealth, see Appendix A – "Commonwealth Information Statement" under the heading "LITIGATION."

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will initially be issued exclusively in book-entry form, and one fully registered Bond for each maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities

Dealers, Inc. Access to the DTC system is also available to others such as banks, securities brokers and dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for the Bonds in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the DTC Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations of their purchase providing details of the Bonds acquired, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds will be accomplished by entries made on the books of DTC Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all Bonds deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the DTC Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an omnibus proxy to the Commonwealth as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s voting rights to those DTC Participants having the Bonds credited to their accounts on the record date (identified in a listing attached to the omnibus proxy).

THE COMMONWEALTH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT OF OR THE PROVIDING OF NOTICE TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS BOND OWNER.

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, unless a substitute depository is retained by the Commonwealth, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bond owner.

The Commonwealth may determine that continuation of the system of book-entry transfers through DTC (or a successor depository) is not in the best interest of the Beneficial Owners. In such event, Bonds will be delivered and registered as designated by the Beneficial Owners.

The principal of and interest and premium, if any, on the Bonds will be paid to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of moneys, DTC's practice is to credit the accounts of the DTC Participants on the payable date in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe it will not receive payment on the payable date. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not DTC or the Commonwealth, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, on the Bonds to DTC is the responsibility of the Commonwealth; disbursement of such payments to DTC Participants and Indirect Participants shall be the responsibility of DTC; and disbursement of such payments to Beneficial Owners shall be the responsibility of the DTC Participants and the Indirect Participants.

The Commonwealth cannot give any assurances that DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this document.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMONWEALTH BELIEVES TO BE RELIABLE, BUT THE COMMONWEALTH TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

RATINGS

Fitch IBCA, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Service will assign their municipal bond ratings of "AAA," "Aaa" and "AAA," respectively, to the Insured Bonds with the understanding that upon delivery of such Insured Bonds, an insurance policy insuring the payment when due of the principal of and interest on the Insured Bonds will be issued by the Insurer.

The Bonds other than the Insured Bonds have been assigned ratings of "AA-," "Aa2" and "AA-" by Fitch IBCA, Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Bonds in order to assure that the interest on the Bonds is and continues to be excluded from the gross income of the holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of proceeds of the Bonds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Commonwealth has provided covenants and certificates as to its continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the Bonds are not "private activity bonds" under the Code, interest on the Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Bonds will be included in "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to other federal tax consequences arising with respect to the Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter S earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Bonds and (vi) receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code.

In the opinion of Bond Counsel, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

On the date of delivery of the Bonds, the original purchasers will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix B – “Form of Opinion of Bond Counsel.”

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, Bond Counsel to the State Treasurer. The proposed form of the opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix B. Certain legal matters will also be passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the State Treasurer.

COMPETITIVE SALE OF BONDS

After competitive bidding on January 18, 2001, the Bonds were awarded to Merrill Lynch & Co., as underwriter. The underwriter has supplied the information as to the public offering yields or prices of the Bonds set forth on the inside cover hereof. If all of the Bonds were resold to the public at such yields or prices, the underwriter has informed the Commonwealth that they anticipate the total underwriter compensation to be $688,310.00, inclusive of $127,800.00 for the cost of bond insurance. The underwriter may change the public offering yields or prices from time to time.

CONTINUING DISCLOSURE

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

For information concerning the availability of certain other financial information from the Commonwealth, see Appendix A – “Commonwealth Information Statement” under the heading “CONTINUING DISCLOSURE.”

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of all general and special laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct.

So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900 or Laura Guadagno, Assistant Secretary for Capital Resources and Chief Development Officer, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Official Statement and the Bonds should be directed to John R. Regier or Miyoko Sato, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone 617/542-6000.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Shannon P. O'Brien
Shannon P. O'Brien
Treasurer and Receiver-General

By /s/ Stephen P. Crosby
Stephen P. Crosby
Secretary of Administration and Finance

January 18, 2001

THE

COMMONWEALTH

OF

MASSACHUSETTS

INFORMATION STATEMENT

Dated March 3, 2000

INFORMATION STATEMENT SUPPLEMENT

Dated January 9, 2001

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CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci	**Governor**
Jane M. Swift	**Lieutenant Governor**
William F. Galvin	**Secretary of the Commonwealth**
Thomas F. Reilly	**Attorney General**
Shannon P. O'Brien	**Treasurer and Receiver-General**
A. Joseph DeNucci	**Auditor**

LEGISLATIVE OFFICERS

Thomas F. Birmingham	**President of the Senate**
Thomas M. Finneran	**Speaker of the House**

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

January 9, 2001

This supplement ("Supplement") to the Information Statement of The Commonwealth of Massachusetts (the "Commonwealth") dated March 3, 2000 (the "March Information Statement") is dated January 9, 2001 and contains information which updates the information contained in the March Information Statement. Exhibit A to this Supplement sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibit B to this Supplement is the fiscal 2000 Statutory Basis Financial Report of the Commonwealth. Exhibit C to this Supplement is the fiscal 2000 Comprehensive Annual Financial Report (GAAP basis) of the Commonwealth. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. The financial statements are also available on the Comptroller's web site located at http://www.state.ma.us/osc/Reports/reportsfinancial.htm. This Supplement and the March Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through January 9, 2001. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the March Information Statement.

RECENT DEVELOPMENTS

Fiscal 2002

On January 24, 2001 the Governor is expected to file his fiscal 2002 budget recommendations for consideration by the Legislature, containing his revenue estimates, spending recommendations and fiscal policy initiatives for the ensuing fiscal year.

Fiscal 2001

On April 14, 2000 the House of Representatives approved its version of the fiscal 2001 budget. The House budget provided for total appropriations of approximately $21.8 billion and was based on a tax revenue estimate of $15.928 billion, including $645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority as a result of forward funding legislation. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority." The House tax revenue estimate was approximately $245 million higher than the estimate contained in the Governor's fiscal 2001 budget recommendations, after adjusting for proposed tax cuts in the Governor's budget. The House budget provided for the current expenditure of 30% of tobacco settlement moneys to be received in fiscal 2001 rather than 50% as recommended by the Governor. The House budget included a provision that would have reduced the personal income tax rate starting in tax year 2003 under conditions of continuing growth in the state economy. The House budget also included, with some modifications, the Governor's proposal to revamp the school building assistance program. See the March Information Statement under the heading "2001 FISCAL YEAR."

On May 25, 2000 the Senate approved its version of the fiscal 2001 budget, which provided for total spending of approximately $21.549 billion and was based on a tax revenue estimate of approximately $15.849 billion, essentially equivalent to the House estimate after adjusting for proposed tax cuts in the Senate budget. Like the Governor, but unlike the House, the Senate recommended spending 50% of tobacco settlement moneys to be received in fiscal 2001 and thereafter. The Senate budget provided for a personal income tax deduction for charitable contributions. The Senate budget also provided for pay-as-you-go capital spending during fiscal years 2001 through 2005.

Based on tax revenue through April, the Secretary of Administration and Finance did not agree with the Legislature's proposed tax revenue estimate, and consensus was not reached by May 15, 2000 as required by state finance law (see the March Information Statement under the heading "COMMONWEALTH REVENUES - Tax Revenue Forecasting"). On June 12, 2000 the Secretary of Administration and Finance informed the chairmen of the House and Senate Committees on Ways and Means that the administration accepted the legislative consensus tax revenue estimate for fiscal 2001 ($15.928 billion before any tax cuts), based on higher-than-expected tax collections in May, 2000.

According to estimates by the Executive Office for Administration and Finance, total spending in the House budget was approximately $370 million more than the Governor's recommendations, as adjusted upward by newly identified appropriation needs of approximately $70 million since the Governor's budget was filed in January. Total spending in the Senate budget was approximately $210 million more than the Governor's adjusted recommendations.

On July 17, 2000 the legislative conference committee charged with reconciling the differences between the House and Senate versions of the fiscal 2001 budget released its report, and the compromise budget was enacted by both houses of the Legislature on July 18, 2000. The Governor approved the budget on July 28, 2000 after vetoing approximately $175 million of appropriations. On July 31, 2000 the Legislature restored approximately $88.2 million of appropriations by overriding the Governor's vetoes. Taking into account the vetoes and overrides, the fiscal 2001 budget provides for total spending of approximately $21.464 billion. It provides for charitable contributions to be deductible from personal income taxes, but does not reduce personal income tax rates. See "State Taxes." Assumed tax revenues, including sales tax receipts dedicated to the MBTA and taking into account the charitable contributions deduction, are $15.849 billion. The budget provides for 30% of tobacco settlement moneys to be expended in fiscal 2001. It also contains the Senate provisions for pay-as-you-go capital spending. "See Update of Proposed Capital Spending Authorizations." As recommended by the Governor, the budget appropriates $922 million for the state's pension funding schedule and an additional $100 million related to increased pension liabilities due to the conversion to new actuarial software.

Since July, the Governor has approved supplemental appropriations for fiscal 2001 totaling approximately $173.3 million, including approximately $68 million for collective bargaining agreements and $10.5 million for snow and ice removal programs. The Executive Office for Administration and Finance currently projects total spending for fiscal 2001 at approximately $22.1 billion. In recent years it has been customary for the Governor to file a supplemental appropriations bill for the current fiscal year at the same time he files his budget recommendations for the ensuing fiscal year. Accordingly, on January 24, 2001, the Governor is expected to file a fiscal 2001 supplemental appropriations bill, in conjunction with the filing of his budget recommendations for fiscal 2002, which will reflect an updating of fiscal 2001 expenditure and revenue estimates.

