

NEW MONEY/REFUNDING ISSUE - BOOK-ENTRY-ONLY

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Tax-Exempt Bonds will not be included in the gross income of holders of the Tax-Exempt Bonds for federal income tax purposes. Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of computation of the federal individual alternative minimum tax; however, Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds included in the adjusted financial statement income of certain corporations is not excluded from computation of the federal corporate alternative minimum tax. Interest on the Taxable Bonds is not excluded from gross income for federal tax purposes. In the opinion of Bond Counsel, interest on the Bonds, and any profit made on the sale thereof, are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. See “TAX MATTERS” herein.



THE COMMONWEALTH OF MASSACHUSETTS

\$275,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series B**

\$200,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series C**

\$550,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series D**

\$260,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series E
(Federally Taxable)**

\$187,755,000

**General Obligation Refunding Bonds
2023 Series C**

Dated: Date of Delivery

Due: As shown on the inside cover pages hereof

The Commonwealth of Massachusetts General Obligation Bonds, Consolidated Loan of 2023, Series B (the “Series B Bonds”), General Obligation Bonds, Consolidated Loan of 2023, Series C (the “Series C Bonds”), General Obligation Bonds, Consolidated Loan of 2023, Series D (the “Series D Bonds”), General Obligation Bonds, Consolidated Loan of 2023, Series E (Federally Taxable) (the “Series E Bonds” or the “Taxable Bonds”, and together with the Series B Bonds, Series C Bonds and Series D Bonds, the “New Money Bonds”) and the General Obligation Refunding Bonds, 2023 Series C (the “Refunding Bonds” and together with the New Money Bonds, the “Bonds”) will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants. The Series B Bonds, Series C Bonds and Series D Bonds and the Refunding Bonds are hereinafter referred to collectively as the “Tax-Exempt Bonds.” Details of payment of the Bonds are more fully described in this Official Statement. The New Money Bonds will bear interest from their date of delivery and interest will be payable semiannually on each April 1 and October 1, commencing April 1, 2024, and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The Refunding Bonds will bear interest from their date of delivery and interest will be payable semiannually on each February 1 and August 1, commencing February 1, 2024, and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as more fully described herein.

The Bonds will constitute general obligations of The Commonwealth of Massachusetts (the “Commonwealth”), and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding the statutory limit on state tax revenue growth, see “SECURITY FOR THE BONDS” (herein) and the Information Statement (described herein) under the heading “COMMONWEALTH REVENUES – LIMITATIONS ON TAX REVENUES.”

The Bonds were offered on a competitive sale basis as described herein under “COMPETITIVE SALE OF BONDS” and pursuant to the Official Notices of Sale dated October 10, 2023.

The Bonds are offered when, as and if issued and received by 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. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., its Disclosure Counsel. Acacia Financial Group, Inc. is acting as municipal advisor to the Commonwealth in connection with the issuance of the Bonds. Settlement of the issue is expected at DTC in New York, New York, on or about October 25, 2023.

October 17, 2023

THE COMMONWEALTH OF MASSACHUSETTS

\$275,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series B**

Dated: Date of Delivery

Due: October 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2026	\$20,000,000	5.000%	3.470%	57582R3N4
2027	25,000,000	5.000	3.440	57582R3P9
2031	25,000,000	5.000	3.470	57582R3Q7
2032	25,000,000	5.000	3.500	57582R3R5
2033	25,000,000	5.000	3.530	57582R3S3
2034	35,000,000	5.000	3.620 ^c	57582R3T1
2035	35,000,000	5.000	3.730 ^c	57582R3U8
2036	35,000,000	5.000	3.870 ^c	57582R3V6
2037	25,000,000	5.000	4.000 ^c	57582R3W4
2038	25,000,000	4.000	4.310	57582R3X2

\$200,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series C**

Dated: Date of Delivery

Due: October 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2046	\$40,000,000	5.000%	4.640% ^c	57582R3Y0
2047	40,000,000	5.000	4.680 ^c	57582R3Z7
2048	70,000,000	5.000	4.690 ^c	57582R4A1
2049	50,000,000	5.000	4.690 ^c	57582R4B9

^c Stated yield to first optional redemption date of October 1, 2033.

* CUSIP is a registered trademark of FactSet. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet. The CUSIP numbers are being provided solely for the convenience of owners of the Bonds and the Commonwealth is not responsible for the selection or correctness of the CUSIP numbers printed herein and does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number assigned to a specific security is subject to change after the issuance of such security based on a number of factors including, but not limited to, a refunding or defeasance in whole or in part of such security or the use of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such security.

THE COMMONWEALTH OF MASSACHUSETTS

\$550,000,000

General Obligation Bonds

Consolidated Loan of 2023, Series D

Dated: Date of Delivery

Due: October 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2050	\$100,000,000	5.000%	4.730% ^c	57582R4C7
2051	100,000,000	5.000	4.750 ^c	57582R4D5
2052	100,000,000	5.000	4.760 ^c	57582R4E3
2053	250,000,000	5.000	4.770 ^c	57582R4F0

\$260,000,000

General Obligation Bonds

Consolidated Loan of 2023, Series E (Federally Taxable)

Dated: Date of Delivery

Due: October 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2026	\$20,000,000	5.500%	5.140%	57582R4G8
2027	20,000,000	5.500	5.200	57582R4H6
2028	20,000,000	5.500	5.250	57582R4J2
2029	20,000,000	5.500	5.370	57582R4K9
2030	20,000,000	5.500	5.420	57582R4L7
2031	20,000,000	5.500	5.470	57582R4M5
2032	20,000,000	5.500	5.520	57582R4N3

\$120,000,000 5.700% Term Bonds Due October 1, 2038 at Yield 5.700%^c CUSIP*: 57582R4U7

\$187,755,000

General Obligation Refunding Bonds

2023 Series C

Dated: Date of Delivery

Due: August 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2038	\$17,755,000	5.000%	4.130% ^c	57582R4V5
2039	25,000,000	5.000	4.200 ^c	57582R4W3
2040	40,000,000	5.000	4.280 ^c	57582R4X1
2041	40,000,000	5.000	4.350 ^c	57582R4Y9
2042	25,000,000	5.000	4.430 ^c	57582R4Z6
2043	25,000,000	5.000	4.480 ^c	57582R5A0
2044	15,000,000	5.000	4.530 ^c	57582R5B8

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

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Maura T. HealeyGovernor
Kimberley DriscollLieutenant Governor
William F. Galvin.....Secretary of the Commonwealth
Andrea J. Campbell Attorney General
Deborah B. Goldberg..... Treasurer and Receiver-General
Diana DiZoglio.....Auditor

LEGISLATIVE OFFICERS

Karen E. SpilkaPresident of the Senate
Ronald MarianoSpeaker of the House

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

\$275,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series B**

\$200,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series C**

\$550,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series D**

\$260,000,000

**General Obligation Bonds
Consolidated Loan of 2023, Series E
(Federally Taxable)**

\$187,755,000

**General Obligation Refunding Bonds
2023 Series C**

INTRODUCTION

This Official Statement (including the cover page and Appendices A through E attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the “Commonwealth”) of \$275,000,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2023, Series B (the “Series B Bonds”), \$200,000,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2023, Series C (the “Series C Bonds”), \$550,000,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2023, Series D (the “Series D Bonds”), \$260,000,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2023, Series E (Federally Taxable) (the “Series E Bonds” or the “Taxable Bonds”, and together with the Series B Bonds, Series C Bonds and Series D Bonds, the “New Money Bonds”) and \$187,755,000 aggregate principal amount of its General Obligation Refunding Bonds, 2023 Series C (the “Refunding Bonds” and together with the New Money Bonds, the “Bonds”). The Series B Bonds, Series C Bonds and Series D Bonds are hereinafter referred to collectively as the “New Money Tax-Exempt Bonds” and together with the Refunding Bonds, the “Tax-Exempt Bonds.” The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding the statutory limit on state tax revenue growth, see “SECURITY FOR THE BONDS” and the Information Statement (described below) under the heading “COMMONWEALTH REVENUES – LIMITATIONS ON TAX REVENUES.”

The New Money Bonds are being issued to finance certain authorized capital projects of the Commonwealth. See “THE BONDS – Application of New Money Proceeds.” The Refunding Bonds are being issued to refund a general obligation bond anticipation note of the Commonwealth, as set forth in “THE BONDS – Plan of Finance”.

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 September 11, 2023, as supplemented by the Information Statement Supplement dated October 10, 2023 (the "Information Statement"), which is attached hereto as Appendix A. The Information Statement has been filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. Subsequent filings by the Commonwealth to the EMMA system, prior to the sale of the Bonds, of continuing disclosure documents identified as "other financial/operating data" are hereby deemed to be included by reference in the Information Statement. The Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Information Statement contains certain economic information concerning the Commonwealth. Exhibit B to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2022, prepared on a statutory basis. Exhibit C to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2022, prepared on a GAAP basis. Specific reference is made to said Exhibits A, B and C, which are incorporated by reference and copies of which have been filed with EMMA. The financial statements are also available at the home page of the Comptroller of the Commonwealth located at <https://www.macomptroller.org> by clicking on the "Reports and Publications - Financial Reports" link. In addition, the financial statements are also posted on the Commonwealth's investor website at www.massbondholder.com.

Appendix B attached hereto contains the proposed forms of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the successful bidders of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix D attached hereto contains the Official Notices of Sale with respect to the Bonds. Appendix E contains a form of issue price certificate.

THE BONDS

General

The Bonds will mature on the dates and in the aggregate principal amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months), as set forth on the inside cover pages of this Official Statement. The Bonds will be dated their date of delivery and will bear interest from such date. Interest on the New Money Bonds will be payable semiannually on April 1 and October 1 of each year, commencing April 1, 2024, and at maturity, until the principal amount is paid. The Refunding Bonds will bear interest from their date of delivery and interest will be payable semiannually on each February 1 and August 1, commencing February 1, 2024, and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The record date for the Bonds will be the 15th day of the month immediately preceding each interest payment date. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with one bond certificate for each maturity of each series immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts of \$5,000 or integral

multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid in federal funds to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See “BOOK-ENTRY-ONLY SYSTEM.”

Redemption

Optional Redemption – Tax-Exempt Bonds.

The New Money Tax-Exempt Bonds maturing on or before October 1, 2033 will not be subject to redemption prior to maturity. The New Money Tax-Exempt Bonds maturing on or after October 1, 2034 will be subject to redemption prior to their stated maturity dates on and after October 1, 2033 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

The Refunding Bonds maturing on or after August 1, 2034 will be subject to redemption prior to their stated maturity dates on and after August 1, 2033 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Optional Redemption – Taxable Bonds.

The Taxable Bonds maturing on or before October 1, 2033 will not be subject to redemption prior to maturity. The Taxable Bonds maturing on or after October 1, 2034 will be subject to redemption prior to their stated maturity dates on and after October 1, 2033 (the “Par Call Date”) at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

The Taxable Bonds will be subject to redemption at any time prior to the Par Call Date, at the option of the Commonwealth, in whole or in part (on a pro rata basis with respect to the Taxable Bonds to be redeemed as described below), at a redemption price equal to the greater of:

- (i) 100% of the principal amount of the Taxable Bonds to be redeemed; or
- (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Taxable Bonds to be redeemed to the earlier of the Par Call Date and the applicable maturity date (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus (i) 10 basis points for Taxable Bonds maturing October 1, 2026 through October 1, 2029, (ii) 15 basis points for Taxable Bonds maturing October 1, 2030 through October 1, 2033 and (iii) 20 basis points for Taxable Bonds maturing October 1, 2034 through October 1, 2038, plus in each case, accrued and unpaid interest on the Taxable Bonds being redeemed to the date fixed for redemption.

“Treasury Rate” means, with respect to any redemption date for a particular Series E Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Sinking Fund Redemption.

The Series E Bonds maturing on October 1, 2038 are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount of the Series E Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on October 1 in each of the years set forth in the following table, in the principal amount specified in each such year

<u>Year</u>	<u>Amount</u>
2033	\$20,000,000
2034	20,000,000
2035	20,000,000
2036	20,000,000
2037	20,000,000
2038 [†]	20,000,000

[†] Stated Maturity.

The Commonwealth is entitled to reduce its mandatory sinking fund redemption obligation in any year by the principal amount of any such Series E Bonds previously purchased or optionally redeemed by the Commonwealth.

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the applicable Bonds not less than 20 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for such Bonds, notices of redemption will be sent by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

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

Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such Bonds shall cease to bear interest.

Selection for Redemption of Tax-Exempt Bonds. In the event that less than all of any maturity of any series of Tax-Exempt Bonds is to be redeemed, and so long as the book-entry-only system remains in effect for such Tax-Exempt Bonds, the particular Tax-Exempt Bonds or portion of any such Tax-Exempt Bonds of a particular series and maturity to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Tax-Exempt Bonds, selection for redemption of less than all of any one maturity within a series 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 Tax-Exempt Bonds will be considered a separate Tax-Exempt Bonds.

Pro Rata Redemption of the Taxable Bonds. If the Taxable Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of the Taxable Bonds, partial redemptions with respect to the Taxable Bonds will be treated by DTC as a “pro rata pass-through distribution of principal” in accordance with DTC procedures. It is the Commonwealth’s intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Commonwealth and the beneficial owners be made on a pro rata pass through distribution of principal basis. However, the Commonwealth can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis. If the DTC operational arrangements do not allow for the redemption of Taxable Bonds on a pro rata pass-through distribution of principal basis, then the Taxable Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the Taxable Bonds are not registered in book-entry-only form, any redemption of less than all of the Taxable Bonds of any maturity will be allocated among the registered owners of such Taxable Bonds as nearly as practicable in proportion to the principal amounts of the Taxable Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the Taxable Bonds. This will be calculated based on the formula: (principal amount of applicable maturity to be redeemed) x (principal amount of applicable maturity owned by owner) / (principal amount of applicable maturity outstanding). The particular Taxable Bonds to be redeemed will be determined by the Commonwealth, using such method as it deems fair and appropriate.

Plan of Finance

The Refunding Bonds are being issued pursuant to the provisions of Section 53A of Chapter 29 of the Massachusetts General Laws for the purpose of refunding the Commonwealth’s General Obligation Tax Exempt Bond Anticipation Note, Series A, issued on July 28, 2022 and maturing on February 8, 2024 in the principal amount of \$200,000,000 (the “Refunded Note”). It is currently anticipated that the Refunded Note will be redeemed on or about January 22, 2024. The Commonwealth reserves the right not to refund any or all of the Refunded Note and to refund bonds of the Commonwealth not listed.

The Commonwealth, upon the delivery of the Refunding Bonds, will enter into a refunding escrow agreement (the “Escrow Agreement”) with an escrow agent for the Refunded Note. Such Escrow Agreement will provide for the deposit of a portion of the net proceeds of the Refunding Bonds with such escrow agent, to be applied immediately upon receipt to purchase non-callable direct obligations of, the United States of America, State and Local Government Series or United

States Treasuries (the “Escrow Obligations”) and to funding, if needed, a cash deposit in such account. Such Escrow Agreement will require that maturing principal of and interest on the Escrow Obligations held under such Escrow Agreement, plus any initial cash deposit, be held in trust in such account and paid to the Commonwealth solely for the payment of the principal of the Refunded Note subject to such Escrow Agreement. The Commonwealth will be pay interest due on the Refunded Note on the redemption date from other available monies.

Application of New Money Proceeds

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

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

SECURITY FOR THE BONDS

The Bonds will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. This statute is subject to amendment or repeal by the Massachusetts Legislature.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the Bonds, and all claims with respect thereto. However, the property of the Commonwealth is not generally subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires a legislative appropriation. Enforcement of a claim for payment of principal 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.

LITIGATION

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

There are pending in courts within the Commonwealth various suits in which the Commonwealth is a defendant. In the opinion of the Attorney General, no litigation is pending or, to the Attorney General's knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would materially affect its financial condition. For a description of certain litigation affecting the Commonwealth, see the Information Statement under the heading "LEGAL MATTERS."

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of each series set forth on the inside cover pages hereof, each in the aggregate principal amount of such maturity of such series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commonwealth as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

The principal of and interest and premium, if any, on the Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, as registered owner of the Bonds. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form

or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a successor depository is not obtained, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner’s name, will become the Bondowner. Bond certificates are required to be printed and delivered in that event.

The Commonwealth may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed, delivered and registered as designated by the Beneficial Owners.

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

RATINGS

The Bonds have been assigned long-term ratings of “AA+” (stable outlook), “Aa1” (stable outlook) and “AA+” (stable outlook) by Fitch Ratings, Moody’s Investors Service, Inc. and S&P Global Ratings, respectively.

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

COMPETITIVE SALE OF BONDS

After competitive electronic bidding on October 17, 2023, the Series B Bonds were awarded by the Commonwealth to BofA Securities, Inc., as purchaser. The purchaser of the Series B Bonds has supplied the information as to the public reoffering yields of the Series B Bonds set forth on the inside cover hereof. If all of the Series B Bonds were resold to the public at such yields, the purchaser of the Series B Bonds has informed the Commonwealth that its total compensation is expected to be approximately 0.168% of the aggregate principal amount of the Series B Bonds. The purchaser of the Series B Bonds may change the public offering yields from time to time.

After competitive electronic bidding on October 17, 2023, the Series C Bonds were awarded by the Commonwealth to Jefferies LLC, as purchaser. The purchaser of the Series C Bonds has supplied the information as to the public reoffering yields of the Series C Bonds set forth on the inside cover hereof. If all of the Series C Bonds were resold to the public at such yields, the purchaser of the Series C Bonds has informed the Commonwealth that its total compensation is expected to be approximately 0.385% of the aggregate principal amount of the Series C Bonds. The purchaser of the Series C Bonds may change the public offering yields from time to time.

After competitive electronic bidding on October 17, 2023, the Series D Bonds were awarded by the Commonwealth to BofA Securities, Inc., as purchaser. The purchaser of the Series D Bonds has supplied the information as to the public reoffering yields of the Series D Bonds set forth on the inside cover hereof. If all of the Series D Bonds were resold to the public at such yields, the purchaser of the Series B Bonds has informed the Commonwealth that its total compensation is expected to be approximately 0.108% of the aggregate principal amount of the Series D Bonds. The purchaser of the Series D Bonds may change the public offering yields from time to time.

After competitive electronic bidding on October 17, 2023, the Series E Bonds were awarded by the Commonwealth to Wells Fargo Bank, National Association, as purchaser. The purchaser of the Series E Bonds has supplied the information as to the public reoffering yields of the Series E Bonds set forth on the inside cover hereof. If all of the Series E Bonds were resold to the public at such yields, the purchaser of the Series E Bonds has informed the Commonwealth that its total compensation is expected to be approximately 0.170962% of the aggregate principal amount of the Series E Bonds. The purchaser of the Series E Bonds may change the public offering yields from time to time.

After competitive electronic bidding on October 17, 2023, the Refunding Bonds were awarded by the Commonwealth to Morgan Stanley & Co. LLC, as purchaser. The purchaser of the Refunding Bonds has supplied the information as to the public reoffering yields of the Refunding Bonds set forth on the inside cover hereof. If all of the Refunding Bonds were resold to the public at such yields, the purchaser of the Refunding Bonds has informed the Commonwealth that its total compensation is expected to be approximately 0.136729% of the aggregate principal amount of the Refunding Bonds. The purchaser of the Refunding Bonds may change the public offering yields from time to time.

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

The purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking,

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

TAX MATTERS

Tax-Exempt Bonds

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Commonwealth (“Bond Counsel”) is of the opinion that, under existing law, interest on the Tax-Exempt Bonds will not be included in the gross income of holders of the Tax-Exempt 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 Tax-Exempt Bonds in order to ensure that interest on the Tax-Exempt Bonds is and continues to be excludable from the gross income of holders of the Tax-Exempt Bonds. Failure to comply with certain of such requirements could cause interest on the Tax-Exempt Bonds to be included in the gross income of holders of the Tax-Exempt Bonds retroactive to the date of issuance of the Tax-Exempt Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Tax-Exempt Bond proceeds 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 continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Tax-Exempt Bonds is not a specific preference item for purposes of computation of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Tax-Exempt Bonds included in the adjusted financial statement income of certain corporations is not excluded from computation of the federal corporate alternative minimum tax. Bond Counsel has not opined as to any other matters of federal tax law relating to the Tax-Exempt Bonds. However, prospective purchasers should be aware that certain collateral consequences may result under federal tax law for certain holders of the Tax-Exempt Bonds, including but not limited to the requirement that recipients of certain Social Security and railroad retirement benefits take into account receipts or accruals of interest on the Tax-Exempt Bonds in determining gross income. The nature and extent of these other tax consequences depends on the particular tax status of the holder and the holder’s other items of income or deduction. Holders should consult their own tax advisors with respect to such matters.

Interest paid on tax-exempt obligations such as the Tax-Exempt Bonds is generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to “backup withholding” if the Tax-Exempt Bond holder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Tax-Exempt Bond holder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Tax-Exempt Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, under existing law, interest on the Tax-Exempt Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Tax-Exempt Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Tax-Exempt Bonds.

Prospective purchasers should be aware, however, that the Tax-Exempt Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Tax-Exempt 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 Tax-Exempt Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

For federal and Massachusetts income tax purposes, interest includes original issue discount, which with respect to a Tax-Exempt Bond is equal to the excess, if any, of the stated redemption price at maturity of such Tax-Exempt Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Tax-Exempt Bonds with the same maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Tax-Exempt Bond. Holders should consult their own tax advisers with respect to the computations of original issue discount during the period in which any such Tax-Exempt Bond is held.

An amount equal to the excess, if any, of the purchase price of a Tax-Exempt Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and Massachusetts tax purposes. The required amortization of such premium during the term of a bond will result in reduction of the holder's tax basis on such Tax-Exempt Bond. Such amortization also will result in reduction of the amount of the stated interest on the Tax-Exempt Bond taken into account as interest for tax purposes. Holders of Tax-Exempt Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to the state or local tax consequences of owning such Tax-Exempt Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Tax-Exempt Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Tax-Exempt Bonds or the tax consequences of ownership of the Tax-Exempt Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce or eliminate the benefit of the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including but not limited to proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation, and other proposals to limit federal tax expenditures, have been and are expected to be under ongoing consideration by the United States Congress. These proposed changes could affect the market value or marketability of the Tax-Exempt Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Tax-Exempt Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

Taxable Bonds

The following discussion briefly summarizes the principal U.S. federal tax consequences of the acquisition, ownership, and disposition of the Taxable Bonds for holders who acquire any Taxable Bonds in the initial offering and hold such Taxable Bonds as "capital assets." It does not discuss all aspects of U.S. federal income taxation which may apply to a particular holder, nor does it discuss U.S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities

or foreign currencies, persons holding Taxable Bonds as a position in a “hedge” or “straddle,” an integrated conversion transaction, or holders whose functional currency is not the U.S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect. No rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

Except as otherwise explicitly noted below, this summary addresses only “U.S. Holders,” that is, individual citizens or residents of the United States, corporations or other business entities organized under the laws of the United States, any state, or the District of Columbia, estates with income subject to United States federal income tax, trusts subject to primary supervision by a United States court and for which United States persons control all substantial decisions, and certain other trusts that elect to be treated as United States persons. This discussion relates only to U.S. federal income taxes and not to any state, local or foreign taxes or U.S. federal taxes other than income taxes.

Interest on the Taxable Bonds that is “qualified stated interest” generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting). Generally, “qualified stated interest” means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments as set forth on the inside cover pages hereof.

Interest on the Taxable Bonds includes any accrued original issue discount. Original issue discount with respect to a Taxable Bond is equal to the excess, if any, of the stated redemption price at maturity of a Taxable Bond over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Taxable Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally $\frac{1}{4}\%$ of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). The stated redemption price at maturity of a Taxable Bond is the sum of all scheduled amounts payable on the Taxable Bond (other than qualified stated interest). A U.S. Holder of a Taxable Bond with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of the cash payments attributable to such income, regardless of the U.S. Holder’s regular method of tax accounting. Original issue discount accrues based on a constant yield method over the term of a Taxable Bond and results in a corresponding increase in the holder’s tax basis in such Taxable Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Taxable Bond is held.

An amount equal to the excess, if any, of the purchase price of a Taxable Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. A holder of a Taxable Bond may elect to amortize such premium during the term of such Taxable Bond by claiming an offset to interest otherwise required to be included in income during any taxable year by the amortizable amount of such premium for the taxable year. Such amortization will result in a corresponding reduction of the holder’s tax basis in such Taxable Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the holder at the beginning of the first taxable year to which the election applies and to all taxable debt instruments acquired on or after such date and may be revoked only with the consent of the IRS. Holders of Taxable Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of a Taxable Bond, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Taxable Bond was held for more than one year. If the U.S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U.S. Holder of Taxable Bonds whose income from such Taxable Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder. Otherwise: (i) a non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Taxable Bonds on its own behalf (other than a bank which acquires the Taxable Bonds in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business) generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on a Taxable Bond, as long as the non-U.S. Holder makes an appropriate filing with a U.S. withholding agent; and (ii) a non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Taxable Bond unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

A Taxable Bond held by an individual Non-U.S. Holder who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to the Taxable Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information as to interest on or proceeds from the sale or other disposition of Taxable Bonds is required to be reported by payors to the IRS and to recipients. In addition, backup withholding may apply unless the holder of a Taxable Bond provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U.S. federal income tax liability.

Certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their "net investment income," which generally will include interest on the Taxable Bonds and any net gain recognized upon a disposition of a Taxable Bond. U.S. Holders should consult their tax advisors regarding the applicability of this tax.

Under the Foreign Account Tax Compliance Act ("FATCA") and related administrative guidance, U.S. withholding at a rate of 30% will generally be required on interest payments in respect of the Taxable Bonds and gross proceeds, including the return of principal, from the sale or other disposition, including redemptions, of the Taxable Bonds held by or through certain foreign entities, unless such entity complies with certain requirements including information reporting or is eligible for an exemption. This withholding will apply regardless of whether the payment would otherwise be exempt from U.S. nonresident withholding tax (e.g., under the portfolio interest exemption or as capital gain). A foreign entity will generally claim an exemption from FATCA withholding, if an exemption is available, by properly filling out and giving to the person making

payments to it IRS Form W-8BEN-E. Bondholders should consult their tax advisors regarding the application and impact of FATCA.

Bond counsel is not rendering an opinion as to the foregoing federal tax consequences of ownership of the Taxable Bonds. Taxable Bond holders should seek guidance from an independent tax advisor relating to the tax consequences of purchasing or holding Taxable Bonds based on their particular circumstances.

In the opinion of Bond Counsel, under existing law, interest on the Taxable Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Taxable Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences arising with respect to the Taxable Bonds. Prospective purchasers should be aware, however, that the Taxable Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Taxable 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 Taxable Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than The Commonwealth of Massachusetts.

OPINION 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., Boston, Massachusetts, Bond Counsel to the Commonwealth. The proposed forms 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., Boston, Massachusetts, as Disclosure Counsel to the Commonwealth.

CONTINUING DISCLOSURE

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

For information concerning the Commonwealth's compliance with its undertakings under Rule 15c2-12 and the availability of certain other financial information from the Commonwealth, see the Information Statement under the heading "CONTINUING DISCLOSURE."

MUNICIPAL ADVISOR

Acacia Financial Group, Inc. ("Acacia") has acted as independent financial advisor to the Commonwealth with respect to the Bonds. Acacia is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices hereto. Acacia is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

MISCELLANEOUS

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

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

The Commonwealth has prepared the prospective financial information set forth in this Official Statement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Commonwealth, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the Commonwealth identified in this Official Statement as the sources of such information, the currently expected course of action and the currently expected future budgeted revenues and expenditures of the Commonwealth. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the Commonwealth’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

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

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-3900, x. 816, or Kaitlyn Connors, Assistant Secretary, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (857) 338-0234. Questions regarding legal matters relating to this Official Statement and the Bonds should be directed to Poonam Patidar, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-3038.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Deborah B. Goldberg
Deborah B. Goldberg
Treasurer and Receiver-General

By /s/ Matthew Gorzkowicz
Matthew Gorzkowicz
Secretary of Administration and Finance

October 25, 2023

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SUPPLEMENT DATED OCTOBER 10, 2023

TO

THE COMMONWEALTH OF MASSACHUSETTS
 INFORMATION STATEMENT
 DATED SEPTEMBER 11, 2023

Except as specifically provided herein, the Commonwealth Information Statement dated September 11, 2023 has not been updated or supplemented. The Information Statement contains information only through its date, except as specifically set forth in this Supplement. The Information Statement, together with this Supplement, should be read in its entirety.

COMMONWEALTH REVENUES

Under the heading “COMMONWEALTH REVENUES – State Taxes,” the following paragraph is added to the end thereof:

On October 4, 2023, the Governor signed into law tax relief legislation that amends certain state taxes and tax credits, commencing with the 2024 tax year, including reducing the short-term capital gains tax rate and estate tax. See “FISCAL 2022 AND FISCAL 2023 – Fiscal 2024.”

Under the heading “COMMONWEALTH REVENUES – Tax Revenue Forecasting,” the following paragraph is added to the end thereof:

On October 4, 2023, the Governor signed into law tax relief legislation that is expected to reduce revenues by \$577 million in fiscal 2024 on a gross basis and \$519 million in fiscal 2024 on a net basis accounting for off-budget capital gains transfers to the Stabilization Fund, eventually annualizing to slightly more than \$1 billion by fiscal 2028. See “FISCAL 2022 AND FISCAL 2023 – Fiscal 2024.”

Under the heading “COMMONWEALTH REVENUES – Fiscal 2023 and Fiscal 2024 Tax Revenues,” the section “Fiscal 2024” is deleted and replaced with the following:

Fiscal 2024. The following table shows the actual tax collections for the first three months of fiscal 2024 and the change from tax collections in the same period in the prior fiscal year, both in dollars and as a percentage. The table also notes the amounts of tax collections during the period that are dedicated to the MBTA and the MSBA.

Fiscal 2024 Tax Collections (in millions)						
<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July	\$2,666.8	\$260.4	10.8%	\$118.4	\$105.1	\$2,443.4
August	2,430.5	(170.2)	(6.5)	118.6	105.3	2,206.6
September (1)	4,186.7	(11.7)	(0.3)	106.0	92.6	3,988.1
Total (2)	<u>\$9,284.0</u>	<u>\$78.5</u>	<u>0.9%</u>	<u>\$343.0</u>	<u>\$303.0</u>	<u>\$8,638.0</u>

SOURCE: Department of Revenue.

(1) Preliminary and subject to change.

(2) Totals may not add due to rounding.

The year-to-date fiscal 2024 tax revenue increase of approximately \$78 million, or 0.9%, through September 30, 2023 from the same period in fiscal 2023, is attributable to an increase of approximately \$264 million, or 6.9%, in withholding collections, offset by a decrease of approximately \$43 million, or 13.1%, in income tax payments with returns or bills, a decrease of approximately \$73 million, or 7.5% in income tax estimated

payments, an increase of approximately \$22 million, or 11.2%, in income tax cash refunds, a decrease of approximately \$28 million, or 1.2%, in sales and use tax collections, a decrease of approximately \$15 million, or 1.3%, in corporate and business tax collections, and a decrease of approximately \$48 million, or 6.2%, in all other taxes. No one-time tax-related settlements or judgments exceeding \$10 million each have been received during fiscal 2024 year-to-date. Fiscal 2024 year-to-date tax collections as of September 30, 2023 were approximately \$170 million, or 1.8% less than the year-to-date fiscal 2024 benchmark.

Under the heading “COMMONWEALTH REVENUES – Limitations on Tax Revenues,” the table entitled “Net State Tax Revenues and Allowable State Tax Revenues” as well as the preceding paragraph are deleted and replaced with the following:

The following table sets forth the Commonwealth’s net state tax revenues and allowable state tax revenues, as defined in Chapter 62F, for fiscal 2019 through fiscal 2023.

Net State Tax Revenues and Allowable State Tax Revenues			
	<u>Net State Tax Revenues</u>	<u>Allowable State Tax Revenues</u>	<u>Net State Tax Revenues (under) Allowable State Tax Revenues</u>
2023	\$36,924,461,252	\$41,160,988,265	\$(4,236,527,013)
2022(1)	41,812,654,358	38,871,154,627	2,941,499,731
2021	34,655,837,068	36,789,926,416	(2,134,089,348)
2020	30,164,388,908	35,514,892,070	(5,350,503,162)
2019	30,202,588,989	33,977,241,799	(3,774,652,810)

SOURCE: State Auditor’s Office.

(1) Fiscal 2022 was the first time since fiscal 1987 that net state tax revenues exceeded the allowable state tax revenues as defined in Chapter 62F. See footnotes to “SELECTED FINANCIAL DATA – Budgeted Operating Funds – Statutory Basis”.

SELECTED FINANCIAL DATA

Under the heading “SELECTED FINANCIAL DATA – Stabilization Fund,” the second to last sentence prior to the table is hereby deleted and replaced with the following:

Commencing in fiscal 2024, the allowable Stabilization Fund balance at fiscal year-end is 25.5% of total budgeted revenues for that year. If the Stabilization Fund balance exceeds the allowable limit, the excess amounts are to be transferred to the Tax Reduction Fund.

FISCAL 2023 AND FISCAL 2024

Under the heading “FISCAL 2023 AND FISCAL 2024 – Fiscal 2023” the following paragraph is added to the end thereof:

On September 13, 2023, the Governor filed a supplemental budget to close out fiscal 2023 in balance, allocate funds to pay for new collective bargaining agreements, and continue to provide safe shelter and support services for thousands of families experiencing homelessness. The supplemental budget allocates approximately \$2.2 billion gross, or \$833.3 million net, to cover fiscal 2023 spending and continue a MassHealth payment strategy that has enabled the Commonwealth to spread the impact of the loss of enhanced COVID-19 reimbursements across fiscal years. In total, \$2.1 billion gross and \$798.8 million net will be dedicated to MassHealth. The supplemental budget also includes funding to support fiscal 2024 emergency shelter assistance spending. All enacted supplemental spending and supplemental spending that remains pending before the legislature, including the supplemental budget to closeout fiscal 2023, is reflected in the preliminary fiscal 2023 and projected fiscal 2024 expenditures outlined in the table entitled “Budgeted Operating Funds – Statutory Basis” under the heading “SELECTED FINANCIAL DATA.”

Under the heading “FISCAL 2022 AND FISCAL 2023 – Fiscal 2024,” the following paragraph is added to the end thereof:

On October 4, 2023, the Governor signed into law tax relief legislation that is expected to reduce revenues by \$577 million in fiscal 2024 on a gross basis and \$519 million in fiscal 2024 on a net basis accounting for off-budget capital gains transfers to the stabilization fund, eventually annualizing to slightly more than \$1 billion by fiscal 2028. The fiscal 2024 budget set aside \$580 million on net to cover the cost of this tax relief legislation. The legislation provides for the following changes to the current tax rates in the Commonwealth: (i) reduces the tax rate on gains from the sale of capital assets held for one year or less (short-term capital gains) from 12.0% to 8.5% effective for tax year 2023, (ii) reduces all taxpayer’s estate tax and eliminates the tax for all estates under \$2 million by allowing a uniform credit of \$99,600, (iii) increases the child and dependent tax credit from \$180 to \$310 for tax year 2023 and \$440 for tax year 2024 and beyond, and eliminates the cap on dependents that can qualify, (iv) increases the earned income tax credit from 30% to 40% of the federal credit, (v) moves from a corporate excise multistate apportionment system that factors in property, payroll, and sales to an apportionment system that only considers sales, (vi) doubles the base maximum amount for the senior circuit breaker tax credit from \$750 to \$1,500, which, after cumulative cost-of-living adjustments, provides a \$2,400 maximum credit for the 2023 tax year, (vii) increases the cap on the rental deduction from \$3,000 to \$4,000, and (viii) triples the maximum credit for title V cesspool or septic systems to \$18,000 and increases the amount claimable to \$4,000 per year. The legislation also (i) increases the cap on the Stabilization Fund balance from 15% to 25.5% of budgeted revenues, (ii) increases the cap on the Commonwealth’s Housing Development Incentive Program from \$10 million to \$57 million in fiscal 2024 and \$30 million in future years, (iii) increases the base cap for Low-Income Housing Tax Credits from \$40 million to \$60 million, (iv) permits municipalities to adopt a local property tax exemption for affordable real estate that is rented to occupants with income of 200 percent of less of the area median income, (v) provides a deduction for employer student loan payments that exceeds the federal cap and, unlike the federal exclusion, does not sunset, and (vi) makes certain adjustments to lead paint abatement, dairy tax credits, commuter tax benefits, senior volunteer service property tax abatements, apprenticeship tax credits and the cider tax. The legislation also requires married taxpayers who filed a joint federal income tax return to file a joint Massachusetts personal income tax return starting in tax year 2024. The legislation also requires that the Department of Revenue submit monthly reports to the Legislature with an estimate of if, and when, net state tax revenue may exceed the allowable state tax revenue under Chapter 62F, and provides that in the event net state tax revenue exceeds allowable state tax revenue, the credit due is applied in an equal amount to all taxpayers, replacing the proportional distribution previously required by Chapter 62F.

Under the heading “FISCAL 2022 AND FISCAL 2023 - Cash Flow,” the table entitled “Overview of Fiscal 2023 Non-Segregated Operating Cash Flow” as well as the preceding paragraph and the table entitled “Overview of Fiscal 2024 Non-Segregated Operating Cash Flow (Projected)” are deleted and replaced with the paragraph and tables below and on the following pages. The revisions reflected in the tables below are based on the fiscal 2023 and projected fiscal 2024 cash flow statement dated September 21, 2023. Fiscal 2023 numbers are actual. For Fiscal 2024, July is actual and the remainder of the fiscal year is projected.

The fiscal 2023 and projected fiscal 2024 cash flow statement released on September 21, 2023 is summarized in the tables below. Quarterly cash flow statements, as submitted by the State Treasurer to the House and Senate Committees on Ways and Means, are posted on the Cash Management page of the State Treasurer’s website at <https://www.mass.gov/lists/quarterly-cash-flow-letters>.

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Overview of Fiscal 2023 Non-Segregated Operating Cash Flow
(in millions) (1)

	<u>Jul 22</u>	<u>Aug 22</u>	<u>Sep 22</u>	<u>Oct 22</u>	<u>Nov 22</u>	<u>Dec 22</u>	<u>Jan 23</u>	<u>Feb 23</u>	<u>Mar 23</u>	<u>Apr 23</u>	<u>May 23</u>	<u>Jun 23</u>	<u>Total FY 2023</u>
Opening Non-Segregated Operating Cash Balance:	\$16,995.0	\$14,125.0	\$12,748.0	\$13,030.0	\$13,859.0	\$9,807.0	\$10,484.0	\$11,211.0	\$10,377.0	\$10,533.0	\$12,328.0	\$12,368.0	\$16,995.0
Operating Activities:													
Budgetary Funds:													
Total Budgetary Revenue/Inflows	\$2,075.2	\$4,078.1	\$5,999.3	\$4,916.6	\$4,107.7	\$5,941.1	\$5,833.2	\$4,182.7	\$6,463.5	\$7,258.0	\$5,923.9	\$6,854.0	\$63,633.3
Total Budgetary Expenditures/Outflows	<u>\$4,535.7</u>	<u>\$4,847.0</u>	<u>\$4,761.8</u>	<u>\$4,246.3</u>	<u>\$7,536.3</u>	<u>\$4,781.1</u>	<u>\$4,569.1</u>	<u>\$4,669.1</u>	<u>\$5,378.4</u>	<u>\$5,062.5</u>	<u>\$4,910.0</u>	<u>\$5,727.3</u>	<u>\$61,024.5</u>
Net Budgetary Funds	(\$2,460.4)	(\$768.9)	\$1,237.4	\$670.3	(\$3,428.6)	\$1,160.0	\$1,264.1	(\$486.4)	\$1,085.2	\$2,195.5	\$1,013.9	\$1,126.7	\$2,608.8
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	\$1,403.2	\$1,591.7	\$1,273.9	\$1,901.0	\$936.7	\$1,344.1	\$1,226.2	\$1,379.8	\$1,399.0	\$1,423.8	\$662.3	\$1,103.5	\$15,645.2
Total Non-Budgetary Expenditures/Outflows	<u>\$1,632.5</u>	<u>\$1,749.3</u>	<u>\$2,208.8</u>	<u>\$2,424.0</u>	<u>\$1,579.2</u>	<u>\$2,276.4</u>	<u>\$1,712.0</u>	<u>\$1,563.2</u>	<u>\$2,278.1</u>	<u>\$1,661.7</u>	<u>\$1,737.8</u>	<u>\$1,876.8</u>	<u>\$22,699.9</u>
Net Non-Budgetary Funds	(\$229.3)	(\$157.6)	(\$934.9)	(\$523.1)	(\$642.5)	(\$932.3)	(\$485.8)	(\$183.3)	(\$879.2)	(\$237.9)	(\$1,075.5)	(\$773.3)	(\$7,054.7)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	<u>(\$4.5)</u>	<u>\$42.1</u>	<u>\$47.6</u>	<u>\$57.2</u>	<u>\$70.1</u>	<u>\$74.7</u>	<u>\$78.9</u>	<u>\$73.4</u>	<u>\$77.7</u>	<u>\$85.7</u>	<u>\$88.4</u>	<u>\$156.5</u>	<u>\$847.7</u>
Net Operating Activities	(\$2,694.3)	(\$884.4)	\$350.1	\$204.5	(\$4,001.0)	\$302.4	\$857.1	(\$596.3)	\$283.7	\$2,043.3	\$26.9	\$509.9	(\$3,598.2)
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$291.6	\$325.0	\$358.7	\$217.5	\$483.7	\$328.8	\$422.0	\$313.0	\$446.6	\$319.4	\$402.0	\$422.6	\$4,330.9
Total Federal Grants Expenditures/Outflows	<u>\$422.4</u>	<u>\$439.3</u>	<u>\$248.3</u>	<u>\$391.1</u>	<u>\$384.4</u>	<u>\$439.1</u>	<u>\$342.9</u>	<u>\$376.2</u>	<u>\$367.0</u>	<u>\$323.2</u>	<u>\$456.6</u>	<u>\$356.5</u>	<u>\$4,547.0</u>
Net Federal Grants	(\$130.8)	(\$114.3)	\$110.4	(\$173.6)	\$99.3	(\$110.3)	\$79.1	(\$63.2)	\$79.6	(\$3.8)	(\$54.7)	\$66.1	(\$216.1)
Capital Funds:													
Total Capital Revenue/Inflows	\$429.0	\$46.6	\$68.3	\$1,048.2	\$82.4	\$862.7	\$50.2	\$62.1	\$46.0	\$35.6	\$69.6	\$175.9	\$2,976.6
Total Capital Expenditures/Outflows	<u>\$473.9</u>	<u>\$424.9</u>	<u>\$246.9</u>	<u>\$250.0</u>	<u>\$232.7</u>	<u>\$377.8</u>	<u>\$259.4</u>	<u>\$236.7</u>	<u>\$253.2</u>	<u>\$280.0</u>	<u>\$1.8</u>	<u>\$336.9</u>	<u>\$3,374.3</u>
Net Capital Funds	(\$45.0)	(\$378.3)	(\$178.6)	\$798.2	(\$150.4)	\$484.9	(\$209.2)	(\$174.5)	(\$207.3)	(\$244.4)	\$67.8	(\$161.0)	(\$397.7)
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper / Line of Credit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Revenue Anticipation Notes (RANS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash Flow Financing Activities Outflows:													
Commercial Paper / Line of Credit – (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
RANS – (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$14,125.0	\$12,748.0	\$13,030.0	\$13,859.0	\$9,807.0	\$10,484.0	\$11,211.0	\$10,377.0	\$10,553.0	\$12,328.0	\$12,368.0	\$12,783.0	\$12,783.0

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

Overview of Fiscal 2024 Non-Segregated Operating Cash Flow
(in millions) (1) (2)

	<u>Jul 23</u>	<u>Aug 23</u>	<u>Sep 23</u>	<u>Oct 23</u>	<u>Nov 23</u>	<u>Dec 23</u>	<u>Jan 24</u>	<u>Feb 24</u>	<u>Mar 24</u>	<u>Apr 24</u>	<u>May 24</u>	<u>Jun 24</u>	Total FY 2024
Opening Non-Segregated Operating Cash Balance:	\$12,783.0	\$12,260.0	\$10,276.6	\$10,029.7	\$10,151.1	\$9,182.1	\$9,958.3	\$10,253.0	\$9,378.2	\$9,042.7	\$10,828.0	\$10,307.7	\$12,783.0
Operating Activities:													
Budgetary Funds:													
Total Budgetary Revenue/Inflows	\$3,741.2	\$4,864.0	\$6,239.6	\$4,671.4	\$4,249.1	\$6,710.8	\$5,493.1	\$4,352.2	\$6,397.2	\$7,875.7	\$4,768.6	\$6,413.3	\$65,776.2
Total Budgetary Expenditures/Outflows	<u>\$3,975.8</u>	<u>\$5,487.3</u>	<u>\$5,334.4</u>	<u>\$4,744.6</u>	<u>\$4,732.1</u>	<u>\$4,635.2</u>	<u>\$4,790.0</u>	<u>\$4,725.9</u>	<u>\$5,687.0</u>	<u>\$5,003.6</u>	<u>\$4,766.6</u>	<u>\$5,257.7</u>	<u>\$59,140.1</u>
Net Budgetary Funds	(\$234.6)	(\$623.4)	\$905.2	(\$73.2)	(\$483.0)	\$2,075.6	\$703.1	(\$373.6)	\$710.2	\$2,872.1	\$2.0	\$1,155.6	\$6,636.0
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	\$758.6	\$971.5	\$1,221.1	\$1,131.3	\$1,050.9	\$1,136.2	\$1,255.0	\$1,306.3	\$1,321.8	\$1,010.3	\$1,080.7	\$1,315.9	\$13,559.6
Total Non-Budgetary Expenditures/Outflows	<u>\$1,659.8</u>	<u>\$1,820.3</u>	<u>\$2,157.0</u>	<u>\$2,134.1</u>	<u>\$1,734.6</u>	<u>\$2,269.6</u>	<u>\$1,965.7</u>	<u>\$1,983.3</u>	<u>\$2,134.7</u>	<u>\$1,803.4</u>	<u>\$1,851.1</u>	<u>\$2,351.6</u>	<u>\$23,865.0</u>
Net Non-Budgetary Funds	(\$901.1)	(\$848.7)	(\$935.9)	(\$1,002.8)	(\$683.7)	(\$1,133.3)	(\$710.7)	(\$677.0)	(\$812.9)	(\$793.1)	(\$770.5)	(\$1,035.7)	(\$10,305.4)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	\$42.6	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	\$30.0	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	\$372.6
Net Operating Activities	(\$1,093.1)	(\$1,442.1)	(\$0.7)	(\$1,046.0)	(\$1,136.7)	\$972.2	\$22.4	(\$1,020.6)	(\$72.8)	\$2,109.0	(\$738.4)	\$149.9	(\$3,296.8)
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$353.5	\$299.9	\$345.5	\$266.1	\$438.9	\$358.8	\$340.5	\$559.0	\$569.7	\$382.4	\$566.6	\$494.8	\$4,975.5
Total Federal Grants Expenditures/Outflows	<u>\$467.8</u>	<u>\$462.9</u>	<u>\$343.6</u>	<u>\$371.9</u>	<u>\$389.0</u>	<u>\$282.1</u>	<u>\$411.7</u>	<u>\$492.6</u>	<u>\$487.7</u>	<u>\$422.4</u>	<u>\$536.0</u>	<u>\$611.7</u>	<u>\$5,279.4</u>
Net Federal Grants	(\$114.3)	(\$163.0)	\$1.8	(\$105.8)	\$49.9	\$76.6	(\$71.2)	\$66.4	\$81.9	(\$40.0)	\$30.5	(\$116.9)	(\$303.9)
Capital Funds:													
Total Capital Revenue/Inflows	\$1,138.1	\$118.5	\$112.1	\$1,534.3	\$446.9	\$128.9	\$671.4	\$391.7	\$143.6	\$119.1	\$631.6	\$548.2	\$5,984.3
Total Capital Expenditures/Outflows	<u>\$453.7</u>	<u>\$496.9</u>	<u>\$360.1</u>	<u>\$261.2</u>	<u>\$329.1</u>	<u>\$401.6</u>	<u>\$327.9</u>	<u>\$312.3</u>	<u>\$488.2</u>	<u>\$402.8</u>	<u>\$444.0</u>	<u>\$664.3</u>	<u>\$4,941.9</u>
Net Capital Funds	\$684.4	(\$378.4)	(\$248.0)	\$1,273.1	\$117.8	(\$272.7)	\$343.5	\$79.4	(\$344.7)	(\$283.7)	\$187.6	(\$116.1)	\$1,042.4
Financing Activities:													
Cash Flow Financing Activities Inflows:													
<i>Commercial Paper / Line of Credit</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Revenue Anticipation Notes (RANS)</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper / Line of Credit – (Principal + Interest)</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>RANS – (Principal + Interest)</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$12,260.0	\$10,276.6	\$10,029.7	\$10,151.1	\$9,182.1	\$9,958.3	\$10,253.0	\$9,378.2	\$9,042.7	\$10,828.0	\$10,307.7	\$10,224.6	\$10,224.6

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures for July 2023 are actual, unaudited. The remaining months are projected.

PENSION AND OPEB FUNDING

Under the heading “PENSION AND OPEB FUNDING – Retirement Systems,” the table entitled “Retirement Systems Membership” as well as the preceding paragraph are deleted and replaced with the following:

The Massachusetts State Employees’ Retirement System (MSERS) and the Massachusetts Teachers’ Retirement System (MTRS) are the two largest plans of the public contributory retirement systems operated in the Commonwealth. Membership in the MSERS as of January 1, 2023 (the actuarial valuation for the MSERS has been performed, but the final report is not yet available) and the MTRS as of January 1, 2022, the date of the most recent valuation for each system, is as follows:

Retirement Systems Membership		
	<u>MSERS</u>	<u>MTRS</u>
Retirees and beneficiaries currently receiving benefits	69,167	69,727
Terminated employees entitled to benefits but not yet receiving them	<u>5,221</u>	<u>N/A</u>
Subtotal	74,388	69,727
Current Members	<u>87,554</u>	<u>98,926</u>
Total	161,942	168,653

SOURCE: Public Employee Retirement Administration Commission

Under the heading “PENSION AND OPEB FUNDING – Retirement Systems,” the sixth and seventh paragraphs are deleted and replaced with the following:

Boston teachers are not included in the membership data shown above for the MTRS. Legislation approved in May 2010 changed the methodology for the Commonwealth’s funding of pension benefits paid to Boston teachers. Prior to this change, the Commonwealth reimbursed the City of Boston for pension benefits paid to Boston teachers as certified by the Boston Retirement System (BRS). Those costs were funded one fiscal year in arrears. The cost of pension benefits of the other participants of the BRS is the responsibility of the City of Boston. The BRS is a cost-sharing multiple-employer pension system that is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth for accounting purposes. The 2010 legislation clarified that the Commonwealth is responsible for all employer contributions and future benefit requirements for Boston teachers that are members of the BRS. The Commonwealth’s actuarially determined contribution (or ADC, defined as a target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice) to the BRS for fiscal 2024 has been determined to be \$238.5 million.

Subject to legislative approval, annual increases in cost-of-living allowances are provided in an amount equal to the lesser of 3% or the previous year’s percentage increase in the United States consumer price index on the first \$13,000 of benefits for members of the MSERS and MTRS. The Legislature approved the 3% cost-of-living adjustment for fiscal 2024 for eligible participants of the MSERS and MTRS. The Commonwealth pension funding schedule (discussed below) assumes that annual increases of 3% will be approved for its retirees. The cost-of-living adjustment for fiscal 2023 was a one-time increase to 5% of the \$13,000 base for retirees of the MSERS and MTRS.

Under the heading “PENSION AND OPEB FUNDING – Employee Contributions,” the table entitled “Employee Contribution Rates” is deleted and replaced with the following:

Employee Contribution Rates			
<u>MTRS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	27	0.0%
1975-1983	7	137	0.1
1984-June 30, 1996	8	3,873	3.9
July 1, 1996-Present	9	13,592	13.8
July 1, 2001-Present	11	81,297	82.2
Totals		98,926	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from Teachers’ Retirement System January 1, 2022 Actuarial Valuation.

- (1) Employees hired after January 1, 1979 (except those contributing 11%) contribute an additional 2% of any regular compensation in excess of \$30,000 annually. Legislation enacted in fiscal 2000 established an alternative superannuation retirement benefit program for teachers hired on or after July 1, 2001 (and others who opt in) with an 11% contribution requirement for a minimum of five years. The contribution rate for most employees hired after April 1, 2012 will be reduced to 8% after 30 years of creditable service.

<u>MSERS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	135	0.2%
1975-1983	7	998	1.1
1984-June 30, 1996	8	9,090	10.4
July 1, 1996-Present	9	75,316	86.0
State Police 1996-Present	12	2,015	2.4
Totals		85,999	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from State Retirement Board January 1, 2023 Actuarial Valuation.

- (1) Employees hired after January 1, 1979 contribute an additional 2% of any regular compensation in excess of \$30,000 annually. The contribution rate for most employees hired after April 1, 2012 will be reduced to 6% after 30 years of creditable service.

Under the heading “PENSION AND OPEB FUNDING – Actuarial Valuations,” the first paragraph is deleted and replaced with the following:

Pursuant to Chapter 32 of the Massachusetts General Laws, an actuarial valuation of each retirement system is required to be conducted biennially. The most recent valuation report for the Commonwealth’s total pension obligation, which is dated November 21, 2022, is available at: <https://www.mass.gov/doc/commonwealth-valuation-report-2022/download>. In this report, the unfunded actuarial accrued liability for the Commonwealth’s total pension obligation as of January 1, 2022, based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2021, was approximately \$40.027 billion, including approximately \$12.808 billion for MSERS, \$24.738 billion for MTRS, \$2.391 billion for Boston teachers that are members of the BRS, and \$90.0 million for cost-of-living increases reimbursable to local systems. This valuation estimates the total actuarial accrued liability as of January 1, 2022 to be approximately \$112.195 billion (comprising \$47.275 billion for MSERS, \$60.308 billion for MTRS, \$4.521 billion for Boston teachers and \$90.0 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately \$72.168 billion based on a five-year average valuation method (comprising \$34.468 billion for MSERS, \$35.570 billion for MTRS and \$2.130 billion for Boston teachers), which equaled 90.0% of the December 31, 2021 total asset market value. The January 1, 2023 actuarial valuation for the MSERS has been performed but the final report has not yet been published. As of January 1, 2023, the actuarial accrued liability was \$49.200 billion. The actuarial value of assets as of that date was \$35.080 billion. The unfunded actuarial liability was \$14.121 billion. The January 1, 2022 actuarial valuation for the MTRS was published on December 1, 2022. As of January 1, 2022, the actuarial accrued liability was \$60.308 billion. The actuarial value of assets as of that date was \$35.570 billion. The unfunded actuarial liability was \$24.738 billion.

Under the heading “PENSION AND OPEB FUNDING – Actuarial Valuations,” the following sentence is hereby added to the end of the third paragraph:

The January 1, 2023 actuarial valuations will maintain the 7.0% investment return assumption.

Under the heading “PENSION AND OPEB FUNDING – Actuarial Valuations,” the tables entitled “Historical Pension Funding Progress for the Last Ten Fiscal Years – Actuarial Value” and “Historical Pension Funding Progress for the Last Ten Fiscal Years – Market Value” are deleted and replaced with the tables on the following pages:

Historical Pension Funding Progress for the Last Ten Fiscal Years - Actuarial Value
(in thousands, except for percentages)

	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
<u>MSERS</u>						
Actuarial Valuation as of						
Jan. 1						
2023	\$35,079,598	\$49,200,205	\$14,120,607	71.3%	\$7,088,063	199.2%
2022	34,467,610	47,275,156	12,807,546	72.9	6,651,010	192.6
2021	30,370,096	45,704,298	15,334,202	66.5	6,544,575	234.3
2019	27,136,639	42,595,224	15,458,585	63.7	6,354,473	243.3
2018	26,248,250	40,456,611	14,208,361	64.9	6,155,194	230.8
2017	24,773,042	38,316,719	13,543,677	64.7	5,927,012	228.6
2016	23,465,963	36,966,278	13,500,315	63.5	5,792,288	233.1
2015	22,720,160	33,679,150	10,958,990	67.5	5,591,911	196.0
2014	21,581,133	30,679,600	9,098,467	70.3	5,344,510	170.2
2013	20,317,389	29,385,442	9,068,053	69.1	5,183,195	175.0
<u>MTRS</u>						
Actuarial Valuation as of						
Jan. 1						
2022	\$35,569,967	\$60,308,295	\$24,738,328	59.0%	\$7,704,176	321.1%
2021	31,170,723	58,829,999	27,659,276	53.0	7,670,306	360.6
2019	27,854,444	53,864,141	26,009,697	51.7	7,074,960	367.6
2018	27,057,700	51,653,285	24,595,585	52.4	6,829,012	360.2
2017	25,638,136	49,193,503	23,555,367	52.1	6,583,871	357.8
2016	24,593,787	46,562,807	21,969,020	52.8	6,388,732	343.9
2015	23,946,759	44,115,769	20,169,010	54.3	6,204,274	325.1
2014	22,940,196	40,741,695	17,801,499	56.3	5,962,650	298.6
2013	21,787,470	39,135,218	17,347,748	55.7	5,783,294	300.0
2012	22,141,475	36,483,027	14,341,552	60.7	5,655,353	253.6
<u>Aggregate Commonwealth Pension Obligations (1)</u>						
Actuarial Valuation as of						
Jan. 1						
2022	\$72,168,013	\$112,194,901	\$40,026,888	64.3%	\$15,022,224	266.5%
2021	63,406,551	108,981,772	45,575,221	58.2	14,851,350	306.9
2019	56,661,376	100,650,744	43,989,368	56.3	13,994,455	314.3
2018	54,918,125	96,316,894	41,398,769	57.0	13,531,845	305.9
2017	51,952,206	91,573,998	39,621,792	56.7	13,059,709	303.4
2016	49,535,323	87,401,722	37,866,399	56.7	12,702,727	298.1
2015	48,105,862	81,535,003	33,429,141	59.0	12,302,162	271.7
2014	45,894,034	74,936,994	29,042,960	61.2	11,793,788	246.3
2013	43,517,498	71,865,832	28,348,334	60.6	11,408,407	248.5
2012	43,941,682	67,546,587	23,604,905	65.1	11,011,466	214.4

SOURCE: Public Employee Retirement Administration Commission.

(1) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments from 1981 to 1996.

Historical Pension Funding Progress for the Last Ten Fiscal Years - Market Value
(in thousands, except for percentages)

	Market Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
<u>MSERS</u>						
Actuarial Valuation as of Jan. 1						
2023	\$33,346,387	\$49,200,205	\$15,853,818	67.8%	\$7,088,063	223.7%
2022	38,297,344	47,275,156	8,977,812	81.0	6,651,010	135.0
2021	32,611,969	45,704,298	13,092,329	71.4	6,544,575	200.0
2019	26,384,598	42,595,224	16,210,626	61.9	6,354,473	255.1
2018	27,735,916	40,456,611	12,720,695	68.6	6,155,194	206.7
2017	24,366,420	38,316,719	13,950,299	63.6	5,927,012	235.4
2016	23,176,451	36,966,278	13,789,827	62.7	5,792,288	238.1
2015	23,739,487	33,679,150	9,939,663	70.5	5,591,911	177.8
2014	22,721,053	30,679,600	7,958,547	74.1	5,344,510	148.9
2013	20,405,004	29,385,442	8,980,438	69.4	5,183,195	173.3
<u>MTRS</u>						
Actuarial Valuation as of Jan. 1						
2022	\$39,522,186	\$60,308,295	\$20,786,109	65.5%	\$7,704,176	269.8%
2021	33,473,661	58,829,999	25,356,338	56.9	7,670,306	330.6
2019	27,090,335	53,864,141	26,773,806	50.3	7,074,960	378.4
2018	28,597,562	51,653,285	23,055,723	55.4	6,829,012	337.6
2017	25,225,451	49,193,503	23,968,052	51.3	6,583,871	364.0
2016	24,308,553	46,562,807	22,254,254	52.2	6,388,732	348.3
2015	25,046,692	44,115,769	19,069,077	56.8	6,204,274	307.4
2014	24,183,391	40,741,695	16,558,304	59.4	5,962,650	277.7
2013	21,934,211	39,135,218	17,201,007	56.0	5,783,294	297.4
2012	20,128,614	36,483,027	16,354,413	55.2	5,655,353	289.2
<u>Aggregate Commonwealth Pension Obligations (1)</u>						
Actuarial Valuation as of Jan. 1						
2022	\$80,186,681	\$112,194,901	\$32,008,220	71.5%	\$15,022,224	213.1%
2021	68,089,639	108,981,772	40,892,133	62.5	14,851,350	275.3
2019	55,099,732	100,650,744	45,551,012	54.7	13,994,455	325.5
2018	58,037,680	96,316,894	38,279,214	60.3	13,531,845	282.9
2017	51,107,139	91,573,998	40,466,859	55.8	13,059,709	309.9
2016	48,943,080	87,401,722	38,458,642	56.0	12,702,727	302.8
2015	50,289,777	81,535,003	31,245,226	61.7	12,302,162	254.0
2014	48,350,920	74,936,994	26,586,074	64.5	11,793,788	225.4
2013	43,760,381	71,865,832	28,105,451	60.9	11,408,407	246.4
2012	39,946,984	67,546,587	27,599,603	59.1	11,011,466	250.6

SOURCE: Public Employee Retirement Administration Commission.

- (1) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments from 1981-1996.

LONG-TERM LIABILITIES

Under the heading “LONG-TERM LIABILITIES – General Authority to Borrow,” the table entitled “Calculation of Debt Limit” is deleted and replaced with the following:

Calculation of the Debt Limit (in thousands)					
	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023 (4)</u>
Total principal balance	\$27,739,221	\$28,098,890	\$29,048,457	\$29,335,406	\$29,520,860
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)					
Accelerated bridge program	(1,665,205)	(1,663,350)	(1,555,219)	(1,537,604)	(1,507,359)
Rail enhancement program (2)	(1,104,610)	(1,260,565)	(1,637,221)	(1,958,461)	(1,928,881)
Federal grant anticipation notes (1)	(684,745)	(662,270)	(582,550)	(478,235)	(389,675)
MBTA forward funding	(207)	(207)	(207)	(207)	(207)
Transportation Infrastructure Fund	(1,013,492)	(945,574)	(847,789)	(691,378)	(618,232)
School Building Assistance (SBA)	(574,902)	(496,936)	(430,926)	(337,411)	(242,630)
Outstanding direct debt, principal (3)	\$22,087,495	\$22,510,443	\$23,486,513	\$23,878,435	\$24,407,643
Statutory Debt Limit	\$24,019,204	\$25,220,164	\$26,481,173	\$27,805,231	\$29,195,493

SOURCE: Office of the Comptroller.

- (1) Includes federal grant anticipation notes issued as crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.
- (2) Exempt from the statutory debt limit, effective August 10, 2016.
- (3) Includes accretion of capital appreciation bonds.
- (4) Amounts for fiscal 2023 are preliminary and unaudited.

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

As of June 30, 2023, the Commonwealth had \$25.3 billion in general obligation bonds outstanding, of which \$24.3 billion, or 96.2% was fixed rate debt and \$967.3 million, or 3.8%, was variable rate debt. As of June 30, 2023, \$21.2 billion, or 83.7%, of the Commonwealth’s general obligation debt was tax-exempt and \$4.1 billion, or 16.3%, was taxable.

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Under the heading “LONG-TERM LIABILITIES,” the tables entitled “General and Special Obligation Long-Term Debt Issuance and Repayment Analysis,” “Outstanding Long Term Commonwealth Debt” and “Debt Service Requirements on Outstanding Commonwealth Bonds – General Obligation Bonds” are deleted and replaced with the following:

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

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023 (3)</u>
Beginning Balance as of July 1	\$26,445,665	\$27,360,819	\$27,739,221	\$28,098,890	\$29,048,457	\$29,335,406
Debt Issued	<u>2,391,763</u>	<u>1,814,564</u>	<u>1,778,439</u>	<u>2,387,135</u>	<u>1,748,241</u>	<u>1,615,105</u>
Subtotal	<u>28,837,428</u>	<u>29,175,383</u>	<u>29,517,660</u>	<u>30,486,025</u>	<u>30,796,698</u>	<u>30,950,511</u>
Debt retired or defeased, exclusive of refunded debt	(1,389,419)	(1,295,322)	(1,383,670)	(1,284,183)	(1,394,122)	(1,360,386)
Refunding debt issued, net of refunded debt (2)	(87,190)	(140,840)	(35,100)	(153,385)	(67,170)	(69,265)
Ending Balance June 30	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>	<u>\$29,335,406</u>	<u>\$29,520,860</u>

SOURCE: Office of the Comptroller.

(1) Including accretion of capital appreciation bonds.

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

(3) Amount as of June 30, 2023, preliminary and unaudited.

Outstanding Long Term Commonwealth Debt
(in thousands)

	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023 (1)</u>
General Obligation Debt	\$23,676,096	\$23,953,160	\$24,765,437	\$24,907,431	\$25,268,710
Special Obligation Debt	3,378,380	3,483,460	3,700,470	3,949,740	3,862,475
Federal Grant Anticipation Notes	<u>684,745</u>	<u>662,270</u>	<u>582,550</u>	<u>478,235</u>	<u>389,675</u>
<u>TOTAL</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>	<u>\$29,335,406</u>	<u>\$29,520,860</u>

SOURCE: Office of the Comptroller.

(1) Amount as of June 30, 2023, preliminary and unaudited.

Debt Service Requirements on Outstanding Commonwealth Bonds
as of June 30, 2023 through Maturity (in thousands)

General Obligation Bonds

<u>Period Ending</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>CABs</u>	<u>Build America Bond Subsidies</u>	<u>Net Interest</u>	<u>Debt Service</u>
6/30/2024	\$1,097,035	\$1,063,418	\$4,606	\$(31,412)	\$1,032,006	\$2,133,647
6/30/2025	1,107,547	1,011,396	4,948	(31,177)	980,219	2,092,714
6/30/2026	1,043,700	961,290	5,396	(30,776)	930,513	1,979,610
6/30/2027	956,814	913,870	6,068	(30,203)	883,667	1,846,548
6/30/2028	964,903	871,064	6,601	(28,953)	842,110	1,813,614
6/30/2029	1,117,094	826,151	6,105	(26,687)	799,464	1,922,663
6/30/2030	1,074,689	776,096	5,963	(22,892)	753,204	1,833,857
6/30/2031	1,053,584	720,198	5,836	(16,808)	703,391	1,762,810
6/30/2032	1,122,018	672,451	5,909	(14,776)	657,675	1,785,602
6/30/2033	939,729	624,724	5,094	(12,440)	612,284	1,557,107
6/30/2034	910,841	582,910	4,399	(11,068)	571,842	1,487,081
6/30/2035	854,384	547,045	3,898	(9,647)	537,398	1,395,680
6/30/2036	895,313	511,864	3,190	(8,177)	503,688	1,402,191
6/30/2037	877,966	474,656	2,520	(6,654)	468,002	1,348,488
6/30/2038	927,355	436,746	1,879	(5,077)	431,668	1,360,903
6/30/2039	914,172	399,594	1,371	(3,445)	396,149	1,311,691
6/30/2040	903,533	362,328	890	(1,609)	360,719	1,265,142
6/30/2041	851,876	326,901	560	-	326,901	1,179,337
6/30/2042	867,442	296,213	319	-	296,213	1,163,974
6/30/2043	1,009,245	259,441	124	-	259,441	1,268,809
6/30/2044	918,640	222,763	-	-	222,763	1,141,403
6/30/2045	784,115	188,827	-	-	188,827	972,942
6/30/2046	784,950	154,530	-	-	154,530	939,480
6/30/2047	717,055	122,100	-	-	122,100	839,155
6/30/2048	598,120	93,964	-	-	93,964	692,084
6/30/2049	565,530	69,163	-	-	69,163	634,693
6/30/2050	655,800	44,710	-	-	44,710	700,510
6/30/2051	360,800	24,640	-	-	24,640	385,440
6/30/2052	209,390	10,740	-	-	24,640	220,130
6/30/2053	<u>109,395</u>	<u>2,747</u>	-	-	<u>10,740</u>	<u>112,142</u>
Totals (1)	\$25,193,035	\$13,572,540	\$75,676	\$(291,801)	\$13,302,631	\$38,549,447

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated September 11, 2023

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Maura T. HealeyGovernor
Kimberley DriscollLieutenant Governor
William F. GalvinSecretary of the Commonwealth
Andrea J. CampbellAttorney General
Deborah B. Goldberg..... Treasurer and Receiver-General
Diana DiZoglio.....Auditor

LEGISLATIVE OFFICERS

Karen E. SpilkaPresident of the Senate
Ronald MarianoSpeaker of the House

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THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

September 11, 2023

This Information Statement, together with its Exhibits (included by reference as described below), is furnished by The Commonwealth of Massachusetts (the Commonwealth). It contains certain fiscal, financial and economic information concerning the Commonwealth and its ability to meet its financial obligations. This Information Statement contains information only through its date, or as otherwise provided for herein, and should be read in its entirety.

The ability of the Commonwealth to meet its obligations will be affected by future social, environmental and economic conditions, among other things, as well as by legislative policies and the financial condition of the Commonwealth. Many of these conditions are not within the control of the Commonwealth.

Exhibit A to this Information Statement is the Statement of Economic Information as of August 4, 2023. Exhibit A sets forth certain economic, demographic and statistical information concerning the Commonwealth. The information contained in Exhibit A speaks as of its date.

Exhibits B and C, respectively, are the Commonwealth's Statutory Basis Financial Report for the year ended June 30, 2022 and the Commonwealth's Annual Comprehensive Financial Report (reported in accordance with generally accepted accounting principles (GAAP)) for the year ended June 30, 2022.

Specific reference is made to Exhibits A, B and C, copies of which are attached hereto and have also been filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access System (EMMA). The financial statements are also available at the home page of the Comptroller of the Commonwealth located at <http://www.macomptroller.org> by clicking on "Financial Reports" on the Comptroller's homepage.

SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS

In response to the outbreak of COVID-19 and the declaration by the World Health Organization on March 11, 2020 of a COVID-19 pandemic, in March 2020 then Governor Baker declared a state of emergency in the Commonwealth. Governor Baker's administration undertook several mitigation measures in response to the pandemic, all of which resulted in widespread economic disruption throughout the Commonwealth, including a significant increase in the unemployment rate in Massachusetts in calendar 2020, which peaked at 17.1% in April 2020, compared to 2.9% in March 2020. The Commonwealth began a phased reopening of the economy in May 2020, and in December 2020, the Commonwealth began phased vaccination efforts across Massachusetts. By the end of May 2021, nearly all COVID-19 restrictions were lifted and all businesses were permitted to open. On June 15, 2021, the state of emergency in the Commonwealth related to COVID-19 was terminated, and on May 11, 2023, the state public health emergency was terminated, corresponding with the end of the federal public health emergency.

The federal government enacted several laws related to the COVID-19 pandemic, which provided resources for emergency response and recovery efforts and economic assistance, including unemployment insurance to state and local governments, businesses and individuals. The Commonwealth estimates the total value of these federal measures within Massachusetts at approximately \$116 billion. Among this assistance was receipt by the Commonwealth of \$2.461 billion through the federal Coronavirus Relief Fund (CRF) created under the Coronavirus Aid, Relief and Economic Security Act and \$5.286 billion from the Coronavirus State Fiscal Recovery Fund (CSFRF) created under the American Rescue Plan Act of 2021 (ARPA). The CRF funds have been fully expended. Approximately \$5.0 billion of the CSFRF funds have been allocated to a specific use, and \$2.7 billion of the CSFRF funds have been spent as of June 30, 2023. The Executive Office for Administration and Finance estimates that approximately \$220 million of federal COVID-19 financial assistance remains to be allocated.

The COVID-19 pandemic and the numerous measures taken in response to it by international, federal, state and local governments, as well as private businesses and organizations, continue to have impacts on the global, national and state economies; the extent of any lasting impacts on and within the Commonwealth is still unknown.

THE GOVERNMENT

The government of the Commonwealth is divided into three branches: the Executive, the bicameral Legislature, and the Judiciary.

Executive Branch

Governor. The Governor is the chief executive officer of the Commonwealth. Other elected members of the executive branch are the Lieutenant Governor (elected with the Governor), the Treasurer and Receiver-General (State Treasurer), the Secretary of the Commonwealth (State Secretary), the Attorney General and the State Auditor. All are elected to four-year terms. The terms of the current office holders began in January 2023.

The Executive Council, also referred to as the “Governor’s Council,” consists of eight members who are elected to two-year terms in even-numbered years. The Executive Council is responsible for the confirmation of certain gubernatorial appointments, particularly judges, and must approve all warrants prepared by the Comptroller for payment by the State Treasurer.

Also within the Executive Branch are certain independent offices, each of which performs a defined function, such as the Board of Library Commissioners, the Office of Campaign and Political Finance, the Office of the Comptroller, the Office of the Inspector General and the State Ethics Commission.

Governor’s Cabinet. The Governor’s Cabinet, which assists the Governor in administration and policy making, comprises the secretaries who head the ten Executive Offices, which are the Executive Office for Administration and Finance, the Executive Office of Health and Human Services, the Executive Office of Public Safety and Security, the Executive Office of Housing and Livable Communities, the Executive Office of Economic Development (formerly the Executive Office of Housing and Economic Development), the Executive Office of Labor and Workforce Development, the Executive Office of Energy and Environmental Affairs, the Executive Office of Education, the Executive Office of Technology Services and Security, and the Executive Office of Veterans’ Services. In addition, the Secretary of Transportation, who is the chief executive of the Massachusetts Department of Transportation (MassDOT) and chairs MassDOT’s board of directors, is a member of the Governor’s Cabinet. (MassDOT has a legal existence separate from the Commonwealth but houses several departments of state government.) Cabinet secretaries and executive department chiefs, including the Secretary of Transportation, serve at the pleasure of the Governor. Most other agencies are grouped under one of the ten Executive Offices for administrative purposes.

The Governor’s chief fiscal officer is the Secretary of Administration and Finance. The activities of the Executive Office for Administration and Finance fall within five broad categories: (i) administrative and fiscal supervision, including supervision of the implementation of the Commonwealth’s operating budget and capital investment plan, and monitoring of all agency expenditures during the fiscal year; (ii) enforcement of the Commonwealth’s tax laws and collection of tax revenues through the Department of Revenue; (iii) human resource management, including administration of the state personnel system, civil service system and employee benefit programs, and negotiation of collective bargaining agreements with certain of the Commonwealth’s public employee unions; (iv) capital facilities management, including coordinating and overseeing the construction, management and leasing of all state facilities; and (v) administration of general services, including procurement management services. The Secretary of Administration and Finance serves on numerous state boards and commissions.

State Treasurer. The State Treasurer has four primary statutory responsibilities: (i) oversight of the collection of all state revenues by state agencies, including tax revenues remitted by the Department of Revenue (other than small amounts of funds held by certain agencies); (ii) the management of both short-term and long-term investment of Commonwealth funds (other than the state employee and teacher pension funds), including all cash receipts; (iii) the disbursement of Commonwealth moneys and oversight of reconciliation of the state’s accounts; and (iv) the issuance of most debt obligations of the Commonwealth, including notes, commercial paper and long-term bonds.

In addition to these responsibilities, the State Treasurer chairs the Massachusetts Lottery Commission, the State Retirement Board, the Pension Reserves Investment Management Board, the Massachusetts Clean Water Trust, and the Massachusetts School Building Authority, and appoints the members of the Alcoholic Beverages Control Commission. The State Treasurer also serves as a member of numerous other state boards and commissions.

State Auditor. The State Auditor is charged with improving the efficiency of state government by auditing the administration and expenditure of public funds and reporting the findings to the public. The State Auditor reviews the activities and operations of approximately 200 state entities and potentially thousands of private contractors doing business with the Commonwealth. See “COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS.”

Attorney General. The Attorney General represents the Commonwealth in all legal proceedings in both the state and federal courts, including defending the Commonwealth in actions in which a state law or executive action is challenged. The Attorney General also brings actions to enforce environmental and consumer protection statutes, among others, and represents consumer interests in public utility rate-setting proceedings and in proceedings before the Division of Insurance and other administrative bodies. The Attorney General works in conjunction with the general counsel of the various state agencies and executive departments to coordinate and monitor all pending litigation.

State Secretary. The Secretary of the Commonwealth is responsible for collection and storage of public records and archives, securities regulation, state elections, administration of state lobbying laws, and the registration of and reporting by corporations.

State Comptroller. Accounting policies and practices, publication of official financial reports, and oversight of fiscal management functions are the responsibility of the Comptroller. The Comptroller also administers the Commonwealth’s annual state single audit and manages the state accounting system. The Comptroller serves as a member of the Massachusetts Lottery Commission, the Inspector General Council, the Records Conservation Board, and the State Retiree Benefits Trust. The Comptroller is appointed by the Governor for a term coterminous with the Governor’s and may be removed by the Governor only for cause. The annual financial reports of the Commonwealth, single audit reports, and any rules and regulations promulgated by the Comptroller must be reviewed by an advisory board. This board is chaired by the Secretary of Administration and Finance and includes the State Treasurer, the Attorney General, the State Auditor, the Court Administrator of the Trial Court, and two persons with relevant experience appointed by the Governor for three-year terms.

The Commonwealth’s annual reports include financial statements on the statutory basis of accounting (the Statutory Basis Financial Report, or SBFR) and financial statements on a GAAP basis (the Annual Comprehensive Financial Report, or ACFR). The Statutory Basis Financial Report for the year ended June 30, 2022, attached hereto as Exhibit B, was reviewed by the Commonwealth’s independent external auditors, CliftonLarsonAllen (CLA). The Annual Comprehensive Financial Report for the year ended June 30, 2022, attached hereto as Exhibit C, was audited by the Commonwealth’s independent external auditors, CLA, as stated in its reports appearing therein. CLA has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has it performed any procedures relating to the official statement of which this Information Statement is a part. See “COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS.”

Legislative Branch

The Legislature (formally called the General Court) is the bicameral legislative body of the Commonwealth, consisting of a Senate of 40 members and a House of Representatives of 160 members. Members of both the Senate and the House are elected to two-year terms in even-numbered years. The Legislature meets every year. The joint rules of the House and Senate require all formal business to be concluded by the end of July in even-numbered years and by the third Wednesday in November in odd-numbered years.

All enacted bills are presented to the Governor for approval or veto. The Legislature may override the Governor’s veto of any bill by a two-thirds roll-call vote of each house. The Governor also has the power to return a bill to the chamber of the Legislature in which it originated with a recommendation that certain amendments be made; such a bill is then before the Legislature and is subject to amendment or re-enactment by each branch, at which point the Governor has no further right to return the bill a second time with a recommendation to amend but may still veto the bill. The House of Representatives must originate any bill that imposes a tax. Once a tax bill is originated by the House and forwarded to the Senate for consideration, the Senate may amend it. Any member of the House of Representatives or the Senate also may propose an amendment to the state constitution. Any such proposed amendment must receive a majority of approving votes from members of the House of Representatives and the Senate jointly assembled in a

constitutional convention in two successive biennial legislative sessions before being submitted to the voters for approval.