On October 11, 2000 the Secretary of Administration and Finance announced a revised fiscal 2001 revenue estimate of $16.209 billion, an increase of $360 million, or 2.2%, over the prior estimate of $15.849 billion. Taking into account the reduction in personal income tax rates approved by the voters on November 7, 2000 (see "State Taxes," below), the revised estimate for fiscal 2001 is $16.074 billion. (Reductions attributable to charitable deductions, also approved by the voters, were included in previous estimates because of the legislative enactment of such deductions as part of the fiscal 2001 budget.) The revised total includes $645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority. (See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority.")

Tax collections in October, 2000 totaled approximately $1.088 billion, an increase of approximately $48.9 million, or 4.7%, over October, 1999. The October total includes approximately $58.3 million of sales tax receipts dedicated to the MBTA. Year-to-date tax collections through October, 2000 totaled approximately $5.043 billion, an increase of approximately $488.4 million, or 10.7%, over the comparable period in fiscal 2000. The year-to-date total includes approximately $221.8 million of sales tax receipts dedicated to the MBTA. The benchmark range for collections through October, 2000, based on the fiscal 2001 tax revenue estimate of $16.074 billion, was $4.669 billion to $4.889 billion.

Tax collections in November, 2000 totaled approximately $1.089 billion, an increase of approximately $41.7 million, or 4.0%, over November, 1999. The November total includes approximately $47.2 million of sales tax receipts dedicated to the MBTA. Year-to-date tax collections through November, 2000 totaled approximately $6.131 billion, an increase of approximately $530.1 million, or 9.5%, over the comparable period in fiscal 2000. The year-to-date total includes approximately $269.0 million of sales tax receipts dedicated to the MBTA. The benchmark range for collections through November, 2000, based on the fiscal 2001 tax revenue estimate of $16.074 billion, was $5.787 billion to $5.997 billion.

Preliminary results indicate that tax collections in December, 2000 totaled approximately $1.42 billion, a decrease of approximately $23 million, or 1.6%, from December, 1999. The December total includes approximately $50.3 million of sales tax receipts dedicated to the MBTA. Preliminary results indicate that year-to-date tax collections through December, 2000 totaled approximately $7.554 billion, an increase of approximately $508 million, or 7.2%, over the comparable period in fiscal 2000. The year-to-date total includes approximately $319.3 million of sales tax receipts dedicated to the MBTA. The benchmark range for collections through December, 2000, based on the fiscal 2001 tax revenue estimate of $16.074 billion, was $7.296 billion to $7.496 billion.

The revised annual revenue estimate released on October 11, 2000 assumes that actual tax collections in fiscal 2001 will be 2.5% higher than actual tax collections in fiscal 2000. Baseline tax revenue growth (an approximate calculation that nets out the effects of changes in tax law) is assumed in the October 11, 2000 estimates to be approximately 5.7% for fiscal 2001. During the first quarter of fiscal 2001, actual tax revenue growth was 12.5% and estimated baseline growth was approximately 14.9%. During the second quarter of fiscal 2001 (based on preliminary figures for December), actual growth was 1.9% and calculated baseline growth was 3.5%. Average baseline growth of approximately 3% for the second half of the fiscal year will be required if the annual estimate of $16.074 billion is to be met. The next consideration of any revision to the fiscal 2001 estimates is expected to occur in connection with the release of the Governor's budget recommendations for fiscal 2002 on January 24, 2001.

Fiscal 2000

On a statutory basis, tax collections in fiscal 2000 totaled approximately $15.702 billion, an increase of approximately $1.398 billion, or 9.8%, over fiscal 1999, and approximately $243.6 million higher than the final estimate for fiscal 2000.

The Division of Medical Assistance experienced an estimated deficiency of $202.1 million in fiscal 2000 resulting from increased caseloads, rate increases and an internal accounting issue relating to the Division's 52-week billing system, which is equipped to pay medical bills from providers for only 364 days per year. Bills for a "53rd week" must be paid on occasion to account for the lost billing days in previous years. Corrective action is planned to prevent future deficiencies related to the Division's billing system. The deficiency was partially offset with $67.5 million in reversions, resulting in a net deficiency of $134.6 million. The deficiency was offset further by increased federal reimbursements of $101.1 million, for a net balance sheet impact of $33.5 million. On June 23, 2000 the Governor approved supplemental appropriations sufficient to eliminate the deficiency.

On May 5, 2000, the Governor approved a fiscal 2000 supplemental appropriations bill containing approximately $85.7 million of appropriations to make up deficiencies in certain accounts, including $25.3 million for the statewide snow and ice removal program. On June 23, 2000 the Governor approved a supplemental appropriations bill containing approximately $202.3 million of appropriations to make up deficiencies in certain accounts, including the Division of Medical Assistance accounts described above. On July 28, 2000 the Governor approved a supplemental appropriations bill containing approximately $62.8 million of appropriations, including $50 million for the Chapter 90 local road and bridge program and funds for the Registry of Motor Vehicles. On August 10, 2000 the Governor approved the final supplemental appropriations bill for fiscal 2000, containing approximately $342 million of additional fiscal 2000 appropriations after vetoing approximately $20 million. The bill provided for approximately $149.5 million of fiscal 2000 appropriations to be available for expenditure in fiscal 2001. The bill provided for an $87.7 million distribution of lottery proceeds to cities and towns and contained provisions for disposing of additional fiscal 2000 surplus revenues as described below.

On May 17, 2000 the Governor approved legislation providing for $500 million in surplus fiscal 2000 revenues to be deposited in the Debt Defeasance Trust Fund. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." On July 19, 2000 the Governor filed legislation that would have authorized the deposit in the Debt Defeasance Trust Fund of $150 million in additional fiscal 2000 surplus revenues. As enacted by the Legislature, the final fiscal 2000 supplemental appropriations bill provided for approximately $86.9 million of fiscal 2000 surplus revenues to be transferred to the Capital Improvement and Investment Trust Fund for specified capital expenditures through fiscal 2003; in approving the bill on August 10, 2000, the Governor reduced this amount by approximately $20.1 million. The final supplemental appropriations act also provided for $10 million of fiscal 2000 surplus revenues to be transferred to the Teacher, Principal and Superintendent Quality

Endowment Fund (formerly the Teacher Quality Endowment Fund) and approximately $66.6 million of such revenues to be transferred to a new MBTA Infrastructure Renovation Fund for specified capital expenditures by the Massachusetts Bay Transportation Authority through fiscal 2005 that are not included in the Authority's own capital spending plan. See the March Information Statement under the heading "FINANCIAL RESULTS – Selected Financial Data - Statutory Basis."

In accordance with state finance law, on October 31, 2000 the Comptroller issued the final, audited Statutory Basis Financial Report of the Commonwealth for fiscal 2000. On December 18, 2000 the Comptroller issued the fiscal 2000 Comprehensive Annual Financial Report (GAAP basis). Both reports have been filed with each Nationally Recognized Municipal Securities Information Repository.

State Taxes

On November 7, 2000 Massachusetts voters approved two initiative petitions that will reduce personal income taxes. See the March Information Statement under the heading "COMMONWEALTH REVENUES – State Taxes; *Income Tax*." One of the approved petitions sets the Part B income tax rate at 5.6% on January 1, 2001, 5.3% on January 1, 2002 and 5% on January 1, 2003 and thereafter. The Department of Revenue estimates that this change will reduce fiscal 2001 revenues by $135 million, fiscal 2002 revenues by $457 million and fiscal 2003 revenues by $883 million. The annualized value of the reduction, once fully effective in fiscal 2004, is estimated to be approximately $1.154 billion. The other approved petition provides for a personal income tax deduction for charitable contributions, effective January 1, 2001. The petition essentially re-enacts a provision for such a deduction included in the fiscal 2001 budget. The Department of Revenue estimates the cost of the deduction to be $70 million to $90 million in fiscal 2001 and $157 million to $192 million annually thereafter. The initiative petition that would have established tax credits for amounts paid as tolls and motor vehicle excise taxes was disapproved by the voters.

Legislation approved by the Governor on July 28, 2000 as part of the fiscal 2001 budget froze the motor fuels excise tax at 21¢ per gallon of fuel, which has been the effective tax rate for many years. Under prior law, the tax per gallon was 19.1% of the weighted average selling price per gallon of fuel, but not less than 21¢. See the March Information Statement under the heading "COMMONWEALTH REVENUES – State Taxes; *Other Taxes*."

On September 19, 2000 the State Auditor issued his report calculating whether net state tax revenues in fiscal 2000 exceeded allowable state tax revenues under the limit set by Chapter 62F of the Massachusetts General Laws. See the March Information Statement under the heading "COMMONWEALTH REVENUES – Limitations on Tax Revenues." For fiscal 2000, net state tax revenues, as determined by the State Auditor pursuant to Chapter 62F, were approximately $15.702 billion and allowable state tax revenues were approximately $16.694 billion.