Judicial Branch

The judicial branch of state government is composed of the Supreme Judicial Court, the Appeals Court and the Trial Court. The Supreme Judicial Court has original jurisdiction over certain cases and hears appeals from both the Appeals Court, which is an intermediate appellate court, and in some cases, directly from the Trial Court. The Supreme Judicial Court is authorized to render advisory opinions on certain questions of law to the Governor, the Legislature and the Governor's Council. Judges of the Supreme Judicial Court, the Appeals Court and the Trial Court are appointed by the Governor, with the advice and consent of the Governor's Council, to serve until the mandatory retirement age of 70 years.

Independent Authorities and Agencies

The Legislature has established a number of independent authorities and agencies within the Commonwealth, the budgets of which are not included in the Commonwealth's annual budget. The Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 34, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, articulate standards for determining significant financial or operational relationships between the primary government and its independent entities. In fiscal 2022, the Commonwealth had significant operational or financial relationships, or both, as defined by GASB Statements No. 14 and No. 34, as amended by Statement No. 61, with 41 of these authorities. A discussion of these entities and the relationship to the Commonwealth is included in footnotes 1 and 14 to the fiscal 2022 Basic Financial Statements in the Annual Comprehensive Financial Report, attached hereto as Exhibit C.

Municipal Government

The Commonwealth has 351 incorporated cities and towns that exercise the functions of local government, which include public safety, fire protection and public construction. Cities and towns or regional school districts established by them also provide elementary and secondary education. Cities are governed by several variations of the mayor-and-council or manager-and-council form. Most towns place executive power in a board of three or five selectmen elected to one- or three-year terms and retain legislative powers in the voters themselves, who assemble in periodic open or representative town meetings. Various local and regional districts exist for schools, water and wastewater administration, and certain other governmental functions.

Municipal revenues consist of taxes on real and personal property, distributions from the Commonwealth under a variety of programs and formulas, local receipts (including motor vehicle excise taxes, local option taxes, fines, licenses and permits, charges for utility and other services, and investment income) and appropriations from other available funds (including general and dedicated reserve funds). See "COMMONWEALTH EXPENDITURES – Local Aid."

County Government

The cities and towns of the Commonwealth are organized into 14 counties. County government has been abolished in nine counties - Berkshire, Essex, Franklin, Hampden, Hampshire, Middlesex, First Norfolk, Suffolk and Worcester. Where county government has been abolished, the functions, duties and responsibilities of the government have been transferred to the Commonwealth, including all employees, assets, valid liabilities and debts. The remaining five county governments (Barnstable, Bristol, Dukes, Nantucket, Second Norfolk and Plymouth) are responsible principally for the operation of courthouses and registries of deeds. The Registrar of Deeds of each county continues to be elected by the residents of the respective county, although in counties where the county government has been abolished, the county budget is administered by the Commonwealth. Sheriffs continue to be elected by residents of their respective counties, although they, along with county houses of corrections, have been administratively placed under the Commonwealth's Executive Office of Public Safety.

Initiative Petitions

Under the Massachusetts constitution, legislation may be enacted in the Commonwealth pursuant to a voter initiative process. Initiative petitions which have been certified by the Attorney General as to proper form and as to which the requisite number of voter signatures has been collected are submitted to the Legislature for consideration. If the Legislature fails to enact the measure into law as submitted, the petitioner may place the initiative on the ballot for the next statewide general election by collecting additional voter signatures. If approved by a majority of the voters at the general election, the petition becomes law 30 days after the date of the election. Initiative petitions so approved by the voters do not constitute constitutional amendments and may be subsequently amended or repealed by the Legislature. Initiative petitions may not make appropriations.

Constitutional amendments also may be initiated by citizens, but they follow a longer adoption process, which includes gaining at least 25% of the votes of the House of Representatives and Senate jointly assembled in constitutional convention in two successive biennial legislative sessions before being decided by the voters.

COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS

Operating Fund Structure

The Commonwealth's operating fund structure satisfies the requirements of state finance law and is in accordance with GAAP, as defined by GASB. The General Fund and other funds that are appropriated in the annual state budget receive most of the non-bond and non-federal grant revenues of the Commonwealth. These funds are referred to in this Information Statement as the "budgeted operating funds" of the Commonwealth. Budgeted operating funds are created and repealed from time to time through the enactment of legislation, and existing funds may become inactive when no appropriations are made from them. Budgeted operating funds do not include the capital projects funds of the Commonwealth, into which the proceeds of Commonwealth bonds are deposited. See "Capital Investment Process and Controls" below.

Two of the budgeted operating funds account for most of the Commonwealth's appropriated spending: the General Fund and the Commonwealth Transportation Fund (formerly the Highway Fund), from which approximately 97.3% of the budgeted operating fund outflows in fiscal 2023 were made. The remaining approximately 2.7% of budgeted operating fund outflows occurred in other operating funds: the Intragovernmental Service Fund, the Transitional Escrow Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Underground Storage Tank Petroleum Product Cleanup Fund, the Public Safety Training Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Education Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund, the Behavioral Health Outreach, Access and Support Trust Fund, the Federal COVID-19 Response Fund, the Behavioral Health Trust Fund, the Education and Transportation Fund, and the High-Quality Early Education and Care Affordability Fund. A number of budgeted funds were authorized by law but had no activity in fiscal 2023.

At the end of a fiscal year, undesignated balances in the budgeted operating funds, unless excluded by law, are used to calculate the consolidated net surplus. Under state finance law, balances in the Stabilization Fund, the Tax Reduction Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Fund, the Public Safety Training Fund, the Local Aid Stabilization Fund, the Behavioral Health Outreach, Access and Support Trust Fund, the Federal COVID-19 Response Fund, the Transitional Escrow Fund, the Student Opportunity Act Investment Fund, the High-Quality Early Education and Care Affordability Fund, Education and Transportation Fund, Behavioral Health Trust Fund, and the Broadband Innovation Fund are excluded from the consolidated net surplus calculation. According to state finance law, deficits in any funds included in the consolidated net surplus calculation are eliminated by transfers from other consolidated net surplus funds that have surplus balances, and any undesignated or unreserved balances remaining in the consolidated net surplus funds are transferred to the Commonwealth Stabilization Fund.

Overview of Operating Budget Process

Generally, funds for the Commonwealth's programs and services must be appropriated by the Legislature. The process of preparing a budget begins with the executive branch early in the fiscal year preceding the fiscal year for which the budget will take effect. The legislative budgetary process begins in late January (or, in the case of a newly

elected Governor, not later than early March) with the Governor's budget submission to the Legislature for the fiscal year commencing in the ensuing July. The Massachusetts constitution requires that the Governor recommend to the Legislature a budget which contains a statement of all proposed expenditures of the Commonwealth for the upcoming fiscal year, including those already authorized by law, and of all taxes, revenues, loans and other means by which such expenditures are to be defrayed. State finance law requires the Legislature and the Governor to approve a balanced budget for each fiscal year, and the Governor may approve no supplemental appropriation bills that would result in an unbalanced budget. However, this is a statutory requirement that may be superseded by an appropriation act.

The House Committee on Ways and Means considers the Governor's budget recommendations and, with revisions, proposes a budget to the full House of Representatives. Once approved by the House, the budget is considered by the Senate Committee on Ways and Means, which in turn proposes a budget, with revisions, to be considered by the full Senate. In recent years, the legislative budget review process has included joint hearings by the Ways and Means Committees of the Senate and the House. After Senate action, a legislative conference committee develops a joint budget recommendation for consideration by both houses of the Legislature, which upon adoption is sent to the Governor. Under the Massachusetts constitution, the Governor may veto the budget in whole or disapprove or reduce specific line items (line-item veto). The Legislature may override the Governor's veto or specific line-item vetoes by a two-thirds roll-call vote of both the House and Senate. The annual budget legislation, as finally enacted, is known as the General Appropriations Act.

In years in which the General Appropriations Act is not approved by the Legislature and the Governor before the beginning of the applicable fiscal year, the Legislature and the Governor generally approve a temporary budget under which funds for the Commonwealth's programs and services are appropriated based upon the level of appropriations from the prior fiscal year budget, adjusted for any known changes in the level of spending during the first month or months of the current fiscal year.

State finance law requires the Commonwealth to monitor revenues and expenditures during a fiscal year. For example, the Comptroller publishes a quarterly report of planned and actual revenues. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting." Department heads are required to notify the Secretary of Administration and Finance and the House and Senate Committees on Ways and Means of any anticipated decrease in estimated revenues for their departments from the federal government or other sources or if it appears that any appropriation will be insufficient to meet all expenditures required in the fiscal year by any law, rule, regulation or order not subject to administrative control. The Secretary of Administration and Finance must notify the Governor and the House and Senate Committees on Ways and Means whenever the Secretary determines that revenues will be insufficient to meet authorized expenditures. The Secretary of Administration and Finance is then required to compute projected deficiencies and, under Section 9C of Chapter 29 of the General Laws, the Governor is required to reduce allotments, to the extent lawfully permitted to do so, or submit proposals to the Legislature to raise additional revenues or to make appropriations from the Stabilization Fund to cover such deficiencies. The Supreme Judicial Court has ruled that, under current law, the Governor's authority to reduce allotments of appropriated funds extends only to appropriations of funds to state agencies under the Governor's control.

Cash and Budgetary Controls

The Commonwealth has in place controls designed to ensure that (i) sufficient cash is available to meet the Commonwealth's obligations, (ii) state expenditures are consistent with periodic allotments of annual appropriations, and (iii) moneys are expended consistently with statutory and public purposes. Two independently elected Executive Branch officials, the State Treasurer and the State Auditor, conduct the cash management and audit functions, respectively. Regarding periodic allotments, at the beginning of each fiscal year the Executive Office for Administration and Finance schedules the rate at which agencies will have access to funds included in their appropriation through a published periodic allotment calendar. Under state finance law, monthly appropriation allotments are ordinarily one-twelfth of the annual amount, but the Executive Office for Administration and Finance may provide for greater or lesser monthly allotments in appropriate cases. This calendar is reviewed regularly, and depending on the fiscal climate, the Executive Office for Administration and Finance may choose to adjust the allotment schedule in order to tighten spending controls. In some cases agencies may request an ad hoc allotment in order to gain access to funds faster than the existing periodic allotment schedule would allow (*e.g.*, exceptional cases where unique payment concerns must be considered); such requests are carefully reviewed by the Executive Office for Administration and Finance before they are approved. The Comptroller conducts the expenditure control function.

Capital Investment Process and Controls

Capital expenditures are primarily financed with debt proceeds and federal reimbursements. Authorization for capital spending requires approval by the Legislature, and the authorization to issue debt must be approved by a two-thirds roll-call vote of each house of the Legislature. The state constitution requires the Governor to recommend the terms of the authorized debt. The State Treasurer issues authorized debt at the request of the Governor, and the Governor, through the Secretary of Administration and Finance, controls the amount of capital expenditures through the allotment of funds pursuant to such authorizations. The Executive Office for Administration and Finance establishes a capital investment plan on or before July 1 each year pursuant to state law. The capital investment plan is an administrative guideline and is subject to amendment from time to time. See “COMMONWEALTH CAPITAL INVESTMENT PLAN.”

The Comptroller has established various funds to account for financial activity related to the acquisition or construction of capital assets. In addition, accounting procedures and financial controls have been instituted to limit agency capital spending to the levels approved by the Governor. Capital spending is tracked against the capital investment plan on both a cash and encumbrance accounting basis on the state’s accounting system, and federal reimbursements are budgeted and monitored against anticipated receipts.

Cash Management Practices of State Treasurer

The State Treasurer is responsible for ensuring that all Commonwealth financial obligations are met on a timely basis. The Massachusetts constitution requires that all payments by the Commonwealth (other than debt service) be made pursuant to a warrant approved by the Governor’s Council. The Comptroller prepares certificates which, with the advice and consent of the Governor’s Council and approval of the Governor, become the warrant to the State Treasurer. Once the warrant is approved, the State Treasurer’s office disburses the money. Debt service is specifically exempted by the state constitution from the warrant requirement, but requires an appropriation to be paid.

The Cash Management Division of the State Treasurer’s office utilizes approximately 900 operating accounts to track cash collections and disbursements for the Commonwealth. The Division relies primarily upon electronic receipt and disbursement systems. Pool cash includes Paid Family and Medical Leave program collected by the Department of Revenue to be transferred to the Department of Family and Medical Leave to pay leave benefits.

The State Treasurer, in conjunction with the Executive Office for Administration and Finance, is required to submit quarterly cash flow projections for the then current fiscal year to the House and Senate Committees on Ways and Means on or before the last day of August, November, February and May. The projections must include estimated sources and uses of cash, together with the assumptions from which such estimates were derived and identification of any cash flow gaps. See “FISCAL 2023 AND FISCAL 2024 – Cash Flow.” The State Treasurer’s office, in conjunction with the Executive Office for Administration and Finance, is also required to develop quarterly and annual cash management plans to address any gap identified by the cash flow projections and variance reports. The State Treasurer’s office oversees the issuance of short-term debt to meet cash flow needs, including the issuance of commercial paper and revenue anticipation notes. See “LONG-TERM LIABILITIES – General Obligation Debt.”

Cash that is not needed for immediate funding is invested in the Massachusetts Municipal Depository Trust. The State Treasurer serves as trustee of the Trust and has sole authority pertaining to rules, regulations and operations of the Trust. The Trust has two investment options: a short-term liquidity vehicle or “cash portfolio” structured similarly to a money market fund and a short-term bond fund. For additional detail on the Massachusetts Municipal Depository Trust, see “FISCAL 2023 AND FISCAL 2024 – Cash Flow.”

Fiscal Control, Accounting and Reporting Practices of the Comptroller

The Comptroller is responsible for oversight of fiscal management functions, establishment of accounting policies and practices, and publication of official financial reports. The Comptroller maintains the Massachusetts Management Accounting and Reporting System (MMARS), the centralized state accounting system that is used by all state agencies and departments for processing of all financial transactions. The University of Massachusetts, the state universities and the community colleges process only some transactions on MMARS, and the independent state authorities do not use the system. MMARS provides a ledger-based system of revenue and expenditure accounts

enabling the Comptroller to control obligations and expenditures effectively and to ensure that appropriations are not exceeded during the course of the fiscal year. The Commonwealth's statewide accounting system also has various modules for receivables, payables, capital assets and other processes management.

Expenditure Controls. The Comptroller requires that the amount of all obligations under purchase orders, contracts and other commitments for the expenditures of moneys be recorded as encumbrances. Once encumbered, these amounts are not available to support additional spending commitments. As a result of these encumbrances, spending agencies can use MMARS to determine at any given time the amount of their appropriations available for future commitments.

The Comptroller is responsible for compiling expenditure requests into the certificates for approval by the Governor's Council. The Council approves an estimated warrant giving the Treasurer authority to issue payments up to the amount on the warrant, as long as those payments are otherwise determined by the Comptroller to comply with state finance law. In preparing these certificates, which become the warrant, the Comptroller's office has systems in place to ensure that the necessary moneys for payment have been both appropriated by the Legislature and allotted by the Governor in each account and sub-account. By law, certain obligations may be placed upon the warrant even if the supporting appropriation or allotment is insufficient. These obligations include Medicaid payments, which are mandated by federal law.

Although state finance law generally does not create priorities among types of payments to be made by the Commonwealth in the event of a cash shortfall, the Comptroller has developed procedures, in consultation with the State Treasurer and the Executive Office for Administration and Finance, for prioritizing payments based upon state finance law and sound fiscal management practices.

Internal Controls. The Comptroller establishes internal control policies and procedures in accordance with state finance law. Agencies are required to adhere to such policies and procedures. All unaccounted-for variances, losses, shortages or thefts of funds or property must be reported to the State Auditor, who is authorized to investigate and recommend corrective action.

Statutory Basis of Accounting. In accordance with state law, the Commonwealth adopts its budget and maintains financial information on a statutory basis of accounting. Under the statutory basis, tax and departmental revenues are accounted for on a modified cash basis by reconciling revenue to actual cash receipts confirmed by the State Treasurer. Certain limited revenue accruals are also recognized, including receivables from federal reimbursements with respect to paid expenditures. Expenditures are measured on a modified cash basis, including actual cash disbursements and encumbrances for goods or services received prior to the end of a fiscal year.

For certain programs, such as Medicaid, expenditures are recognized under the statutory basis of accounting only to the extent of disbursements supported by current-year appropriations. Some prior year services billed after the start of a fiscal year have been paid from the new fiscal year's appropriation, in an amount determined by the specific timing of billings and the amount of prior year funds that remained after June 30 to pay the prior year's accrued billings, though this practice may vary from year to year.

GAAP Basis of Accounting. The Comptroller also prepares Commonwealth financial statements on a GAAP basis. In addition to the primary government, certain independent authorities and agencies of the Commonwealth are included as component units within the Commonwealth's reporting entity.

GAAP employs an economic resources management focus and a current financial resources management focus as two bases for accounting and reporting. Under the economic resources management focus (also called the "government-wide perspective") revenues and expenses (different from expenditures) are presented similarly to private-sector entities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets, including infrastructure assets net of depreciation, and the long-term portion of all liabilities are reported on the statement of net position.

Under the current financial resources management focus of GAAP (also called the "fund perspective" or "modified accrual" basis), the primary emphasis is to demonstrate inter-period equity. Revenues are reported in the

period in which they become both measurable and available. Revenues are considered available when they are expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal revenues (including both grants and reimbursements) and reimbursements for the use of materials and services. Tax accruals, which include the estimated amounts due to the Commonwealth on previous filings, over- and under-withholdings, estimated payments on income earned and tax refunds and abatements payable, are all recorded as adjustments to statutory basis tax revenues.

Major expenditure accruals are recorded for the cost of Medicaid claims that have been incurred but not paid, claims and judgments and workers' compensation claims incurred but not reported and contract assistance and amounts due to municipalities and state authorities. See Exhibit C – Annual Comprehensive Financial Report for the year ended June 30, 2022; Page 3 and Notes to the Basic Financial Statements.

Audit Practices of State Auditor

The State Auditor is mandated under state law to conduct an audit at least once every three years of the accounts of all departments, offices, commissions, institutions and activities of the Commonwealth. This audit encompasses hundreds of state entities, including the court system and independent authorities. The State Auditor also has the authority to audit federally aided programs and vendors and their subcontractors under contract with the Commonwealth as well as to conduct special audit projects. Further, the State Auditor upon a ratified majority vote by the board of selectmen or school committee, may, in the Auditor's discretion, audit the accounts, programs, activities and other public functions of a town, district, regional school district, city or county. The State Auditor conducts both compliance and performance audits in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Within the State Auditor's office is the Division of Local Mandates, which evaluates proposed and actual legislation to determine the financial impact on the Commonwealth's cities and towns. In accordance with state law, the Commonwealth is required to reimburse cities and towns for any costs incurred through mandated programs established after the passage of Proposition 2½, the statewide tax limitation enacted by the voters in 1980, unless expressly exempted from those provisions, and the State Auditor's financial analysis is used to establish the amount of reimbursement due to the Commonwealth's cities and towns. See "COMMONWEALTH EXPENDITURES – Local Aid; *Property Tax Limits*."

Also within the State Auditor's office is the Bureau of Special Investigations, which is charged with the responsibility of investigating fraud within public assistance programs.

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COMMONWEALTH REVENUES

This section contains a description of the major categories of Commonwealth revenues. See “COMMONWEALTH EXPENDITURES” for a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2023 are preliminary and unaudited and for fiscal 2024 are projected.

In order to fund its programs and services, the Commonwealth collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, court revenues, assessments, reimbursements, interest earnings and transfers from its non-budgeted funds, which are deposited in the General Fund, the Commonwealth Transportation Fund and other budgeted operating funds. Revenues deposited in such funds are referred to as budgeted operating revenues in this Information Statement. In fiscal 2023, on a statutory basis, approximately 55.8% of the Commonwealth’s budgeted operating revenues and other financing sources were derived from state taxes. In addition, in fiscal 2023, the federal government provided approximately 25.8% of such revenues, with the remaining 18.3% provided from departmental revenues and transfers from non-budgeted funds.

The Commonwealth’s executive and legislative branches establish the Commonwealth’s budget using the statutory basis of accounting, which differs from a GAAP basis. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures” and “– GAAP Basis.”

State Taxes

The major components of state taxes are the income tax, which accounted for approximately 55.5% of total budgeted tax revenues in fiscal 2023, the sales and use tax, which accounted for approximately 24.0% of total budgeted tax revenues in fiscal 2023, and the corporations and other business and excise taxes (including taxes on insurance companies and financial institutions), which accounted for approximately 13.0% of total budgeted tax revenues in fiscal 2023. Other tax and excise sources accounted for the remaining 7.5% of total budgeted tax revenues in fiscal 2023.

The Governor annually files a “tax expenditure budget” that provides a list, description and revenue estimates of various tax credits, deductions and exemptions that represent departures from the basic provisions of the state tax code. See “Tax Credits and Other Incentives” below.

Income Tax. The Commonwealth assesses personal income taxes at flat rates, according to classes of income, after specified deductions and exemptions. Commencing January 1, 2020, the current state personal income tax rate applied to most classes of taxable income is 5.0%. The state personal income tax rate on most classes of taxable income was gradually reduced from 5.3% effective January 1, 2002 to 5.0% effective January 1, 2020 in increments of 0.05% as set forth in the following table as result of statutory “baseline” state tax revenue growth triggers (*i.e.*, revenue growth after factoring out the impact of tax law and administrative processing changes), as required by law. Once reduced to 5.0%, current law does not provide for any further decreases or increases without further legislative action.

State Personal Income Tax Rate

Effective Date	Tax Rate
<u>(January 1)</u>	
2002	5.30%
2012	5.25
2014	5.20
2015	5.15
2016	5.10
2019	5.05
2020	5.00

Current law requires that in the tax year following that in which the personal income tax rate is reduced to 5.0%, the state charitable deduction, which was in effect for tax year 2001 but subsequently suspended, will be restored. With the personal income tax rate reduced to 5.0% effective January 1, 2020, the state charitable deduction was to be reinstated effective January 1, 2021. However, the fiscal 2021 and fiscal 2022 budgets each included a one-year delay in the reinstatement of this deduction. The deduction became effective January 1, 2023. See “FISCAL 2023 AND FISCAL 2024.” The Department of Revenue estimates that the revenue loss impact due to the reinstatement of the state

charitable deduction is approximately \$64 million for fiscal 2023 and approximately \$300 million annually in fiscal 2024 and thereafter.

Effective January 1, 2023, an amendment to the Massachusetts constitution, approved by the voters in November 2022 through a ballot initiative process, became effective which imposes an increase in the personal income tax rate by 4.0% on income above \$1 million, to be adjusted annually to reflect cost of living adjustments.

The fiscal 2023 budget adopted the federal Internal Revenue Code, as amended on January 1, 2022, and in effect for the taxable year for purposes of Massachusetts personal income tax. Massachusetts personal income tax previously followed the federal Internal Revenue Code, as amended on January 1, 2005 and in effect for the taxable year. As a result of this tax law change, the Massachusetts personal income tax adopts many federal tax law changes affecting the determination of Massachusetts gross income and deductions that have been enacted over the past 17 years. This tax law change is estimated to generate \$44 million in additional revenue in fiscal 2024 and additional revenue in the fiscal years thereafter ranging from approximately \$46 million to \$56 million annually.

Capital Gains Component of the Income Tax. The tax rate on gains from the sale of capital assets held for one year or less (short-term capital gains) and from the sale of collectibles is 12.0%. As part of a comprehensive tax relief proposal that is pending before the Legislature, Governor Healey has proposed reducing the rate of taxation on short-term capital gains to 5.0%, see “FISCAL 2023 AND FISCAL 2024 – Fiscal 2024.” The tax rate on gains from the sale of capital assets owned for more than one year (long-term capital gains) is currently 5.0%. Both short-term and long-term capital gains are subject to the new 4% surtax on income over \$1 million to the extent a taxpayer has Massachusetts taxable income that exceeds \$1 million. Current state finance law provides for tax revenues collected from capital gains income during a fiscal year that exceed a specified threshold to be transferred as follows: 90% of such amount to the Commonwealth’s Stabilization Fund, 5% of such amount to the State Retiree Benefits Trust Fund and 5% of such amount to the Commonwealth’s Pension Liability Fund. The specified threshold is certified annually by the Department of Revenue each December for the ensuing fiscal year as part of the consensus revenue process. However, the requirement to transfer capital gains tax collections may be modified or superseded by individual appropriation acts. For a discussion of the specified threshold and the capital gains taxes deposited to the Stabilization Fund, see “SELECTED FINANCIAL DATA – Stabilization Fund.”

Sales and Use Tax. The sales tax rate imposed on retail sales of certain tangible property (including retail sales of meals) transacted in the Commonwealth and a corresponding use tax rate on the storage, use, or other consumption of like tangible properties brought into the Commonwealth is 6.25%. Food, clothing, prescribed medicine, materials and produce used in food production, machinery, materials, tools and fuel used in certain industries and property subject to other excises (except for cigarettes and recreational marijuana) are exempt from sales taxation. The sales and use tax is also applied to sales of electricity, gas, and steam for certain nonresidential use and to nonresidential and a portion of residential use of telecommunications services.

Certain sales tax receipts are required to be credited to the Convention Center Fund. The Convention Center Fund is not included in the calculation of revenues for budgeted operating funds. See “LONG-TERM LIABILITIES – Special Obligation Debt; *Convention Center Fund*.”

A portion of the Commonwealth’s receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MSBA is the amount raised by a 1% sales tax (not including meals). The amount dedicated to the MBTA is the greater of (i) the amount raised by a 1% sales tax (not including meals), plus \$160 million and (ii) an annually adjusted floor. The floor grows each year by the allowable base revenue growth (the lesser of sales tax growth or inflation, but not greater than 3% and not less than 0%), and was certified as \$1.128 billion for fiscal 2023 and \$1.162 billion for fiscal 2024.

The Commonwealth’s receipts from the sales tax on account of motor vehicle sales (net of amounts required to be credited to the Convention Center Fund or dedicated to the MBTA or MSBA) are dedicated to the Commonwealth Transportation Fund.

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

In June 2018, the Supreme Court of the United States issued a ruling in *South Dakota v. Wayfair* that effectively removes earlier constraints on states seeking to require out-of-state sellers to collect and remit sales tax. However, because the Commonwealth had previously established collect-and-remit agreements covering the majority of sales by out-of-state sellers to Massachusetts residents, and has proactively asserted the obligation to collect sales taxes from out-of-state sellers with economic scale in Massachusetts, the incremental impact of *South Dakota v. Wayfair* on Commonwealth tax revenues has been limited. The revenue projections for budgeting purposes, as described under the heading “Tax Revenue Forecasting” below, include both existing and incremental collections on internet sales as a component of overall sales tax revenue.

Provisions included in the fiscal 2020 budget required online marketplace facilitators to collect and remit Massachusetts sales and use tax on behalf of vendors who sell their goods on the marketplace, provided the marketplace’s sales within the Commonwealth exceed the threshold of \$100,000. These provisions also subject remote sellers to the registration, collection, and remittance requirements of the sales and use tax if the remote seller’s sales within the Commonwealth exceed the threshold of \$100,000.

The fiscal 2021 budget included provisions requiring certain vendors and operators of lodging accommodations to remit an advance payment of room occupancy excise, sales tax, including sales tax on meals, use tax, and local sales tax on meals. Effective for tax periods ending after April 1, 2021, certain vendors, including marketplace facilitators and marijuana retailers, and operators of lodging accommodations, including intermediaries, must remit on or before the 25th day of the monthly filing period any tax or excise collected on or before the 21st day of such filing period. On December 13, 2021, legislation was enacted allowing these entities to alternatively satisfy this requirement by paying 80% or more of their total tax or excise due for the immediately preceding month, provided that there was such a liability in the prior month. Payment of the remaining amount for the filing period is due with the applicable return on the 30th day after the end of the filing period. The advance payment requirement does not apply to vendors or operators whose cumulative Massachusetts sales and use tax liability or room occupancy excise liability in the immediately preceding calendar year is equal to or less than \$150,000. For these vendors and operators, full payment for the monthly filing period is due with the return on the 30th day after the end of such filing period.

Business Corporations Tax. Business corporations doing business in the Commonwealth, other than banks and other financial institutions, insurance companies, railroads, and safe deposit companies, are subject to an excise that has a property measure and an income measure. The value of Massachusetts tangible property (not taxed locally) or net worth allocated to the Commonwealth is taxed at \$2.60 per \$1,000 of value. The net income assigned to Massachusetts, which is based on net income for federal taxes, is taxed at 8.0%. The minimum tax is \$456.

In general, corporations apportion their income to Massachusetts based on the proportion of payroll, property, and sales within the Commonwealth, with sales being double-weighted. This general rule does not apply to manufacturing companies or to mutual fund service corporations. The net income of such entities is apportioned only by the percentage of their Massachusetts sales.

Financial Institutions Tax. Financial institutions (which include commercial and savings banks) are subject to an excise tax. The net income assigned to Massachusetts is taxed at 9.0%. In general, financial institutions apportion their income to Massachusetts based on the proportion of receipts, payroll and property within the Commonwealth.

Insurance Taxes. Life insurance companies are subject to a 2% tax on gross premiums. Property and casualty insurance companies are subject to a 2.28% tax on gross premiums. Domestic property and casualty insurance companies also pay a 1% tax on gross investment income.

Other Taxes. Other tax revenues are derived by the Commonwealth from excise taxes on motor fuels, cigarettes and other tobacco products, alcoholic beverages, deeds, and hotel/motel room occupancy, as well as taxes on estates, among other tax sources. Commencing July 1, 2018, current law imposes an excise tax, in addition to the regular sales tax, on retail sales of recreational marijuana and marijuana products, providing for the maximum combined state and local tax rate on recreational marijuana of 20%.

Commencing January 1, 2019, current law imposes state and local excise taxes on the short-term rentals of property for more than 14 days in a calendar year.

On November 27, 2019, legislation was enacted imposing an excise of 75% on the wholesale price of all electronic nicotine delivery systems and restricting the sale of all flavored tobacco products and flavored tobaccos product enhancers, including flavored vaping products, to licensed smoking bars for on-site consumption. The legislation also restricts the sale of vaping products with nicotine content greater than 35 grams per milliliter to retail tobacco stores and licensed smoking bars. The restriction on the sale of flavored vaping products became effective immediately. Other provisions of the legislation, including the prohibition on flavored tobacco products and flavored tobacco product enhancers, took effect on June 1, 2020. The Department of Revenue estimates the net revenue loss impact of this legislation is approximately \$105 million annually.

On September 30, 2021, legislation was enacted imposing a pass-through entity (PTE) excise effective for taxable years beginning on or after January 1, 2021. The PTE excise provides a work-around for the federal limitation on the amount of state and local taxes individuals may deduct on their federal income tax returns. The PTE excise allows PTEs, including S-corporations, partnerships, and certain trusts, to pay an optional 5% excise on the income that flows through to shareholders, partners, or beneficiaries subject to the personal income tax. The qualified member may claim a nontransferable, refundable personal income tax credit equal to 90% of his or her allocable share of the entity's excise due.

Tax Credits and Other Incentives. Massachusetts law provides for a variety of tax credits that may be applied against corporate excise or personal income taxes due, as applicable under relevant law. These credits are designed as benefits for specified economic activities as a means to encourage such business in the state. Certain of these credits, to the extent not used to reduce a current tax liability, may be carried forward, transferred, or refunded, as specified in the applicable statute. In addition, certain statutory provisions may also provide an exemption from sales and use taxes for qualifying expenditures, or other specified tax benefits.

The Governor annually publishes a “tax expenditure budget” that provides a list, description, and revenue estimate of various tax credits, deductions, and exemptions that represent departures from the basic provisions of the state tax code.

Fiscal 2024 Tax Expenditure Budget Summary
(in millions)

<u>Tax Type</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>
Personal Income Tax	\$9,448.5	\$10,254.9	\$11,084.9	\$11,842.3	\$12,986.0
Corporate and Other Business Excise	2,268.7	2,532.3	2,692.8	2,784.1	2,919.5
Sales and Use Tax	<u>5,347.5</u>	<u>5,537.3</u>	<u>6,262.8</u>	<u>6,520.9</u>	<u>6,598.2</u>
Total	\$17,064.7	\$18,324.6	\$20,040.5	\$21,147.3	\$22,503.7

SOURCE: Department of Revenue.

Under legislation approved in June 2018, in support of the life sciences industry, up to \$30 million per year in tax incentives, up from an annual cap of \$25 million, is available to certified life sciences companies over a 10-year period, commencing January 1, 2019, and ending on December 31, 2028, for an aggregate amount of \$300 million. The Department of Revenue estimates that this program resulted in revenue reductions of \$12.0 million in fiscal 2018, \$16.1 million in fiscal 2019, \$14.5 million in fiscal 2020, \$16.8 million in fiscal 2021, and \$19.6 million in fiscal 2022, and \$21.4 million in fiscal 2023. The Massachusetts Life Sciences Center board has approved \$24.5 million in tax incentives that are expected to be utilized in fiscal 2024.

Under legislation approved in August 2022 to develop and expand offshore wind industry-related employment opportunities and to promote renewable energy-related economic development in the Commonwealth, up to \$35 million per year in tax incentives is available to offshore wind companies, commencing January 1, 2023, and ending on December 31, 2032. The fiscal 2024 budget assumes that this program will result in \$5 million in revenue reduction in fiscal 2024.

Tax Revenue Forecasting

Under state law, on or before October 15 of each year, the Secretary of Administration and Finance is required to submit to the Governor and to the House and Senate Committees on Ways and Means estimates of revenues available to meet appropriations and other needs in the current fiscal year and the following fiscal year.

On or before January 15 of each year (January 31 in the first year of a new Governor), the Secretary is required to develop jointly with the House and Senate Committees on Ways and Means a consensus tax revenue forecast for the following fiscal year. State finance law requires that the consensus tax revenue forecasts be net of the amounts necessary to fully fund the pension system according to the applicable funding schedule, and to fulfill statutory commitments to the MBTA and the MSBA. These amounts are to be transferred without further appropriation from the General Fund. See “Sales and Use Tax” above and “PENSION AND OPEB FUNDING.”

An additional component of the consensus revenue process is the requirement that the consensus tax revenue forecast joint resolution include a benchmark for the estimated growth rate of Massachusetts potential gross state product (PGSP). Health care cost control legislation requires that the Secretary and the House and Senate Committees on Ways and Means include a PGSP growth benchmark for the ensuing calendar year. PGSP is a measure of the “full employment” output of the Commonwealth’s economy. The PGSP growth benchmark is used by the Massachusetts Health Policy Commission to establish the Commonwealth’s health care cost growth benchmark. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; *Health Care Cost Containment.*”

The following table compares actual budgeted tax revenues to consensus tax revenue forecasts for fiscal years 2019 to 2023 and provides a forecast for fiscal 2024. The figures include sales tax receipts dedicated to the MBTA and the MSBA and amounts transferred to the state pension system.

Tax Revenue Forecasting (in millions)						
	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023(1)	Fiscal 2024(1)
Consensus forecast (2)	\$27,594	\$29,299 (5)	\$31,151	\$30,120	\$36,915	\$41,410 (10)
GAA assumption of tax-related settlements and judgments exceeding \$10 million	25	50	50	50	50	50
Total taxes per enacted budget (3)	\$28,417 (4)	\$30,149 (6)	\$28,440	\$34,451	\$39,668 (9)	\$41,460
October revision (2)	-	-	27,592	-		
January revision (2)	28,592 (4)	30,289 (7)	29,090	35,948 (8)	39,768	
Actual budgeted operating tax revenues (3)	\$29,741	\$29,633	\$34,156	\$41,146	\$39,208	
Actual budgeted revenues as a percentage of consensus forecast	107.8%	101.1%	109.6%	136.6%	106.2%	
Actual budgeted revenues as a percentage of total taxes per enacted budget	104.7%	98.3%	120.1%	119.4%	98.8%	

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

- (1) The amounts for fiscal 2023 are preliminary and unaudited, and for fiscal 2024 are projected.
- (2) Excludes tax-related settlements exceeding \$10 million each.
- (3) Includes tax-related settlements exceeding \$10 million each.
- (4) Includes an estimated \$63 million from marijuana sales and excise taxes.
- (5) Does not include any revenue from marijuana sales or excise taxes.
- (6) Includes (i) \$593.5 million of upward adjustments assumed in the final fiscal 2020 budget due to actual fiscal 2019 results, plus \$206.7 million of additional adjustments, including an estimated \$132.5 million from marijuana sales and excise taxes, (ii) \$41.7 million of sales and use marketplace taxes, (iii) \$27.5 million of taxes on short-term property rentals and (iv) \$5.0 million due to a reduction in life sciences tax incentives.
- (7) Includes an estimated \$132.5 million from marijuana sales and excise taxes.
- (8) Estimate was further revised upward to \$37,666 million on May 18, 2022.
- (9) Includes (i) the revised tax revenue estimate of \$39,576 million, (ii) \$50 million for tax-related settlements exceeding \$10 million each, and (iii) \$42 million due to a tax law change reflecting an update to the state tax code regarding personal income taxes, as reflected in the fiscal 2023 budget.
- (10) Includes \$1 billion from the new 4% surtax on personal income approved through a ballot initiative in November 2022, as agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. See “FISCAL 2023 AND FISCAL 2024 – Fiscal 2024.”

On January 30, 2023, a fiscal 2024 consensus tax revenue estimate of \$40.410 billion and an estimate of \$1 billion from the new 4% surtax on personal income above \$1 million approved through a ballot initiative in November 2022 were agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2024 consensus tax revenue estimate of \$40.410 billion represents revenue growth of 1.6% from the revised fiscal 2023 estimate of \$39.768 billion and includes transfers of \$4.105 billion for pension funding, \$1.463 billion in dedicated sales tax receipts for the MBTA, \$1.303 billion in dedicated sales tax receipts for the MSBA, and \$27 million for the Workforce Training Fund. The total amount of off-budget transfers is \$7.141 billion. On August 9, 2023, the Governor approved the fiscal 2024 budget based on a tax revenue estimate of \$40.830 billion, which reflects the consensus tax revenue estimate of \$40.410 billion and the \$1 billion estimate of revenue from the new 4% surtax on personal income above \$1 million, reduced by a \$580 million set aside for a tax relief package that is still pending before the Legislature. This tax revenue estimate excludes \$50 million in estimated tax-related settlements exceeding \$10 million each.

The Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means also agreed upon a PGSP estimate of 3.6% for calendar year 2024, which is identical to the PGSP figure that was adopted for calendar years 2016 through 2023. The PGSP growth benchmark is to be referenced by the Health Policy Commission in establishing the Commonwealth's health care cost growth benchmark for calendar year 2023. See "COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; Health Care Cost Containment."

Fiscal 2023 and Fiscal 2024 Tax Revenues

Fiscal 2023. The following table shows the actual tax collections for fiscal 2023 and the change from tax collections in the prior fiscal year, both in dollars and as a percentage. The table also notes the amounts of tax collections during the period that are dedicated to the MBTA and the MSBA.

Fiscal 2023 Tax Collections (in millions)						
Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	\$2,406.5	\$126.7	5.6%	\$115.9	\$102.5	\$2,188.1
August	2,600.7	108.3	4.3	120.9	107.6	2,372.1
September	4,198.4	205.4	5.1	113.0	99.6	3,985.8
October	2,361.6	(82.4)	(3.4)	121.9	108.6	2,131.1
November	2,384.0	(30.1)	(1.2)	117.8	104.5	2,161.7
December	3,901.3	(335.0)	(7.9)	122.2	108.9	3,670.3
January	3,862.7	(163.1)	(4.1)	135.5	122.2	3,605.1
February	1,980.3	147.8	8.1	105.5	92.1	1,782.7
March	3,883.1	24.2	0.6	105.0	91.7	3,686.4
April	4,784.4	(2,171.6)	(31.2)	117.2	103.9	4,563.3
May	2,707.0	236.2	9.6	121.4	108.1	2,477.5
June (1)	4,138.0	(5.0)	(0.1)	127.8	114.4	3,895.8
Total (2)	<u>\$39,207.8</u>	<u>(\$1,938.6)</u>	<u>(4.7%)</u>	<u>\$1,424.0</u>	<u>\$1,264.0</u>	<u>\$36,519.8</u>

SOURCE: Department of Revenue.

(1) Preliminary and subject to change.

(2) Totals may not add due to rounding. Includes tax-related settlements exceeding \$10 million each which totaled \$43.04 million in fiscal 2023.

The fiscal 2023 tax revenue decrease of approximately \$1.939 billion, or 4.7%, from fiscal 2022, is attributable to a decrease of approximately \$1.793 billion, or 31.3%, in income tax payments with returns or bills, a decrease of approximately \$829 million, or 18.1% in income tax estimated payments, an increase of approximately \$666 million, or 35.2%, in income tax cash refunds, a decrease of approximately \$2 million, or 0.03%, in corporate and business tax collections, and a decrease of approximately \$12 million, or 0.4%, in all other taxes, offset by an increase of approximately \$732 million, or 4.6%, in withholding collections, and an increase of approximately \$631 million, or 7.2%, in sales and use tax collections. Excluding one-time tax related settlements and judgments exceeding \$10 million each, fiscal 2023 tax collections were approximately \$1.940 billion, or 4.7%, less than the collections in fiscal 2022, and \$604 million, or 1.5% below the updated fiscal 2023 benchmark.

After excluding tax-related settlements and judgments exceeding \$10 million each and adjusting for PTE excise payments and the credits claimed by the PTE members, the fiscal 2023 collections, were \$111 million, or 0.3%, less than collections in fiscal 2022, and \$334 million or 0.8% less than the updated fiscal 2023 benchmark.

Fiscal 2024. The following table shows the actual tax collections for the first two months of fiscal 2024 and the change from tax collections in the same period in the prior fiscal year, both in dollars and as a percentage. The table also notes the amounts of tax collections during the period that are dedicated to the MBTA and the MSBA.

Fiscal 2024 Tax Collections (in millions)						
Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	\$2,666.8	\$260.4	10.8%	\$118.4	\$105.1	\$2,443.4
August (1)	2,429.0	(171.6)	(6.6)	118.6	105.3	2,205.1
Total (2)	<u>\$5,095.8</u>	<u>\$88.7</u>	<u>1.8%</u>	<u>\$237.0</u>	<u>\$210.4</u>	<u>\$4,648.5</u>

SOURCE: Department of Revenue.

- (1) Preliminary and subject to change.
(2) Totals may not add due to rounding.

The year-to-date fiscal 2024 tax revenue increase of approximately \$89 million, or 1.8%, through August 31, 2023 from the same period in fiscal 2023, is attributable to an increase of approximately \$120 million, or 4.7%, in withholding collections, an increase of approximately \$9 million, or 6.4%, in income tax payments with returns or bills, an increase of approximately \$16 million, or 1.0%, in sales and use tax collections, and an increase of approximately \$9 million, or 4.5%, in corporate and business tax collections, offset by a decrease of approximately \$21 million, or 19.1% in income tax estimated payments, an increase of approximately \$8 million, or 10.9%, in income tax cash refunds, and a decrease of approximately \$36 million, or 7.0%, in all other taxes. No one-time tax-related settlements and judgments exceeding \$10 million each have been received during fiscal 2024 year-to-date. Fiscal 2024 year-to-date tax collections as of August 31, 2023 were approximately \$21 million, or 0.4% less than the year-to-date fiscal 2024 benchmark.

Federal and Other Non-Tax Revenues

Federal revenues are collected through reimbursements for the federal share of entitlement programs such as Medicaid and through block grants for programs such as Transitional Assistance to Needy Families (TANF). The amount of federal reimbursements to be received is determined by state expenditures for these programs. The Commonwealth receives reimbursement for approximately 50% of its spending for Medicaid programs. Block grant funding for TANF is received quarterly and is contingent upon a maintenance-of-effort spending level determined annually by the federal government. Budgeted fund federal reimbursements were \$15.779 billion in fiscal 2022 are estimated to be \$15.154 billion in fiscal 2023, and are projected to be \$13.737 billion in fiscal 2024. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures.”

Departmental and other non-tax revenues are derived from a large number of sources, including but not limited to fees and assessments for services, licenses, and reimbursements. For fiscal 2023, budgeted fund departmental and other non-tax revenues were \$6.087 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2023 included \$1.812 billion in drug rebates, recoveries and other fees, \$906.5 million in reimbursements from cities, towns and non-state entities for retiree benefits, \$602.0 million for Registry of Motor Vehicles fees, fines and assessments, and \$271.6 million from filing, registration and other fees paid to the Secretary of State’s office. Budgeted fund departmental and other non-tax revenues are projected to be \$6.130 billion in fiscal 2024. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures.”

Lottery Revenues. For the budgeted operating funds, inter-fund transfers include transfers of net operating revenues from the State Lottery and Gaming Fund and the Arts Lottery Fund and reimbursements for the budgeted costs of the State Lottery Commission, which accounted for transfers from the Lottery of \$1.206 billion, \$1.090 billion, \$1.212 billion, \$1.218 billion, and \$1.297 billion in fiscal years 2019 through 2023, respectively.

The following table shows Lottery revenues and profits for fiscal 2023.

Fiscal 2023 Monthly Lottery Revenues and Profits
(in thousands)

<u>Month</u>	<u>Revenues</u>	<u>Prizes</u>	<u>Subtotal Operating Expenses</u>	<u>Operating Revenues</u>	<u>Administrative Expenses</u>	<u>Net Profit before Distributions (2)</u>
July	\$494,487	\$357,747	\$28,026	\$108,714	\$5,014	\$103,700
August	529,256	392,129	30,348	106,779	6,136	100,643
September	415,898	303,621	23,804	88,473	9,129	79,344
October	441,349	319,192	25,108	97,049	6,219	90,831
November	599,738	437,666	33,976	128,096	6,609	121,487
December	468,456	340,278	26,761	101,417	10,308	91,109
January	592,427	424,892	33,716	133,820	11,806	122,014
February	515,884	384,734	29,453	101,698	6,389	95,309
March	520,486	378,655	30,006	111,824	9,133	102,691
April	488,858	372,098	28,076	88,684	8,672	80,012
May	604,045	439,046	34,774	130,225	13,228	116,996
June (1)	<u>460,296</u>	<u>336,356</u>	<u>26,292</u>	<u>97,648</u>	<u>28,722</u>	<u>68,926</u>
Total	\$6,131,181	\$4,486,414	\$350,341	\$1,294,426	\$121,365	\$1,173,062
YTD prize accrual (1)	-	<u>(2,750)</u>	-	<u>2,750</u>	-	<u>2,750</u>
Adjusted Totals (1)(2)	\$6,131,181	\$4,483,664	\$350,341	\$1,297,176	\$121,365	\$1,175,811

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

(1) Preliminary and subject to change.

(2) Totals may not sum due to rounding.

The following table shows Lottery revenues and profits for the first month of fiscal 2024.

Fiscal 2024 Monthly Lottery Revenues and Profits
(in thousands)

<u>Month</u>	<u>Revenues</u>	<u>Prizes</u>	<u>Subtotal Operating Expenses</u>	<u>Operating Revenues</u>	<u>Administrative Expenses</u>	<u>Net Profit before Distributions (2)</u>
July (1)	\$509,030	\$357,869	\$28,948	\$122,213	\$3,270	\$118,942
YTD prize accrual (1)	-	<u>7,619</u>	-	<u>(7,619)</u>	-	<u>(7,619)</u>
Adjusted Totals (1)	509,030	365,488	28,948	114,594	3,270	111,323

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

(1) Preliminary and subject to change.

(2) Totals may not sum due to rounding.

A five-year history of Lottery revenues and profits are shown in the following table.

Lottery Revenues and Profits
(in thousands)

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Net Operating Revenues</u>	<u>Net Profits</u>
2023 (1)	\$6,131,181	\$1,297,176	\$1,175,811
2022	5,863,674	1,218,767	1,105,438
2021	5,828,527	1,212,023	1,112,576
2020 (2)	5,257,627	1,090,894	986,851
2019	5,508,564	1,206,850	1,104,220
2018	5,291,951	1,097,398	997,057

SOURCE: State Lottery Commission

(1) Fiscal 2023 figures are preliminary and unaudited.

(2) The lottery net profits for fiscal 2020 represent a \$117.4 million decrease from fiscal 2019 in large part due to the impact of the COVID-19 pandemic.

Tobacco Settlement. In November, 1998, the Commonwealth joined with other states in a master settlement agreement that resolved the Commonwealth's and other states' litigation against the cigarette industry. Under the agreement, cigarette companies have agreed to make both annual payments (in perpetuity) and five initial payments (for calendar 1999 to 2003, inclusive) to the settling states. Each payment amount is subject to applicable adjustments, reductions and offsets, including upward adjustments for inflation and downward adjustments for decreased domestic cigarette sales volume.

The Commonwealth's allocable share of the base amounts payable under the master settlement agreement is approximately 4.04%, which equals more than \$8.962 billion through fiscal 2024, subject to adjustments, reductions and offsets. However, since fiscal 2006 certain amounts have been withheld from each year's payments by tobacco manufacturers who claim that because of certain developments they are entitled to reduce such payments under the master settlement agreement. Those withheld amounts ranged from \$21 million to \$35 million to the Commonwealth in the period from 2006 through 2012, inclusive. A smaller amount has been withheld for 2013 through 2016, inclusive. The Commonwealth believes it is due the full amount and is pursuing its claim to unreduced payments. See "LEGAL MATTERS – Other Revenues." The Commonwealth was also awarded \$414.3 million from a separate Strategic Contribution Fund established under the master settlement agreement to reward certain states' particular contributions to the national tobacco litigation effort. This additional amount, also subject to a number of adjustments, reductions and offsets, was payable in equal annual installments during the years 2008 through 2017, inclusive. Massachusetts received its final Strategic Contribution Fund payment in April 2017.

From fiscal 2003 through fiscal 2012, all payments received by the Commonwealth pursuant to the master settlement agreement were deposited in the General Fund. Since fiscal 2012, state law has stipulated that a portion of annual tobacco settlement revenues be deposited into the State Retiree Benefits Trust Fund. See "PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB)."

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The following table sets forth the tobacco settlement amounts received by the Commonwealth to date.

Payments Received Pursuant to the Tobacco Master Settlement Agreement
(in millions) (1)

<u>Fiscal Year</u>	<u>Initial Payments</u>	<u>Annual Payments</u>	<u>Total Payments</u>
2000	\$186.6 (2)	\$139.6	\$326.2 (2)
2001	78.2	164.2	242.4
2002	82.8	221.7	304.5
2003	86.4	213.6	300.0
2004	-	253.6	253.6
2005	-	257.4	257.4
2006	-	236.3	236.3
2007	-	247.3	247.3
2008	-	288.5	288.5
2009	-	315.2	315.2
2010	-	263.7	263.7
2011	-	248.7	248.7
2012	-	253.6	253.6
2013	-	253.5	253.5
2014	-	282.1	282.1
2015	-	245.8	245.8
2016	-	257.6	257.6
2017	-	254.5	254.5
2018	-	243.3	243.3
2019	-	236.6	236.6
2020	-	229.7	229.7
2021	-	245.6	245.6
2022	-	247.0	247.1
2023	-	<u>256.8</u>	<u>256.8</u>
Total	\$434.0	\$5,855.9	\$6,289.9

SOURCE: Office of the Comptroller.

(1) Amounts are approximate. Totals may not add due to rounding.

(2) Payments received for both 1999 and 2000.

Settlements and Judgments. State finance law provides that any one-time settlement or judgment exceeding \$10 million is to be deposited in the Stabilization Fund to the extent that the total of all such one-time settlements and judgments in a fiscal year exceeds the average of such totals for the five preceding fiscal years. The amount of such one-time settlements and judgments totaled approximately \$48.8 million in fiscal 2019, \$42.0 million in fiscal 2020, \$43.9 million in fiscal 2021, \$41.6 million in fiscal 2022, and \$116.7 million in fiscal 2023. The threshold applicable in fiscal 2024 is \$42.6 million (average of fiscal 2018 through fiscal 2022).

On July 10, 2023, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received \$116.7 million in one-time settlement and judgment payments exceeding \$10 million each in fiscal 2023, which was \$60.1 million above the fiscal 2023 threshold. The joint certification indicated that \$73.7 million of the \$116.7 million total was non-tax related settlement and judgment payments.

Gaming. On November 22, 2011, the Governor approved legislation that authorized the licensing of up to three regional resort casinos (one per region) and one slot facility (up to 1,250 slots) in the Commonwealth. The legislation established an appointed, independent state Gaming Commission to oversee the implementation of the law and the regulation of the resultant gaming facilities. The legislation also provided that licensing fees collected by the Gaming Commission are to be applied to a variety of one-time state and local purposes, and gaming tax revenues received by the Commonwealth are to be applied to various funds as set forth in the legislation. The legislation stipulates that initial licensing fees, which are set by the Gaming Commission, must be at least \$85 million per casino (Category 1 license) and \$25 million for the slot facility (Category 2 license).

The Gaming Commission has awarded Category 1 gaming licenses in two of the three regions and one Category 2 slots facility license. The Region C Category 1 gaming license has not been awarded and the Gaming Commission is considering next steps. The facility in Springfield (Region B) opened on August 24, 2018 and the facility in Everett (Region A) opened on June 23, 2019. The Category 2 slot facility opened in Plainville on June 24, 2015.

The following table shows monthly gaming revenues for fiscal 2023.

Fiscal 2023 Monthly Gaming Revenues
(in thousands) (6)

<u>Month</u>	<u>Category 1 Gross Gaming Revenue (1)</u>	<u>Category 1 Total Collected State Taxes (2)</u>	<u>Category 2 Slot Gross Gaming Revenue (1)</u>	<u>Category 2 Total Collected State Taxes (3)</u>	<u>Category 2 Race Horse Assessments (4)</u>	<u>Statewide Gross Gaming Revenue (5)</u>	<u>Statewide Budgetary Taxes & Race Horse Assessments (5)</u>
July	\$86,241	\$21,560	\$12,498	\$4,999	\$1,124	\$98,739	\$27,683
August	80,076	20,019	11,961	4,784	1,076	92,037	25,879
September	82,155	20,538	12,199	4,879	1,097	94,354	26,514
October	84,941	21,234	12,363	4,945	1,112	97,304	27,291
November	81,463	20,365	11,392	4,556	1,025	92,855	25,946
December	90,929	22,731	12,310	4,924	1,107	103,239	28,762
January	84,710	21,177	12,166	4,866	1,095	96,876	27,138
February	85,962	21,490	12,040	4,816	1,083	98,002	27,389
March	90,290	22,571	14,256	5,702	1,283	104,546	29,556
April	87,719	21,929	13,444	5,377	1,209	101,163	28,515
May	85,887	21,471	12,812	5,125	1,153	98,699	27,749
June	<u>87,706</u>	<u>21,925</u>	<u>12,890</u>	<u>5,156</u>	<u>1,160</u>	<u>100,596</u>	<u>28,241</u>
Total	\$1,028,079	\$257,010	\$150,331	\$60,129	\$13,524	\$1,178,410	\$330,663

Source: Massachusetts Gaming Commission, Revenue Reports.

- (1) "Gross gaming revenue" is the total of all sums actually received from gaming operations, less the total of all sums paid out as winnings.
- (2) Each Category 1 licensee pays a tax of 25% of gross gaming revenues.
- (3) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (4) The Category 2 licensee pays an assessment of 9% of gross gaming revenue.
- (5) Totals may not sum due to rounding.
- (6) Amounts for fiscal 2023 are preliminary and unaudited.

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

Annual Gaming Revenues
(in thousands)

<u>Fiscal Year</u>	<u>Category 1 Total Collected State Taxes (3)</u>	<u>Category 2 Total Collected State Taxes (4)</u>	<u>Category 2 Race Horse Assessments (5)</u>
2023 (1)	\$257,010	\$60,129	\$13,524
2022	240,577	56,706	12,753
2021	173,082	49,040	11,029
2020 (2)	148,058	38,449	8,649
2019	62,304	67,470	15,181

Source: Massachusetts Gaming Commission.

- (1) Amounts for fiscal 2023 are preliminary and unaudited.
- (2) Operations at both Category 1 facilities and the Category 2 facility were temporarily suspended, effective on or about March 15, 2020, as a result of the COVID-19 pandemic. The Commission authorized the reopening of the gaming establishments in accordance with its adopted health and safety guidelines as of July 6, 2020.
- (3) The first Category 1 gaming facility in Massachusetts opened on August 24, 2018 and second the facility opened on June 23, 2019. Each Category 1 licensee pays a tax of 25% of gross gaming revenues.
- (4) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (5) The Category 2 licensee pays an assessment of 9% of gross gaming revenue.

In March 2016, the Mashpee Wampanoag tribe announced that it would commence construction of a tribal resort casino in the third region (Region C), based upon the assumed power of the U.S. Secretary of the Interior to take land into trust for the tribe. After several years of litigation regarding the Department of the Interior's 2015 decision to take land in trust for the Mashpee Wampanoag tribe, on December 22, 2021, the Department of the Interior issued a new decision finding that: statutory authority for acquiring the land in question exists under Section 5 of the Indian Reorganization Act; the 2015 decision to acquire such land in trust should be affirmed (with modifications); the land is eligible for gaming under the Indian Gaming Regulatory Act; and the Department of the Interior will retain the land in trust as the Tribe's reservation. On February 18, 2022, plaintiffs filed a complaint in the U.S. District Court for the

District of Massachusetts challenging the Department of the Interior's December 2021 decision. The Mashpee Wampanoag filed a motion to intervene. On February 10, 2023, the Court granted the Department of the Interior's motion for summary judgment, finding that the December 2021 decision was not arbitrary and capricious. The plaintiffs have appealed to the U.S. Court of Appeals for the First Circuit.

On November 14, 2016, the Gaming Commission was sued for tortious interference with respect to the plaintiff's agreement to sell property to the licensee for the Region A Category 1 facility. The plaintiff requested damages as determined at trial. On May 14, 2018, the Superior Court granted the Gaming Commission's motion to dismiss two of three claims then remaining. On July 5, 2018, the Gaming Commission filed a third-party complaint against the Region A Category 1 licensee for unjust enrichment and indemnification relating to the remaining claim against the Gaming Commission. On February 12, 2021, the Gaming Commission filed a motion for summary judgment. On June 16, 2021, the Superior Court granted the Gaming Commission's motion for summary judgment and dismissed the case. The Superior Court also dismissed the Gaming Commission's third-party claims against the Region A Category 1 licensee. The plaintiff has appealed the Superior Court's decisions and the matter was briefed and argued before the Supreme Judicial Court on February 4, 2022. On May 23, 2022, the Supreme Judicial Court affirmed the lower court's allowance of the Gaming Commission's motion to dismiss the plaintiff's intentional interference with contract claim and reversed its entry of summary judgment in favor of the Gaming Commission on the plaintiff's regulatory takings claim. The matter was remanded to the Superior Court for further proceedings.

On August 10, 2022, the Governor approved legislation that authorized the licensing of sports wagering operators in the Commonwealth. The legislation allows for three types of sports wagering licenses – Category 1, Category 2, and Category 3. A Category 1 sports wagering license permits the operation of sports wagering in person at a gaming establishment licensed through G.L. c. 23K and through not more than two individually-branded mobile applications. A Category 2 sports wagering license permits the operation of sports wagering in-person on the premises where either: (1) live horse racing is conducted in accordance with G.L. c. 128A or (2) the licensee is authorized by law to conduct simulcast wagering on horse or greyhound racing, and through not more than 1 individually branded mobile application or other digital platform. A Category 3 license permits the operation of sports wagering through a mobile application and other digital platform. No more than seven Category 3 sports wagering licenses may be issued to operators who are not connected to a Category 1 or Category 2 Sports Wagering licensee.

The legislation mandated that the Gaming Commission would oversee the implementation of the law and the regulation of the resultant sports wagering operators. The legislation also provided that licensing fees collected by the Gaming Commission and sports wagering tax revenues received by the Commonwealth are to be applied to various funds as set forth in the legislation. The Gaming Commission has awarded Category 1 sports wagering licenses to the two Category 1 gaming licensees and has awarded a temporary Category 1 sports wagering license to the Category 2 gaming licensee. The Commission has also awarded eight temporary Category 3 sports wagering licenses. The Commission has received an application for one Category 2 sports wagering license and is reviewing the application. The Category 1 sports wagering licensees began retail operations on January 31, 2023. The Category 1 sports wagering licensees and six Category 3 sports wagering licensees began online and mobile operations on March 10, 2023. Two additional Category 3 sports wagering licensees have since begun online and mobile operations.

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The following table shows monthly sports wagering revenues for fiscal 2023.

Fiscal 2023 Monthly Sports Wagering Revenues
(in thousands) (6)

Month	Category 1 Gross Sports Wagering Revenue	Category 1 Total Collected State Taxes	Category 2 Gross Sports Wagering Revenue	Category 2 Total Collected State Taxes	Category 3 Gross Sports Wagering Revenue	Category 3 Total Collected State Taxes	Daily Fantasy Sports ("DFS") Gross Gaming	DFS Total Collected Sale Tax	Statewide Budgetary Taxes
July	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	\$905	\$135	\$135
September	-	-	-	-	-	-	1,467	220	220
October	-	-	-	-	-	-	2,245	336	336
November	-	-	-	-	-	-	2,822	424	424
December	-	-	-	-	-	-	2,289	345	345
January	\$ (9)	\$ (1)	-	-	-	-	6,300	946	935
February	1,425	213	-	-	-	-	4,369	655	868
March	1,455	218	-	-	\$45,637	\$9,127	2,371	355	9,700
April	364	89	-	-	58,548	11,709	2,100	315	12,113
May	1,559	238	-	-	59,410	11,882	1,973	303	12,423
June	<u>118</u>	<u>17</u>	-	-	<u>31,957</u>	<u>6,391</u>	<u>1,255</u>	<u>196</u>	<u>6,610</u>
Total	\$4,912	\$774	-	-	\$195,552	\$39,109	\$28,096	\$4,230	\$44,109

Source: Massachusetts Gaming Commission.

Limitations on Tax Revenues

Chapter 62F of the General Laws establishes a state tax revenue growth limit for each fiscal year equal to the average positive rate of growth in total wages and salaries in the Commonwealth, as reported by the federal government, during the three calendar years immediately preceding the end of such fiscal year. The growth limit is used to calculate "allowable state tax revenue" for each fiscal year. Chapter 62F also requires that allowable state tax revenues be reduced by the aggregate amount received by local governmental units from any newly authorized or increased local option taxes or excises. Any excess in state tax revenue collections for a given fiscal year over the prescribed limit, as determined by the State Auditor, is to be applied as a credit against the then-current personal income tax liability of all taxpayers in the Commonwealth in proportion to the personal income tax liability of all taxpayers in the Commonwealth for the immediately preceding tax year. The law does not exclude principal and interest payments on Commonwealth debt obligations from the scope of its tax limit. However, the preamble contained in Chapter 62F provides that "although not specifically required by anything contained in this chapter, it is assumed that from allowable state tax revenues as defined herein the Commonwealth will give priority attention to the funding of state financial assistance to local governmental units, obligations under the state governmental pension systems and payment of principal and interest on debt and other obligations of the Commonwealth."

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The following table sets forth the Commonwealth's net state tax revenues and allowable state tax revenues, as defined in Chapter 62F, for fiscal 2018 through fiscal 2022.

Net State Tax Revenues and Allowable State Tax Revenues

	<u>Net State Tax Revenues</u>	<u>Allowable State Tax Revenues</u>	<u>Net State Tax Revenues (under) Allowable State Tax Revenues</u>
2022(1)	\$41,812,654,358	\$38,871,154,627	\$2,941,499,731
2021	34,655,837,068	36,789,926,416	(2,134,089,348)
2020	30,164,388,908	35,514,892,070	(5,350,503,162)
2019	30,202,588,989	33,977,241,799	(3,774,652,810)
2018	28,178,560,547	32,531,393,763	(4,352,833,216)

SOURCE: State Auditor's Office.

- (1) Fiscal 2022 was the first time since fiscal 1987 that net state tax revenues exceeded the allowable state tax revenues as defined in Chapter 62F. See footnotes to "SELECTED FINANCIAL DATA – Budgeted Operating Funds – Statutory Basis".

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COMMONWEALTH EXPENDITURES

This section contains a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2023 are preliminary and unaudited and for fiscal 2024 are projected.

Local Aid

Commonwealth Financial Support for Local Governments. The Commonwealth makes substantial payments to its cities, towns and regional school districts (local aid) to mitigate the impact of local property tax limits on local programs and services. See “Property Tax Limits” below. Local aid payments to cities, towns and regional school districts take the form of both direct and indirect assistance. Direct local aid consists of general revenue sharing funds and specific program funds sent directly to local governments and regional school districts. The fiscal 2024 budget provides \$7.933 billion of state-funded direct and indirect local aid to municipalities.

A large portion of general revenue sharing funds is earmarked for public education and is distributed through a formula designed to ensure that each district reaches at least a minimum level of “foundation” spending per public education pupil. The fiscal 2024 budget includes state funding for so-called “Chapter 70” public education aid of \$6.593 billion.

The other major component of direct local aid is unrestricted general governmental aid, which provides unrestricted funds for municipal use. The fiscal 2024 budget provides for \$1.256 billion in unrestricted general government aid.

Property Tax Limits. In November 1980, voters in the Commonwealth approved a statewide tax limitation initiative petition, commonly known as Proposition 2½, to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments. Proposition 2½ is not a provision of the state constitution and accordingly is subject to amendment or repeal by the Legislature. Proposition 2½, as amended to date, limits the property taxes that may be levied by any city or town in any fiscal year to the lesser of (i) 2.5% of the full and fair cash valuation of the real estate and personal property therein or (ii) 2.5% over the previous year’s levy limit plus any growth in the tax base from certain new construction and parcel subdivisions. The law contains certain voter override provisions and, in addition, permits debt service on specific bonds and notes and expenditures for identified capital projects to be excluded from the limits by a majority vote at a general or special municipal election. Between fiscal 1981 and fiscal 2023, the aggregate property tax levy across all cities and towns grew from \$3.347 billion to \$20.675 billion, a compound annual growth rate of 4.43%.

Medicaid and the Health Connector

Many of the Commonwealth’s healthcare programs and expenditures are governed by the federal Affordable Care Act (ACA), which has been and continues to be the subject of certain legal challenges. In December 2017, Congress eliminated the financial penalty under the ACA’s individual shared responsibility provision, otherwise known as the individual mandate. In December 2019, Congress enacted legislation that both deferred the commencement and accelerated the full implementation of reductions in federal reimbursement for hospitals that treat a disproportionate number of Medicaid recipients. To date, such actions have not had or are not expected to have a material adverse impact on the Commonwealth and its health care programs. While it is not possible to predict with any certainty whether or when any other provisions of the ACA may be, in whole or in part, modified, repealed, or withdrawn, any such actions could have a material adverse effect on the Commonwealth’s healthcare programs and expenditures. Accordingly, the following discussion should be read with the understanding that significant additional changes could occur in the near future and beyond with respect to many of the programs discussed.

MassHealth. The Commonwealth’s Medicaid program, called MassHealth, provides health care to over 2 million low-income children and families, low-income adults, disabled individuals and low-income elders. The program, administered by the Office of Medicaid within the Executive Office of Health and Human Services, receives federal reimbursement on most of its expenditures. The Children’s Health Insurance Program (CHIP) is currently authorized through federal fiscal 2029. For Massachusetts, the CHIP matching rate of 88% for federal fiscal 2019, was reduced to 76.5% for federal fiscal 2020, and was further reduced to 65% for federal fiscal 2021 and beyond. Under the ACA, beginning January 1, 2014, MassHealth began receiving enhanced federal reimbursement for spending on an

expanded population, comprising a new adult group (generally, childless adults with incomes under 133% of the federal poverty limit (FPL)). The federal reimbursement rate for this group was 93% in calendar year 2019, decreasing to 90% for calendar 2020 and beyond. In response to the COVID-19 pandemic, the Families First Act established a 6.2% increase to the matching rate effective January 1, 2020 through March 31, 2023. The increase to the matching rate declined to 5%, effective through June 30, 2023, and will decline to 2.5% and 1.5% for the remaining two quarters of calendar year 2023, respectively. The increase does not apply to expenditures for the ACA expansion population. The increase is contingent on several factors, including, but not limited to, elimination of member cost-sharing for all COVID-19 related testing and treatment, and a maintenance-of-effort requirement on eligibility standards that ended on April 1, 2023. Following the end of the maintenance-of-effort requirement, MassHealth began an effort to redetermine eligibility for its members. This is expected to result in a decrease in MassHealth caseload. While there is uncertainty in this area, best estimates are reflected in the fiscal 2024 budget.

The fiscal 2024 budget includes \$20.4 billion in funding for non-administrative spending for the MassHealth program. The \$20.4 billion includes \$19.9 billion in programmatic spending. The \$20.4 billion also includes approximately \$571 million to support supplemental payments to providers. The reported spending levels do not include estimated spending from the American Rescue Plan Home and Community-Based Services (HCBS) reserve.

Budgeted Operating Funds - Medicaid Expenditures and Enrollment
(in millions)

	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023 (3)</u>	<u>Projected Fiscal 2024 (4)</u>
Medicaid program expenses	\$16,520.5	\$17,022.6	\$18,122.4	\$19,845.6	\$21,706.6	\$19,858.1
Medicaid administrative expenses	\$103.4	\$112.4	\$112.3	\$124.0	\$130.5	\$142.0
Total expenditures (1)	\$16,623.9	\$17,135.0	\$18,234.7	\$19,969.0	\$21,837.1	\$20,000.1
Annual percentage growth in total expenditures	4.9%	3.1%	6.4%	9.5%	9.4%	(8.4%)
Enrollment (in average member months) (2)	1,799,990	1,803,853	1,977,188	2,170,166	2,371,463	2,408,440
Annual percentage growth in enrollment	(3.0%)	0.2%	9.6%	9.8%	9.3%	1.6%

SOURCE: Fiscal 2019-2022 (excluding Medicaid administrative expense and enrollment), Office of the Comptroller; fiscal 2019-2022 (Medicaid administrative expense and enrollment only) and fiscal 2023-2024, Executive Office of Health and Human Services.

(1) Total expenditures exclude supplemental payments to providers.

(2) Enrollment in prior fiscal years changes due to the effects of redeterminations, retroactive eligibility, application verification, and eligibility appeals.

(3) Amounts for fiscal 2023 are preliminary and unaudited.

(4) Amounts for fiscal 2024 are projected.

Commonwealth Health Insurance Connector Authority. State health care reform legislation enacted in 2006 created the Commonwealth Health Insurance Connector Authority (Health Connector). The Health Connector is governed by a board, of which the Secretary of Health and Human Services is the chairperson and the Secretary of Administration and Finance is also a member, each *ex officio*. The Health Connector and its programs are supported by the Commonwealth Care Trust Fund (CCTF), which is supported by dedicated revenue sources, as well as insurance carrier administrative fees. The Health Connector is also responsible for policy development relative to the Affordability Schedule and Minimum Credible Coverage rules and public education and outreach, including the ACA-required Navigator program.

The Health Connector administers the Commonwealth's Health Insurance Marketplace under the ACA. As the Commonwealth's Marketplace, the Health Connector offers qualified health plans to individuals and small businesses. Qualifying individuals can be eligible for federal tax credits to lower their health insurance premiums, and certain small businesses shopping through the Marketplace can access federal small business health care tax credits for up to two years. Individuals with incomes between 133% and 300% FPL, as well as certain lawfully present immigrants with

incomes between 0% and 300% FPL, have access to additional state and federal subsidies through a program called ConnectorCare. The state provides additional state subsidies via ConnectorCare to ensure that the premiums and point-of-service cost sharing for certain low-income members, after factoring in federal subsidies, are similar to what was available through the state's pre-ACA Commonwealth Care program.

Total Health Connector gross spending in fiscal 2023 from CCTF is estimated to have been \$126.3 million (\$93.6 million net of federal revenue). These expenditures reflect the extension of the national public health emergency due to the COVID-19 pandemic through the end-date of May 2023, as well as other changes to eligibility and benefit levels resulting from the passage of the ARPA.

The fiscal 2024 budget for the Health Connector reflects \$249.8 million in gross spending from the CCTF. Net of federal revenue, fiscal 2024 expenditures are estimated to be \$188.1 million, an increase of \$78.1 million compared to fiscal 2023. This increase is driven by the new pilot program to expand ConnectorCare to individuals with incomes up to 500% of FPL beginning in January 2024. The fiscal 2024 budget for the Health Connector is expected to be fully funded from dedicated revenues and the existing balance to be rolled forward in the CCTF.

Federal 1115 MassHealth Demonstration Waiver. Section 1115 of the Social Security Act gives the U. S. Secretary of Health and Human Services authority to waive provisions of major health and welfare programs, including certain Medicaid requirements, and to allow a state to use federal Medicaid funds in ways that are not otherwise allowed under federal rules. The Commonwealth's 1115 waiver was renewed on September 28, 2022. This waiver extension, authorized from October 1, 2022 through December 31, 2027, is a \$67.2 billion agreement that continues the progress of the prior 1115 Demonstration in restructuring the MassHealth program, while making improvements based on experience with the program.

The 1115 waiver extension authorizes a \$350 million per year health equity initiative for ACO-participating hospitals and an additional \$90 million for Cambridge Health Alliance to measure and reduce health care disparities, and preserves and maintains the stability of the Safety Net Care Pool (SNCP) for the full five years of the waiver period with a \$5.6 billion authorization. The SNCP renews authority for the Health Safety Net program, which makes payments to hospitals and community health centers for providing certain health care services to their low-income patients who are not eligible for health insurance or cannot afford it. Nine additional hospitals have become eligible for Safety Net Provider Payments in the waiver extension, which will increase from \$174 million to \$299 million.

Health Care Cost Containment. The Center for Health Information and Analysis (CHIA) is an independent state agency, funded through an industry assessment, to monitor the Massachusetts health care system through data collection and research and to release reliable information and meaningful analysis to a wide variety of audiences.

The Health Policy Commission (HPC) is an independent agency within, but not subject to the control of, the Executive Office for Administration and Finance. The HPC's mission is to advance a more transparent, accountable, and innovative health care system through independent policy leadership and investment programs, to achieve better health and better care at a lower cost across the Commonwealth. Beginning in fiscal 2017, the HPC is funded through an annual assessment on the health care industry, similar to CHIA's assessment.

Each year, the HPC, in collaboration with CHIA, releases a report on the Commonwealth's performance under the benchmark. The 2022 Cost Trends Report provides that total health care expenditures per capita in the Commonwealth decreased from 2019 to 2020 by 2.4%, compared to 4.1% growth from 2018 to 2019.

As required by statute, the health care cost growth benchmark was equal to PGSP, or 3.6%, for calendar 2013 to 2017. By statute, the health care cost growth benchmark for calendar 2018 through 2022 was equal to the growth rate of PGSP minus 0.5%, and for calendar 2023 and thereafter, is equal to the growth rate of PGSP. However, the HPC and the Legislature have some ability to change those growth targets.

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Other Health and Human Services

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

<u>Expenditure Category</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022 (3)</u>	<u>Preliminary Fiscal 2023 (4)</u>	<u>Projected Fiscal 2024 (5)</u>
Office of Health Services						
Department of Mental Health	\$831.7	\$884.0	\$878.7	\$990.0	\$1,112.5	\$1,133.6
Department of Public Health	589.5	625.0	646.0	901.8	905.5	884.4
Sub Total	\$1,421.2	\$1,509.0	\$1,524.7	\$1,891.9	\$2,018.0	\$2,018.0
Office of Children, Youth, and Family Services						
Department of Children and Families	\$1,006.8	\$1,035.3	\$1,055.6	\$1,138.4	\$1,257.5	\$1,361.4
Department of Transitional Assistance	614.9	681.5	669.7	761.9	965.2	1,062.4
Department of Youth Services	168.9	160.2	160.6	166.8	175.3	183.1
Office for Refugees and Immigrants	1.4	2.2	2.3	2.9	12.7	4.6
Sub Total	\$1,792.0	\$1,879.2	\$1,888.2	\$2,069.9	\$2,410.8	\$2,611.5
Office of Disabilities and Community Services						
Department of Developmental Services	\$1,939.5	\$2,106.3	\$2,096.8	\$2,396.8	\$2,602.2	\$2,795.5
Other (1)	97.3	97.5	102.3	110.9	122.8	123.9
Sub Total	\$2,036.8	\$2,203.8	2,199.1	\$2,507.8	\$2,725.0	\$2,919.4
Executive Office of Elder Affairs	\$546.6	\$563.0	\$589.2	\$640.0	\$746.7	\$722.0
Executive Office of Health and Human Services (2)	344.6	394.4	522.8	818.7	1,239.6	788.4
Department of Veterans' Services	69.1	75.5	75.5	86.5	94.4	115.8
Sub Total	\$960.3	\$1,032.9	\$1,187.5	\$1,545.2	\$2,080.8	\$1,626.1
Budgeted Expenditures	\$6,210.3	\$6,624.9	\$6,799.5	\$8,014.8	\$9,234.6	\$9,175.0

SOURCES: Fiscal 2019-2022 Office of the Comptroller; fiscal 2023 and 2024, Executive Office for Administration and Finance.

- (1) Includes Massachusetts Rehabilitation Commission, Massachusetts Commission for the Blind, and Massachusetts Commission for the Deaf and Hard of Hearing.
- (2) Includes Medicaid program administration.
- (3) Fiscal 2022 does not include uses from Federal COVID-19 Response Fund and Transitional Escrow Fund.
- (4) Amounts for fiscal 2023 are preliminary and unaudited; fiscal 2023 does not include uses from Federal COVID-19 Response Fund and Transitional Escrow Fund.
- (5) Fiscal 2024 is projected.

Office of Health Services. The Office of Health Services encompasses programs and services from the Department of Public Health and the Department of Mental Health. Its goal is to promote healthy people, families, communities and environments through coordinated care. The departments work in unison to determine that individuals and families can live and work in their communities self-sufficiently and safely. The following are a few examples of programs and services provided by this office: substance abuse programs, immunization services, early intervention programs, environmental health services, youth violence programs, supportive housing and residential services for the mentally ill of all ages, and emergency and acute hospital services.

Office of Children, Youth and Family Services. The Office of Children, Youth and Family Services works to provide services to children and their families through a variety of programs and services. The programs and services are offered through the Department of Children and Families, the Department of Youth Services, the Department of Transitional Assistance and the Office of Refugees and Immigrants. The collaborative goal of this office is to work to ensure that individuals, children and families are provided with public assistance needed as well as access to programs that will allow for them to be safe and self-sufficient.

The Department of Children and Families (DCF) is charged with protecting children from abuse and neglect, and in partnership with families and communities, ensuring that children are able to grow and thrive in a safe and nurturing environment. DCF serves approximately 44,000 children at any given time, primarily children through age 18, and youth ages 18-22 who are transitioning from DCF custody to independent living. DCF is currently undergoing an agency improvement initiative to implement new programmatic policies, review agency management structure, and strengthen workforce capacity.

Through the Department of Transitional Assistance (DTA), the Commonwealth funds three major programs of public assistance for eligible state residents: Transitional Aid to Families with Dependent Children; Emergency Aid to the Elderly, Disabled and Children; and the State Supplemental Program for individuals enrolled in the federal Supplemental Security Income program. In addition, DTA is responsible for administering the entirely federally funded Supplemental Nutrition Assistance Program and the Pandemic Electronic Benefits Transfer program, as well as the state funded Healthy Incentives Program and other smaller programs that assist DTA clients with completing their education, gaining career skills and finding employment.

Disabilities and Community Services. Programs and services provided by the Massachusetts Rehabilitation Commission, the Massachusetts Commission for the Deaf and Hard of Hearing, the Massachusetts Commission for the Blind and the Department of Developmental Services assist some of the most disadvantaged residents of the Commonwealth. These agencies provide assistance to this population and create public awareness in the citizens of the Commonwealth, as well as promote inter-agency collaboration which attend to the needs of the community, disabled and multi-disabled population. This holistic approach is designed to ensure that those of all ages with disabilities are able to lead functionally equivalent lives despite limitations that they may face.