On October 11, 2000 the Secretary of Administration and Finance estimated that fiscal 2002 tax revenues will total $16.551 billion, including $671 million in sales tax receipts dedicated to the MBTA. This estimate has since been reduced to $16.090 billion to reflect passage on November 7, 2000 of the initiative petition to reduce personal income tax rates. The next consideration of any revision to the fiscal 2002 estimate is expected to occur in connection with the release of the Governor's budget recommendations for fiscal 2002 on January 24, 2001. See "Fiscal 2002."

Cash Flow Projection

A cash flow projection for fiscal 2001 was released by the State Treasurer and the Secretary of Administration and Finance on November 30, 2000. According to the report, fiscal 2001 is projected to end with a cash balance of $1.938 billion, excluding any fiscal 2001 activity that will occur after June 30, 2001 and excluding the Stabilization Fund. The corresponding figure for the end of fiscal 2000 was approximately $1.991 billion, of which $650 million was set aside for fiscal 2001 cash defeasance transactions, $160 million was set aside for disbursement to the Massachusetts Bay Transportation Authority and $230 million represented moneys sequestered for capital projects, leaving approximately $951 million as general operating cash. It is likewise anticipated that less than half of the cash balance forecast for the end of fiscal 2001 will be available as general operating cash, due primarily to the $3 billion of Commonwealth bond and note issues forecast for fiscal 2001. The anticipated long-term debt offerings include $2 billion in general obligation bonds ($575 million in September, 2000, $675 million in October, 2000 and $250 million each in January, March and June, 2001) and $600 million in federal grant anticipation notes (November, 2000). Of the general obligation bonds, $1 billion is expected to be issued for the Central Artery/Ted Williams Tunnel project, as are all of the federal grant anticipation notes. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." Anticipated short-term debt offerings include $400 million in bond anticipation notes for the Boston Convention and Exhibition Center in September, 2000 (with expenditures of approximately $240 million by the end of fiscal 2001) and $250 million of bond anticipation notes for general capital expenditures in December, 2000, to be retired with the proceeds of general obligation bonds issued in January, 2001. The convention center notes are general obligation notes being issued to finance costs associated with the Boston Convention and Exhibition Center in anticipation of special obligation bonds and other capital costs. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Special Obligation Debt; *Boston Convention and Exhibition Center Fund*."

Medicaid

On June 15, 2000 the federal Health Care Financing Administration (HCFA) sent a letter to nine states, including Massachusetts, New York and Florida, indicating that portions of their Medicaid programs might be funded with impermissible taxes on health care providers, jeopardizing federal reimbursements collected on any Medicaid program expenditures funded with such taxes. In the case of Massachusetts, the letter related to the portion of the Commonwealth's Medicaid program funded by the uncompensated care pool. (The Medicaid program is 50% funded by federal reimbursements. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Medicaid.") HCFA promulgated regulations in 1993 regarding the collection of taxes imposed on health care providers and establishing a process for waiver approval of state taxes subject to the regulations. The state Division of Medical Assistance (DMA), which administers the Medicaid program in the Commonwealth, filed a waiver request in February, 1993 relating to the permissibility of the Commonwealth's assessment on acute care hospitals to fund the uncompensated care pool in Massachusetts. The waiver request has been resubmitted three times since 1993, with DMA providing additional information each time as requested by HCFA. DMA believes that its pending waiver request addresses the concerns that have been articulated by HCFA and that the Commonwealth's implementation of the uncompensated care pool assessment is within the federal law pertaining to provider taxes. The June 15 HCFA letter requested the Commonwealth to resubmit its waiver request by July 30, 2000. The letter further stated that if HCFA were to make a final determination that the Commonwealth had imposed an impermissible provider tax, HCFA would undertake an audit of the Commonwealth's uncompensated care pool program and seek retroactive repayment of federal Medicaid reimbursements. Under federal regulations, recoupment of federal Medicaid reimbursements is generally accomplished by withholding a portion of future Medicaid reimbursements to the state owing the repayment. States can appeal a request for repayment to an appeals panel within the U. S. Department of Health and Human Services and then to a federal district court. From 1993, when the first waiver request was submitted, through fiscal 1999, the Commonwealth received an estimated $920 million in federal Medicaid reimbursements related to expenditures associated with the uncompensated care pool, and the Commonwealth has continued to collect approximately $37 million per fiscal quarter for each quarter following fiscal 1999. On July 28, 2000 HCFA extended the deadline for the submission of DMA's waiver request from July 30, 2000 to August 31, 2000 for collections that occurred from 1993 to the present ("original tax"), and to September 30, 2000 for certain amounts collected from 1998 to the present ("new tax"). DMA filed its "original tax" submission in response to HCFA's letter on August 31, 2000 and its "new tax" submission on September 29, 2000. In addition, HCFA allowed DMA to supplement its "original tax" submission (filed August 31, 2000) so long as it did so by September 30, 2000. Accordingly, DMA filed additional documents on September 29, 2000, which supplemented its response relative to the "original tax." Officials from DMA continue to meet with the Massachusetts Congressional delegation and officials from HCFA to discuss ways of resolving this issue. Clarification of the law surrounding permissible provider taxes is a national issue and resolution could take several years.

Selected Financial Data - Statutory Basis

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth's audited statutory basis financial statements for fiscal 1996 through 2000 and estimates for fiscal 2001 prepared by the Executive Office for Administration and Finance. The fiscal 2001 estimates are as of December 1, 2000 and are expected to change when the Governor's fiscal 2002 budget recommendations are released on January 24, 2001. See "Recent Developments – Fiscal 2001." The financial information presented includes all budgeted operating funds of the Commonwealth. When the status of a fund has changed during this period, prior years have been restated to conform to the fiscal 2001 budget. See the March Information Statement under the heading "FINANCIAL RESULTS."

Budgeted Operating Funds Operations -- Statutory Basis
(in millions)(1)

	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Estimated Fiscal 2001
Beginning Fund Balances						
Reserved or Designated	$ 128.1	$ 263.4	$ 225.1	$ 286.3	$ 330.2	$ 278.5
Tax Reduction Fund	--	231.7	91.8	367.7	6.8	7.2
Stabilization Fund	425.4	543.3	799.3	1,159.6	1,388.5	1,608.4
Undesignated	172.5	134.0	277.8	378.5	386.9	391.3
Fund Balance Restatement	--	0.6(2)	--	--	--	--
Total	726.0	1,173.0	1,394.0	2,192.1	2,112.4	2,285.4
Revenues and Other Sources						
Taxes	12,049.2	12,864.5	14,026.3	14,291.5	15,688.6	15,429.0(4)
Federal Reimbursements	3,039.1	3,019.6	3,361.2	3,442.9	3,645.6	3,843.9
Departmental and Other Revenues	1,208.1	1,267.9	1,286.4	1,297.8	1,359.9	1,417.3
Interfund Transfers from Non-budgeted Funds and Other Sources	1,031.1	1,018.0	1,125.9	1,132.8	1,893.0	1,242.4
Budgeted Revenues and Other Sources	17,327.5	18,170.0	19,799.8	20,165.0	22,587.1	21,932.6
Mass Transit Assessments from Municipalities	147.6	151.5	155.6	159.9	15.8	---
Interfund Transfers among Budgeted Funds and Other Sources	896.2	901.8	1,449.2	1,242.0	3,618.2(3)	208.9
Total Revenues and Other Sources	18,371.3	19,223.3	21,404.6	21,566.9	26,221.1	22,141.5
Expenditures and Uses						
Programs and Services	14,650.7	15,218.8	16,238.6	17,341.1	19,330.7	19,611.3
Debt Service	1,183.6	1,275.5	1,213.4	1,173.8	1,193.3	1,370.5
Pensions	1,004.6	1,069.2	1,069.8	990.2	986.3	1,041.5
Interfund Transfers to Non-budgeted Funds And Other Uses	42.2	385.5	479.9	739.6	903.8	87.3
Budgeted Expenditures and Other Uses	16,881.1	17,949.0	19,001.7	20,244.7	22,414.1	22,110.6
Payment of Municipal Mass Transit Assessments to the MBTA and RTA's	147.6	151.5	155.6	159.9	15.8	---
Interfund Transfers among Budgeted Funds and Other Uses	896.2	901.8	1,449.2	1,242.0	3,618.2	208.9
Total Expenditures and Other Uses	17,924.9	19,002.3	20,606.5	21,646.6	26,048.1	22,319.5
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	446.4	221.0	798.1	(79.7)	173.0	(178.0)
Transfer of Excess to Capital Projects Fund	---	---	---	---	---	(6.9) (5)
Net Balance	---	---	---	---	---	(184.9)
Ending Fund Balances						
Reserved or Designated	263.4	225.1	286.3	330.2	278.5	26.1
Tax Reduction Fund	231.7	91.8	367.7	6.8	7.2	8.0
Stabilization Fund	543.3	799.3	1,159.6	1,388.5	1,608.4	1,693.3
Undesignated	134.0	277.8	378.5	386.9	391.3	373.1
Total	$ 1,172.4	$ 1,394.0	$ 2,192.1	$ 2,112.4	$ 2,285.4	$ 2,100.5

SOURCE: Fiscal 1996-2000, Office of the Comptroller; fiscal 2001, Executive Office for Administration and Finance.

1. Totals may not add due to rounding.
2. The fund balance restatement for fiscal 1997 is the result of the reclassification of the Drug Analysis Fund from a non-budgeted fund to a budgeted fund.
3. Reflects legislation in the final supplemental appropriations act for fiscal 2000 requiring the Comptroller to transfer funds from the General Fund to the Local Aid Fund and Highway Fund at the end of fiscal 2000, eliminating deficits in these funds.
4. Reflects the October 11, 2000 estimate of $16.209 billion, less $645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority (see the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority) and less $135 million to reflect the passage of the November, 2000 ballot question reducing personal income taxes (see "State Taxes").
5. The amount of any Capital Projects Fund transfer will be determined by the Comptroller when the books are closed for fiscal 2001 on October 31, 2001. After the books are closed, such amount will be treated as an interfund transfer to non-budgeted funds and other uses.

Selected Financial Data–GAAP Basis

The following table provides financial results on a GAAP basis for fiscal years 1996 through 2000 for all budgeted operating funds of the Commonwealth.

Budgeted Operating Funds Operations–GAAP Basis
(in millions)

	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000
Beginning fund balances (deficits)	$287.4	$709.2	$1,096.3	$1,841.4	$1,704.9
Revenues and Financing Sources					
Taxes	11,916.9	13,020.8	14,021.8	14,308.1	15,681.9
Federal Grants and Reimbursements	2,945.2	3,073.4	3,337.6	3,425.8	3,776.3
Department and Other Revenues	1,306.1	1,346.4	1,404.0	927.4	947.9
Interfund Transfers and Other Sources	1,356.4	1,405.3	1,576.5	1,994.4	5,508.0
Total	17,524.6	18,845.9	20,339.9	20,655.7	25,914.1
Expenditures and Financing Uses					
Programs and Services	13,729.6	14,581.4	15,477.6	16,471.3	17,912.4
Debt Service	1,392.9	1,275.5	1,213.3	1,173.8	1,913.3
Pensions	382.5	413.1	414.3	324.2	398.2
Interfund Transfers and Other Uses	1,597.8	2,188.8	2,489.6	2,822.9	5,790.0
Total	17,102.8	18,458.8	19,594.8	20,792.2	25,293.9
Excess (deficit)	421.8	387.1	745.1	(136.5)	620.2
Ending fund balances (deficits)	$ 709.2	$1,096.3	$1,841.4	$1,704.9	$2,325.1

SOURCE: Office of the Comptroller

Using a modified accrual basis of accounting, the GAAP financial statements have provided a picture of the financial condition of the budgeted operating funds that is different from that reported on the statutory basis. See "Selected Financial Data – Statutory Basis." As evidenced in the trend line of fund balance (deficit) over time, however, there is a correlation between the GAAP basis measurement and the statutory basis measurement. While the difference in fund balance may vary in a given fiscal year, both balances trend in the same direction. For a description of the differences between statutory basis and GAAP basis accounting, see the March Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS – Fiscal Control, Accounting and Reporting Practices of the Comptroller; GAAP *Basis Accounting*."

COMMONWEALTH CAPITAL SPENDING

Five-Year Capital Spending Plan

The following table sets forth the Commonwealth's current five-year capital plan. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Five-Year Capital Spending Plan." The table assumes that all Commonwealth bonds related to a particular year's expenditures will be issued in the same year. In practice, Commonwealth capital expenditures usually occur prior to the issuance of the related bonds. Accordingly, it is customary for some Commonwealth bonds to be issued in a subsequent fiscal year to finance capital expenditures made in the prior fiscal year.

The five-year capital plan governs bond-funded expenditures and does not, therefore, include expenditures from the Capital Investment Trust Fund, the Capital Improvement and Investment Trust Fund or the Capital Needs Investment Trust Fund (see "Fiscal 2000," "Update of Proposed and Approved Capital Spending Authorizations" and the March Information Statement under the heading "FINANCIAL RESULTS - Selected Financial Data - Statutory Basis") or capital expenditures from the fiscal 2000 year-end surplus (see "Fiscal 2000" and the March Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS – Operating Fund Structure; *Year-end Surpluses*").

Summary of Five-Year Capital Spending Plan and Plan of Finance
(in millions)(1)

USES:	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
Category						
Information Technology	$ 53	$ 49	$ 49	$ 49	$ 49	$ 249
Infrastructure	185	201.5	201.5	202	202	992
Environment	104	104	104	104	105	521
Housing	74.5	72	72	71	71	360.5
Transportation						
Central Artery/Tunnel Project	1,744	1,371	940	658	240	4,953
All Other	718	662	631	487	813	3,311
Transportation Subtotal	2,462	2,033	1,571	1,145	1,053	8,264
Public Safety	19	9	9	9	9	55
Economic Development (2)	295	275	182	61	44	857
Reserve (3)	4	4	95	135	135	373
Total Uses	$ 3,197	$ 2,747	$ 2,284	$ 1,776	$ 1,668	$ 11,672
SOURCES:						
Category						
Commonwealth General Obligation Debt	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 5,000
Commonwealth Special Obligation Debt	248	227	138	16	0	629
Third Party-Supported Expenditures	117	38	11	37	181	384
Federal Grant Anticipation Notes	386	0	0	0	0	386
Federal Aid	781	599	452	387	387	2,606
Transportation Infrastructure Fund (4)	666	883	684	336	100	2,669
Total Sources	$ 3,197	$ 2,747	$ 2,284	$ 1,776	$ 1,668	$ 11,672

SOURCE: Executive Office for Administration and Finance.

(1) Totals may not add due to rounding

(2) Includes amounts formerly labeled "Wastewater Treatment." Also includes approximately $629 million for convention centers in Boston, Worcester and Springfield that are expected to be funded by special obligation bonds.

(3) Reserve for unanticipated capital spending needs within a given fiscal year, to be allocated as needed among the listed categories.

(4) Sources include up to $1.35 billion of Commonwealth bonds; uses include $100 million annually for the statewide road and bridge program. See "Central Artery/Ted Williams Tunnel Project."

Central Artery/Ted Williams Tunnel Project

On March 15, 2000 the Massachusetts Turnpike Authority filed with the Federal Highway Administration a finance plan update for the Central Artery/Ted Williams Tunnel project describing the components of the additional project cash needs of $1.398 billion, expected total cash outlays of $13.064 billion and the Governor's proposed funding plan. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." The plan contained the same cash flow projections set forth in the March Information Statement. The plan included as an appendix an interim cost validation report by the consultants that had been retained by the Turnpike Authority to undertake an independent assessment of its findings. The consultants analyzed only the estimates related to design and construction costs, which amounted to $975 million of the $1.398 billion total. The consultants reported that the $975 million assessment was realistic but also indicated that they had identified risk areas of potential additional costs totaling approximately $300 million.

On April 11, 2000 the U. S. Secretary of Transportation released a report dated March 31, 2000 that had been prepared by a task force of federal officials pursuant to the action plan that the Secretary had announced on February 17, 2000. The task force report stated that senior management of the Central Artery/Ted Williams Tunnel project had deliberately withheld information about cost overruns from the Federal Highway Administration and recommended a change in project leadership, as well as an evaluation of whether the Turnpike Authority should continue to be responsible for the management of the project. The report validated the methodology used by the Turnpike Authority to identify the potential $1.4 billion cost overrun as realistic and consistent with normal industry practice, but stated that there were risks that could lead to cost exposures in addition to those identified in the March 15, 2000 finance plan update in the range of $300 million to $480 million. The task force estimated that a realistic total cost estimate for the project was $13.4 billion to $13.6 billion. The report stated that the Commonwealth appeared to have adequate resources to finance the additional costs but had not yet identified precisely how it would do so, noting that several of the elements in the Governor’s proposed funding plan did not appear to have state legislative support. Upon receiving the report, the Governor requested and received the resignation of the chairman of the Turnpike Authority and appointed a new chairman.

On May 8, 2000 the Turnpike Authority received a letter from the Federal Highway Administration stating that it could not accept the March 15, 2000 finance plan update as filed. The letter indicated that the most critical issue to resolve was the identification of new funding resources and said that if sufficient new funding sources were not made available by the approval of appropriate legislation by May 19, 2000, the federal government would withhold additional “obligation authority” for the project. See the March Information Statement under the heading “COMMONWEALTH CAPITAL SPENDING – Federal Highway Funding.” The letter further stated that prior to May 19, 2000 any use of obligation authority would be available only for work that could not be deferred without cost increases. (Obligation authority has since been reinstated.) In addition, the letter stated that a completely revised finance plan update had to be submitted by June 16, 2000. Finally, the letter provided that total obligation authority for the project would be limited to the amount described in the March 15, 2000 finance plan update ($7.049 billion plus grant anticipation notes of $1.5 billion), and “advance construction” authorizations for the project would be limited to the amount specified in previously accepted finance plan updates (the existing balance, which was approximately $2.864 billion at the end of fiscal 1999, plus $222 million). Under federal highway funding statutes, the “advance construction” approach allows states, with Federal Highway Administration approval, to begin a project before amassing all of the obligation authority needed to cover the federal share of that project, and the Commonwealth has used this approach extensively for the Central Artery/Ted Williams Tunnel project. The limits on obligation authority and advance construction authorizations contained in the letter are consistent with the amount of federal funding contemplated in connection with a total project cost of $11.667 billion, meaning that all additional costs will have to be met with non-federal funds. According to the May 8, 2000 letter, the revised finance plan update must provide for funding resources consistent with total project costs in excess of $13.1 billion, as indicated by the higher estimates described in the March 31, 2000 federal task force report and the independent cost validation report appended to the March 15, 2000 finance plan, and must provide for full funding of a balanced statewide road and bridge program.