Executive Office of Elder Affairs. The Executive Office of Elder Affairs provides a variety of services and programs to eligible seniors and their families. The office administers supportive and congregate housing programs, regulates assisted living residences, and provides home care and caregiver support services and nutrition programs. Eligibility for services is based largely on age, income, and disability status. The Executive Office of Elder Affairs also administers a state-supported prescription drug program for seniors.

Executive Office of Veterans' Services. The Executive Office of Veterans' Services provides a variety of services, programs and benefits to eligible veterans and their families. The Executive Office of Veterans' Services provides outreach services to help eligible veterans enroll in a variety of programs, administers supportive housing and homeless services, and provides approximately 26,000 veterans, veterans' spouses and parents with annuity and benefit payments. The Executive Office also oversees the Chelsea Soldiers' Home and the Holyoke Soldiers' Home, state-owned facilities providing long-term health care and domiciliary services to veterans.

Education

Executive Office of Education. The Executive Office of Education includes the Department of Early Education and Care, the Department of Elementary and Secondary Education (previously the Department of Education), and the Department of Higher Education (previously the Board of Higher Education). The Secretary of Education serves on the board of each department as well as the board of the University of Massachusetts. The office is committed to advancing actions and initiatives that will improve achievement for all students, close persistent achievement gaps, and create a 21st century public education system that prepares students for higher education, work, and life in a world economy and global society.

Department of Early Education and Care. The Department of Early Education and Care (EEC) is the agency responsible for all early education and care services and funding in the Commonwealth, including licensing and oversight of and technical assistance to programs for infants, toddlers, preschoolers, and school age children during out-of-school time; group homes; foster care and adoption placement agencies; and residential schools for children with special needs. EEC also oversees community-based family engagement networks that provide literacy and other developmental activities for children and parents in libraries and adult education centers. Historically, EEC licenses approximately 9,000 child care programs, residential facilities, and foster care/adoption placement agencies that have the capacity to serve an estimated 230,000 children. EEC supports an average of approximately 53,000 children from low-income or at-risk families to attend family or group child care programs, including referrals from the Commonwealth's Department of Children and Families and Department of Transitional Assistance.

Department of Elementary and Secondary Education. The Department of Elementary and Secondary Education (DESE) serves the student population from kindergarten through 12th grade by providing support for students, educators, schools and districts and by providing state leadership for elementary, secondary, vocational-technical, and adult basic education. There are approximately 400 operating school districts in the Commonwealth, serving approximately 910,000 students. DESE is governed by the Board of Elementary and Secondary Education, which includes 11 members. The Board of Elementary and Secondary Education nominates, and the Secretary of

Education appoints, a Commissioner of Elementary and Secondary Education, who is responsible for carrying out the policies established by the Board.

Department of Higher Education. The Commonwealth's system of higher education includes the five-campus University of Massachusetts, nine state universities and 15 community colleges. The higher education system is coordinated by the Department of Higher Education, which is governed by the Board of Higher Education. Each institution of higher education is governed by a separate board of trustees; the University of Massachusetts has one board that governs its five campuses. The Board of Higher Education appoints, subject to the approval of the Secretary of Education, a Commissioner of Higher Education, who is responsible for carrying out the policies established by the board at the Department of Higher Education.

The operating revenues of each higher education institution consist primarily of state appropriations and of student fees that are set by the board of trustees of each institution. Tuition levels are set by the Board of Higher Education for the state universities and community colleges; certain tuition received by these institutions is remitted to the State Treasurer, while the institution may retain certain tuition, including tuition received from out-of-state students and tuition from self-supporting programs, such as colleges of continuing education and evening schools. The University of Massachusetts board of trustees has the authority to set and retain tuition for its campuses. The Massachusetts College of Art and Design and the Massachusetts Maritime Academy also have authority to retain the tuition received from their respective students.

The board of trustees of each higher education institution submits annually audited financial statements to the Comptroller and the Board of Higher Education. The Department of Higher Education prepares annual operating budget requests on behalf of all institutions, which are submitted to the Executive Office of Education and subsequently to the Executive Office for Administration and Finance and to the House and Senate Committees on Ways and Means. The Legislature appropriates funds for the higher education system in the Commonwealth's annual operating budget in various line items for each institution.

Public Safety

Eleven state agencies fall under the umbrella of the Executive Office of Public Safety and Security. The largest is the Department of Correction, which operates 16 correctional facilities and centers across the Commonwealth. Other public safety agencies include the State Police, the Parole Board, the Department of Fire Services, the Military Division, the Office of the Chief Medical Examiner, and five other public safety related agencies.

Energy and Environmental Affairs

The Executive Office of Energy and Environmental Affairs is responsible for policy development, environmental law enforcement services, and oversight of agencies and programs. Six state agencies and numerous boards fall under the umbrella of the Executive Office of Energy and Environmental Affairs. The largest is the Department of Conservation and Recreation, which operates public parkland, recreational facilities, watersheds and forests across the Commonwealth. Other environmental agencies include the Department of Agricultural Resources, responsible for the state's agricultural and food safety programs, the Department of Environmental Protection, responsible for clean air, water, recycling and environmental remediation programs, and the Department of Fish and Game, responsible for the management and protection of endangered species, fisheries and habitat. Additional agencies include the Department of Public Utilities, responsible for oversight of electric, gas, water and transportation utilities, and the Department of Energy Resources, responsible for energy planning, management and oversight.

Debt Service

Debt service expenditures relate to general obligation bonds and notes, special obligation bonds and federal grant anticipation notes issued by the Commonwealth. See "LONG-TERM LIABILITIES."

Employee Benefits

Group Insurance. The Group Insurance Commission (GIC) provides health insurance benefits to more than 425,000 people, including state and participating municipalities' employees, retirees, their spouses and dependents, and

certain retired municipal teachers, their spouses and dependents. State employee contributions are currently based on date of hire; employees hired on or before June 30, 2003 contribute 20% of total premium costs, and employees hired after June 30, 2003 contribute 25% of total premium costs. Similarly, state retirees contribute either 10%, 15% or 20% of total premium costs, depending on their retirement date. The GIC also provides health insurance benefits for the employees and retirees of participating municipalities; the municipalities reimburse the state for their enrollees' premium costs. The contribution ratio(s) for municipal enrollees is set through a collective bargaining process within each community. As of July 1, 2023, the GIC provides health insurance to employees and retirees of 54 municipal entities: 11 cities, 27 towns, and 16 other governmental entities, including regional school districts, union and non-union educational collaboratives, charter schools, and regional planning councils.

The fiscal 2024 budget includes GIC appropriations totaling \$2.193 billion, approximately \$676 million of which is offset by municipal revenue, \$252 million of which is offset by non-state agency revenue to reimburse the state for providing health insurance benefits to the participating governmental units, including municipalities, and \$147 million of which is offset by miscellaneous revenue. In addition, the fiscal 2024 budget authorizes transfers of up to \$550 million to the State Retiree Benefits Trust Fund for the purpose of making expenditures for current state retirees and their dependents.

There are no significant changes to benefits in fiscal 2024. The average fiscal 2024 premium rates for GIC state and municipal members increased 5.1% (5.7% non-Medicare and 2.3% Medicare) over the aggregate premium rates in effect in fiscal 2023.

Pensions. The Commonwealth is responsible for the payment of pension benefits for Commonwealth employees and for teachers of the cities, towns and regional school districts throughout the state. See "PENSION AND OPEB FUNDING."

Other Post-Employment Benefit Obligations (OPEB). The Commonwealth is required under state law to provide certain health care and life insurance benefits for retired employees of the Commonwealth and certain other governmental agencies. See "PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB)."

The fiscal 2023 budget is consistent with the requirements of Government Accounting Standards Board (GASB) Statements No. 45 and No. 75, that spending for current retirees be accounted for separately, and that deposits towards the Commonwealth's non-pension retiree liability be made into an irrevocable trust.

Other Program Expenditures

The remaining expenditures on other programs and services for state government include constitutional officers, the judiciary and district attorneys, sheriffs, the Executive Office for Administration and Finance, Executive Office of Housing and Livable Communities, the Executive Office of Economic Development (formerly the Executive Office of Housing and Economic Development), the Executive Office of Labor and Workforce Development, the Executive Office of Technology Services and Security, and various other programs.

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SELECTED FINANCIAL DATA

The table below in this section presents combined revenues and expenditures in the budgeted operating funds. The measurement of revenues for the budgeted operating funds is on a statutory basis and differs from governmental revenues on a GAAP basis. See “Statutory Basis Distribution of Budgetary Revenues and Expenditures” and “GAAP Basis” below.

Statutory Basis Distribution of Budgetary Revenues and Expenditures

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth’s Statutory Basis Financial Reports (SBFR) for fiscal 2019 through 2022. Preliminary fiscal 2023 and projected fiscal 2024 revenues and expenditures have been prepared by the Executive Office for Administration and Finance.

The following table sets forth the Commonwealth’s budgeted operating funds revenues and expenditures for fiscal 2019 through fiscal 2022, preliminary revenues and expenditures for fiscal 2023, and projected revenues and expenditures for fiscal 2024. See “COMMONWEALTH REVENUES – Tax Revenue Forecasting,” and “FISCAL 2023 AND FISCAL 2024.”

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

	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023</u>	<u>Projected Fiscal 2024</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$371.5	\$521.3	\$776.6	\$1,099.3	\$1,726.2	\$734.6
Stabilization Fund	2,001.3	3,424.4	3,501.2	4,626.4	6,937.9	7,980.4
Federal COVID-19 Response Fund	-	-	-	4,892.0	3,495.5	2,349.4
Transitional Escrow Fund	-	-	-	1,460.3	5,654.5	871.4
Undesignated	13.9	13.5	17.4	21.2	386.3	962.5
Total	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$18,200.3</u>	<u>\$12,898.4</u>
<u>Revenues and Other Sources</u>						
Alcoholic Beverages	87.1	88.4	93.2	97.6	98.3	98.6
Banks	19.5	9.3	44.9	22.6	21.8	22.6
Cigarettes	439.8	416.3	316.1	310.1	290.2	283.7
Corporations	2,927.2	2,523.4	3,626.6	4,576.8	4,549.2	4,527.6
Deeds	318.3	314.2	397.2	472.3	336.9	336.7
Income	17,109.3	17,360.8	19,618.5	24,336.6	21,780.9	23,637.3
Inheritance and Estate	601.3	699.6	787.8	868.4	973.7	952.7
Insurance	470.6	495.9	558.8	609.4	648.6	672.4
Marijuana Excise	13.9	51.7	112.4	156.7	160.8	167.3
Motor Fuel	775.5	707.9	662.9	722.8	701.9	708.2
Public Utilities	-	(0.3)	1.5	1.6	0.2	-
Room Occupancy	168.8	146.6	88.7	186.2	235.7	258.6
Sales:						
Regular	4,688.3	4,905.1	5,829.4	6,317.2	6,701.8	6,882.1
Meals	1,216.0	1,077.3	946.5	1,334.8	1,496.2	1,578.5
Motor Vehicles	894.0	828.0	1,054.3	1,113.4	1,198.1	1,264.7
Sub-Total-Sales	<u>6,798.3</u>	<u>6,810.4</u>	<u>7,830.3</u>	<u>8,765.4</u>	<u>9,396.1</u>	<u>9,725.3</u>
Miscellaneous	10.5	9.1	17.4	19.7	13.7	19.4
Settlements and Judgments (2)	-	-	-	-	-	50.0
Tax Relief Initiatives (3)	-	-	-	-	-	(580.0)
Total Tax Revenues	<u>\$29,740.1</u>	<u>\$29,633.3</u>	<u>\$34,156.1</u>	<u>\$41,146.2</u>	<u>\$39,207.8</u>	<u>\$40,880.4</u>
MBTA Transfer	(1,053.2)	(1,077.3)	(1,261.4)	(1,348.9)	(1,424.0)	(1,463.5)
MSBA Transfer	(893.2)	(917.3)	(1,101.4)	(1,188.9)	(1,264.0)	(1,303.5)
Workforce Training Fund						
Transfer (4)	(25.1)	(25.7)	(21.4)	(21.4)	(35.1)	(27.3)
Total Budgeted Operating Tax Revenues	<u>\$27,768.6</u>	<u>\$27,613.0</u>	<u>\$31,771.9</u>	<u>\$38,587.0</u>	<u>\$36,484.7</u>	<u>\$38,086.1</u>
Federal Reimbursements	11,771.9	12,794.7	18,339.0 (5)	15,778.8	15,154.0	13,736.7
Departmental and Other Revenues	4,831.7	4,920.2	4,775.5	5,413.3	6,087.3	6,130.2
Inter-fund Transfers from Non-budgeted Funds and other sources (6)	<u>2,010.3</u>	<u>1,988.4</u>	<u>1,996.0</u>	<u>2,304.9</u>	<u>3,641.0</u>	<u>3,265.9</u>
Budgeted Revenues and Other Sources	<u>\$46,382.5</u>	<u>\$47,316.1</u>	<u>\$56,882.4</u>	<u>\$62,084.0</u>	<u>\$61,367.1</u>	<u>\$61,218.9</u>
Inter-fund Transfers	<u>1,993.3</u>	<u>1,013.3</u>	<u>3,100.1</u>	<u>8,229.7</u>	<u>837.8</u>	<u>1,774.6</u>
Total Budgeted Revenues and Other Sources	<u>\$48,375.8</u>	<u>\$48,329.4</u>	<u>\$59,982.5</u>	<u>\$70,313.7</u>	<u>\$62,204.9</u>	<u>\$62,993.5</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	6,074.7	6,376.3	6,482.3	6,742.8	7,287.2	7,924.7
Medicaid	16,520.5	17,022.6	18,122.4	19,845.6	21,720.3	19,816.9
Other Health and Human Services	6,210.3	6,624.9	6,799.5	8,014.8	8,691.8	9,175.0
Group Insurance	1,644.2	1,662.0	1,720.9	1,846.7	1,920.2	2,193.4
Department of Elementary and Secondary Education	604.9	664.5	716.7	802.0	1,052.4	1,173.5
Higher Education	1,283.7	1,317.4	1,337.1	1,462.2	1,618.9	1,824.7
Department of Early Education and Care	607.5	712.2	784.5	986.6	1,399.6	1,435.9
Public Safety	1,168.1	1,478.6	1,410.4	1,183.3	1,463.4	1,510.7
Energy and Environmental Affairs	255.1	282.9	303.0	230.2	371.5	494.5

Debt Service	2,327.1	2,410.2	2,289.4	2,422.7	2,476.9	2,511.2
Post -Employment Benefits (7)	3,110.2	3,305.0	3,751.9	4,433.4	5,127.2	5,238.0
Other Program Expenditures	<u>3,562.5</u>	<u>3,724.8</u>	<u>3,916.0</u>	<u>4,257.4</u>	<u>6,723.7</u>	<u>5,970.6</u>
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$43,368.9</u>	<u>\$45,581.4</u>	<u>\$47,634.1</u>	<u>\$52,227.6</u>	<u>\$59,853.2</u>	<u>\$59,269.0</u>
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund	45.8	-	-	-	-	50.0
Medical Assistance Trust Fund	363.1	505.8	505.3	751.5	84.9	505.0
Massachusetts Transportation Trust Fund	643.2	588.2	614.2	752.4	678.6	1,139.4
Other	<u>389.0</u>	<u>304.7</u>	<u>324.9</u>	<u>1,876.1</u>	<u>123.1</u>	<u>104.2</u>
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,441.1</u>	<u>\$1,398.7</u>	<u>\$1,444.4</u>	<u>\$3,380.0</u>	<u>\$886.6</u>	<u>\$1,798.6</u>
Special Appropriated Funds						
Federal COVID-19 Response Fund	-	-	-	15.2	1,146.1	1,045.1
Transitional Escrow Fund	-	-	-	360.1	4,783.1 (8)	600.0
Total Special Appropriated Funds	-	-	-	<u>375.3</u>	<u>5,929.2</u>	<u>1,645.1</u>
Budgeted Expenditures and Other Uses	<u>\$44,810.0</u>	<u>\$46,980.1</u>	<u>\$49,078.5</u>	<u>\$55,982.9</u>	<u>\$66,669.0</u>	<u>\$62,712.7</u>
Inter-fund Transfers	<u>1,993.3</u>	<u>1,013.3</u>	<u>3,100.1</u>	<u>8,229.7</u>	<u>837.8</u>	<u>1,774.6</u>
Total Budgeted Expenditures and Other Uses	<u>\$46,803.3</u>	<u>\$47,993.4</u>	<u>\$52,178.6</u>	<u>\$64,212.6</u>	<u>\$67,506.8</u>	<u>\$64,487.3</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses						
	<u>\$1,572.5</u>	<u>\$336.0</u>	<u>\$7,804.0 (9)</u>	<u>\$6,101.1</u>	<u>\$(5,301.9) (10)</u>	<u>\$(1,493.7) (11)</u>
Ending Fund Balances						
Reserved or Designated (12)	521.3	776.6	1,099.3	1,726.2	734.6	180.6
Stabilization Fund	3,424.4	3,501.2	4,626.4	6,937.9	7,980.4	8,710.7
Federal COVID-19 Response Fund	-	-	4,892.0	3,495.5	2,349.4	1,304.3
Transitional Escrow Fund	-	-	1,460.3	5,654.5 (8)	871.4	271.4
Undesignated	<u>13.5</u>	<u>17.4</u>	<u>21.2</u>	<u>386.3</u>	<u>962.5</u>	<u>937.5</u>
Total	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$18,200.3 (13)</u>	<u>\$ 12,898.4</u>	<u>\$11,404.6</u>

SOURCES: Fiscal 2019-2022, Office of the Comptroller; fiscal 2023 and 2024, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) For fiscal 2019 through fiscal 2022, tax and non-tax revenue from settlements and judgments in excess of \$10 million is included in specific tax and non-tax revenue categories. See "COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; Settlements and Judgments."
- (3) Set aside for the incremental revenue loss impact of proposed tax relief initiatives (details of which are yet to be determined) pending before the Legislature.
- (4) The Workforce Training Fund is not subject to annual appropriation, and employer contributions are deposited directly in the Workforce Training Fund after their collection.
- (5) Includes one-time transfer of \$4.9 billion from the Coronavirus State and Local Fiscal Recovery Fund.
- (6) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, abandoned property proceeds and other inter-fund transfers.
- (7) Post-Employment Benefits include all budgeted pension transfers and transfers to the State Retiree Benefits Trust Fund (SRBTF). See "PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB)." Fiscal 2022 also includes a \$250 million supplemental transfer to the Pension Liability Fund. Fiscal 2023 includes a \$100 million supplemental transfer to the Pension Liability Fund, a further \$100 million to fully pay down pension liabilities attributable to the fiscal 2015 early retirement incentive program and a \$100 million supplemental transfer to the SRBTF.
- (8) Includes \$2.941 billion of excess state tax revenue received in fiscal 2022, to be applied by the Department of Revenue in fiscal 2023 pursuant to Chapter 62F. See "COMMONWEALTH REVENUES – Limitations on Tax Revenues."
- (9) Includes one-time transfer of \$4.9 billion from the federal Coronavirus State Fiscal Recovery Fund (CSFRF) and one-time deposit of \$1.5 billion into the Transitional Escrow Fund to be expended in the following years.
- (10) Fiscal 2023 "Deficiency of Revenues Versus Expenditures" reflects the carryforward from fiscal 2021 of \$4.9 billion from the CSFRF and \$1.5

billion in the Transitional Escrow Fund from a fiscal 2021 tax surplus, which were credited as operating revenue in fiscal years 2021 and 2022, and excess state tax revenue of \$2.941 billion to be applied by the Department of Revenue in fiscal 2023 pursuant to Chapter 62F, which was credited as operating revenue in fiscal 2022. Expenditures of these funds in fiscal 2023 are affordable from these sources, but as they are not matched with fiscal 2023 operating revenue, they appear as an operating deficit.

- (11) Fiscal 2024 “Deficiency of Revenues Versus Expenditures” reflects the continued draw-down of deposits to the CSFRF and the Transitional Escrow Fund that were generated from prior year tax surpluses and federal appropriations. Expenditures of these funds in fiscal 2024 are paid from these available sources, but as they are not matched with fiscal 2024 operating revenue, they appear as an operating deficit.
- (12) Includes appropriations authorized to be expended in the following year. A subset of these authorizations are supported by federal funds in the fiscal year in which they are expended, particularly in fiscal years 2021 and 2022.
- (13) Includes \$2.941 billion of excess state tax revenue pursuant to Chapter 62F. See “COMMONWEALTH REVENUES – Limitations on Tax Revenues”.

Stabilization Fund

The Stabilization Fund is established by state finance law as a reserve of surplus revenues to be used for the purposes of covering revenue shortfalls, covering state or local losses of federal funds or for any event which threatens the health, safety or welfare of the people or the fiscal stability of the Commonwealth or any of its political subdivisions. The fund is referred to as the state’s “rainy day fund,” serving as a source of financial support for the state budget in times of slow revenue growth or revenue declines and as the primary source of protection against having to make drastic cuts in state services in periods of economic downturns.

Required Deposits and Allowable Stabilization Fund Balance. From fiscal 2005 through fiscal 2013, state finance law provided that (i) 0.5% of current year net tax revenues be deposited into the Stabilization Fund at fiscal year-end, (ii) 0.5% of current-year net tax revenues be made available for the next fiscal year and (iii) any remaining amount of the year-end statutorily defined surplus be transferred to the Stabilization Fund. Since fiscal 2014, state finance law has required that the entire year-end statutorily defined surplus be transferred to the Stabilization Fund. Since fiscal 2011, state finance law has required that tax revenue from capital gains exceeding \$1 billion in a fiscal year (adjusted annually, beginning in fiscal 2014, to reflect the average annual rate of growth in U. S. gross domestic product over the preceding five years) be deposited as follows: 90% of such amount into the Stabilization Fund, 5% of such amount to the State Retiree Benefits Trust Fund and, beginning in fiscal 2013, 5% of such amount to the Commonwealth’s Pension Liability Fund. However, all of these requirements may be modified or superseded by individual appropriation acts. In fiscal years 2016 and 2020, the Commonwealth temporarily suspended the requirement to transfer capital gains tax collections above the threshold to the Stabilization Fund, with all capital gains tax collections remaining in the General Fund.

Each quarter, the Department of Revenue certifies the amount of tax revenues estimated to have been collected during the preceding quarter from capital gains income and, once the threshold has been exceeded, the excess is transferred to the Commonwealth Stabilization Fund. The final certification of capital gains tax revenues is done in November following the end of the fiscal year, but no adjustment is made to the Stabilization Fund transfers if the final amount of capital gains taxes certified differs from the amount certified in the preceding July.

State finance law requires the Comptroller to transfer 75% of the growth in unclaimed property net revenue relative to the prior year to the Stabilization Fund.

Gaming legislation enacted in 2011 also requires 10% of gaming tax revenues from Category 1 licensees to be transferred from the Gaming Revenue Fund to the Stabilization Fund, provided that such amount may be reduced by half to fund certain deficiencies in funds distributed to cities and towns. See “COMMONWEALTH REVENUES – Gaming.”

The allowable Stabilization Fund balance at fiscal year-end is 15% of total budgeted revenues for that year. If the Stabilization Fund balance exceeds the allowable limit, the excess amounts are to be transferred to the Tax Reduction Fund.

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The following table shows the sources and uses of the Stabilization Fund during fiscal 2019 through fiscal 2023 and the projected ending balance for fiscal 2024.

Stabilization Fund Sources and Uses (in thousands)						
	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Preliminary Fiscal 2023 (6)	Projected Fiscal 2024 (6)
Beginning Fund Balances	\$2,001,299	\$3,424,376	\$3,501,181	\$4,626,419	\$6,937,864	\$7,980,433
Revenues and Other Sources						
Deposit of the remaining consolidated net surplus	592,722	-	-	-	-	-
Deposits from growth in abandoned property receipts (1)	3,673	-	-	-	-	-
Deposits from gaming tax revenues	9,781 (2)	14,914	17,458	24,308	25,828	
Capital gains tax transfers in excess of threshold (3)	848,399	-	1,098,140	2,272,593	750,263	
Deposits due to judgments and settlements in excess of \$10 million	-	-	-	-	-	-
Lottery transfer taxes	429	362	323	260	154	
Investment income (loss)	52,913	61,529	9,317	(355) (5)	266,589	
Deposit from abandoned property revenue growth	-	-	-	14,639	-	
Total Revenues and Other Sources	<u>1,507,917</u>	<u>76,805</u>	<u>1,125,238</u>	<u>2,311,445</u>	<u>1,042,833</u>	
Total Expenditures and Other Uses	<u>84,840 (4)</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	
Excess (Deficiency) of Revenues and Other Sources						
Over Expenditures and Other Uses	<u>1,423,077</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	
Ending Fund Balances	<u>\$3,424,376</u>	<u>\$3,501,181</u>	<u>\$4,626,419</u>	<u>\$6,937,864</u>	<u>\$7,980,433</u>	<u>\$8,710,733</u>
Allowable Stabilization Fund Balance	<u>\$6,957,381</u>	<u>\$7,097,420</u>	<u>\$8,532,366</u>	<u>\$9,312,616</u>	<u>\$9,330,737</u>	

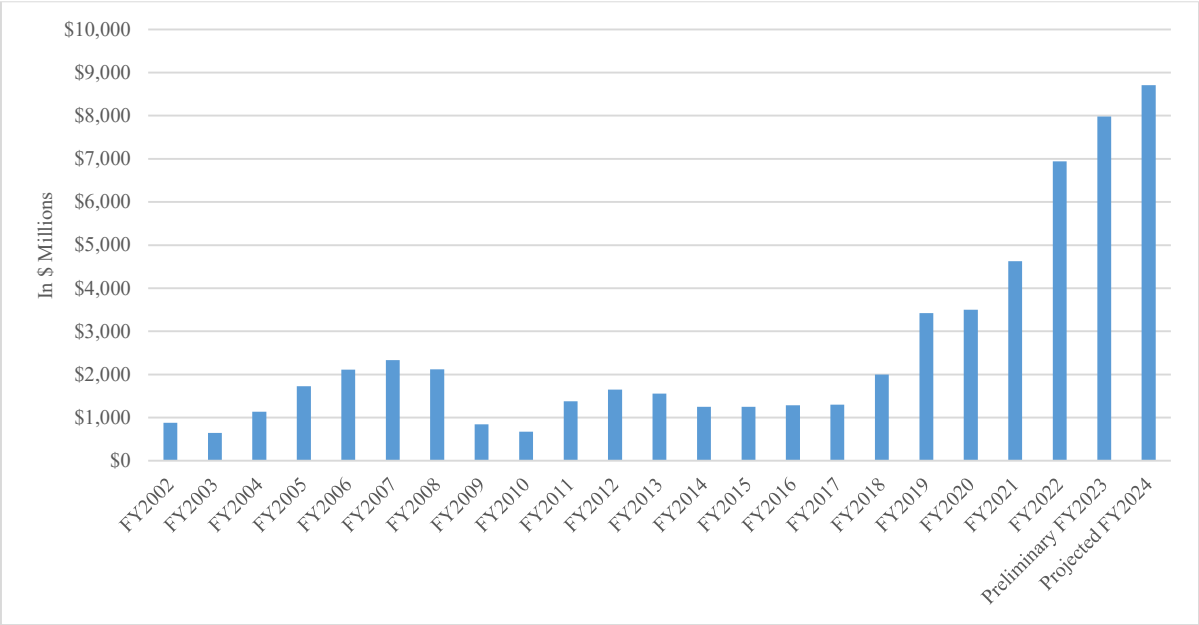
SOURCE: Fiscal 2019-2022, Office of the Comptroller; fiscal 2023 and fiscal 2024 projected ending balance, Executive Office for Administration and Finance.

- (1) Represents transfer equal to 75% of the growth in abandoned property receipts from the prior fiscal year.
- (2) Represents transfers of gaming tax revenue (\$6,231) and gaming fines (\$3,550).
- (3) Threshold adjusted annually for U.S. gross domestic product growth. A Legislative enactment in 2020 retained all fiscal 2020 capital gains tax revenue in the General Fund.
- (4) Represents transfers of 5% capital gains tax revenue to the State Pension Fund and OPEB Trust Fund per statute.
- (5) Reflects a decrease of \$22.836 million as a result of an accounting adjustment for change in value of the short term bond fund.
- (6) Fiscal 2023 is preliminary and unaudited and fiscal 2024 is projected.

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The following chart shows the Stabilization Fund balance from fiscal 2002 through fiscal 2022 (actual), fiscal 2023 (preliminary) and fiscal 2024 (projected). See “FISCAL 2023 AND FISCAL 2024.”

**Stabilization Fund Balance Fiscal Year End
2002 – 2024 Projected (\$ millions)**



SOURCE: Fiscal 2002-fiscal 2022, Office of the Comptroller; and fiscal 2023 (preliminary) and fiscal 2024 (projected), Executive Office for Administration and Finance.

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GAAP Basis

The Commonwealth's GAAP financial statements for the year ended June 30, 2022, attached as Exhibit C, are prepared in accordance with reporting standards first established by GASB Statements 34 and 35, as amended. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Fiscal Control, Accounting and Reporting Practices of the Comptroller." The GAAP financial statements are presented on both a "fund perspective" (or short-term accrual) basis and a "government-wide perspective" basis, which includes debt, capital assets and accrual activity on a comprehensive statement of net position, similar to a balance sheet. All capital assets, including road and bridge infrastructure and all long-term liabilities, including outstanding debt and commitments of long-term assistance to municipalities and authorities, are part of the government-wide statements. The Commonwealth's statement of revenues, expenditures and changes in fund balances are presented as a statement of activities, similar to an income statement.

The table below presents the transition from the Commonwealth's statutory basis budgetary fund balance to the "fund perspective" balance, as depicted in the fund financial statements, and then to the Commonwealth's "government-wide" financial position. Differences between statutory and the "fund perspective" GAAP basis can be summarized in five major adjustments. Those adjustments are for Medicaid (as well as the somewhat related liability for uncompensated care), taxes, projected amounts due to the Commonwealth in the next fiscal year under the master tobacco settlement agreement, claims and judgments, and amounts due to authorities. As evidenced in the trend line of fund balance (deficit) over time, however, these adjustments connect the GAAP basis measurement when viewed using a fund perspective under GAAP and the statutory basis measurement. While the difference in fund balances may vary in a given fiscal year, both balances generally trend in the same direction. To convert to a full accrual basis, further major adjustments are made for the net book value of the Commonwealth's capital assets, inclusive of infrastructure, the realizable value of long-term deferred revenues (largely from tax payment plans) and the amount of the Commonwealth's outstanding long-term debt, the Commonwealth's unfunded pension and OPEB liabilities, and other liabilities.

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Governmental Funds-Statutory to GAAP-Fund Perspective and to Governmental Net Position
(in millions)

Governmental Funds-Statutory Basis, June 30, 2022	
Budgeted Fund Balance	\$18,200.3
Non-budgeted special revenue fund balance	4,520.5
Capital Projects Fund Balance	<u>(2,125.5)</u>
Governmental Fund Balance-Statutory Basis, June 30, 2022	\$20,595.3
Plus: Expendable Trust and similar fund statutory balances that are considered governmental funds for GAAP reporting purposes	666.6
Less: Massachusetts Department of Transportation Funds	<u>(1,715.6)</u>
Adjusted Statutory Governmental Fund Balance	\$19,546.3
Reclassification of funds due to implementation of GASB Statement No. 84	30.0
Short term accruals, net of allowances and deferrals for increases/(decreases):	
Taxes, net of refunds and abatements	564.3
Tobacco settlement agreement receivable	135.5
Medicaid	<u>(235.7)</u>
Other short term accruals:	
Assessments and other receivables	794.7
Amounts due to authorities and municipalities, net	<u>(896.0)</u>
Claims, judgments and other risks	<u>(27.5)</u>
Amounts due to healthcare providers and insurers	<u>(13.1)</u>
Workers' compensation and group insurance	<u>(186.7)</u>
Other accruals, net	<u>(3,491.2)</u>
Net (decrease) to governmental funds balances	<u>(\$3,325.7)</u>
Massachusetts School Building Authority fund balance	<u>1,912.5</u>
Total changes to governmental funds	<u>(\$1,413.2)</u>
Governmental fund balance (fund perspective)	18,133.1
Plus: Capital assets including infrastructure, net of accumulated depreciation	6,090.8
Deferred revenue, net of other eliminations	923.2
Long term accruals:	
Net pension liability	(34,372.0)
Net deferred (inflows)/outflows related to pensions	<u>(2,531.7)</u>
Net OPEB liability	<u>(14,459.0)</u>
Net deferred (inflows)/outflows of resources related to OPEB	<u>(2,942.3)</u>
Environmental remediation liability	<u>(481.6)</u>
Massachusetts School Building Authority debt and school construction payables	<u>(6,438.7)</u>
Long term debt, unamortized premiums and deferred losses on debt refundings	<u>(33,585.3)</u>
Compensated absences	<u>(760.6)</u>
Lease liability	<u>(946.0)</u>
Accrued interest on bonds	<u>(443.2)</u>
Other long-term liabilities	<u>(944.2)</u>
Total governmental net position/(deficit) (government-wide perspective)	<u>(\$72,757.5)</u>

SOURCE: Office of the Comptroller.

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The deficit of \$72.758 billion in governmental activities net position can be largely attributed to three factors. First, the Commonwealth's net (or unfunded) pension liability, which, starting in fiscal 2015, has been placed on the Commonwealth's books in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement required, among other things, the Commonwealth to include the long-term net pension liability on the Government-wide Statement of Net Position. As of June 30, 2022, the Commonwealth reported a net pension liability of approximately \$34.372 billion. Second, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Commonwealth is required to include its net other postemployment (OPEB) liability on the Government-wide Statement of Net Position. As of June 30, 2022, the Commonwealth reported a net OPEB liability of approximately \$14.459 billion. Third, also contributing to the deficit was the Commonwealth's policy decision to finance the construction of assets owned by other governmental entities, particularly Commonwealth roads and bridges, which as a result of transportation reform completed during fiscal 2010 shifted these assets from the books of the Commonwealth to MassDOT, a component unit of the Commonwealth. At the end of fiscal 2022, MassDOT held \$26.138 billion in road, bridge and other transportation-related assets (excluding assets of the MBTA), net of related depreciation, the vast majority of which were formerly held by the Commonwealth. Those assets were financed by the Commonwealth, and the debt remains a long-term obligation of the Commonwealth. In addition, the Commonwealth has a net liability of \$6.439 billion in debt and grant obligations for the former school building assistance program that financed construction of schools for the Commonwealth's cities and towns.

Change in Statement of Net Position
(in thousands)

	Governmental Activities	Business Type Activities (1)	Government Wide
Total net position/(deficit):			
Fiscal 2021	(\$79,055,900)	\$3,258,441	(\$75,797,459)
Fiscal 2022	(72,757,543)	5,333,717	(67,423,826)
Change in net position/(deficit)	<u>\$6,298,357</u>	<u>\$2,075,276</u>	<u>\$8,373,633</u>

SOURCE: Office of the Comptroller.

(1) Fiscal year 2021 beginning balance restated due to the cumulative effect of the change in accounting principle and the correction of errors related to overdraws of federal pandemic related unemployment insurance benefits and revenue and expense recognition.

As of June 30, 2022, approximately \$1.838 billion is restricted for Paid Family and Medical Leave benefits and approximately \$871 million was restricted for debt retirement.

Revenues – GAAP Basis. The measurement of revenues for the budgeted operating funds on a statutory basis differs from governmental revenues on a GAAP basis in that certain revenues that are not included on a statutory basis are included on a GAAP basis, including revenue accruals for Medicaid and taxes. In addition, internal transfers are eliminated under GAAP on a governmental activities perspective. The following table shows the distribution of major sources of revenue in fiscal 2022.

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Comparison of Fiscal 2022 Governmental Revenues
(in millions)

	<u>Governmental Funds</u>	<u>GAAP Basis – Governmental</u>	
	<u>Statutory Basis</u>	<u>Fund Perspective</u>	<u>Government-wide Perspective (1)</u>
Taxes	\$41,805	\$39,816	\$39,804
Federal Revenue	22,408	27,214	27,284
Departmental and Miscellaneous Revenue	<u>30,534</u>	<u>24,811</u>	<u>13,932</u>
Total	<u>\$94,746</u>	<u>\$91,841</u>	<u>\$81,020</u>

SOURCE: Office of the Comptroller.

(1) Excluding business-type activities – unemployment insurance; paid family and medical leave, and higher education.

The following table provides financial results on a GAAP fund perspective basis for all governmental funds of the Commonwealth for fiscal 2018 through fiscal 2022.

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

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020 ⁽¹⁾</u>	<u>Fiscal 2021 ⁽²⁾</u>	<u>Fiscal 2022</u>
Beginning fund balances	\$5,596.9	\$6,838.4	\$9,165.9	\$9,912.8	\$13,817.3
Revenues and Financing Sources	68,990.3	69,775.9	72,507.0	84,720.3	91,841.0
Expenditures and Financing Uses	67,749.0	67,503.0	72,615.4	80,815.8	87,525.2
Excess/(deficit)	<u>1,241.3</u>	<u>2,272.9</u>	<u>(108.4)</u>	<u>3,904.5</u>	<u>4,315.8</u>
Ending fund balances - GAAP fund perspective	<u>\$6,838.2</u>	<u>\$9,111.3</u>	<u>\$9,057.5</u>	<u>\$13,817.3</u>	<u>\$18,133.1</u>

SOURCE: Office of the Comptroller.

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

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

Financial Reports. The Commonwealth issues annual financial reports, including a report on the statutory basis of accounting (which is reviewed, but not audited) and GAAP basis audited financial statements. These financial statements are issued as two separate reports, the Statutory Basis Financial Report (SBFR) and the Annual Comprehensive Financial Report (ACFR). The SBFR is usually published by the Comptroller on or before October 31 and the ACFR is usually published by the Comptroller by the second Wednesday in January.

The SBFR for the year ended June 30, 2022 and the ACFR for the year ended June 30, 2022 are attached hereto as Exhibits B and C, respectively. Copies of these financial reports are also available at the address provided under “CONTINUING DISCLOSURE.” The SBFR for fiscal 1997 through fiscal 2022 and the ACFR for fiscal 1995 through fiscal 2022 are also available on the web site of the Comptroller of the Commonwealth at <https://www.macomptroller.org/financial-reports>.

For each year beginning in fiscal 1990, the Commonwealth’s ACFRs, from which certain information contained in this Information Statement has been derived, have been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. Fiscal 2021 marked the 32nd consecutive year that the Commonwealth has received this award.

The Comptroller retains an independent certified public accounting firm to audit the Commonwealth's financial statements and issue certain other reports required by the Uniform Guidance. As part of the Uniform Guidance, the independent auditors render a report on all programs involving federal funding for compliance with federal and state laws and regulations and assess the adequacy of internal control systems. For fiscal 1990 through 2022, the independent auditors' opinions on the ACFR were unqualified or unmodified, indicating that the Commonwealth's financial statements presented fairly, in all material respects, the financial position of the Commonwealth, in accordance with generally accepted accounting principles.

Discussion of Financial Condition

As the annual operating budget of the Commonwealth is adopted in accordance with the statutory basis of accounting, public and governmental discourse on the financial affairs of the Commonwealth has traditionally followed the statutory basis. Consequently, the financial information set forth in this document follows the statutory basis, except where otherwise noted. Since fiscal 1990, the Commonwealth has prepared separate financial reports on the statutory basis (reviewed) and on a GAAP basis (audited). See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Fiscal Control, Accounting and Reporting Practices of the Comptroller; *Financial Reports*." Without limiting the generality of the references to the SBFR for the year ended June 30, 2022 and the ACFR for the year ended June 30, 2022, attention is called in particular to the portion of the ACFR under the heading "Management's Discussion and Analysis."