On May 17, 2000 the Governor approved legislation to provide financing for the additional costs of the Central Artery/Ted Williams Tunnel project and for the statewide road and bridge program. The legislation authorized approximately $1.520 billion of Commonwealth bonds, to be issued as general obligations or as special obligations payable from the gasoline tax. The legislation reinstated certain fees collected by the Registry of Motor Vehicles to be credited to the Highway Fund, which are expected to generate approximately $100 million per year to offset debt service costs associated with the foregoing bonds and to provide direct funding for the project. (Legislation clarifying that such fees may be pledged to secure special obligation bonds was approved by the Governor on June 30, 2000.) The legislation also provided for the sale of a highway exit ramp by the Commonwealth to the Massachusetts Port Authority in exchange for $65 million (which is expected to occur shortly) and for the additional payment to the Commonwealth by the Massachusetts Turnpike Authority of $200 million (which was received on September 1, 2000). Such moneys have been or will be deposited in a new Central Artery and Statewide Road and Bridge Infrastructure Fund and used to pay additional costs of the Central Artery/Ted Williams Tunnel project and to fund the statewide road and bridge program to the extent of at least $100 million per year for each of fiscal years 2001 through 2005. In addition the legislation authorized up to $650 million to be deposited in the Debt Defeasance Trust Fund (up to $500 million from surplus fiscal 2000 revenues and up to $150 million from accumulated surpluses from fiscal years 1997, 1998 and 1999 which were originally credited to the Capital Projects Fund). Such moneys have been used to establish sinking funds to retire certain Commonwealth bonds payable during fiscal 2001 or on July 1, 2001. See "COMMONWEALTH BOND AND NOTE LIABILITIES – Cash Defeasance Transactions." During fiscal 2001 and fiscal 2002, an amount equal to the amount that would otherwise have been appropriated for debt service on the defeased Commonwealth bonds will be transferred by the Comptroller from the applicable budgetary operating funds to the Central Artery and Statewide Road and Bridge Infrastructure Fund.

On June 16, 2000 the Massachusetts Turnpike Authority filed with the Federal Highway Administration a finance plan update identifying total project costs, expressed as cash needs through completion in fiscal 2005, of $13.513 billion. This cost figure was based upon the previously identified project cash requirement of $11.667 billion, plus $1.846 billion in additional costs (including $53 million for a garage and surface restoration work to be funded out of Turnpike Authority resources that had previously been excluded from the project budget). The estimate of additional costs was $448 million higher than the revised estimates released on February 1, 2000 but was consistent with the range of estimated additional costs contained in the March 31, 2000 federal task force report. The June 16, 2000 finance plan update included a $130 million contingency for Central Artery/Ted William Tunnel project needs.

By letter dated June 15, 2000, the Federal Highway Administration informed the Massachusetts Turnpike Authority that it had been designated a "high-risk grantee" with respect to activities related to the Central Artery/Ted Williams Tunnel project. The letter indicated that such designation will remain in effect until the completion of the project. According to the letter, the designation means that more detailed financial reports and additional project monitoring will be required on the project. On June 22, 2000, the Federal Highway Administration, the Executive Office of Transportation and Construction, the Massachusetts Turnpike Authority and the Massachusetts Highway Department signed a project partnership agreement setting out the federal reporting and monitoring requirements for the project and stipulating that federal funding for the project will not exceed $8.549 billion, as contemplated by the May 8, 2000 Federal Highway Administration letter.

In March, 2000, the Executive Office for Administration and Finance engaged the services of an independent consulting and accounting firm to review costs associated with the Central Artery/Ted Williams Tunnel project. On August 7, 2000 the Executive Office received the firm's report. The report recommended that project officials should budget for $2.140 billion in additional costs, an increase of $294 million over the amount provided for in the June 16, 2000 finance plan update. The consultant's report also detailed other scenarios and suggested a range of further potential budget exposures of up to an additional $280 million.

On August 8, 2000 the Turnpike Authority received a letter from the Federal Highway Administration stating that it would defer action on the June 16, 2000 finance plan update in view of the consultant's report released on August 7, 2000 and would instead await the filing of the next scheduled finance plan on October 1, 2000.

On September 29, 2000 the Turnpike Authority filed with the Federal Highway Administration a new finance plan dated October 1, 2000. The October 1, 2000 finance plan is based on information as of June 30, 2000 and the results of a comprehensive cost and schedule evaluation. The finance plan estimates total project costs to be $14.075 billion, an increase of $562 million over the estimates contained in the June 16, 2000 finance plan update. Most of the increase is contained in a $203 million increase in estimated construction costs and the addition of a project contingency budget of $258 million.

The project cost estimates contained in the October 1, 2000 finance plan are $2.408 billion higher than the $11.667 billion project budget in place prior to the announcement of additional costs on February 1, 2000. Excluding the $53 million for a garage and surface restoration work that had been added to the project budget in the June 16, 2000 update (and which is being financed from Turnpike Authority resources), the difference between the October 1, 2000 estimate and the pre-February 1, 2000 estimate is $2.355 billion. The finance plan contemplates that $2.168 billion of this amount will be defrayed by amounts in the Central Artery and Statewide Road and Bridge Infrastructure Fund established by the legislation approved on May 17, 2000. The balance of the increase, $185 million, is budgeted to come from the proceeds of the sale of certain real estate assets by the Turnpike Authority (approximately $152 million was received on July 14, 2000) and investment earnings thereon ($40 million anticipated, $33 million budgeted). The $2.168 billion figure to be provided by the Central Artery and Statewide Road and Bridge Infrastructure Fund consists of $1.35 billion of Commonwealth bond proceeds, $231 million of license and registration fees not used for debt service, $664 million from avoided debt service related to debt defeasance transactions, $200 million from the Turnpike Authority, $65 million from the Port Authority and $159 million in interest earnings through fiscal year 2005 on the balances in the Central Artery and Statewide Road and Bridge Infrastructure Fund itself, less $500 million that is budgeted to be spent on highway and bridge projects not related to the Central Artery/Ted Williams Tunnel project.

The October 1, 2000 finance plan also identifies additional funding sources that could be utilized as a contingency if there were to be growth in the project cost estimate. One potential source of funds is additional sales of Turnpike Authority real estate assets, including assets made available after completion of the project (estimated range of values -- $142 million to $309 million). Other sources include up to $150 million of proceeds of additional revenue bonds that could be supported by the currently projected Metropolitan Highway System tolls and $50 million expected to be withdrawn from the owner-controlled insurance program trust fund for the project.

Internal project cost estimates prepared by the Massachusetts Division of the Federal Highway Administration as of September 27, 2000 totaled $13.8 billion. The Division indicated at that time that the estimates used by the Turnpike Authority in preparing the October 1, 2000 finance plan constituted a reasonable representation of expected costs to be used as a basis for budgetary planning.

On October 23, 2000 the President of the United States approved legislation providing for appropriations for the U. S. Department of Transportation and related agencies for the federal fiscal year ending September 30, 2001. The legislation provides that the U. S. Secretary of Transportation is to withhold obligation of federal funds and all project approvals for the Central Artery/Ted Williams Tunnel project in federal fiscal year 2001 and thereafter unless the Secretary has approved the annual update of the project finance plan (approval of the October 1, 2000 finance plan need not occur until December 1, 2000) and has determined that the Commonwealth is in full compliance with the June 22, 2000 project partnership agreement described above and is maintaining a balanced statewide transportation program, including spending at least $400 million each year for construction activities and transportation projects other than the Central Artery/Ted Williams Tunnel project. In addition, the legislation limits total federal funding to $8.549 billion, as previously contemplated by the Federal Highway Administration's May 8, 2000 letter described above. This limit is consistent with the October 1, 2000 finance plan. Finally, the legislation ties future federal funding for the project to an annual finding by the Inspector General of the U. S. Department of Transportation that the annual update of the project finance plan is consistent with Federal Highway Administration financial plan guidance. Should any federal assistance be withheld from the project pursuant to such legislation, such funding would nonetheless be available to the Commonwealth for projects other than the Central Artery/Ted Williams Tunnel project. Moreover, the legislation provides that federal funds will not be withheld if the Secretary of Administration and Finance certifies that such funds are required to pay all or any portion of the principal of federal grant anticipation notes issued for the project.

On November 29, 2000 the Office of Inspector General of the U. S. Department of Transportation found the October 1, 2000 finance plan to be consistent with Federal Highway Administration guidance and to contain reasonable estimates of the projected cost, funding and schedule for the project, and on the same day the plan was accepted by the Federal Highway Administration.

The table below provides cash flow estimates that are consistent with the revised project cost estimates (as of June 30, 2000) that are contained in the October 1, 2000 finance plan and that extend to fiscal 2005, when the project is expected to be completed. The Turnpike Authority and the Executive Office for Administration and Finance believe that such estimates of future costs are realistic and that the assumptions underlying the October 1, 2000 finance plan are reasonable and appropriate. In light of the risks involved in large construction projects such as the Central Artery/Ted Williams Tunnel Project, however, including the risks that change orders and contract bids might exceed projections, that schedule slippages might occur due to unanticipated conditions or circumstances, that change order and right-of-way disputes might be resolved on terms that are less favorable to the project than currently projected and that certain engineering designs might require modification, the actual amount and timing of construction costs may differ significantly from current estimates. The Turnpike Authority has identified certain schedule exposures in connection with the completion of various segments of the project. Based on the information currently available, the Turnpike Authority does not anticipate that budgeted contingency funds will be needed to fund such schedule exposures.