Auditors' Report on Annual Comprehensive Financial Report for Fiscal 2022

The basic financial statements included in the ACFR of the Commonwealth for the year ended June 30, 2022 were audited by CliftonLarsonAllen (CLA). The CLA audit report dated May 31, 2023 on the general purpose financial statements included in the ACFR the year ended June 30, 2022 contained an unmodified opinion. A copy of the audit report of CLA has been filed with EMMA and is included as Exhibit C to this Information Statement. CLA has not been engaged to perform, and has not performed, since the dates of its report referenced above, any procedures on the financial statements addressed in such report, nor has CLA performed any procedures relating to any official statement of which this Information Statement may be a part.

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FISCAL 2023 AND FISCAL 2024

Fiscal 2023

On January 14, 2022, a fiscal 2023 consensus tax revenue estimate of \$36.915 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. This estimate reflected a projection of 2.7% tax revenue growth over the revised projected fiscal 2022 tax revenue figure of \$35.948 billion. The estimate also incorporates the reinstitution of the charitable deduction effective January 1, 2023.

After accounting for statutorily required transfers for pensions, and to the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that \$29.783 billion would be the maximum amount of tax revenue available for the fiscal 2023 budget. See “COMMONWEALTH REVENUES – Tax Revenue Forecasting.”

On January 26, 2022, then Governor Baker filed his fiscal 2023 budget recommendation, providing for a total of \$48.5 billion in authorized spending, excluding projected transfers to the Medical Assistance Trust Fund. This represented an increase of 0.5% above fiscal 2022. The Governor’s budget proposal included a supplemental transfer of \$250 million to the Pension Liability Fund.

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

The fiscal 2023 budget, as approved by Governor Baker on July 28, 2022, included approximately \$52.7 billion, excluding transfers to the Medical Assistance Trust Fund. This reflected approximately 9.3% growth in authorized spending over fiscal 2022, including major one-time transfers such as a \$266 million reserve to support MBTA safety and workforce initiatives, a \$175 million transfer to a new trust fund dedicated to supporting high-quality early education and care, a \$150 million transfer to the Student Opportunity Act Investment Fund, a \$100 million supplemental transfer to the Commonwealth’s Pension Liability Fund, and a \$100 million transfer to the State Retiree Benefits Trust Fund. The fiscal 2023 budget as approved by the Governor incorporated an increased \$39.576 billion tax revenue forecast before various tax initiatives, which represented an increase of \$2.660 billion over the fiscal 2023 consensus tax revenue estimate of \$36.915 billion announced in January 2022, due to better-than-expected actual tax collections in recent months. The fiscal 2023 budget as enacted is in structural balance, with no planned Stabilization Fund withdrawal.

On March 17, 2023, the Governor filed a supplemental budget recommending \$734 million in supplemental appropriations including \$171 million to extend the state-funded universal free school meals pilot program through the following school year, \$100 million to pay down certain pension liabilities associated with the early retirement incentive program and an additional \$35 million for the Massachusetts Clean Energy Center. The extension of state funded universal free school meals was subsequently funded as part of the fiscal 2024 Budget. This supplemental budget is pending before the Legislature.

On March 29, 2023, the Governor approved a supplemental budget for fiscal 2023, authorizing \$389 million in supplemental appropriations, at a net state cost of \$261 million. Major spending items include \$92 million to address urgent needs across the state’s family emergency shelter system, \$132 million to create an offramp from the federal Supplemental Nutrition Assistance (SNAP) Emergency Allotments and reimburse certain victims of SNAP benefit theft, \$68 million for grants to support and stabilize early education and care, and \$65 million to extend a universal school meals pilot program.

On July 31, 2023 the Governor approved another supplemental budget for fiscal 2023, authorizing \$200 million in supplemental appropriations, at a net state cost of \$200 million. Major spending items include \$180 million to support fiscally strained hospitals and \$20 million to support emergency relief for victims associated with recent flooding.

The Executive Office for Administration and Finance expects that, as in prior years, the Governor may file one or more supplemental budgets for fiscal 2023 that will include supplemental appropriations for undesignated year-end balances. See the “Preliminary Fiscal 2023” column of the table entitled “Budgeted Operating Funds – Statutory Basis” in “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures.” The Executive Office for Administration and Finance currently expects that no transfer from the Stabilization Fund will be necessary to end fiscal 2023 in balance. This expectation is based on preliminary estimates, as final closure of the fiscal year is ongoing; accordingly, results are subject to change.

In response to COVID-19, the federal government enacted laws and developed programs to provide expanded and enhanced federal unemployment insurance benefits to affected individuals. Such federal programs were administered by the Commonwealth primarily through the Executive Office of Labor and Workforce Development (EOLWD). In connection with the Commonwealth’s fiscal 2022 audit, EOLWD undertook a reconciliation of federal funding received during fiscal years 2020 through 2023 with respect to these expanded and enhanced unemployment insurance programs developed and required by the federal government. Such reconciliation identified \$2.491 billion drawn by the Commonwealth from federal funding sources in fiscal years 2020 through 2022 in error. The amount that may be due to the federal government as a result of such error, if any, and the timing, the method and the source of such reimbursement, if any, is currently unknown. The Commonwealth is engaged in discussions with the U.S. Department of Labor to resolve this matter. As a result of this reconciliation, the beginning balance of the Unemployment Compensation Trust Fund in the 2022 ACFR was restated and reduced to account for overdrafts in fiscal 2020 and fiscal 2021. See Exhibit C – Annual Comprehensive Financial Report for the year ended June 30, 2022; Pages 26-27 and Note 1T to the Basic Financial Statements.

Fiscal 2024

On January 30, 2023, a fiscal 2024 consensus tax revenue estimate of \$40.410 billion and an estimate of \$1 billion from the new 4% surtax on personal income above \$1 million approved through a ballot initiative in November 2022 (surtax revenue) were agreed upon by the Secretary of Administration and Finance and the Chairs of the House and Senate Committees on Ways and Means. The fiscal 2024 consensus tax revenue estimate of \$40.140 billion represents revenue growth of 1.6% from the revised fiscal 2023 estimate of \$39.768 billion. The estimated \$1 billion of additional surtax revenue will be available in fiscal 2024 to support new education and transportation initiatives deriving from the requirements of the approved ballot initiative. See “COMMONWEALTH REVENUES – State Taxes.”

After accounting for statutorily required transfers for pensions, and to the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that \$32.928 billion (exclusive of the expected additional surtax revenue) would be the maximum amount of tax revenue available for the fiscal 2024 budget. See “COMMONWEALTH REVENUES – Tax Revenue Forecasting.”

On March 1, 2023, the Governor filed her fiscal 2024 budget recommendation, providing for a total of \$55.5 billion in authorized spending, including projected transfers to the Medical Assistance Trust Fund. This represents an increase of 4.1% above the fiscal 2023 budget, including new investments supported by the surtax revenue.

In her budget recommendation, the Governor proposed a new Education and Transportation Fund that will segregate all surtax revenue from the General Fund and ensure that it is only invested in education and transportation, as intended by the ballot initiative. Revenues will be estimated and certified quarterly, with additional annual reporting of both revenues and expenditures as a transparency and accountability measure. The proposal includes a number of additional safeguards. For example, a required minimum fund balance is reserved to insulate recurring spending from volatility and periods of economic downturn, with use of the reserve requiring a two-thirds vote of both the House and the Senate, mirroring controls on use of the Stabilization Fund. Annual, recurring spending is also limited to ensure sustainability as revenues fluctuate, with surtax revenue collected in excess of the limit to be used for one-time investments, such as pay-as-you-go capital, start-up grants, studies, and enabling projects.

Alongside the budget recommendation, the Governor filed a comprehensive tax relief proposal that

includes a new child and dependent care tax credit, a reduction in the estate tax, an increase to the renter deduction, a reduction in the rate of taxation on short-term capital gains, and other specific relief for seniors and others. The revenue impact of the Governor's tax relief proposal is estimated to reduce revenues in fiscal 2024 by approximately \$859 million, or \$742 million net to budget after considering the statutory mechanism that requires transfer of certain capital gains tax collections over a specified threshold to the Stabilization Fund. See "COMMONWEALTH REVENUES – State Taxes – *Capital Gains Component of the Income Tax*." The Governor's fiscal 2024 budget recommendation accounted for the tax relief proposal. The proposed tax relief legislation is currently pending before Legislature.

The fiscal 2024 budget was approved by the Governor on August 9, 2023. It provides for approximately \$55.980 billion in authorized spending, including projected transfers to the Medical Assistance Trust Fund and accounts for a reduction of approximately \$580 million of tax revenue related to the tax relief legislation that is pending before the Legislature. In signing the budget, the Governor also vetoed \$205 million in net spending. The fiscal 2024 budget is approximately 5.1% greater than fiscal 2023 estimated spending levels at the time of the Governor's approval. The fiscal 2024 budget as approved by the Governor incorporates an increased \$40.830 billion tax revenue forecast, which reflects the consensus tax revenue estimate of \$40.410 billion and the \$1 billion estimate of revenue from the new 4% surtax on personal income above \$1 million, reduced by a \$580 million set aside for a tax relief package that is still pending before the Legislature.

On August 8, 2023, Governor Healey declared a state of emergency in Massachusetts due to rapidly rising numbers of families, including newly arriving immigrants and refugees, seeking emergency shelter and supportive services in Massachusetts. Governor Healey called upon the federal government to take urgent action to expedite work authorizations and increase funding to states to assist in providing shelter and services to these families. As of September 1, 2023, there were over 6,100 homeless families in the state shelter system. The fiscal 2024 budget assumed a caseload of approximately 4,700 families. The Executive Office for Administration and Finance is currently tracking a shortfall of approximately \$250 million related to the additional homeless families now in the system. The Governor expects to file legislation within the coming weeks seeking supplemental appropriations to address that shortfall. The Commonwealth expects to continue to monitor and update caseload figures and plans to use available funds, as well as seek additional resources, including federal relief, if any, to continue to address family homelessness and emergency shelter demand in fiscal 2024.

Cash Flow

The State Treasurer is responsible for cash management and ensuring that all Commonwealth financial obligations are met on a timely basis. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Cash Management Practices of State Treasurer." The Commonwealth does not engage in inter-fund borrowing but pools its non-segregated (primarily non-Stabilization Fund) cash. Cash flow management incorporates the periodic use of short-term borrowing to meet cash flow needs for both capital and operating expenditures. All revenue anticipation notes, including those issued as commercial paper, must be repaid by the end of the fiscal year.

The state currently has liquidity support through a \$500 million line of credit. See "LONG-TERM LIABILITIES – Liquidity Facilities" for current balance, if any.

For cash flow needs, the State Treasurer has historically issued revenue anticipation notes (RANs). As of June 30, 2023, there were no RANs outstanding, and the State Treasurer does not anticipate issuing RANs in fiscal 2024.

Commonwealth cash deposits are held in insured or collateralized bank accounts and with the Massachusetts Municipal Depository Trust (MMDT), the Commonwealth's investment pool for governmental entities. MMDT consists of two portfolios, professionally managed by Federated Investors Inc., the Cash Portfolio, and the Short-Term Bond Fund. Cash Portfolio investments are carried at amortized cost, which approximates fair value. Short-Term Bond Fund investments are carried at fair value. General operating cash is invested in the Cash Portfolio, and moneys in the Stabilization Fund, which are not used by the Commonwealth for liquidity, are invested in both the Cash Portfolio and the Short-Term Bond Fund.

The Cash Portfolio invests in a diversified portfolio of high-quality U.S. dollar-denominated money market instruments (eligible under GASB Statement No. 79) of domestic and foreign issuers, United States government securities and repurchase agreements. As of June 30, 2023, the Cash Portfolio holdings were made up of Certificate of Deposit 31.4%, Non-Negotiable Time Deposit 21.1%, Asset Backed Commercial Paper 20.0%, Financial Company Commercial Paper 18.6%, Non-Financial Company Commercial Paper 2.9%, U.S. Government Agency Repurchase Agreement 2.6%, Tender Option Bond 2.1%, Variable Rate Demand Note 1.0%, and Other Instrument 0.3%. As of June 30, 2023, the Cash Portfolio's monthly weighted average life was 74 days, and the monthly weighted average maturity was 33 days. The three objectives for the Cash Portfolio are safety, liquidity, and yield. The Cash Portfolio maintains a stable net asset value of one dollar and is marked to market daily.

The Short-Term Bond Fund invests in a diversified portfolio of investment grade debt securities. As of June 30, 2023, the Short-Term Bond Fund holdings were made up of U.S. Treasury Securities 63.8%, Financial Inst. - Banking 5.1%, FNMA MBS 3.4%, Utility - Electric 3.3%, FHLMC MBS 1.8%, Communication – Telecom Wireless 1.7%, Consumer Non-cyclical Pharmaceuticals 1.7%, Financial Inst.- Insurance - Life 1.6%, Consumer Non-Cyclical Health Care 1.5%, Commercial Mortgage 1.3%, and Other 14.8%. The Short-Term Bond Fund seeks to obtain the highest possible level of current income consistent with preservation of capital and liquidity. The portfolio is required to maintain an average credit rating of A-. The duration of the portfolio is managed to within +/- one-half year duration of the benchmark. The benchmark for the Short-Term Bond Fund is the Barclays Capital 1-to-5-year Government/Credit Index, which includes all medium and larger issues of United States government, investment-grade corporate and investment-grade international dollar-denominated bonds.

On June 22, 2023, the Governor released the fiscal 2024 Capital Investment Plan to support investments in transportation, economic development, climate resiliency, housing, education, technology and health and human services. The plan projects \$5.513 billion in fiscal 2024 spending on capital projects, including \$2.905 billion of bond cap spending, \$1.515 billion of spending supported by federal reimbursements and grants, and \$1.094 billion of spending from other sources including special obligation bonds, anticipated savings or revenues generated by the projects, pay-as-you-go operating revenues, and other non-Commonwealth sources such as contributions from municipalities. See "COMMONWEALTH CAPITAL INVESTMENT PLAN."

The following table provides General Fund ending cash balances by month for fiscal 2020 through fiscal 2023 and projected fiscal 2024 and the tables on the following pages provide cash flow detail for fiscal 2023 and projected fiscal 2024.

Month-End General Fund Cash Balances
(in millions)

	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024 (1)</u>
July	\$3,613.7	\$4,659.2	\$11,598.0	\$14,125.0	\$ 11,784.8
August	2,794.4	4,081.8	11,163.0	12,748.0	9,747.4
September	3,706.0	4,621.8	11,859.0	13,030.0	10,491.0
October	4,558.2	3,904.4	12,198.0	13,859.0	8,931.2
November	3,929.0	3,247.2	11,781.0	9,807.0	8,295.1
December	3,884.1	4,626.0	12,412.0	10,484.0	8,956.3
January	3,360.8	5,945.1	13,180.0	11,211.0	8,710.6
February	2,958.0	5,483.1	12,306.0	10,377.0	8,216.7
March	3,537.9	5,746.1	12,228.4	10,553.0	7,936.6
April	4,809.9	6,524.3	16,407.0	12,400.0	9,601.9
May	3,573.5	13,548.1	15,900.0	12,200.0	8,923.5
June	3,358.5	12,691.1	16,995.0	12,100.0	8,857.8

SOURCE: Office of the Treasurer and Receiver-General.

(1) Month-end balances for fiscal 2024 are projected.

The fiscal 2023 and projected fiscal 2024 cash flow statement released on June 12, 2023 is summarized in the tables below. Quarterly cash flow statements, as submitted by the State Treasurer to the House and Senate Committees on Ways and Means, are posted on the Cash Management page of the State Treasurer's website at <https://www.mass.gov/lists/quarterly-cash-flow-letters>.

Overview of Fiscal 2023 Non-Segregated Operating Cash Flow
(in millions) (1) (2)

	<u>Jul 22</u>	<u>Aug 22</u>	<u>Sep 22</u>	<u>Oct 22</u>	<u>Nov 22</u>	<u>Dec 22</u>	<u>Jan 23</u>	<u>Feb 23</u>	<u>Mar 23</u>	<u>Apr 23</u>	<u>May 23</u>	<u>Jun 23</u>	<u>Total FY 2023</u>
Opening Non-Segregated Operating Cash Balance:	\$16,995.0	\$14,125.0	\$12,748.0	\$13,030.0	\$13,859.0	\$9,807.0	\$10,484.0	\$11,211.0	\$10,377.0	\$10,553.0	\$12,400.0	\$12,200.0	\$16,995.0
Operating Activities:													
Budgetary Funds:													
Total Budgetary Revenue/Inflows	\$2,075.2	\$4,078.1	\$5,999.3	\$4,916.6	\$4,107.7	\$5,941.1	\$5,833.2	\$4,182.7	\$6,463.5	\$7,258.0	\$4,631.8	\$6,997.2	\$62,484.5
Total Budgetary Expenditures/Outflows	\$4,535.7	\$4,847.0	\$4,761.8	\$4,246.3	\$7,536.3	\$4,781.2	\$4,569.1	\$4,669.1	\$5,378.4	\$5,062.5	\$5,839.4	\$6,123.1	\$62,349.8
Net Budgetary Funds	(\$2,460.4)	(\$768.9)	\$1,237.4	\$670.3	(\$3,428.6)	\$1,159.8	\$1,264.1	(\$486.4)	\$1,085.2	\$2,195.5	(\$1,207.5)	\$874.2	\$134.7
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	\$1,403.2	\$1,591.7	\$1,273.9	\$1,901.0	\$936.7	\$1,344.2	\$1,226.2	\$1,379.8	\$1,419.0	\$1,475.8	\$2,528.1	\$1,190.7	\$17,670.3
Total Non-Budgetary Expenditures/Outflows	\$1,632.5	\$1,749.3	\$2,208.8	\$2,424.0	\$1,579.2	\$2,276.4	\$1,712.0	\$1,563.2	\$2,278.1	\$1,661.7	\$1,377.0	\$1,750.3	\$22,212.6
Net Non-Budgetary Funds	(\$229.3)	(\$157.6)	(\$934.9)	(\$523.1)	(\$642.5)	(\$932.2)	(\$485.8)	(\$183.3)	(\$859.2)	(\$185.9)	\$1,151.1	(\$559.6)	(\$4,542.3)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	(\$4.5)	\$42.1	\$47.6	\$57.2	\$70.1	\$74.7	\$78.9	\$73.4	\$77.7	\$85.7	\$23.4	\$22.6	\$648.7
Net Operating Activities	(\$2,694.3)	(\$884.4)	\$350.1	\$204.5	(\$4,001.0)	\$302.3	\$857.1	(\$596.3)	\$303.7	\$2,095.3	(\$33.1)	\$337.1	(\$3,758.9)
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$291.6	\$325.0	\$358.7	\$217.5	\$483.7	\$328.8	\$422.0	\$313.0	\$446.6	\$319.4	\$524.9	\$524.9	\$4,556.2
Total Federal Grants Expenditures/Outflows	\$422.4	\$439.3	\$248.3	\$391.1	\$384.4	\$439.1	\$342.9	\$376.2	\$367.0	\$323.2	\$450.5	\$610.4	\$4,794.8
Net Federal Grants	(\$130.8)	(\$114.3)	\$110.4	(\$173.6)	\$99.3	(\$110.3)	\$79.1	(\$63.2)	\$79.6	(\$3.8)	\$74.4	(\$85.5)	(\$238.6)
Capital Funds:													
Total Capital Revenue/Inflows	\$429.0	\$46.6	\$68.3	\$1,048.2	\$82.4	\$862.7	\$50.2	\$62.1	\$46.0	\$35.6	\$77.0	\$113.5	\$2,921.6
Total Capital Expenditures/Outflows	\$473.9	\$424.9	\$246.9	\$250.0	\$232.7	\$377.8	\$259.4	\$236.7	\$253.2	\$280.0	\$318.3	\$465.1	\$3,819.0
Net Capital Funds	(\$45.0)	(\$378.3)	(\$178.6)	\$798.2	(\$150.4)	\$484.9	(\$209.2)	(\$174.5)	(\$207.3)	(\$244.4)	(\$241.3)	(\$351.6)	(\$897.5)
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper / Line of Credit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Revenue Anticipation Notes (RANS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash Flow Financing Activities Outflows:													
Commercial Paper / Line of Credit – (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
RANS – (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$14,125.0	\$12,748.0	\$13,030.0	\$13,859.0	\$9,807.0	\$10,484.0	\$11,211.0	\$10,377.0	\$10,553.0	\$12,400.0	\$12,200.0	\$12,100.0	\$12,100.0

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures for July through April are actual and the remaining months are projected.

Overview of Fiscal 2024 Non-Segregated Operating Cash Flow (Projected)
(in millions) (1) (2)

	<u>Jul 23</u>	<u>Aug 23</u>	<u>Sep 23</u>	<u>Oct 23</u>	<u>Nov 23</u>	<u>Dec 23</u>	<u>Jan 24</u>	<u>Feb 24</u>	<u>Mar 24</u>	<u>Apr 24</u>	<u>May 24</u>	<u>Jun 24</u>	<u>Total FY 2024</u>
Opening Non-Segregated Operating Cash Balance:	\$12,100.0	\$11,784.8	\$9,747.4	\$10,491.0	\$8,931.2	\$8,295.1	\$8,956.3	\$8,710.6	\$8,216.7	\$7,936.6	\$9,601.9	\$8,923.5	\$12,100.0
Operating Activities:													
Budgetary Funds:													
Total Budgetary Revenue/Inflows	\$4,514.2	\$4,550.7	\$6,199.9	\$4,545.9	\$4,219.4	\$6,572.9	\$5,479.3	\$4,187.2	\$6,315.9	\$7,671.0	\$4,745.0	\$7,025.1	\$66,026.4
Total Budgetary Expenditures/Outflows	<u>\$4,579.6</u>	<u>\$5,723.8</u>	<u>\$4,681.7</u>	<u>\$4,731.5</u>	<u>\$4,682.1</u>	<u>\$4,552.0</u>	<u>\$4,741.9</u>	<u>\$4,661.1</u>	<u>\$5,601.4</u>	<u>\$5,006.6</u>	<u>\$5,175.5</u>	<u>\$5,909.8</u>	<u>\$60,047.1</u>
Net Budgetary Funds	(\$65.4)	(\$1,173.1)	\$1,518.2	(\$185.7)	(\$462.7)	\$2,020.8	\$737.3	(\$473.9)	\$714.4	\$2,664.4	(\$430.5)	\$1,115.3	\$5,979.2
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	\$1,096.9	\$996.9	\$1,161.5	\$1,116.1	\$1,035.6	\$1,076.6	\$1,280.3	\$1,291.1	\$1,262.2	\$1,035.7	\$1,061.6	\$1,303.2	\$13,717.6
Total Non-Budgetary Expenditures/Outflows	<u>\$1,768.1</u>	<u>\$1,825.0</u>	<u>\$2,148.9</u>	<u>\$2,111.1</u>	<u>\$1,726.5</u>	<u>\$2,261.4</u>	<u>\$1,955.5</u>	<u>\$1,975.2</u>	<u>\$2,126.6</u>	<u>\$1,793.2</u>	<u>\$1,855.9</u>	<u>\$2,337.3</u>	<u>\$23,884.8</u>
Net Non-Budgetary Funds	(\$671.2)	(\$828.1)	(\$987.4)	(\$995.0)	(\$690.8)	(\$1,184.9)	(\$675.2)	(\$684.1)	(\$864.5)	(\$757.6)	(\$794.2)	(\$1,034.1)	(\$10,167.2)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$30.0</u>	<u>\$360.0</u>
Net Operating Activities	(\$706.6)	(\$1,971.2)	\$560.7	(\$1,150.7)	(\$1,123.5)	\$866.0	\$92.1	(\$1,128.1)	(\$120.0)	\$1,936.9	(\$1,194.7)	\$111.2	(\$3,827.9)
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$298.9	\$299.9	\$345.5	\$266.1	\$438.9	\$358.8	\$340.5	\$559.0	\$569.7	\$382.4	\$566.6	\$494.8	\$4,920.9
Total Federal Grants Expenditures/Outflows	<u>\$359.0</u>	<u>\$462.9</u>	<u>\$343.6</u>	<u>\$371.9</u>	<u>\$389.0</u>	<u>\$282.1</u>	<u>\$411.7</u>	<u>\$492.6</u>	<u>\$487.7</u>	<u>\$422.4</u>	<u>\$536.0</u>	<u>\$611.7</u>	<u>\$5,170.7</u>
Net Federal Grants	(\$60.2)	(\$163.0)	\$1.8	(\$105.8)	\$49.9	\$76.6	(\$71.2)	\$66.4	\$81.9	(\$40.0)	\$30.5	(\$116.9)	(\$249.8)
Capital Funds:													
Total Capital Revenue/Inflows	\$905.4	\$691.6	\$460.0	\$133.0	\$875.6	\$112.8	\$113.6	\$821.6	\$101.5	\$91.9	\$855.5	\$480.5	\$5,643.0
Total Capital Expenditures/Outflows	<u>\$453.8</u>	<u>\$594.8</u>	<u>\$279.0</u>	<u>\$436.4</u>	<u>\$438.1</u>	<u>\$394.2</u>	<u>\$380.2</u>	<u>\$253.8</u>	<u>\$343.5</u>	<u>\$323.4</u>	<u>\$369.8</u>	<u>\$540.5</u>	<u>\$4,807.5</u>
Net Capital Funds	\$451.6	\$96.8	\$181.0	(\$303.4)	\$437.5	(\$281.4)	(\$266.6)	\$567.8	(\$242.0)	(\$231.5)	\$485.7	(\$60.0)	\$835.5
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper / Line of Credit	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Revenue Anticipation Notes (RANS)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash Flow Financing Activities Outflows:													
Commercial Paper / Line of Credit – (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
RANS – (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Cash Flow Financing Activities Outflows	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$11,784.8	\$9,747.4	\$10,491.0	\$8,931.2	\$8,295.1	\$8,956.3	\$8,710.6	\$8,216.7	\$7,936.6	\$9,601.9	\$8,923.5	\$8,857.8	\$8,857.8

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures for fiscal 2024 are projected.

STATE WORKFORCE

The following table sets forth information regarding the Commonwealth's full-time equivalent (FTE) workforce as of the end of the last five fiscal years.

State Workforce (1)					
	<u>June 2019</u>	<u>June 2020</u>	<u>June 2021</u>	<u>June 2022</u>	<u>June 2023</u>
Executive Office	84	83	83	76	71
Executive Departments					
Administration and Finance	2,191	2,172	2,143	2,151	2,229
Energy and Environmental Affairs	1,784	1,825	1,877	1,838	2,025
Health and Human Services	20,362	20,363	20,125	19,515	19,774
Economic Development (2)	752	762	783	811	605
Labor and Workforce Development	237	354	375	345	355
Executive Office of Education	561	580	609	617	670
Public Safety and Security	8,064	8,238	8,108	7,858	7,932
Veterans' Services (3)	-	-	-	-	713
Housing and Livable Communities (2)	-	-	-	-	239
Technology Services and Security	395	402	466	443	437
Federal Grant, Trust and Capital Funded (4)	<u>8,070</u>	<u>7,984</u>	<u>7,940</u>	<u>8,133</u>	<u>8,600</u>
Subtotal under Governor's Authority	<u>42,500</u>	<u>42,763</u>	<u>42,509</u>	<u>41,787</u>	<u>43,650</u>
Judiciary	7,164	7,217	7,061	7,094	7,435
Higher Education	25,229	25,318	24,437	24,779	25,076
Other (4)	<u>11,227</u>	<u>11,285</u>	<u>11,167</u>	<u>10,992</u>	<u>11,265</u>
Total	<u>86,120</u>	<u>86,583</u>	<u>85,174</u>	<u>84,652</u>	<u>87,426</u>

SOURCE: Office of the Comptroller.

- (1) This table has been revised from prior presentations to conform to changes in the Governor's Cabinet.
- (2) The Executive Office of Housing and Livable Communities was established in June 2023 and the Executive Office of Housing and Economic Development was renamed as the Executive Office of Economic Development.
- (3) The Executive Office of Veterans' Services was established in March 2023.
- (4) The Massachusetts Department of Transportation is included in Federal Grant, Trust, and Capital Funded.
- (5) Other includes members of the Legislature and their staff, constitutional officers, other independently elected officials and other independent state agencies.

Unions and Labor Negotiations

Under Massachusetts law, all employees of the Commonwealth, with the exception of managerial and confidential employees and employees of the Legislature, have the right to bargain collectively with the Commonwealth through certified employee organizations recognized as exclusive bargaining representatives for appropriate bargaining units. The Human Resources Division of the Executive Office for Administration and Finance conducts the collective bargaining negotiations with all employees of the Commonwealth (except those noted below). Such negotiations may cover wages, hours and other terms and conditions of employment, but may not include the levels of pension and group insurance benefits. All labor agreements negotiated by the Human Resources Division are subject to approval by the Secretary of Administration and Finance and, once approved, are forwarded to the Legislature for funding approval. Labor contracts are often funded by supplemental appropriations or advance-funded through reserve accounts.

MassDOT, the Trial Court, the Lottery Commission, the Alcohol Beverage Control Commission, state sheriffs, the Registries of Deeds under the control of the Secretary of the Commonwealth, state universities and community colleges through the Board of Higher Education, the Personal Care Attendant Workforce Council and the Department of Early Education and Care (EEC) (for bargaining with family child care providers) negotiate directly with their respective employee representatives, but wage increases and other economic provisions contained

in such agreements are subject to the review of the Governor and to funding approval by the Legislature. Also, if the Governor does not recommend the requested appropriation to fund contractual increases, she may refer the contracts back to the parties for further negotiation.

The University of Massachusetts submits 22 of its collective bargaining agreements for approval under the process described above, but also uses some of its retained revenue to fund other collective bargaining agreements.

Approximately 33,505 executive branch full-time-equivalent state employees are organized in 13 bargaining units, the employees of the Commonwealth's colleges and universities are organized in 47 bargaining units, and the employees of the judicial branch, MassDOT, the Lottery Commission, the Registries of Deeds, the state sheriffs, Personal Care Attendants at MassHealth, and family child care providers at the Department of Early Education and Care are organized in 67 bargaining units. Public employees of the Commonwealth do not have a legal right to strike or otherwise withhold services.

The following is a description of certain terms of the most recent agreements with the collective bargaining units within the responsibility of the Human Resources Division.

1. The contract with the National Association of Government Employees (NAGE), representing Units 1, 3, and 6, ran from July 1, 2020 through June 30, 2023. Subject to legislative approval, a new contract with NAGE will run from July 1, 2023 through June 30, 2024, and provide salary increases of 4.0% effective on July 2, 2023 and 4.0% effective on January 14, 2024. An additional \$5.0 million total will be added as a result of a Classification/Adjustment Pool to address specific recruitment and retention issues. The total estimated incremental cost is \$43.7 million over the length of the contract.

2. The contract with the American Federation of State, County and Municipal Employees (Alliance, AFSCME – SEIU Local 888), representing Unit 2, ran from July 1, 2020 through June 30, 2023. Subject to legislative approval, a new contract with AFSCME will run from July 1, 2023 through June 30, 2024, and provide salary increases of 4.0% effective on July 2, 2023 and 4.0% effective on January 14, 2024. An additional estimated \$4.0 million total will be added as a result of a Classification/Adjustment Pool to address specific recruitment and retention issues. The total estimated incremental cost is \$26.0 million over the length of the contract.

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

4. The contract with the New England Police Benevolent Association (NEPBA), representing Unit 4A, runs from July 1, 2020 through June 30, 2023, providing annual salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$1.2 million. Negotiations are ongoing on a new contract.

5. The contract with the Coalition of Public Safety (COPS), representing Unit 5 runs from July 1, 2021 through June 30, 2024, providing salary increases of 2.5% in 2021, 2% in 2022, and 2% in 2023, effective July 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$3.0 million.

6. The contract with the State Police Association of Massachusetts (SPAM) representing Unit 5A, ran from January 1, 2021 through December 31, 2023. Subject to legislative approval, a new contract with SPAM will run from January 1, 2024 through December 31, 2024, and provide salary increases of 4.0% effective on January 14, 2024 and 4.0% effective on July 14, 2024. An additional \$500 was added per FTE for hazardous duty payments to address specific recruitment and retention issues. The total estimated incremental cost is \$5.2 million over the length of the contract.

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

8. The contract with the Service Employees International Union (SEIU), representing Units 8 and 10, ran from January 1, 2020 through December 31, 2022. Subject to legislative approval, a new contract with SEIU will run from January 1, 2023 through December 31, 2023, and provide salary increases of 4.0% effective on January 1, 2023 and 4.0% effective on July 2, 2023. An additional \$4.2 million total will be added as a result of a Classification/Adjustment Pool to address specific recruitment and retention issues. The total estimated incremental cost is \$50.3 million over the length of the contract.

9. The contract with the Massachusetts Organization of State Engineers and Scientists (MOSES), representing Unit 9, ran from July 1, 2020 through June 30, 2023. Subject to legislative approval, a new contract with MOSES will run from July 1, 2023 through June 30, 2024, and provide salary increases of 4.0% effective on July 2, 2023 and 4.0% effective on January 14, 2024. An additional \$1.0 million total will be added as a result of a Classification/Adjustment Pool to address specific recruitment and retention issues. The total estimated incremental cost is \$7.3 million over the length of the contract.

10. The contract with the International Association of Fire Fighters (IAFF), representing Unit 11, runs from January 1, 2021, through December 31, 2023, providing annual salary increases of 2.5% in 2021, 2% in 2022, and 2% in 2023, effective January 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$0.3 million.

The following table sets forth information regarding the 13 bargaining units that are within the responsibility of the Human Resources Division.

Human Resources Division Bargaining Units (1)

<u>Contract Unit</u>	<u>Bargaining Union</u>	<u>Type of Employee</u>	<u>FTEs</u>	<u>Contract Expiration Dates</u>
1, 3, 6	National Association of Government Employees	Clerical, Skilled Trades, Administrative Professionals	8,872	6/30/23 (2)
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	7,090	6/30/23 (2)
4	Massachusetts Correction Officers Federated Union	Corrections	3,134	6/30/24
4A	New England Police Benevolent Association	Corrections	68	6/30/23 (3)
5	Coalition of Public Safety	Law enforcement	208	6/30/24
5A	State Police Association of Massachusetts	State Police	2,102	12/31/23
7	Massachusetts Nurses Association	Health professionals	1,604	12/31/23
8, 10	Alliance/Service Employees International Union	Social workers, Secondary Education	8,386	12/31/22 (2)
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	1,978	6/30/23 (2)
11	International Association of Fire Fighters	Fire fighters	63	12/31/23
Total			33,505	

SOURCE: Executive Office for Administration and Finance.

- (1) Numbers represent full-time equivalent filled positions (FTEs) in the standard workforce as of July 2, 2022, whose positions are established in accounts funded by all sources (the annual operating budget, capital projects funds, direct federal grants, and expendable trusts and other non-appropriated funds).
- (2) A new contract has been negotiated, subject to legislative approval.
- (3) This contract has expired and negotiations are ongoing.

PENSION AND OPEB FUNDING

Retirement Systems

Almost all non-federal public employees in the Commonwealth participate in defined-benefit pension plans administered pursuant to state law by 104 public retirement systems. The Commonwealth is responsible for the payment of pension benefits for Commonwealth employees (members of the state employees' retirement system) and for teachers of the cities, towns and regional school districts throughout the state (including members of the Massachusetts teachers' retirement system and teachers in the Boston public schools, who are members of the Boston Retirement System but whose pensions are also the responsibility of the Commonwealth). The Commonwealth is also responsible for cost-of-living adjustments (COLAs) granted by local systems from 1981 to 1996.

The members of the retirement system do not participate in the Social Security System. Employees of certain independent authorities and agencies, such as the Massachusetts Water Resources Authority, and of counties, cities and towns (other than teachers) are covered by 102 separate retirement systems and the Commonwealth is not responsible for making contributions towards the funding of these retirement systems. Pension benefits for state employees are administered by the State Retirement Board, and pension benefits for teachers are administered by the Massachusetts Teachers' Retirement Board. Investment of the assets of the state employees' and Massachusetts teachers' retirement systems is managed by the Pension Reserves Investment Management (PRIM) Board. In the case of all other retirement systems, the retirement board for the respective system administers pension benefits and manages investment of assets. Retirement board members are required to complete 18 hours of training and to file annual statements of financial interest with the Public Employee Retirement Administration Commission (PERAC). Many such retirement boards invest their assets with the PRIM Board, and the PRIM Board may take over the assets of local retirement systems that are less than 65% funded and have failed to come within 2% of the PRIM Board's performance over the previous 10-year period. With very few exceptions, the members of these state and local retirement systems do not participate in the Social Security System.

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) are the two largest plans of the public contributory retirement systems operated in the Commonwealth. Membership in the MSERS and the MTRS as of January 1, 2022, the date of the most recent valuation for each system, is as follows:

Retirement Systems Membership

	<u>MSERS</u>	<u>MTRS</u>
Retirees and beneficiaries currently receiving benefits	68,280	69,727
Terminated employees entitled to benefits but not yet receiving them	<u>4,909</u>	<u>N/A</u>
Subtotal	73,189	69,727
Current Members	<u>85,999</u>	<u>98,926</u>
Total	159,188	168,653

SOURCE: Public Employee Retirement Administration Commission

The MSERS is a cost sharing, multiple-employer defined-benefit public employee retirement system. The MTRS is a defined-benefit public employee retirement system managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefits of the MTRS. Members become vested after 10 years of creditable service. For members who joined the system prior to April 2, 2012 superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for those employees who were system members before April 2, 2012 occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most members who joined the system after April 1, 2012 cannot retire prior to age 60.

The Commonwealth's retirement systems' funding policies have been statutorily established. The Legislature has the authority to amend these policies. The annuity portion of the MSERS and the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. The policies provide for uniform benefit and contribution requirements for all contributory public employee retirement systems. These requirements generally provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service and group creditable service, and group classification.

Boston teachers are not included in the membership data shown above for the MTRS. Legislation approved in May 2010 changed the methodology for the Commonwealth's funding of pension benefits paid to Boston teachers. Prior to this change, the Commonwealth reimbursed the City of Boston for pension benefits paid to Boston teachers as certified by the Boston Retirement System (BRS). Those costs were funded one fiscal year in arrears. The cost of pension benefits of the other participants of the BRS is the responsibility of the City of Boston. The BRS is a cost-sharing multiple-employer pension system that is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth for accounting purposes. The 2010 legislation clarified that the Commonwealth is responsible for all employer contributions and future benefit requirements for Boston teachers that are members of the BRS. The Commonwealth's actuarially determined contribution (or ADC, defined as a target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice) to the BRS for fiscal 2023 has been determined to be \$196.8 million.

Subject to legislative approval, annual increases in cost-of-living allowances are provided in an amount equal to the lesser of 3% or the previous year's percentage increase in the United States consumer price index on the first \$13,000 of benefits for members of the MSERS and MTRS. The Legislature approved the 3% cost-of-living adjustment for fiscal 2023 for eligible participants of the MSERS and MTRS. The Commonwealth pension funding schedule (discussed below) assumes that annual increases of 3% will be approved for its retirees. The cost-of-living adjustment for fiscal 2023 was a one-time increase to 5% of the \$13,000 base for retirees of the MSERS and MTRS.