Central Artery Construction Cash Flow
(in thousands)(1)

	2001	2002	2003	2004	2005	Totals
Project Construction Uses:	$ 1,610,006	$ 1,489,038	$ 953,965	$ 651,886	$ 248,042	$ 4,952,937
Project Construction Sources:						
Federal highway reimbursements (2)	525,095	447,051	264,552	217,311	29,418	1,483,427
Commonwealth GO Bonds/Notes (3)	220,000	175,000	62,000	44,000	31,200	532,200
Third Party Contributions (4)	116,505	38,000	10,700	30,576	187,423	383,205
GANs	385,704	0	0	0	0	385,704
Transportation Infrastructure Fund	362,701	828,988	616,713	359,999	0	2,168,400
Total Sources	$ 1,610,006	$ 1,489,038	$ 953,965	$ 651,886	$ 248,042	$ 4,952,937

SOURCE: Executive Office for Administration and Finance and Massachusetts Turnpike Authority.

1. Totals may not add due to rounding. The companion table included in the March Information Statement under the caption "Interim Debt Schedule" has not been updated and should be disregarded. It has been the Commonwealth's practice to finance the cash needs of the project out of general revenues when necessary in anticipation of federal and other third-party payments, and such practice is expected to continue. If necessary, the Commonwealth retains the legal authority to issue bond anticipation notes for such purpose.
2. Assumes TEA-21 apportionment. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Federal Highway Funding."
3. Does not include bonds or notes authorized by legislation approved May 17, 2000, which are included in the Transportation Infrastructure Fund line. Fiscal 2001 figure includes $20 million and fiscal 2002 figure includes $25 million in anticipated pay-as-you-go funding and interest earnings thereon.
4. Reflects payments to be received from the Turnpike Authority and the Port Authority, including an additional $53 million to be received from the Turnpike Authority for a garage and surface restoration work, but excludes payments to be deposited in the Central Artery and Statewide Road and Bridge Infrastructure Fund, which are included in the Transportation Infrastructure Fund line. The fiscal year amounts assume that the Commonwealth will finance costs in anticipation of such receipts through cash advances funded by general revenues or through the issuance of interim debt, if necessary.

Update of Proposed Capital Spending Authorizations

The fiscal 2001 budget approved by the Governor on July 28, 2000 established a new Capital Needs Investment Trust Fund, in which $45 million of income tax receipts is to be deposited in each of fiscal years 2001 through 2005 for pay-as-you-go capital spending. Of the $45 million, $20 million is to be deposited each year in a new Affordable Housing Trust Fund, where it will be available for expenditure by the Massachusetts Housing Finance Agency to assist in the creation and preservation of affordable housing, $11 million is to be used by the Department of Education for statewide technology systems and grants to local school districts for educational technology, $9 million is to be used by the Division of Capital Asset Management and Maintenance for scheduled and deferred maintenance of state property and $5 million is to be used by the Division for the redevelopment of state facilities formerly operated by human service agencies.

On June 28, 2000 the House of Representatives approved legislation that would authorize $123 million of Commonwealth general obligation bonds to provide for compliance with life safety codes, remediation of environmental hazards and preservation and management of the Commonwealth's real property assets. On July 29, 2000 the Senate approved similar legislation authorizing $117 million of Commonwealth general obligation bonds. Compromise legislation that would authorize $117 million of Commonwealth general obligation bonds was enacted on July 31, 2000 and approved by the Governor on August 10, 2000.

On June 28, 2000 the House of Representatives approved legislation that would authorize $116.8 million of Commonwealth general obligation bonds to provide for emergency maintenance of environmental assets of the Commonwealth. The legislation was approved with amendments by the Senate on July 27, 2000. The compromise version enacted by the Legislature on July 31, 2000 authorizes $145.1 million of general obligation bonds, including $19 million for matching capitalization grants for the state revolving fund program. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Commonwealth-Supported Debt; *Massachusetts Water Pollution Abatement Trust*. The legislation also de-authorizes $106.7 million of authorized but unissued general obligation bonds. The legislation was approved by the Governor on August 10, 2000.

On July 19, 2000, in response to responses received from various development teams to redevelop the Saltonstall State Office Building, the Governor filed legislation that would authorize the Massachusetts Development Finance Agency to undertake such redevelopment. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Proposed Capital Spending Authorizations." The provisions of the Governor's bill were added to the bond authorization legislation approved August 10, 2000 relating to preservation and management of the Commonwealth's real property assets. Under the provisions relating to the Saltonstall Building, the building is to be leased to the Massachusetts Development Finance Agency (for a lease term of up to 50 years, with extension terms permitted for an aggregate of 30 more years), which is to renovate it and lease half of it back to the Commonwealth for office space and related parking (for a comparable lease term). The remainder of the building is to be redeveloped as private office space, as well as private housing units and retail establishments.

On July 27, 2000 the Governor filed legislation to authorize the acquisition and financing by the city of Boston of a designated site in Boston for a new open air ballpark for major league baseball. Such legislation was enacted by the Legislature with minor amendments on July 29, 2000 and approved by the Governor on August 10, 2000. The legislation authorizes $100 million of Commonwealth general obligation bonds for transportation-related infrastructure improvements near the site. The legislation also provides that state sales tax receipts from establishments in and around the ballpark in excess of those received during fiscal 2001 (but not more than $1.5 million per year) are to be paid over to the city of Boston.

On July 31, 2000 the legislative conference committee considering the transportation bond bill released its report. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Proposed Capital Spending Authorizations." Later that same day, the report was accepted and the transportation bond bill was enacted by both houses of the Legislature. The bill was approved by the Governor on August 10, 2000. The legislation authorizes approximately $3.014 billion of transportation-related capital spending to occur over several years, with approximately $1.616 billion to be funded by Commonwealth general obligation bonds and approximately $1.397 billion to be funded by federal reimbursements. The legislation also authorizes an additional $150 million in spending for the Central Artery/Ted Williams Tunnel project to be funded by federal grant anticipation notes, completing the legislative authorization for the $1.5 billion federal grant anticipation note program contemplated by the project finance plan. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Federal Grant Anticipation Notes."

The final fiscal 2000 supplemental appropriations bill approved by the Governor on August 10, 2000 provided for approximately $66.7 million of fiscal 2000 surplus revenues to be transferred to the Capital Improvement and Investment Trust Fund for specified capital expenditures through fiscal 2003 and approximately $66.6 million of such fiscal 2000 surplus revenues to be transferred to a new MBTA Infrastructure Renovation Fund for specified capital expenditures by the Massachusetts Bay Transportation Authority through fiscal 2005 that are not included in the Authority's own capital spending plan. See "Fiscal 2000."

LEGAL MATTERS

Update of Existing Litigation

In *Lopez v. Board of Education, et al.* the Supreme Judicial Court for Suffolk County on March 21, 2000 declared that the Legislature had taken appropriate steps within a reasonable time to implement education reform. The plaintiffs have voluntarily dismissed their appeal to the full Supreme Judicial Court.

In *The First National Bank of Boston v. Commissioner of Revenue*, the Department of Revenue refunded $35.3 million in April, 2000 to the First National Bank of Boston for tax year 1993 for reasons unrelated to the claims against the Department of Revenue. The bank has accordingly withdrawn all of its claims for tax year 1993. The Commissioner and the bank entered into a settlement on August 31, 2000 pursuant to which $27.5 million has been refunded to the bank for tax years 1992 and 1994.

In *General Mills, Inc. v. Commissioner of Revenue* (Appellate Tax Board No. F223398), the taxpayer challenges a corporate excise tax, including the proper treatment of the sale of two of its subsidiaries. The total exposure to the Commonwealth, including tax, interest and penalties, is approximately $36 million. The Appellate

Tax Board issued a decision awarding an abatement of $634,077. The Board has not yet issued its findings of fact and report.

In *Tenneco, Inc. v. Commissioner of Revenue* (Appellate Tax Board Nos. F162137-F162140), the taxpayer seeks $34.3 million in excise taxes and interest. On September 6, 2000, the Appellate Tax Board issued findings of fact and a report in support of its 1998 decision in favor of the Commissioner. On October 31, 2000, the taxpayer filed a notice of appeal.

In *EG&G, Inc. v. Commissioner of Revenue* (Appellate Tax Board Nos. F245459, F245460, F245461, F253131, F233126), the taxpayer seeks $21.2 million in excise taxes and interest.

In *United States v. MWRA*, the court ruled on May 5, 2000 that the MWRA does not need to build a filtration system based on a finding that ozonation treatment and improvement of the Wachusett watershed are sufficient actions at this time. On June 2, 2000, the U.S. District Court entered a judgment in accordance with its ruling of May 5, 2000, denying the United States' motion for injunctive relief. The United States filed a notice of appeal on July 3, 2000.

In *Valerie Anderson v. Cellucci* (now re-captioned *Boulet v. Cellucci*), the court granted plaintiffs' motion for partial summary judgment and issued an order requiring the defendant agencies to provide services to all eligible individuals on the waiting list within 90 days. However, the court invited the Commonwealth to propose alternative relief by August 15, 2000, which the Commonwealth did. The Department of Mental Retardation currently estimates the potential exposure to the Commonwealth to be a total of $85 million of new funding over fiscal years 2002-2006. On December 19, 2000, the parties submitted a settlement agreement to the District Court for its review and approval.