The MSERS and the MTRS, in conjunction with the Commonwealth, have evaluated whether certain of the statutes or practices governing the systems may have been in conflict with the exclusive benefit rule of Section 401(a)(2) of the Internal Revenue Code or other federal tax law requirements relating to operation of tax-exempt pension plans. The activities reviewed include (i) the statutorily directed funding of the budget for PERAC solely from the investment income accounts of MSERS and MTRS, (ii) the statutorily directed contributions made from the MSERS account in the PRIT Fund to a separate optional retirement plan available to certain employees of the Commonwealth's higher education system, (iii) the statutorily mandated reimbursements paid by the MSERS to local retirement systems for local cost-of-living allowances for certain participants of those systems, (iv) the deposit of reimbursement revenues received from local retirement systems to the Commonwealth's General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund, and (v) the deposit of federal grant fringe payments to the General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund. The Commonwealth, PERAC, MSERS and the MTRS each engaged outside tax counsel to review these activities. On March 28, 2017, the Governor approved legislation to address prospectively certain aspects of the issues described above. Additional corrective legislation was approved as part of the Commonwealth's General Appropriations Act for fiscal 2018, approved on July 17, 2017. The Executive Office for Administration and Finance submitted to the Internal Revenue Service for its consideration a request for a closing agreement in which the Commonwealth describes the activities listed above, explains the corrective actions already taken by legislation, and requests an affirmation that these activities do not adversely affect the tax qualification of the MSERS and MTRS in light of the corrections already made. The Internal Revenue Service issued an initial request for additional information on April 28, 2020 and a further request for additional information on June 23, 2020. The Commonwealth, the MSERS and MTRS submitted responses to such requests on June 3, 2020 and July 31, 2020, respectively. After further discussions with the IRS, on August 20, 2020, the Commonwealth withdrew its prior request for a closing agreement. This matter remains pending.

Employee Contributions

The MSERS and MTRS are partially funded by employee contributions of regular compensation. The following tables indicate current employee contribution rates (figures are approximate):

Employee Contribution Rates

MTRS (1)

<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	27	0.0%
1975-1983	7	137	0.1
1984-June 30, 1996	8	3,873	3.9
July 1, 1996-Present	9	13,592	13.8
July 1, 2001-Present	11	<u>81,297</u>	82.2
Totals		98,926	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from Teachers' Retirement System January 1, 2022 Actuarial Valuation.

- (1) Employees hired after January 1, 1979 (except those contributing 11%) contribute an additional 2% of any regular compensation in excess of \$30,000 annually. Legislation enacted in fiscal 2000 established an alternative superannuation retirement benefit program for teachers hired on or after July 1, 2001 (and others who opt in) with an 11% contribution requirement for a minimum of five years. The contribution rate for most employees hired after April 1, 2012 will be reduced to 8% after 30 years of creditable service.

MSERS (1)

<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	150	0.2%
1975-1983	7	1,262	1.5
1984-June 30, 1996	8	10,372	12.0
July 1, 1996-Present	9	72,911	84.8
State Police 1996-Present	12	<u>1,304</u>	<u>1.5</u>
Totals		85,999	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from State Retirement Board January 1, 2022 Actuarial Valuation.

- (1) Employees hired after January 1, 1979 contribute an additional 2% of any regular compensation in excess of \$30,000 annually. The contribution rate for most employees hired after April 1, 2012 will be reduced to 6% after 30 years of creditable service.

Funding Schedule

The retirement systems were originally established as “pay-as-you-go” systems, meaning that amounts were appropriated each year to pay current benefits, and no provision was made to fund currently the future liabilities already incurred. In fiscal 1988, the Commonwealth began to address the unfunded liabilities of the two state systems by making appropriations to pension reserves. Under current law such unfunded liability is required to be amortized to zero by June 30, 2040. The law also requires that the Secretary of Administration and Finance file a proposed funding schedule with the legislature every three years identifying the appropriations or transfers required to amortize the unfunded liability to zero, to meet the normal cost of all future benefits for which the Commonwealth is obligated and to meet any other component of the Commonwealth's pension liability. Previously designated amounts can be adjusted based on a new funding schedule so long as the adjustments represent an increase in the scheduled amounts for those years. The law requires the funding schedule submitted by the Secretary to be based on actuarial valuation reports and requires the Secretary to provide the actuarial, economic and demographic assumptions upon which the reports are based. The funding schedule is filed with the House Committee on Ways and Means and is deemed approved if no action is taken by the committee within 45 days.

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The most recent funding schedule for payments into the Commonwealth's Pension Liability Fund was filed by the Secretary of Administration and Finance on January 13, 2023. The assumptions underlying the funding schedule include valuation of assets and liabilities as of January 1, 2022, an annual rate of return on assets of 7.0%, and appropriation increases of 9.63% per year through fiscal 2028 with the remaining unfunded actuarial liability amortized on a 4% annual increasing basis thereafter until fiscal 2036 (four years before the statutory requirement). The funding schedule also fully amortizes by fiscal 2027 the liabilities attributable to the early retirement incentive program approved by the Governor on May 4, 2015.

Current Funding Schedule for Pension Obligations
(in thousands)

<u>Fiscal Year</u>	<u>Payments</u>	<u>Fiscal Year</u>	<u>Payments</u>
2024	\$4,104,583	2031	\$6,742,157
2025	4,499,855	2032	7,011,843
2026	4,933,191	2033	7,292,316
2027	5,408,257	2034	7,584,009
2028	5,929,072	2035	7,887,369
2029	6,233,503	2036	8,202,864
2030	6,482,843	2037	1,656,723

SOURCE: Executive Office for Administration and Finance

Actuarial Valuations

Pursuant to Chapter 32 of the Massachusetts General Laws, an actuarial valuation of each retirement system is required to be conducted biennially. The most recent valuation report for the Commonwealth's total pension obligation, which is dated November 21, 2022, is available at: <https://www.mass.gov/doc/commonwealth-valuation-report-2022/download>. In this report, the unfunded actuarial accrued liability for the Commonwealth's total pension obligation as of January 1, 2022, based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2021, was approximately \$40.027 billion, including approximately \$12.808 billion for MSERS, \$24.738 billion for MTRS, \$2.391 billion for Boston teachers that are members of the BRS, and \$90.0 million for cost-of-living increases reimbursable to local systems. This valuation estimates the total actuarial accrued liability as of January 1, 2022 to be approximately \$112.195 billion (comprising \$47.275 billion for MSERS, \$60.308 billion for MTRS, \$4.521 billion for Boston teachers and \$90.0 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately \$72.168 billion based on a five-year average valuation method (comprising \$34.468 billion for MSERS, \$35.570 billion for MTRS and \$2.130 billion for Boston teachers), which equaled 90.0% of the December 31, 2021 total asset market value. The January 1, 2022 actuarial valuation for the MSERS was published on September 22, 2022. As of January 1, 2022, the actuarial accrued liability was \$47.275 billion. The actuarial value of assets as of that date was \$34.468 billion. The unfunded actuarial liability was \$12.808 billion. The January 1, 2022 actuarial valuation for the MTRS was published on December 1, 2022. As of January 1, 2022, the actuarial accrued liability was \$60.308 billion. The actuarial value of assets as of that date was \$35.570 billion. The unfunded actuarial liability was \$24.738 billion.

Differences each year between the actual experience of the plan and the experience projected by the actuarial assumptions are reflected by adjustments to the unfunded actuarial accrued liability. An experience difference which increases the unfunded actuarial accrued liability is an actuarial loss and one which decreases the unfunded actuarial accrued liability is an actuarial gain. Since the last valuation, there was an overall actuarial gain of \$6.465 billion, consisting of a non-investment related gain on actuarial liability of approximately \$414 million and a gain of approximately \$6.051 billion on the actuarial value of assets.

The January 1, 2022 valuation report used a 7.0% investment return assumption, the same assumption used in the January 1, 2021 valuation. The investment return assumption had previously decreased consistently from 8.25% as of January 1, 2012 to 7.0% as of January 1, 2021.

For the January 1, 2015 valuation, a fully generational mortality assumption was adopted that reflected expected future mortality improvements (increasing life expectancy). This assumption was adopted based on a review of retiree mortality in 2012, 2013 and 2014. PERAC performed an updated analysis of retiree mortality in 2015 and 2017 and, based on this review, the generational mortality assumption was adjusted in the January 1, 2017

valuation. PERAC maintained this assumption in the January 1, 2018 valuation. There was a small adjustment for disability retirees of MSERS in the January 1, 2018 valuation. PERAC maintained these assumptions in the January 1, 2019 valuation. In 2020, PERAC performed an analysis of mortality for retirees of MSERS and MTRS. Based on this analysis, PERAC adopted the Pub-2010 Teachers mortality table (headcount weighted) for MTRS and made no changes to MSERS. The most recent change in the mortality assumption reduced the total actuarial accrued liability by approximately \$759 million. The January 1, 2022 actuarial valuation maintained these mortality assumptions.

PERAC issued detailed experience analyses in 2014 for MSERS and MTRS. These experience studies encompassed the years 2006-2011 and reviewed salary increases and rates of retirement, disability, turnover and mortality. As detailed above, PERAC performed an analysis of mortality for retirees of MSERS and MTRS in 2015 and 2017.

The Actuarial Cost Method which is used to determine pension liabilities in the Commonwealth's valuations is known as the Entry Age Normal Cost Method. Under this method, the Normal Cost for each active member on the valuation date is determined as the level percent of salary, which, if paid annually from the date the employee first became a retirement system member, would fully fund by retirement, death, disability or termination, the projected benefits which the member is expected to receive. The actuarial accrued liability for each member is determined as the present value as of the valuation date of all projected benefits which the member is expected to receive, minus the present value of future annual Normal Cost payments expected to be made to the fund. Since only active members have a Normal Cost, the actuarial accrued liability for inactive members, retirees and survivors is simply equal to the present value of all projected benefits. The unfunded actuarial accrued liability is the actuarial accrued liability less current assets.

The Normal Cost for a member will remain a level percent of salary for each year of membership, except for changes in provisions of the plan or the actuarial assumptions employed in projection of benefits and present value determinations. The Normal Cost for the entire system will also be changed by the addition of new members or the retirement, death, disability, or termination of members. The actuarial accrued liability for a member will increase each year to reflect the additional accrual of Normal Cost. It will also change if the plan provisions or actuarial assumptions change.

The actuarial value of assets is determined in accordance with the deferred recognition method, under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior are recognized, etc., so that 100% of gains and losses occurring five years ago are recognized. This has the effect of smoothing the short-term volatility of market values over a five-year period. The actuarial value of assets is adjusted, if necessary, in order to remain between 90% and 110% of market value. (In valuations prior to 1998, plan assets were determined at market value.) The actuarial value of assets as of January 1, 2023 is 105.2% of the market value. The actuarial value of assets as of January 1, 2022 was 90% of the market value (i.e. the actuarial value is at the 90% corridor limit) and as of January 1, 2021 was 93.1% of market value.

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The following table shows, with respect to the Commonwealth's aggregate pension obligations, a 10-year comparison of the actuarial value of assets to the market values, the ratio of the actuarial value to market value, and the funded ratio based on actuarial value compared to the funded ratio based on the market value of assets:

Ten Year Comparison of Actuarial and Market Values of Pension Assets
(in millions)

Valuation Date (Jan. 1)	Actuarial Value of Assets (1)	Market Value of Assets	% of Actuarial Value to Market Value	Funded Ratio (Actuarial Value)	Funded Ratio (Market Value)
2022	\$72,168	\$80,187	90.0%	64.3%	71.5%
2021	63,407	68,090	93.1	58.2	62.5
2019	56,661	55,100	102.8	56.3	54.7
2018	54,918	58,038	94.6	57.0	60.3
2017	51,952	51,107	101.7	56.7	55.8
2016	49,535	48,943	101.2	56.7	56.0
2015	48,106	50,290	95.7	59.0	61.7
2014	45,894	48,351	94.9	61.2	64.5
2013	43,517	43,760	99.4	60.6	60.9
2012	43,942	39,947	110.0	65.1	59.1

SOURCE: Public Employee Retirement Administration Commission.

(1) Based on five-year average smoothing methodology.

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The following tables show, for each of the MSERS and the MTRS and for Commonwealth obligations in the aggregate (including Boston teachers and cost-of-living allowances as well as MSERS and MTRS), the historical funded status for the most recent ten years (excluding fiscal 2020 as no valuation was completed), based on actuarial values and market values of assets:

Historical Pension Funding Progress for the Last Ten Fiscal Years - Actuarial Value
(in thousands, except for percentages)

	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
<u>MSERS</u>						
Actuarial Valuation as of Jan. 1						
2022	\$34,467,610	\$47,275,156	\$12,807,546	72.9%	\$6,651,010	192.6%
2021	30,370,096	45,704,298	15,334,202	66.5	6,544,575	234.3
2019	27,136,639	42,595,224	15,458,585	63.7	6,354,473	243.3
2018	26,248,250	40,456,611	14,208,361	64.9	6,155,194	230.8
2017	24,773,042	38,316,719	13,543,677	64.7	5,927,012	228.6
2016	23,465,963	36,966,278	13,500,315	63.5	5,792,288	233.1
2015	22,720,160	33,679,150	10,958,990	67.5	5,591,911	196.0
2014	21,581,133	30,679,600	9,098,467	70.3	5,344,510	170.2
2013	20,317,389	29,385,442	9,068,053	69.1	5,183,195	175.0
2012	20,507,644	27,784,731	7,277,087	73.8	4,922,388	147.8
<u>MTRS</u>						
Actuarial Valuation as of Jan. 1						
2022	\$35,569,967	\$60,308,295	\$24,738,328	59.0%	\$7,704,176	321.1%
2021	31,170,723	58,829,999	27,659,276	53.0	7,670,306	360.6
2019	27,854,444	53,864,141	26,009,697	51.7	7,074,960	367.6
2018	27,057,700	51,653,285	24,595,585	52.4	6,829,012	360.2
2017	25,638,136	49,193,503	23,555,367	52.1	6,583,871	357.8
2016	24,593,787	46,562,807	21,969,020	52.8	6,388,732	343.9
2015	23,946,759	44,115,769	20,169,010	54.3	6,204,274	325.1
2014	22,940,196	40,741,695	17,801,499	56.3	5,962,650	298.6
2013	21,787,470	39,135,218	17,347,748	55.7	5,783,294	300.0
2012	22,141,475	36,483,027	14,341,552	60.7	5,655,353	253.6
<u>Aggregate Commonwealth Pension Obligations (1)</u>						
Actuarial Valuation as of Jan. 1						
2022	\$72,168,013	\$112,194,901	\$40,026,888	64.3%	\$15,022,224	266.5%
2021	63,406,551	108,981,772	45,575,221	58.2	14,851,350	306.9
2019	56,661,376	100,650,744	43,989,368	56.3	13,994,455	314.3
2018	54,918,125	96,316,894	41,398,769	57.0	13,531,845	305.9
2017	51,952,206	91,573,998	39,621,792	56.7	13,059,709	303.4
2016	49,535,323	87,401,722	37,866,399	56.7	12,702,727	298.1
2015	48,105,862	81,535,003	33,429,141	59.0	12,302,162	271.7
2014	45,894,034	74,936,994	29,042,960	61.2	11,793,788	246.3
2013	43,517,498	71,865,832	28,348,334	60.6	11,408,407	248.5
2012	43,941,682	67,546,587	23,604,905	65.1	11,011,466	214.4

SOURCE: Public Employee Retirement Administration Commission.

(1) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments from 1981 to 1996.

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Historical Pension Funding Progress for the Last Ten Fiscal Years - Market Value
(in thousands, except for percentages)

	Market Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
MSERS						
Actuarial Valuation as of Jan. 1						
2022	\$38,297,344	\$47,275,156	\$8,977,812	81.0%	\$6,651,010	135.0%
2021	32,611,969	45,704,298	13,092,329	71.4	6,544,575	200.0
2019	26,384,598	42,595,224	16,210,626	61.9	6,354,473	255.1
2018	27,735,916	40,456,611	12,720,695	68.6	6,155,194	206.7
2017	24,366,420	38,316,719	13,950,299	63.6	5,927,012	235.4
2016	23,176,451	36,966,278	13,789,827	62.7	5,792,288	238.1
2015	23,739,487	33,679,150	9,939,663	70.5	5,591,911	177.8
2014	22,721,053	30,679,600	7,958,547	74.1	5,344,510	148.9
2013	20,405,004	29,385,442	8,980,438	69.4	5,183,195	173.3
2012	18,643,313	27,784,731	9,141,418	67.1	4,922,388	185.7
MTRS						
Actuarial Valuation as of Jan. 1						
2022	\$39,522,186	\$60,308,295	\$20,786,109	65.5%	\$7,704,176	269.8%
2021	33,473,661	58,829,999	25,356,338	56.9	7,670,306	330.6
2019	27,090,335	53,864,141	26,773,806	50.3	7,074,960	378.4
2018	28,597,562	51,653,285	23,055,723	55.4	6,829,012	337.6
2017	25,225,451	49,193,503	23,968,052	51.3	6,583,871	364.0
2016	24,308,553	46,562,807	22,254,254	52.2	6,388,732	348.3
2015	25,046,692	44,115,769	19,069,077	56.8	6,204,274	307.4
2014	24,183,391	40,741,695	16,558,304	59.4	5,962,650	277.7
2013	21,934,211	39,135,218	17,201,007	56.0	5,783,294	297.4
2012	20,128,614	36,483,027	16,354,413	55.2	5,655,353	289.2
Aggregate Commonwealth Pension Obligations (1)						
Actuarial Valuation as of Jan. 1						
2022	\$80,186,681	\$112,194,901	\$32,008,220	71.5%	\$15,022,224	213.1%
2021	68,089,639	108,981,772	40,892,133	62.5	14,851,350	275.3
2019	55,099,732	100,650,744	45,551,012	54.7	13,994,455	325.5
2018	58,037,680	96,316,894	38,279,214	60.3	13,531,845	282.9
2017	51,107,139	91,573,998	40,466,859	55.8	13,059,709	309.9
2016	48,943,080	87,401,722	38,458,642	56.0	12,702,727	302.8
2015	50,289,777	81,535,003	31,245,226	61.7	12,302,162	254.0
2014	48,350,920	74,936,994	26,586,074	64.5	11,793,788	225.4
2013	43,760,381	71,865,832	28,105,451	60.9	11,408,407	246.4
2012	39,946,984	67,546,587	27,599,603	59.1	11,011,466	250.6

SOURCE: Public Employee Retirement Administration Commission.

- (1) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments from 1981-1996.

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Annual Required Contributions

The following table sets forth the annual required contribution (ARC) by the Commonwealth for each of the fiscal years indicated and the actual contributions made. For fiscal 2014 and prior valuations, the ARC was developed under Governmental Accounting Standards Board (GASB) Statement No. 27 for accounting purposes. The ARC is no longer applicable with the implementation of GASB 67/68, as described below, but is shown for comparison. As noted above, the Commonwealth also develops a revised funding schedule by statute at least every three years, and the Commonwealth made the full contribution required, under the then-current funding schedule, for each year displayed in the table.

Annual Required Contributions and Other Pension Contributions (in thousands, except for percentages)

	<u>2019</u>	<u>2020</u>	<u>2021</u> (3)	<u>2022</u>	<u>2023</u>
Annual required contribution (ARC) (1)	\$3,500,000	\$3,800,000	\$4,125,000	\$4,230,000	\$3,950,000
Contributions made (2)	\$2,608,000	\$2,841,525	\$3,115,164	\$3,415,154	\$3,744,033
% of ARC funded for the fiscal year	75%	75%	76%	80.7%	94.8%

SOURCE: Public Employee Retirement Administration Commission.

- (1) The ARC is developed assuming amortization of the unfunded actuarial liability on a 4% annual increasing basis through fiscal 2040. This is the minimum allowable funding schedule for local systems under state pension law.
- (2) The amounts shown for contributions include the costs associated with the fiscal 2015 early retirement incentive program.
- (3) Since a full actuarial valuation was not performed as of January 1, 2020, the ARC for 2021 was based on the estimated valuation results as of January 1, 2020. These valuation results reflect the investment return and mortality assumption changes discussed above.

Assumption changes made in the 2018 and 2019 valuations affected the percentage of the ARC funded in fiscal 2019 and fiscal 2020; if there had been no assumption changes in the 2019 valuation, the percentage of the ARC funded would have been 76%. Assumption changes made in the 2021 valuations affect the percentage of the ARC funded in fiscal 2022; if there had been no assumption changes in the 2021 valuation, the percentage of the ARC funded would have been 85%. This percentage is generally expected to increase each fiscal year until contributions exceeds the ARC, although changes to actuarial assumptions and actuarial gains or losses could affect such results.

The standards currently applicable to the accounting and financial reporting of the Commonwealth's pension obligations are GASB Statement No. 67 and GASB Statement No. 68. GASB Statement No. 67, *Financial Reporting for Pension Plans*, which was effective for the Commonwealth's Annual Comprehensive Financial Report for fiscal 2014, establishes new standards for defined benefit pension plan accounting and reporting. GASB 67 also requires an analysis to determine the sensitivity of the net pension liability (NPL) to changes in the discount rate, if it were calculated one percentage point lower or higher. Such sensitivity analysis is in Note 9C to Basic Financial Statements to the ACFR for fiscal 2022. See Exhibit C – Annual Comprehensive Financial Report for the year ended June 30, 2022. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective for the Commonwealth's ACFR for fiscal 2015, requires changes to governments' reporting of and inclusion of pension assets and liabilities in their annual audited financial statements. GASB 68 requires governments to report in their statements of net position (or balance sheet) a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. GASB 68 requires recognition in the financial statements of pension expense. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.

The tables that follow show certain pension-related information for both the MTRS and the MSERS as required by GASB 67 and GASB 68. The MTRS and MSERS tables subtitled “Schedule of Changes in the Net Pension Liability and Related Ratios” show the beginning and ending liabilities and assets for the MTRS and MSERS, as well as both systems’ unfunded pension liability, or NPL, with the NPL being the amount that the Commonwealth records on its Statement of Net Position as its unfunded pension liability. The table also shows the components of the change in the NPL between the beginning (July 1) and end (June 30) for fiscal years 2018 through 2022.

The tables subtitled “Pension Expense” shows pension expenses that, under GASB 68, was recognized in the ACFR for fiscal 2022. Additional information regarding the inflows and outflows that under GASB 68 are recognized either in the ACFR for fiscal 2022 or are deferred and projected to be recognized in the ACFRs for future fiscal years can be found in Note 9C to Basic Financial Statements to the ACFR for fiscal 2022. See “SELECT FINANCIAL DATA – GAAP Basis – Financial Reports.”

The methodology required by GASB 68 to calculate the Commonwealth’s NPL and other pension-related measures (as reflected in the tables below) is in several respects different from the methodology used by PERAC in calculating the Commonwealth’s unfunded pension liability in its annual actuarial valuation. The most important difference between the two methodologies is that GASB 68 requires the value of pension plan assets be recorded at market value as of June 30 of each fiscal year, meaning that investment gains and losses are recognized immediately, while the actuarial value of assets used by PERAC in calculating the Commonwealth’s unfunded liability is measured using a five-year smoothing methodology, meaning that investment gains and losses are amortized over five years. GASB 68 also requires governments to defer certain amounts to the extent that actual experience differs from the assumptions used to calculate pension liabilities, actual investment returns differ from projected earnings, or assumption changes result in changes in pension liabilities. Therefore, the NPL information set out in the tables below based on GASB 68 requirements is not strictly comparable to the unfunded liability and other pension-related information in PERAC’s annual actuarial valuations.

Under GASB 68, in order to provide adequate time for pension plans to distribute pension-related information to pension plan participants (which include state authorities, local school collaboratives and municipal governments) for use in their annual audited financial statements, governments are permitted to use the prior year’s NPL and other pension-related measures in the current year’s audited financial statements. In conformance with GASB 68, the Commonwealth determined that for the ACFR for fiscal 2022 it would use the pension valuation information as of June 30, 2021. The Commonwealth will use the June 30, 2022 pension information in its ACFR for fiscal 2023.

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GASB 67 Information for the Massachusetts Teachers' Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios

Fiscal Years 2022 through 2018
(in thousands, except for percentages)

	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
Total pension liability (as of July 1)	\$59,795,000	\$57,862,841	\$54,751,000	\$52,503,000	\$50,024,000
Service cost	1,084,503	1,085,414	1,019,331	949,262	901,234
Interest	4,143,763	4,097,558	3,927,724	3,762,191	3,633,027
Differences between expected and actual experience	(384,483)	(555,322)	495,599	50,910	92,317
Changes of assumptions (1), (2), (3), (4), (5)	-	584,000	859,000	577,000	845,000
Benefit payments, including refunds of member contributions	<u>(3,365,783)</u>	<u>(3,279,491)</u>	<u>(3,189,813)</u>	<u>(3,092,363)</u>	<u>(2,992,578)</u>
Net change in total pension liability	<u>1,478,000</u>	<u>1,932,159</u>	<u>3,111,841</u>	<u>2,248,000</u>	<u>2,479,000</u>
 Total pension liability (as of June 30)	 <u>\$61,273,000</u>	 <u>\$59,795,000</u>	 <u>\$57,862,841</u>	 <u>\$54,751,000</u>	 <u>\$52,503,000</u>
 Plan fiduciary net position (as of July 1)	 \$37,088,124	 \$29,317,997	 \$29,536,980	 \$28,791,711	 \$27,138,609
Contributions:					
Non-employer - Commonwealth	2,104,604	1,748,483	1,553,433	1,443,710	1,314,783
Plan members	892,123	833,236	821,105	782,431	755,688
Other additions	<u>276,758</u>	<u>254,903</u>	<u>233,222</u>	<u>234,532</u>	<u>231,734</u>
Total contributions	<u>3,273,485</u>	<u>2,836,622</u>	2,607,760	2,460,673	2,302,205
 Net investment income	 (1,353,547)	 8,455,507	 581,648	 1,584,770	 2,542,576
 Benefit payments, including refunds of plan member contributions	 (3,365,783)	 (3,279,491)	 (3,189,813)	 (3,092,363)	 (2,992,578)
Administrative expense	(19,196)	(21,783)	(22,391)	(18,324)	(19,528)
Other changes	<u>(238,221)</u>	<u>(220,728)</u>	<u>(196,187)</u>	<u>(189,487)</u>	<u>(179,573)</u>
Net change in plan fiduciary net position	<u>(1,703,262)</u>	<u>7,770,127</u>	<u>(218,983)</u>	<u>745,269</u>	<u>1,653,102</u>
 Plan fiduciary net position (as of June 30)	 <u>\$35,384,862</u>	 <u>\$37,088,124</u>	 <u>\$29,317,997</u>	 <u>\$29,536,980</u>	 <u>\$28,791,711</u>
 Plan net pension liability/(asset) (as of June 30)	 <u>\$25,888,138</u>	 <u>\$22,706,876</u>	 <u>\$28,544,844</u>	 <u>\$25,214,020</u>	 <u>\$23,711,289</u>
 Plan fiduciary net position as a percentage of the total pension liability	 57.7%	 62.0%	 50.7%	 53.9%	 54.8%
Covered employee payroll (6), (7)	<u>\$7,704,176</u>	<u>\$7,670,306</u>	<u>\$7,074,960</u>	<u>\$7,074,960</u>	<u>\$6,829,012</u>
 Net pension liability/(asset) as a percentage of covered employee payroll	 336.0%	 296.0%	 403.5%	 356.4%	 347.2%

SOURCE: Office of the Comptroller.

- (1) The changes in assumptions in fiscal 2018 were due to a decrease in the discount rate to 7.35% from 7.50%.
- (2) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (3) The changes in assumptions in fiscal 2020 were due to a decrease in the discount rate to 7.15% from 7.25% along with changes in the mortality tables.
- (4) The changes in assumption in fiscal 2021 were due to a decrease in the discount rate to 7.00% from 7.15%.
- (5) There were no changes in assumption in fiscal 2022 because the same discount rate as fiscal 2021 was used.
- (6) Reflects compensation in January 1 actuarial valuation for each fiscal year.
- (7) The covered payroll for fiscal 2020 reflects the compensation in the January 1, 2019 actuarial valuation.

GASB 68 Information for the Massachusetts Teachers' Retirement System
Pension Expense for Fiscal 2022 (1)
(in thousands)

Service cost	\$1,085,414
Interest	4,097,558
Employee contributions	(833,236)
Projected earnings on plan investments	(2,011,587)
Recognized portion of difference between expected and actual experience	14,273
Recognized portion of difference in projected and actual earnings on investments	(1,276,602)
Recognized portion of plan benefit changes	-
Recognized portion of assumption changes	758,705
Transfers and reimbursements from other systems	(71,195)
Member make up, redeposit and payments from rollovers	(17,498)
Other reimbursements	(3,234)
Administrative expense	21,783
Other changes (net)	<u>57,752</u>
Pension expense	<u>\$1,822,132</u>

SOURCE: Office of the Comptroller.

- (1) In conformance with GASB 68, pension valuation information as of June 30, 2021 was used in the ACFR for fiscal 2022.

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GASB 67 Information for the State Employees' Retirement System
Schedule of Changes in the Net Pension Liability and Related Ratios

Fiscal Year 2022 through 2018
(in thousands, except for percentages)

	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>
Total pension liability (as of July 1)	\$46,476,000	\$45,725,000	\$43,398,000	\$41,225,000	\$39,107,000
Service cost	981,998	968,648	963,828	897,600	856,200
Interest	3,223,993	3,243,594	3,124,187	2,965,890	2,852,239
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	160,909	(904,845)	336,183	303,066	102,008
Changes of assumptions (1), (2), (3), (4), (5)	-	101,000	442,000	434,000	622,000
Benefit payments, including refunds of member contributions	<u>(2,801,900)</u>	<u>(2,657,397)</u>	<u>(2,539,198)</u>	<u>(2,427,556)</u>	<u>(2,314,447)</u>
Net change in total pension liability	<u>1,565,000</u>	<u>751,000</u>	<u>2,327,000</u>	<u>2,173,000</u>	<u>2,118,000</u>
Total pension liability (as of June 30)	<u>\$48,041,000</u>	<u>\$45,476,000</u>	<u>\$45,725,000</u>	<u>\$43,398,000</u>	<u>\$41,225,000</u>
Plan fiduciary net position (as of July 1)	\$36,039,471	\$28,567,300	\$28,763,796	\$27,995,021	\$26,282,232
Contributions:					
Employers – Commonwealth and MassDOT	1,310,596	1,105,838	1,003,828	919,545	840,990
Non-employer contributions – Commonwealth	56,988	41,963	38,381	37,359	35,184
Employers and non-employers – other	11,454	13,352	9,718	10,191	9,564
ERIP funding contribution - Commonwealth	28,449	28,449	28,724	28,724	28,724
Plan members	693,853	652,911	659,015	632,730	600,705
Other additions	<u>138,957</u>	<u>90,879</u>	<u>90,944</u>	<u>104,765</u>	<u>118,124</u>
Total contributions	<u>2,240,297</u>	<u>1,933,392</u>	<u>1,830,610</u>	<u>1,733,314</u>	<u>1,633,291</u>
Net investment income	(1,297,464)	8,232,417	567,319	1,543,398	2,460,748
Benefit payments, including refunds of plan member contributions	(2,801,900)	(2,657,397)	(2,539,198)	(2,427,556)	(2,314,447)
Administrative expense	(14,461)	(21,685)	(18,089)	(15,853)	(16,369)
Other changes	<u>(34,817)</u>	<u>(14,556)</u>	<u>(37,138)</u>	<u>(64,528)</u>	<u>(50,434)</u>
Net change in plan fiduciary net position	<u>(1,908,345)</u>	<u>7,472,171</u>	<u>(196,496)</u>	<u>768,775</u>	<u>1,712,789</u>
Plan fiduciary net position (as of June 30)	<u>\$34,131,126</u>	<u>\$36,039,471</u>	<u>\$28,567,300</u>	<u>\$28,763,796</u>	<u>\$27,995,021</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$13,909,874</u>	<u>\$10,436,529</u>	<u>\$17,157,700</u>	<u>\$14,634,204</u>	<u>\$13,229,979</u>
Plan fiduciary net position as a percentage of the total pension liability	71.0%	77.5%	62.5%	66.3%	67.9%
Covered employee payroll (6), (7)	<u>\$6,651,010</u>	<u>\$6,354,475</u>	<u>\$6,354,473</u>	<u>\$6,354,473</u>	<u>\$6,155,194</u>
Net pension liability/(asset) as a percentage of covered employee payroll	209.1%	159.1%	270.0%	230.3%	214.9%

SOURCE: Office of the Comptroller.

- (1) The changes in assumptions in fiscal 2018 were due to (i) a decrease in the discount rate to 7.35% from 7.50% in the January 1, 2018 actuarial valuation and (ii) a change in the mortality assumption for disabled members.
- (2) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (3) The changes in assumptions in fiscal 2020 were due to a decrease in the discount rate to 7.15% from 7.25%.
- (4) The changes in assumptions in fiscal 2021 were due to a decrease in the discount rate to 7.00% from 7.15%.
- (5) There were no changes in assumption in fiscal 2022 because the same discount rate as fiscal 2021 was used.
- (6) Reflects compensation in the January 1 actuarial valuation for each fiscal year.
- (7) The covered payroll for fiscal 2020 reflects the compensation in the January 1, 2019 actuarial valuation.

GASB 68 Information for the State Employees' Retirement System
Pension Expense for Fiscal 2022 (1)
(in thousands)

Service cost	\$968,648
Interest	3,243,594
Employee contributions	(652,911)
Projected earnings on plan investments	(1,957,707)
Recognized portion of difference between expected and actual experience	(74,462)
Recognized portion of difference in projected and actual earnings on investments	(1,239,819)
Recognized portion of assumption change	362,316
Change in benefit terms	-
Transfers and reimbursements from other systems	(29,708)
Member make up, redeposit and payments from rollovers	(10,889)
COLA reimbursements	14,556
Other reimbursements	(32,282)
Administrative expense	21,685
Other expenses that do not reduce the total pension liability	<u>(18,000)</u>
Pension expense	<u>\$595,021</u>

SOURCE: Office of the Comptroller.

- (1) In conformance with GASB 68, pension valuation information as of June 30, 2021 was used in the ACFR for fiscal 2022.

Prospective Funded Status of the Pension System

The following tables project the funded status of the MSERS', the MTRS', the Boston teachers', and the Commonwealth's aggregate pension liabilities through fiscal 2027. Actuarial results reflect assumptions outlined in the January 1, 2022 actuarial valuation report, except as noted below. The fiscal 2023 assets are as of December 31, 2022. The 2022 actuarial valuation reflects a 7.0% investment return assumption. All projections are estimates and will vary based on actual investment returns and plan experience. The projections shown in the table assume that all assumptions will be realized exactly. The actuarially determined contributions reflect the funding schedule filed by the Secretary of Administration and Finance on January 13, 2023. Under the funding schedule, appropriations increase by 9.63% per year until fiscal 2028, with the remaining unfunded actuarial liability amortized on a 4.0% annual increasing basis thereafter until fiscal 2036. The allocations to individual retirement systems for fiscal 2022 and fiscal 2023 reflect the amounts identified in memoranda dated May 13, 2021 and May 10, 2022 respectively from the Executive Director of PERAC to the Secretary of Administration and Finance. The allocations to individual retirement systems for fiscal 2024 and beyond are estimated. Actuarial figures other than the actuarially determined contribution reflect January 1 estimates of the fiscal year shown.

The actuarial value of assets on January 1, 2022 was 90.0% of the market value of assets. The actuarial value of assets on January 1, 2023 is 105.2% of the market value of assets. The actuarial value of assets on January 1, 2024 is assumed to be 105.8% of the market value of assets. The actuarial value of assets on January 1, 2025 is assumed to be 105.0% of the market value of assets. The actuarial value of assets on January 1, 2026 is assumed to be 103.5% of the market value of assets. The actuarial value of assets on January 1, 2027 is assumed to be 100.0% of the market value of assets. The actuarial value of assets is projected using the history of PRIT Fund cash flows to estimate future cash flows.

The actuarial liability is projected from January 1, 2022 to January 1, 2023 using standard methodology. Projections beyond January 1, 2023 reflect the same percentage increase. Past projections used slightly decreasing percentage increases to reflect the impact of pension reform legislation enacted in 2011, as well as employee contribution increases as a percentage of pay.

The projected actuarially determined contribution (ADC) for MSERS, MTRS and Boston teachers for fiscal 2024 and beyond are estimated. The actual fiscal 2022 ADC for MSERS, MTRS and Boston teachers were provided in a memorandum dated May 13, 2021 from the Executive Director of PERAC to the Secretary of Administration and Finance. The actual fiscal 2023 ADC for MSERS, MTRS and Boston teachers were provided in a memorandum dated May 10, 2022 from the Executive Director of PERAC to the Secretary of Administration and Finance.

For the purpose of calculating the actuarially determined contribution as a percentage of total budgeted operating funds expenditures, the Executive Office for Administration and Finance used the 4.3% compound annual growth rate of budgeted revenues from fiscal 2011 to fiscal 2021, adjusted for one-time transfers to special appropriated funds. This does not represent an official forecast of the growth in Total Budgeted Expenditures and Other Uses by the Executive Office for Administration and Finance.

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Prospective Funded Status of the Pension System
(in millions, except for percentages) (1)

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Ratio(2)</u>	<u>ADC as a % of Total Budgeted Operating Funds Expenditures</u>
<u>MSERS (3)</u>						
2022	\$1,306	\$34,468	\$47,275	\$12,807	72.9%	2.0%
2023	1,437	35,080	48,825	13,745	71.8	2.1
2024	1,575	37,003	50,534	13,531	73.2	2.2
2025	1,727	38,551	52,303	13,752	73.7	2.4
2026	1,893	39,929	54,133	14,204	73.8	2.5
2027	2,075	40,572	56,028	15,456	72.4	2.6
<u>MTRS (3)</u>						
2022	\$1,882	\$35,570	\$60,308	\$24,738	59.0%	2.9 %
2023	2,070	36,537	62,264	25,727	58.7	3.1
2024	2,269	38,762	64,319	25,557	60.3	3.2
2025	2,488	40,631	66,411	25,810	61.2	3.4
2026	2,728	42,331	68,634	26,303	61.7	3.6
2027	2,991	43,258	70,899	27,641	61.0	3.7
<u>Boston Teachers (3)</u>						
2022	\$179	\$2,130	\$4,522	\$2,392	47.1%	0.3%
2023	197	2,215	4,671	2,456	47.4	0.3
2024	216	2,379	4,812	2,433	49.4	0.3
2025	237	2,522	4,956	2,434	50.9	0.3
2026	260	2,655	5,105	2,450	52.0	0.3
2027	285	2,741	5,258	2,517	52.1	0.4
<u>Aggregate Commonwealth Pension Obligations (4)</u>						
2022	\$3,415	\$72,168	\$112,195	\$40,027	64.3%	5.3%
2023	3,744	73,832	115,843	42,011	63.7	5.5
2024	4,105	78,143	119,740	41,597	65.3	5.8
2025	4,500	81,704	123,768	42,064	66.0	6.1
2026	4,933	84,916	127,934	43,018	66.4	6.4
2027	5,408	86,571	132,241	45,670	65.5	6.8

SOURCE: Executive Office for Administration and Finance and Public Employee Retirement Administration Commission.

- (1) Actuarial results reflect figures and assumption outlined in the January 1, 2022 Commonwealth Actuarial Valuation Report, with revisions to the investment return and mortality assumptions as noted above. Fiscal 2023 assets are as of December 31, 2022.
- (2) The Funded Ratio is equal to the Actuarial Value of Assets divided by the Actuarial Accrued Liability.
- (3) Fiscal 2023 and beyond are estimates.
- (4) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments.

PRIT Fund Investments

The mission of the PRIM Board is to manage the PRIT Fund so as to ensure that pension assets are well invested so that current and future benefit obligations are adequately funded in a cost-effective manner. The PRIM Board therefore seeks to maximize the total return on investment, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. Under current law and projections, by the year 2040 the PRIT Fund is expected to have grown, through annual payments in accordance with a legislatively approved funding schedule and through the total investment return of the fund, to an amount sufficient to meet the then existing pension obligations of the Commonwealth.