Shea v. Commonwealth has been settled for $5,750,000.

In *Boston & Maine Railroad v. Commonwealth* (C.A. No. 99-3928E), pending in Middlesex Superior Court, the plaintiff may seek $40 million for a taking of land in Cambridge for the Central Artery/ Ted Williams Tunnel project.

SEC Investigation

On May 8, 2000 the State Treasurer's office was advised that the staff of the Securities and Exchange Commission is conducting a formal investigation in the matter of "Certain Municipal Securities/Massachusetts Central Artery (B-1610)," pursuant to a formal order of private investigation issued by the Commission.

COMMONWEALTH BOND AND NOTE LIABILITIES

The following table sets forth the Commonwealth bond and note liabilities outstanding as of January 1, 2001.

Commonwealth Bond and Note Liabilities
January 1, 2001
(in thousands)

	Long-Term (1)	Short-Term
COMMONWEALTH DEBT		
General Obligation Debt	$ 11,406,745(2)	$ 650,000(5)
Special Obligation Debt	564,485	0
Federal Grant Anticipation Notes	1,499,325(3)	0
Subtotal Commonwealth Debt	13,470,555	650,000
COMMONWEALTH-SUPPORTED DEBT		
Massachusetts Bay Transportation Authority	3,602,360(4)	$ 0
Massachusetts Convention Center Authority	57,981	0
Massachusetts Development Finance Agency	71,765	0
Boston Metropolitan District	30,825	0
Foxborough Industrial Development Financing Authority	69,810	0
Steamship Authority	44,039	0
Regional Transit Authorities	0	81,196
Subtotal Supported Debt	3,876,780	81,196
COMMONWEALTH-GUARANTEED DEBT		
Higher Education Building Authorities	209,601	0
Subtotal Guaranteed Debt	209,601	0
TOTAL COMMONWEALTH BOND AND NOTE LIABILITIES	$ 17,556,936	$ 731,196

SOURCE: Office of the State Treasurer, Office of the Comptroller and respective authorities and agencies.

1. Long-term debt includes discount and costs of issuance. Does not include long-term capital lease obligations. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Indirect Obligations; *Plymouth County Certificates of Participation*" and "OTHER COMMONWEALTH LIABILITIES – Long-Term Capital Leases."
2. Includes interest on Commonwealth general obligation capital appreciation bonds to be accrued from January 1, 2001 through their maturity in the amount of $148.1 million. The Commonwealth has solicited bids for the sale of an additional $250 million of general obligation bonds which are expected to be issued on January 23, 2001.
3. Includes capital appreciation interest accrued from January 1, 2001 through their maturity in the amount of $44.5 million.
4. Includes bonds and refunding bonds, excluding such bonds that have been refunded. Does not include certificates of participation and other long-term lease obligations. Because of legislation enacted in November, 1999 that restructured the finances of the Massachusetts Bay Transportation Authority, the Commonwealth no longer makes direct debt service payments on the MBTA's bonds, but the Commonwealth remains obligated to pay the debt service on MBTA bonds issued prior to July 1, 2000 if the MBTA cannot. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority."
5. Includes $400 million of general obligation bond anticipation notes to finance costs associated with the construction of the Boston Convention and Exhibition Center and other capital projects (see the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Special Obligation Debt; *Boston Convention and Exhibition Center Fund*") and $250 million of bond anticipation notes issued as commercial paper in December, 2000 and expected to be retired from the proceeds of general obligation bonds issued in January, 2001.

Maturities of Short-Term Debt

The following table sets forth the maturities of the Commonwealth's short-term liabilities as described in the previous table.

Maturities of Short-Term Liabilities
(in thousands)

Year Due	Commonwealth	Regional Transit Authorities	Total
Commercial paper	$250,000	0	$250,000
Fiscal 2001	0	$ 28,880	28,880
Fiscal 2002	400,000	52,316	452,316
Total	$650,000	$ 81,196	$731,196

SOURCE: Office of the State Treasurer and respective authorities and agencies.

Statutory Debt Limit on Direct Debt

The statutory limit on "direct" bonds during fiscal year 2001 is $11,076,483,462. As noted in the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Statutory Debt Limit on Direct Debt," the statutory limit on direct bonds excludes certain categories of Commonwealth bonds. In addition to the bonds described in the March Information Statement, the $1.35 billion of bonds to be issued pursuant to Chapter 87 of the Acts of 2000, as amended, payable from the Central Artery and Statewide Road and Bridge Infrastructure Fund are not to be counted in computing the amount of bonds subject to the statutory limit on direct bonds. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." The outstanding Commonwealth debt amounts excluded from the limit as of January 1, 2001 are shown in the table below (see the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Statutory Debt Limit on Direct Debt"):

Calculation of the Debt Limit
(amount in thousands)

	Bonds Outstanding
Balance as of January 1, 2001	$13,470,555
Less amounts excluded:	
Discount and issuance costs	(299,638)
Federal grant anticipation notes	(1,500,000)
Assumed county debt	(1,375)
Chapter 5 of the Acts of 1991 refunding bonds	(71,054)
Special obligation bonds	(561,335)
Bonds to retire MBTA notes	(325,000)
Central Artery and Statewide Road and Bridge Bonds	(999,995)
Outstanding Direct Debt	$ 9,712,158

SOURCE: Office of the Comptroller.

Debt Service Requirements on Commonwealth Bonds

The following table sets forth, as of January 1, 2001, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate exchange agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Synthetic Fixed Rate Bonds."

Debt Service Requirements on Commonwealth Bonds
January 1, 2001 (in thousands)(1)

	General Obligation Bonds				*Federal Grant Anticipation Notes*			*Special Obligation Bonds*			
Fiscal Year	Principal	Interest on CABS at Maturity	Current Interest	Sub Total	Principal	Interest	Sub Total	Principal	Interest	Sub Total	Total Debt Service Commonwealth Bonds
2001	$2,186	-	$253,939	$256,125	-	$40,099	$40,099	$22,290	$29,830	$52,120	$348,344
2002	612,030	$45,416	559,409	1,216,855	-	74,822	74,822	23,415	28,708	52,123	1,343,800
2003	657,221	48,650	529,932	1,235,803	-	74,822	74,822	24,865	27,258	52,123	1,362,749
2004	644,254	68,020	498,891	1,211,165	-	74,822	74,822	26,070	26,051	52,121	1,338,108
2005	713,013	9,338	466,867	1,189,218	-	74,822	74,822	27,370	24,758	52,128	1,316,169
2006	736,616	4,536	430,978	1,172,130	$ 117,895	73,416	191,311	28,805	23,315	52,120	1,415,561
2007	765,110	4,835	392,429	1,162,374	123,825	67,486	191,311	30,350	21,774	52,124	1,405,809
2008	760,035	5,170	341,025	1,106,230	130,240	61,068	191,308	31,995	20,126	52,121	1,349,660
2009	754,679	6,026	313,770	1,074,475	137,230	54,077	191,307	33,675	18,444	52,119	1,317,901
2010	691,031	5,683	274,461	971,175	144,515	46,792	191,307	35,335	16,791	52,126	1,214,607
2011	698,112	6,191	237,416	941,719	152,230	39,080	191,310	37,300	14,829	52,129	1,185,157
2012	549,222	6,297	199,618	755,137	160,530	30,775	191,305	39,320	12,813	52,133	998,575
2013	555,325	7,111	170,449	732,884	168,470	22,837	191,307	41,470	10,650	52,120	976,311
2014	447,819	5,047	145,985	598,852	177,760	13,549	191,309	37,530	8,369	45,899	836,060
2015	450,789	4,333	122,301	577,423	186,630	4,674	191,304	39,455	6,440	45,895	814,622
2016	408,271	2,978	100,820	512,068	-	-	-	41,530	4,368	45,898	557,966
2017	331,363	1,673	83,175	416,211	-	-	-	43,710	2,186	45,896	462,106
2018	260,892	944	68,015	329,851	-	-	-	-	-	-	329,851
2019	220,063	418	55,803	276,283	-	-	-	-	-	-	276,283
2020	151,302	94	45,848	197,244	-	-	-	-	-	-	197,244
2021	141,548	44	34,949	176,542	-	-	-	-	-	-	176,542
2022	28,905	-	30,529	59,434	-	-	-	-	-	-	59,434
2023	22,035	-	29,180	51,215	-	-	-	-	-	-	51,215
2024	24,060	-	28,006	52,066	-	-	-	-	-	-	52,066
2025	30,059	-	26,658	56,717	-	-	-	-	-	-	56,717
2026	76,790	-	23,980	100,770	-	-	-	-	-	-	100,770
2027	80,455	-	20,049	100,504	-	-	-	-	-	-	100,504
2028	84,290	-	15,931	100,221	-	-	-	-	-	-	100,221
2029	88,310	-	11,615	99,925	-	-	-	-	-	-	99,925
2030	92,525	-	7,095	99,620	-	-	-	-	-	-	99,620
2031	95,630	-	2,391	98,021	-	-	-	-	-	-	98,021
TOTAL	$11,173,938	$232,805	$5,521,513	$16,928,258	$1,499,325	$753,142	$2,252,467	$564,485	$296,708	$861,193	$20,041,918

SOURCE: Office of the State Treasurer and Office of the Comptroller.

(1) Totals may not add due to rounding.

Commonwealth-Supported Debt

On June 29, 2000 the Town of Foxborough, acting by and through the Foxborough Industrial Development Financing Authority, issued $69,810,000 of its Foxboro Stadium Infrastructure Improvement Bonds payable from Commonwealth contract assistance. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Commonwealth-Supported Debt; *Foxborough Industrial Development Financing Authority*."

Indirect Obligations

On August 17, 2000 the Route 3 North Transportation Improvements Association issued its Commonwealth of Massachusetts Lease Revenue Bonds, Series 2000, in the aggregate principal amount of $394,305,000, payable from lease payments to be appropriated annually by the Commonwealth through fiscal 2033. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Indirect Obligations; *Route 3 North*."

Cash Defeasance Transactions

On July 28, 2000, the State Treasurer expended approximately $182.1 million from the Debt Defeasance Trust Fund to purchase securities and establish a sinking fund to provide for the payment of certain Commonwealth general obligation bonds maturing on August 1, 2000. On August 9, 2000, the State Treasurer expended approximately $217.7 million from the Debt Defeasance Trust Fund to purchase securities and establish a sinking fund to provide for the payment of additional Commonwealth general obligation bonds maturing on various dates to and including February 1, 2001. On December 19, 2000, the State Treasurer expended approximately $250.2 million from the Debt Defeasance Trust Fund to purchase securities and establish a sinking fund to provide for the payment of additional Commonwealth general obligation bonds maturing on various dates to and including July 1, 2001. The securities purchased on August 9, 2000 and December 19, 2000 consisted of certain federal agency obligations which are being held by a third-party trustee in an irrevocable trust fund held by a third-party trustee. The approximate principal amount of Commonwealth general obligation bonds defeased pursuant to the three transactions is $638.8 million. The amounts that would have been expended for debt service on such bonds in fiscal 2001 (approximately $623.6 million) and in fiscal 2002 (approximately $34.6 million) will be deposited in the Central Artery and Statewide Road and Bridge Infrastructure Fund. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project."

OTHER COMMONWEALTH LIABILITIES

Pension Funding Schedule and Actuarial Valuations

The funding schedule filed by the Secretary of Administration and Finance on March 1, 2000 has been deemed approved by the Legislature, although the House Committee on Ways and Means has indicated to the Secretary that it has concerns about some of the assumptions and is awaiting the results of the experience study referred to below. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations*."

On May 18, 2000 the Pension Reserves Investment Management (PRIM) Board informed the Public Employee Retirement Administration Commission (PERAC) that the PRIM Board consultants, based on discussions with PERAC's actuary, had substantially revised their estimates contained in the report presented to the PRIM Board on November 23, 1999. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations*." In November, 1999 the consultants had indicated that the impact of their preliminary experience study could be as much as $2 billion in additional unfunded actuarial liability; the revised estimate is $200 million.

On September 15, 2000 PERAC released an actuarial valuation of the state employees' and teachers' retirement systems and the State-Boston retirement system for teachers as of January 1, 2000. The unfunded actuarial accrued liability based on this valuation is approximately $773.4 million for state employees, approximately $2.739 billion for state teachers, approximately $521 million for Boston teachers and $803 million for cost-of-living increases granted for local systems prior to July, 1997, for a total unfunded liability of approximately $4.837 billion. The valuation as of January 1, 2000 is based on actuarial assumptions including future investment earnings at a rate of 8.25% per year, annual salary increases of 6% and annual cost-of-living increases for pensioners at the rate of 3% on the first $12,000 of benefits. The valuation continues the phase-in of an actuarial valuation of assets methodology that was begun with the valuation as of January 1, 1998; in the valuation as of January 1, 2000 assets are valued at 91% of market value. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations*."

On October 18, 2000 and November 15, 2000 PERAC released experience studies of the state employees' and teachers' retirement systems, respectively, for calendar years 1995 through 1999. Both studies recommended changes in assumptions, including retirement rates, disability rates, withdrawal rates, salary increases and mortality. The net effect of the revised assumptions on the amount of the state's unfunded actuarial accrued liability for the two systems as of January 1, 2000 is estimated to be an increase of approximately $657.2 million, from approximately $3.513 billion to approximately $4.170 billion. However, because the net effect of the assumptions would be to reduce the normal cost of the systems (normal cost being that portion of the actuarial present value of pension benefits which is allocated to a valuation year by an actuarial cost method), it is estimated that total annual costs for the two systems under existing funding schedules would decrease in the aggregate by approximately $90.0 million.

Unemployment Compensation Trust Fund

The assets and liabilities of the Commonwealth Unemployment Compensation Trust Fund are not assets and liabilities of the Commonwealth. As of December 31, 2000 the private contributory sector of the Massachusetts Unemployment Trust Fund had a surplus of $2.001 billion. The Division of Employment and Training's October, 2000 quarterly report indicated that the contributions provided by current law should increase reserves in the system to $2.537 billion by the end of 2004. See Exhibit A, "Economic Information," under the heading "Employment – Unemployment Compensation Trust Fund."

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Supplement or the March Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900 (x 564), or Laura Guadagno, Assistant Secretary for Capital Resources and Chief Development Officer, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Supplement or the March Information Statement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone 617/542-6000.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Shannon P. O'Brien
Shannon P. O'Brien
Treasurer and Receiver-General

By /s/ Stephen P. Crosby
Stephen P. Crosby
Secretary of Administration and Finance

January 9, 2001

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon settlement of the Bonds, Bond Counsel proposes to deliver to the successful bidder an opinion in substantially the following form:

MINTZ LEVIN COHN FERRIS GLOVSKY AND POPEO PC

Boston
New York
Reston
Washington
New Haven

One Financial Center
Boston, Massachusetts 02111
617 542 6000
617 542 2241 fax
www.mintz.com

[To the Purchasers]

We have acted as bond counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of $250,000,000 General Obligation Bonds, Consolidated Loan of 2001, Series A, dated January 1, 2001 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(a) The Bonds are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. It should further be noted that Chapter 29, Section 60B, of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth.

(b) Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Commonwealth comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

(c) Interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ________________ By ________________

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022
(212) 826-0100

APPENDIX D

Commonwealth of Massachusetts
General Obligation Bonds
Consolidated Loan of 2001, Series A

Continuing Disclosure Undertaking
[to be included in bond form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide to each nationally recognized municipal securities information repository (each, a "NRMSIR") within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to the state information depository for the Commonwealth, if any (the "SID"), within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and the SID when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated March 3, 2000 (the "Information Statement"), as it appears as Appendix A in the Official Statement dated August 9, 2000 of the Route 3 North Transportation Improvements Association with respect to its Commonwealth of Massachusetts Lease Revenue Bonds, Series 2000, and substantially in the same level of detail as is found in the referenced section of the Information Statement:

	Financial Information and Operating Data Category	**Reference to Information Statement for Level of Detail**
1.	Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	"FINANCIAL RESULTS - Selected Financial Data - Statutory Basis"
2.	Summary presentation on GAAP and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year	"FINANCIAL RESULTS - Selected Financial Data - GAAP Basis"
3.	Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH REVENUES - Distribution of Revenues"
4.	So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES - Limitations on Tax Revenues"
5.	Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	"COMMONWEALTH PROGRAMS AND SERVICES"

Financial Information and Operating Data Category		Reference to Information Statement for Level of Detail
6.	If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"COMMONWEALTH PROGRAMS AND SERVICES - State Workforce"
7.	Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL SPENDING - Historical Capital Spending"
8.	Statement of Commonwealth bond and note liabilities as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Outstanding Bond and Note Liabilities"
9.	Five-year comparative presentation of long term Commonwealth debt and selected Commonwealth-supported debt as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Long Term Bond Liabilities"
10.	Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Requirements on Commonwealth Bonds"
11.	So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Statutory Debt Limit on Direct Bonds"
12.	Five-year summary presentation of authorized but unissued general obligation debt	"COMMONWEALTH BOND AND NOTE LIABILITIES - Authorized But Unissued Debt"
13.	Annual fiscal year debt service contract assistance requirements for Commonwealth-supported debt, beginning with the current fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Contract Assistance Requirements on Commonwealth-Supported Debt"
14.	Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"OTHER COMMONWEALTH LIABILITIES - Retirement Systems and Pension Benefits"
15.	Summary presentation of operating lease commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - Long Term Operating Leases"
16.	Summary presentation of long-term capital leases for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - Long Term Capital Leases"
17.	Summary presentation of school building assistance program commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - School Building Assistance"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the Municipal Securities Rulemaking Board ("MSRB"). The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Bonds to provide in a timely manner to the MSRB and to the SID notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule), if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties1/;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) modifications to the rights of security holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities2/ and

(xi) rating changes.

Nothing herein shall preclude the Commonwealth from disseminating any information in addition to that required hereunder. If the Commonwealth disseminates any such additional information, nothing herein shall obligate the Commonwealth to update such information or include it in any future materials disseminated.

To the extent permitted by law, the foregoing provisions of this Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with such undertakings and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of such undertakings shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of this Bond relating to such undertakings may be amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Bonds, (d) to modify the contents,

1/Not applicable to the Bonds, since there is no debt service reserve fund securing the Bonds.

2/Not applicable to the Bonds, since there is no property securing repayment of the Bonds that could be released, substituted or sold.

presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.