The PRIM Board recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The asset allocation plan adopted by the Board embodies its decisions about what proportions of the PRIT Fund are to be invested in global equity and fixed income securities, alternative investments such as real estate, private equity and portfolio completion strategies, and, where appropriate, the various sub-asset classes of each category. At reasonable intervals of not more than three to five years, the Board conducts a comprehensive review of its asset allocation plan and its underlying assumptions, including the Commonwealth's current and projected pension assets and liabilities, long-term capital markets rate of return assumptions, and the Board's risk tolerances. The comprehensive review identifies a reasonable time horizon and investment strategy for matching assets and liabilities, a fund-level total return target, and an optimal allocation among available asset classes and sub-asset classes. The Board examines the asset allocation plan annually and adjusts the plan as may be appropriate given the PRIT Fund's long-term nature and objectives. The target rate of return is 7.0%, which matches the investment return assumption adopted by PERAC on March 8, 2023. The PRIM Board does not determine this target rate of return, but this target rate of return is a key input into the PRIM Board's asset allocation decisions.

The actual asset allocation mix invariably deviates from the PRIT Fund's allocation targets due to market movement, cash flows, and manager performance. Material deviations from the asset allocation targets can alter the expected return and risk of the PRIT Fund. The following table sets forth the actual PRIT Fund asset allocation for each of the most recent five fiscal years, as well as the current target ranges. The actual allocation figures are as of June 30 for each of the years indicated. The target ranges are those contained in the asset allocation plan, which was most recently approved on February 16, 2023.

	PRIT Fund Asset Allocation					
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Target Ranges</u>
Global Equity	43.2%	42.0%	42.7%	37.3%	39.3%	32.0 – 42.0%
Core Fixed Income	13.6	15.7	15.3	14.5	13.3	12.0 – 18.0
Value-Added Fixed Income	7.9	7.5	6.9	6.8	7.1	5.0 – 11.0
Private Equity	11.3	11.4	14.5	18.4	17.4	13.0 – 19.0
Real Estate	9.4	9.2	8.3	10.6	10.9	7.0 – 13.0
Timber/Natural Resources	3.9	3.7	3.0	3.2	3.1	1.0 – 7.0
Portfolio Completion Strategies	10.0	9.7	8.3	8.6	8.4	7.0 – 13.0

SOURCE: Pension Reserves Investment Management Board.

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The following table sets forth the actual investment rates of return for the assets in the PRIT Fund for the last 10 fiscal years:

**PRIT Fund Rates of Return
(Gross of Fees)**

<u>Fiscal Year</u>	<u>Rate of Return</u>	<u>Fiscal Year</u>	<u>Rate of Return</u>
2023 (1)	6.01%	2018	9.97
2022	(2.95)	2017	13.20%
2021	29.91	2016	2.29
2020	2.38	2015	3.86
2019	6.12	2014	17.53
3yr annualized (1)		10.16%	
5yr annualized (1)		7.75%	
10yr annualized (1)		8.48%	

SOURCE: Pension Reserves Investment Management Board.

(1) Unaudited.

Other Post-Employment Benefit Obligations (OPEB)

In addition to providing pension benefits, the Commonwealth is statutorily required to provide certain health care and life insurance benefits (“other post-employment benefits” or “OPEB”) for retired employees of the Commonwealth, as well as retired employees of housing authorities, redevelopment authorities and certain other governmental agencies (offline agencies). Substantially all of the Commonwealth’s employees may become eligible for these benefits if they reach retirement age and eligibility while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies. (Although, as noted above, the Commonwealth is required to pay pensions to retired municipal teachers, the Commonwealth has no OPEB obligations with respect to retired municipal teachers.)

The GIC manages the Commonwealth’s OPEB for all state and certain agency employees and retirees. The GIC has representation on the Board of Trustees of the State Retiree Benefits Trust (SRBT). The SRBT is set up to pay for former state employees’ OPEB benefits and to invest state and certain municipalities funds that have been set aside to pay for OPEB benefits and the cost to administer those funds and can only be dissolved when all such health care and other non-pension benefits, current and future, have been paid or defeased.

The Commonwealth also oversees the management and administration of the Massachusetts Turnpike Authority Retiree Benefits Trust, which is restricted for OPEB benefits of the retirees of the former Massachusetts Turnpike Authority.

Employer and employee contribution rates are set by statute. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2020, Commonwealth participants contributed 10% to 25% of premium costs, depending on the date of hire and whether the participant is active, retiree or survivor status. See “COMMONWEALTH EXPENDITURES – Employee Benefits; *Group Insurance*.” According to the most recent actuarial valuation as of June 30, 2022, the GIC had 149,689 state enrollees as of January 1, 2022. As of that date, the Commonwealth was responsible for the OPEB liability of 132,659 of those enrollees and retirees.

In June 2015, the GASB issued two new standards that change the accounting and financial reporting for the Commonwealth’s OPEB obligations, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which was effective for fiscal 2017 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective for fiscal 2018. Under GASB 74, OPEB plans are required to discount retiree health care liabilities, based on a blend of 30-year municipal bond rates and the expected return for assets in the trust, “blended,” or weighted, by the funding level of the OPEB

trust relative to OPEB liabilities. In fiscal 2022, the rate of return for assets in the OPEB trust was assumed to be 7.00%, consistent with the rate used for the Commonwealth's pension trust, while the relevant municipal bond rate was 3.54%, resulting in a 4.30% blended discount rate, weighted towards the lower municipal bond rate due to the relatively low funding level of the OPEB trust in relation to the Commonwealth's OPEB liability. GASB 75 requires governments to report in their statements of net position (or balance sheet) a net OPEB liability, defined as the difference between the total OPEB liability (the present value of projected benefit payments to retirees for certain health care benefits based on past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to retirees or their beneficiaries. The new standard also requires recognition in the statement of activities of net OPEB expense. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to make projected benefit payments and the OPEB plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated general obligation municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. This statement is similar to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions*, which was first implemented in the ACFR for fiscal 2015.

The GASB 74 actuarial valuation for fiscal year ended June 30, 2022, which was issued on November 16, 2022, is available at: <https://www.macomptroller.org/commonwealth-actuarial-valuations>. According to the report, the Commonwealth's unfunded OPEB liability, assuming no pre-funding and using a discount rate of 4.30%, was approximately \$13.352 billion as of June 30, 2022.

The independent actuarial report covers only the Commonwealth's OPEB obligations for Commonwealth employees and their survivors. Municipalities and authorities of the Commonwealth, even if their health care coverage is administered by the Group Insurance Commission, perform their own valuations, as the Commonwealth acts only as an agent for the entities that participate in the GIC with respect to providing OPEB health insurance benefits and does not assume the risk or financial burden of their health care costs.

The State Retiree Benefits Trust Fund was created to consolidate the state's retiree funding efforts and better project future liabilities, and beginning in fiscal 2008, expenses for current state retirees' healthcare were paid from the fund. Also in fiscal 2008, the fund benefited from a one-time transfer of approximately \$329 million from the Health Care Security Trust. The fiscal 2012 budget included a requirement that, beginning in fiscal 2013, 10% of the annual tobacco settlement payments be transferred to the State Retiree Benefits Trust Fund, with the amount deposited to the State Retiree Benefits Trust Fund to increase by 10% increments annually thereafter until 100% of all payments would be transferred to that Fund, subject to such requirement being subsequently modified or waived by the Legislature. In fiscal 2018, 2019, 2020, 2021, 2022 and 2023 the required transfer was modified to 10%, 30%, 10%, 10%, 10% and 10% respectively, of annual tobacco settlement payments. The fiscal 2024 budget provides for the continued transfer of 10% of annual tobacco settlement payments. Commencing with fiscal 2014, the budget also included a provision that funded a portion of the scheduled transfer to the State Retiree Benefits Trust Fund from certain unspent appropriations, to the extent that they were available, with any balance to be made up through a transfer of tobacco settlement payments. State finance law also provides for annual deposits into the State Retiree Benefits Trust Fund in the amount of 5% of any capital gains tax revenues transferred to the Stabilization Fund in excess of the statutory capital gains threshold; however, legislation in fiscal 2020 suspended this requirement and all capital gains tax revenue was retained in the General Fund.

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The following table shows transfers to the State Retiree Benefits Trust Fund since fiscal 2014.

Transfers to State Retiree Benefits Trust Fund			
(in millions)			
<u>Fiscal Year</u>	<u>Unexpended Appropriations</u>	<u>Tobacco Settlement Proceeds</u>	<u>Capital Gains Tax Revenue</u>
2013	-	\$23.5	\$23.1
2014	56.4	15.0	2.3
2015⁽¹⁾	44.0	29.7	-
2016⁽²⁾⁽⁴⁾	77.3	-	-
2017⁽³⁾	25.4	-	-
2018	53.1	19.8	26.0
2019	38.9	32.1	42.4
2020⁽⁴⁾	23.0	-	-
2021	24.6	-	61.0
2022	-	-	108.1

Source: Office of the Comptroller.

- (1) Requirement to deposit 5% of capital gains tax revenues was suspended by Legislature for fiscal 2015.
- (2) The fiscal 2016 budget also included a provision that any shortfall in the scheduled amount be paid from a transfer of fiscal 2016 tax revenues exceeding \$100 million generated by a tax amnesty program that was also authorized in the fiscal 2016 budget, prior to transferring tobacco settlement proceeds.
- (3) Capital gains tax revenues did not exceed statutory capital gains threshold in fiscal 2017, therefore no deposit was made.
- (4) In fiscal years 2016 and 2020, the Commonwealth temporarily suspended the requirement to transfer 5% of capital gains tax collections above the threshold.

The plan net position as of June 30, 2022 was approximately \$1.988 billion.

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

Actuarial Valuation as of June 30 (1):	Plan Net Position	Total OPEB Liability	Net (Unfunded) OPEB Liability	Funded Ratio	Covered Payroll (4)	Net OPEB liability as % of Covered Payroll
2022	\$1,988,383	\$15,340,605	\$13,352,222	13.0%	\$5,772,086	231.3%
2021	1,910,940	17,910,405	15,999,465	10.7	5,594,324	286.0
2020	1,414,312	22,105,511	20,691,199	6.4	5,625,684	367.8
2019 (3)	1,368,548	19,662,106	18,293,558	7.0	5,491,215	333.1
2018 (3)	1,187,569	19,761,333	18,573,764	6.0	5,296,859	350.7
2017	996,407	18,480,936	17,484,529	5.4	5,259,298	332.4

Actuarial Valuation as of January 1 (2):	Actuarial Value of Plan Assets	Actuarial Liability	Accrued Unfunded Liability (UAAL)	Actuarial Ratio Covered	Funded Payroll (4)	Annual Covered Payroll as % of UAAL
2017	\$817,400	\$20,263,500	\$19,446,100	4.0%	\$5,259,298	369.7%
2016	760,400	17,082,900	16,322,500	4.5	5,792,288	281.8
2015	610,000	16,502,800	15,892,800	3.7	5,591,911	284.2
2014	511,200	15,670,200	15,159,000	3.3	5,344,500	283.6
2013	406,700	15,784,100	15,377,400	2.6	5,183,195	296.7
2012	360,500	16,559,400	16,298,900	2.2	4,922,388	331.1
2011	350,500	16,568,600	16,218,100	2.1	4,808,250	337.3
2010	309,800	15,166,300	14,856,500	2.0	4,711,563	315.3
2009	273,500	15,305,100	15,031,600	1.8	4,712,655	319.0
2008	-	9,812,000	9,812,000	0.0	4,574,233	214.5

SOURCE: Office of the Comptroller.

(1) Amounts are as of June 30 and prepared in accordance with GASB Statement No. 74, effective as of fiscal 2017.

(2) Amounts are as of January 1 and prepared in accordance with GASB Statement No. 43, which was replaced by GASB Statement No. 74.

(3) Certain amounts were restated due to errors in calculations during subsequent audit procedures as more fully described below.

(4) Fiscal 2017 through fiscal 2022 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable. Fiscal years prior to fiscal 2017 have not been restated and include such employees under funded payroll.

The following table shows the beginning and ending liabilities and assets for the State Retirees' Benefits Trust, as well as the unfunded OPEB liability, or net OPEB liability (NOL), with the NOL being the amount that the Commonwealth records on its Statement of Net Position as its unfunded OPEB liability, as required by GASB Statements No. 74 and No. 75, and as shown in the Audited Financial Statements for each fiscal year. The table also shows the components of the change in the NOL between the beginning (July 1) and end (June 30) for fiscal years 2018 to 2022.

During the audit of the GASB 75 report as of the June 30, 2019 measurement date, the Commonwealth's predecessor independent auditors, KPMG, noted errors in the total OPEB liability and the net OPEB liability as calculated by a third party actuarial firm. These errors included incorrect total and net OPEB liabilities dating back to the June 30, 2018 measurement date. The information in the following GASB 74 and 75 tables reflects the restated amounts. These restated amounts are reported in the Audited Financial Statements for fiscal 2020.

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

Fiscal Years 2022 through 2018
(in thousands, except for percentages)

	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>	<u>Fiscal 2019 (5)</u>	<u>Fiscal 2018 (5)</u>
Total OPEB liability (as of July 1)	\$17,910,405	\$22,105,511	\$19,662,106	\$19,761,333	\$18,480,936
Service cost	774,039	992,669	785,689	806,023	792,135
Interest	510,542	521,143	732,808	796,880	691,630
Differences between expected and actual experience	(16,054)	(2,926,517)	(600,057)	715,192	218,891
Changes of assumptions (1), (2), (3)	(3,328,161)	(2,297,649)	2,050,139	(1,935,139)	21,504
Benefit payments, including refunds of member contributions	<u>(510,166)</u>	<u>(484,752)</u>	<u>(525,174)</u>	<u>(482,183)</u>	<u>(443,763)</u>
Net change in total OPEB liability	<u>(2,569,800)</u>	<u>(4,195,106)</u>	<u>2,443,405</u>	<u>(99,227)</u>	<u>1,280,397</u>
Total OPEB liability, June 30	<u>\$15,340,605</u>	<u>\$17,910,405</u>	<u>\$22,105,511</u>	<u>\$19,662,106</u>	<u>\$19,761,333</u>
Plan fiduciary net position, July 1	\$1,910,940	\$1,414,312	\$1,368,548	\$1,187,569	\$996,407
Contributions:					
Employer	660,800	569,989	547,611	594,916	542,896
Other additions	<u>175</u>	<u>200</u>	<u>122</u>	<u>188</u>	<u>133</u>
Total contributions	<u>660,975</u>	<u>570,189</u>	<u>547,733</u>	<u>595,104</u>	<u>543,029</u>
Net investment income/(loss)	<u>(73,126)</u>	<u>411,438</u>	<u>23,380</u>	<u>68,229</u>	<u>93,308</u>
Benefit payments, including refunds of plan member contributions	(510,166)	(484,752)	(525,174)	(482,183)	(443,763)
Administrative expense	(240)	(247)	(175)	(171)	(150)
Other changes		=	=	=	<u>(1,262)</u>
Net change in plan fiduciary net position	<u>77,443</u>	<u>496,628</u>	<u>45,764</u>	<u>180,979</u>	<u>191,162</u>
Plan fiduciary net position, June 30	<u>\$1,988,383</u>	<u>\$1,910,940</u>	<u>\$1,414,312</u>	<u>\$1,368,548</u>	<u>\$1,187,569</u>
Plan net OPEB liability - June 30	<u>\$13,352,222</u>	<u>\$15,999,465</u>	<u>\$20,691,199</u>	<u>\$18,293,558</u>	<u>\$18,573,764</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.0%	10.7%	6.4%	7.0%	6.0%
Covered payroll (4)	<u>\$5,772,086</u>	<u>\$5,594,324</u>	<u>\$5,625,684</u>	<u>\$5,491,215</u>	<u>\$5,296,859</u>
Net OPEB liability as a percentage of covered employee payroll	231.3%	286.0%	367.8%	333.1%	350.7%

SOURCE: Office of the Comptroller.

- (1) The change in assumptions in fiscal 2018 was due to (i) a change in base OPEB rates for medical services and prescriptions, (ii) a decrease in the healthcare trend rate from 8.5% to 8.0%, (iii) a change in mortality for disabled members and (iv) an increase of the discount rate from 3.63% to 3.95%.
- (2) The change in assumptions in fiscal 2019 was due to (1) a change in base OPEB rates for medical services and prescriptions, (ii) a decrease in the healthcare trend rate from 8.0% to 7.5%, (iii) a change in medical plan election rates, (iv) a change in future retirees' plan participation rates and (v) a decrease in the discount rate from 3.95% to 3.69%.
- (3) The change in assumptions in fiscal 2020 was due to (i) removal of the excise tax, (ii) an update of the per capita claims costs, (iii) an update of the medical trend rate based on the SOA-Getzen trend rate model version 2020_b, (iv) change in the salary scale to be consistent with that of SERS, (v) a change in future retirees' plan participation rates, (vi) a change in medical plan election rates and (vii) a decrease in the discount rate from 3.63% to 2.28%.
- (4) Fiscal 2017 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable.
- (5) Certain amounts were restated due to errors in calculations during subsequent audit procedures as more fully described in the paragraph preceding the table.

The following tables show OPEB expenses that are recognized in the ACFR for fiscal 2022 pursuant to GASB 75, as well as the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2022 or are deferred and projected to be recognized in the ACFR for future fiscal years. Under GASB 75, in order to provide adequate time for OPEB plans to distribute OPEB-related information to plan participants (which include state authorities) for use in their annual audited financial statements, governments are permitted to use the prior year's NOL and other OPEB-related measures in the audited financial statements for the current year. In conformance with GASB 75, OPEB valuation information as of June 30, 2021 is used in the ACFR for fiscal 2022. Additional information regarding the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2022 or are deferred and projected to be recognized in the ACFRs for future fiscal years is in Note 10D to Basic Financial Statements to the ACFR for fiscal 2022. See "SELECT FINANCIAL DATA – GAAP Basis – Financial Reports."

GASB 75 Information for the State Retirees' Benefit Trust
Schedule of Changes in Net OPEB Liability and Related Ratios
(in thousands)

OPEB Expense for Fiscal 2022 (1)

Service cost	\$992,669
Interest on the total OPEB liability	521,143
Projected earnings on plan investments	(104,116)
Recognized portion of difference between expected and actual experience	(458,210)
Recognized portion of difference in projected and actual earnings on investments	(53,067)
Recognized portion of assumption change	(789,785)
Administrative expense	247
Other changes, net	<u>(200)</u>
OPEB Expense	<u>\$108,681</u>

SOURCE: Office of the Comptroller.

(1) In conformance with GASB 75, OPEB valuation information as of June 30, 2021 was used in the ACFR for fiscal 2022.

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COMMONWEALTH CAPITAL INVESTMENT PLAN

The Executive Office for Administration and Finance annually updates its five-year capital investment plan on a rolling basis. The five-year plan coordinates capital expenditures by state agencies and authorities that are funded primarily by Commonwealth debt and federal reimbursements.

The Executive Office for Administration and Finance also sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the “bond cap,” is to keep Commonwealth debt within affordable levels. On June 22, 2023, the Governor announced the five-year capital investment plan for fiscal years 2024 through 2028 (FY24-28 CIP), with an administrative bond cap of \$2.905 billion for fiscal 2024. This represents a 4.5% increase over the administrative bond cap recommendation in fiscal 2023.

Actual capital spending is subject to variance from budget due to the nature of capital projects and the programs comprising the plan. In addition, the debt affordability analysis and the assumptions and methodology that inform the analysis are subject to periodic review and are updated annually. These and other factors are expected to affect the later years of the current five-year plan.

Fiscal 2024 Capital Budget

The following table shows the allocation of administrative bond cap spending by agency and the allocation of total capital spending from all sources of funding for fiscal 2024, as contained in the FY24-28 CIP.

Fiscal 2024 Capital Budget
(in millions)

<u>Agency</u>	<u>Bond Cap</u>	<u>Project-Financed</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total</u>
Administration and Finance	\$72.1	\$10.0	\$ -	\$36.1	\$118.2
Capital Asset Management	614.4	22.7	48.8	35.0	720.8
Economic Development	241.8	-	1.0	30.8	273.6
Education	25.9	-	-	2.0	27.9
Energy and Environmental Affairs	312.8	-	220.2	51.1	584.1
Housing and Livable Communities	307.5	-	-	-	307.5
Public Safety	30.6	6.3	0.8	-	37.6
Technology Services and Security	162.5	90.9	123.8	43.5	420.8
MassDOT	<u>1,137.5</u>	<u>-</u>	<u>1,120.2</u>	<u>759.8</u>	<u>3,017.6</u>
Total (1)	\$2,905.0	\$130.0	\$1,514.7	\$958.4	\$5,508.1

SOURCE: Executive Office for Administration and Finance as of June 22, 2023.

(1) Totals may not add due to rounding.

Climate Change Risk Mitigation

The State Hazard Mitigation and Climate Adaptation Plan resulting from Executive Order No. 569: Establishing an Integrated Climate Change Strategy for the Commonwealth (Executive Order), issued by then Governor Baker on September 16, 2016, provided a basis for the Commonwealth’s efforts to prioritize climate adaptation capital projects included in the fiscal 2021 capital budget. The Executive Order directs the Executive Office of Energy and Environmental Affairs (EEA) and the Executive Office of Public Safety and Security to publish a statewide climate adaptation plan that includes strategies designed to enhance climate adaptation, build resilience and mitigate climate change, and which incorporates information from vulnerability assessments undertaken by the Executive Offices and their agencies for critical assets and programs and by the cities and towns in the Commonwealth.

Pursuant to the Executive Order, the Commonwealth established the Municipal Vulnerability Preparedness (MVP) grant program in 2017 to provide support for cities and towns in Massachusetts to begin the process of planning and adapting for resiliency. Under the MVP planning program, the Commonwealth awards funding to communities to complete vulnerability assessments and develop resiliency project implementation plans. Communities that complete the MVP planning program become designated as an MVP community and are eligible for follow-up MVP Action grant funding to implement the actions identified in their resiliency plans.

In fulfillment of the Executive Order, the Commonwealth adopted the State Hazard Mitigation and Climate Adaptation Plan on September 17, 2018. The plan integrates climate change impacts and adaptation strategies with hazard mitigation planning. The plan also complies with current federal requirements for state hazard mitigation plans and maintains the Commonwealth's eligibility for federal disaster recovery and hazard mitigation funding under the Stafford Act. An update of the five-year plan is underway and is scheduled for release in September 2023.

In March 2021, then Governor Baker signed into law "An Act Creating A Next-Generation Roadmap for Massachusetts Climate Policy" that establishes a 2030 limit of at least a 50% reduction in greenhouse gas (GHG) emissions below the 1990 GHG emissions baseline and requires the Secretary of EEA to set interim emissions limits and sector-specific sublimits every five years. In accordance with this law, the Secretary released the Commonwealth's Clean Energy and Climate Plan for 2025 and 2030 (2025/2030 CECP) on June 30, 2022. The 2025/2030 CECP is a comprehensive plan to achieve a 33% percent reduction in GHG emissions in 2025 and a 50% reduction in 2030, and to maximize the Commonwealth's ability to achieve Net Zero in 2050. The 2025/2030 CECP highlights that Massachusetts will achieve its emissions limits and sublimits through two overarching approaches: (i) electrify non-electric energy uses; and (ii) decarbonize the electricity system. In this regard, the plan aims to increase transportation and energy systems' efficiency to reduce energy costs and the costs of transition. Development of the 2025/2030 CECP was informed by the 2050 Decarbonization Roadmap that the Administration released in December 2020, along with updated analyses, and includes key strategies, policies, and actions to put the Commonwealth on a pathway to achieving Net Zero GHG emissions.

On August 11, 2022, then Governor Baker signed into law "An Act driving clean energy and offshore wind" that enacts several new climate change measures, including those aimed at renewable energy and reducing transportation sector GHG emissions. Key components of the law include new program and funding initiatives to invest in offshore wind, and the implementation of policies and programs to promote electric-vehicle adoption, including a prohibition on the sale of any new vehicle that is not a zero-emission vehicle as of the date the Secretary of EEA certifies in writing to the Secretary of State that a similar requirement regarding the sale of zero-emission vehicles has taken effect in the state of California, provided that this prohibition will not take effect prior to January 1, 2035.

On January 6, 2023, Governor Healey signed Executive Order N. 604 establishing the position of Climate Chief and creating an Office of Climate Innovation and Resilience within the Governor's Office. The Office of Climate Innovation and Resilience is charged with harnessing all of the resources and authority available to the Governor and the executive department to advance the Commonwealth's climate innovation, mitigation, adaptation and resilience policies. The Climate Chief is required to conduct a comprehensive review of current staffing, policymaking and resources of all Secretariats to support a whole-of-government approach to addressing climate change and provide initial recommendations for achieving the Commonwealth's climate goals. The Climate Chief's report is in process but its release date is not yet known.

For a discussion of the climate risks facing the Commonwealth, see Exhibit A – Statement of Economic Information.

Sources of Capital Investment

The different sources of funding for the capital program, as reflected in the Fiscal 2024 Capital Budget table, include:

Administrative Bond Cap:	Commonwealth general obligation borrowing to support the regular capital program. The administrative bond cap is reviewed and subject to revision annually.
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Project Financed:	General obligation bonds, the debt service for which is supported by savings or revenue related to the project; for example, energy efficiency improvements to Commonwealth facilities, the capital costs for which are expected to be reimbursed through operating savings as a result of reduced energy consumption.
Federal Funds:	Federal reimbursements for capital expenditures.
Other Funds:	<p><i>Accelerated Bridge Program (ABP)</i> – Commonwealth special obligation bonds secured by revenues credited to the Commonwealth Transportation Fund (CTF) or federal grant anticipation notes secured by federal highway reimbursements issued to fund capital improvements to structurally deficient bridges through the ABP.</p> <p><i>Rail Enhancement Program (REP)</i> – Commonwealth special obligation bonds to be secured by revenues credited to the CTF to finance certain transit infrastructure projects through the REP, previously referred to as Special Obligation Transit Bonds.</p> <p><i>Pay-As-You-Go</i> – Funding from current revenue for capital projects, including toll revenue.</p> <p><i>Third Party Contributions</i> – Made by third parties to capital projects being carried out by the Commonwealth, including the I-Cubed program, contributions from campuses for higher education projects, matching funds from cities and towns, and capital projects funded by assessments.</p> <p><i>Next Generation Bridge GANs</i> – Borrowing backed by federal highway grant anticipation notes (GANs) to support the MassDOT Highway Division’s bridge program.</p>

The FY24-28 CIP increases state funding to capitalize on federal funds provided through the federal Bipartisan Infrastructure Law (BIL) and fully leverage opportunities to capture additional federal funding for infrastructure projects, including highway and bridge work. Governor Healey’s Administration actively is reviewing ways in which the Commonwealth can aggressively compete for and maximize the leveraging of available federal funding, including through the BIL, as it becomes available, for a variety of infrastructure projects. The Commonwealth’s matching funds may be provided through a number of sources, including those listed above.

Historical Capital Investment

The Commonwealth aggregates its capital expenditures into seven major categories based primarily on the agencies responsible for spending and carrying out capital projects: information technology, infrastructure and facilities, environment, housing, public safety, transportation and other. The following table sets forth capital spending in fiscal 2018 through fiscal 2022 according to these categories.

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Commonwealth Historical Capital Spending
(in millions) ⁽¹⁾

Investment Category:	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>
Information technology	\$185	\$174	\$94	\$107	\$135
Infrastructure/facilities	417	441	399	438	506
Environment	217	210	222	233	328
Housing	242	253	197	218	278
Public safety	18	19	17	-	7
Transportation	1,889	1,869	2,030	2,048	1,625
Other	<u>280</u>	<u>294</u>	<u>211</u>	<u>177</u>	<u>269</u>
Total	<u>\$3,248</u>	<u>\$3,260</u>	<u>\$3,170</u>	<u>\$3,225</u>	<u>\$3,148</u>

SOURCE: Office of the Comptroller.

(1) Includes all spending funded by capital appropriations, including General Obligation Bonds, Special Obligation Bonds, project financing, and federal reimbursement spending.

Debt Affordability Policy

The Executive Office for Administration and Finance established a debt affordability policy for the Commonwealth in fiscal 2009. Pursuant to the policy, the Executive Office for Administration and Finance has set an annual borrowing limit at a level designed to keep debt service on the Commonwealth's direct debt within 8% of budgeted revenues. The policy also limits future annual growth in the administrative bond cap for the regular capital program to not more than \$125 million. For a discussion on the established statutory debt limit on direct debt, see "LONG-TERM LIABILITIES – General Authority to Borrow; *Statutory Limit on Direct Debt*."

For the purposes of the debt affordability analysis, debt service includes programs expected to be funded both within and outside of the bond cap, including principal and interest payments on all general obligation debt, special obligation bonds secured by a specified portion of the motor fuels excise tax, special obligation bonds issued to fund the Accelerated Bridge Program and the Rail Enhancement Program, general obligation contract assistance payment obligations, and budgetary contract assistant payment obligations on certain capital lease financings.

Budgeted revenue includes all Commonwealth taxes and other revenues available to pay Commonwealth operating expenses, including debt service, pensions and other budgetary obligations. It does not include off-budget revenues dedicated to the MBTA, the MSBA and the Massachusetts Convention Center Authority. This inclusive definition ensures that while some programs are expected to be funded outside of the bond cap, the related debt service costs of the programs should be fully accounted for under the debt affordability policy in setting the bond cap at appropriate limits.

Capital Debt Affordability Committee

The Capital Debt Affordability Committee was established by legislation in 2012 for the purposes of reviewing on a continuing basis the amount and condition of the Commonwealth's tax-supported debt, as well as the debt of certain state authorities. The Committee is responsible for providing an estimate of the total amount of new Commonwealth debt that can prudently be authorized for the next fiscal year, taking into account certain criteria, to the Governor and Legislature on or before December 15 of each year. The Committee develops illustrative models to evaluate certain assumptions and considerations in accordance with statutory provisions designed to inform its recommendations. The Committee's estimates are advisory and not binding on the Governor or the Legislature. The Legislature is responsible for authorizing Commonwealth debt. The Governor determines the total amount of capital spending for each fiscal year and the amount of new Commonwealth debt that she considers advisable to finance such spending. The Committee consists of seven voting members, including the Secretary of Administration and Finance (who chairs the Committee), the State Treasurer, the Comptroller, the Secretary of Transportation, one appointee of the Governor and two appointees of the State Treasurer. The Committee also includes non-voting, legislative leaders, including the House and Senate chairs and the ranking minority members of the Committees on Bonding, Capital Expenditures and State Assets, and the Committees on Ways and Means.

On December 14, 2022, the Capital Debt Affordability Committee submitted to then Governor Baker and the Legislature the Committee's advisory estimate of the total amount of new Commonwealth debt that prudently

may be authorized for fiscal 2024. The Committee determined that \$2.905 billion of general obligation debt may prudently be issued by the Commonwealth for fiscal 2024. This amount represents an increase of 4.5% or \$125 million, over the Committee's recommended bond cap for fiscal 2023.

Cybersecurity

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

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

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

To ensure that the Commonwealth's IT investments are guided by a strategic planning process, EOTSS created an IT Investment Advisory Board, comprising security, IT and business operation executives from across state government to review IT capital proposals and projections. Additionally, the CCIO maintains authority and oversight over all Executive Branch IT planning, procurement, and projects. Agencies are obligated to report on these matters to the CCIO on an annual basis. The fiscal 2024 capital budget includes \$162 million of bond cap for EOTSS.

On December 14, 2022 then Governor Baker signed Executive Order No. 602 to establish the Massachusetts Cyber Incident Response Team (MA-CIRT) led by the Secretary of EOTSS. MA-CIRT was established with the mission of enhancing the Commonwealth's ability to prepare for, respond to, mitigate against and recover from significant cybersecurity threats. Under the direction of the EOTSS Secretary, the formation of MA-CIRT convenes cybersecurity and public safety experts from across state government to strengthen the Commonwealth's ability to prevent attacks increase cybersecurity resiliency.

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

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

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LONG-TERM LIABILITIES

General Authority to Borrow

Under its constitution, the Commonwealth may borrow money (a) for defense or in anticipation of receipts from taxes or other sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (b) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. The constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the Commonwealth may give, loan or pledge its credit by a two-thirds vote of the members of each house of the Legislature present and voting thereon, but such credit may not in any manner be given or loaned to or in aid of any individual, or of any private association, or of any corporation which is privately owned or managed.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, which includes bonds and notes issued by it and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for payment of principal of or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to states.

Commonwealth Debt. The State Treasurer is statutorily responsible for the borrowing needs of the Commonwealth, including short-term cash flow needs and long-term borrowing needs for the capital budget. Borrowing is accomplished through the sale of short-term notes and long-term bonds. The Commonwealth is authorized to issue three types of direct debt – general obligation debt, special obligation debt and federal grant anticipation notes. General obligation debt is secured by a pledge of the full faith and credit of the Commonwealth. See “General Obligation Debt” below. Special obligation debt may be secured either with a pledge of receipts credited to the Commonwealth Transportation Fund (formerly the Highway Fund) or with a pledge of receipts credited to the Convention Center Fund. See “Special Obligation Debt” below. Federal grant anticipation notes are secured by a pledge of federal highway construction reimbursements. See “Federal Grant Anticipation Notes” below.

Other Long-Term Liabilities. The Commonwealth is also authorized to pledge its credit in aid of and provide contractual support for certain independent authorities and political subdivisions within the Commonwealth. These Commonwealth liabilities are classified as general obligation contract assistance liabilities or contingent liabilities. In addition, the Commonwealth is authorized to pledge its credit in support of scheduled, periodic payments to be made by the Commonwealth under interest rate swaps and other hedging agreements related to bonds or notes of the Commonwealth.

General obligation contract assistance liabilities arise from statutory requirements for (i) payments by the Commonwealth to the Massachusetts Clean Water Trust, MassDOT and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds and (ii) payments from the Social Innovation Financing Trust Fund on “pay for success” contracts, as described below. Such liabilities constitute a pledge of the Commonwealth’s credit for which a two-thirds vote of the Legislature is required. See “General Obligation Contract Assistance Liabilities” below.

Contingent liabilities relate to debt obligations of certain independent authorities and agencies of the Commonwealth that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These liabilities consist of guaranties and similar obligations with respect to which the Commonwealth’s credit has been or may be pledged, as in the case of certain debt obligations of the MBTA (pre-2000), the Woods Hole, Martha’s Vineyard and Nantucket Steamship Authority, regional transit authorities, and the higher education building authorities. The Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth’s credit has not been pledged, as in the case of the Commonwealth’s obligation to fund debt service, solely from moneys otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued

by the former Massachusetts Health and Educational Facilities Authority (now the Massachusetts Development Finance Agency) and the Massachusetts State College Building Authority. See “Contingent Liabilities” below.

Statutory Limit on Direct Debt. Since December, 1989, state finance law has included a limit on the amount of outstanding “direct” bonds of the Commonwealth. For fiscal 2012, the debt limit was \$18.944 billion under the statute in place during fiscal 2012. In August 2012, state finance law was amended, effective January 1, 2013, to specify that the debt limit be calculated for fiscal years starting in fiscal 2013 using a fiscal 2012 base value of \$17.070 billion and increasing the limit for each subsequent fiscal year to 105% of the previous fiscal year’s limit. Based on this calculation, the statutory limit on “direct” bonds during fiscal 2023 is \$29.195 billion. Prior to June 10, 2013, this limit was calculated using a statutory definition that differed from GAAP in that the principal amount of outstanding bonds included the amount of any premium and was measured net of any discount, costs of issuance and other financing costs (“net proceeds”). On June 10, 2013, state finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal outstanding, a change that brings the outstanding debt definition in conformance with GAAP.

The debt limit law provides that bonds to be refunded from the proceeds of Commonwealth refunding bonds are to be excluded from outstanding “direct” bonds upon the issuance of the refunding bonds. Pursuant to special legislation enacted over the years, certain outstanding Commonwealth debt obligations are not counted in computing the amount of bonds subject to the limit, including Commonwealth refunding/restructuring bonds issued in September and October, 1991, federal grant anticipation notes, bonds issued to pay operating notes issued by the MBTA or to reimburse the Commonwealth for advances to the MBTA, bonds payable from the Central Artery and Statewide Road and Bridge Infrastructure Fund, bonds issued to finance the MSBA, bonds issued to finance the Commonwealth’s Accelerated Bridge Program and Rail Enhancement Program and bonds issued with respect to the unemployment insurance trust fund.

The outstanding Commonwealth debt, the amounts of such outstanding debt excluded from the statutory debt limit, the net amounts of such outstanding Commonwealth debt subject to the statutory debt limit and the statutory debt limit as of the end of each of the last five fiscal years are shown in the following table on a statutory basis.

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Calculation of the Debt Limit
(in thousands)

	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023 (4)</u>
Total principal balance	\$27,739,221	\$28,098,890	\$29,048,457	\$29,335,406	\$29,345,660
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)					
Accelerated bridge program	(1,665,205)	(1,663,350)	(1,555,219)	(1,537,604)	(1,507,359)
Rail enhancement program (2)	(1,104,610)	(1,260,565)	(1,637,221)	(1,958,461)	(1,928,881)
Federal grant anticipation notes (1)	(684,745)	(662,270)	(582,550)	(478,235)	(389,675)
MBTA forward funding	(207)	(207)	(207)	(207)	(207)
Transportation Infrastructure Fund	(1,013,492)	(945,574)	(847,789)	(691,378)	(618,232)
School Building Assistance (SBA)	(574,902)	(496,936)	(430,926)	(337,411)	(242,630)
Outstanding direct debt, principal (3)	\$22,087,495	\$22,510,443	\$23,486,513	\$23,878,435	\$24,232,443
Statutory Debt Limit	\$24,019,204	\$25,220,164	\$26,481,173	\$27,805,231	\$29,195,493

SOURCE: Office of the Comptroller.

- (1) Includes federal grant anticipation notes issued as crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.
- (2) Exempt from the statutory debt limit, effective August 10, 2016.
- (3) Includes accretion of capital appreciation bonds.
- (4) Amounts for fiscal 2023 are preliminary and unaudited.

General Obligation Debt

As of June 30, 2023, the Commonwealth had \$25.0 billion in general obligation bonds outstanding, of which \$24.0 billion, or 96.1% was fixed rate debt and \$967.3 million, or 3.9%, was variable rate debt. As of June 30, 2023, \$20.9 billion, or 83.6%, of the Commonwealth's general obligation debt was tax-exempt and \$4.1 billion, or 16.4%, was taxable.

For the purpose of reporting general obligation debt outstanding and variable rate debt outstanding, future compounded interest on the Commonwealth's variable rate "U. Plan" College Opportunity Bonds (COBS), as discussed in greater detail below, is included as debt outstanding. Any outstanding bond anticipation notes, or revenue anticipation notes, as more fully described below, are not reported in general obligation debt outstanding calculations.

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The Commonwealth's outstanding general obligation variable rate debt as of June 30, 2023, consists of direct purchase agreements in various interest rate modes (\$677.2 million) and college opportunity bonds (\$157.7 million). As of June 30, 2023 the Commonwealth also had outstanding approximately \$132.4 million of LIBOR floating rate bonds, which were refunded in July 2023.

As of June 30, 2023, the Commonwealth had outstanding approximately \$157.7 million (\$82.0 million of original principal and including a discount equal to \$75.7 million) of variable rate COBS, sold in conjunction with a college savings program administered by the Massachusetts Educational Financing Authority (MEFA), which bear deferred interest at a rate equal to the percentage change in the consumer price index plus 2%, together with current interest at the rate of 0.5%. This debt is held directly by MEFA and has no secondary market. The Commonwealth expects to issue an additional \$7.1 million in COBs in September 2023.

The Commonwealth is authorized to issue short-term general obligation debt as revenue anticipation notes or bond anticipation notes. Fixed-rate revenue anticipation notes (RANs) may be issued by the State Treasurer annually in anticipation of revenue receipts for the same fiscal year. Revenue anticipation notes must be repaid no later than the close of the fiscal year in which they are issued. Bond anticipation notes may be issued by the State Treasurer in anticipation of the issuance of bonds, including, in some circumstances, special obligation bonds. See "Special Obligation Debt" below. As of June 30, 2023, the Commonwealth did not have any RANs outstanding. The Commonwealth does not anticipate issuing RANs for fiscal year 2024.

Special Obligation Debt

Commonwealth Transportation Fund. Section 20 of Chapter 29 of the General Laws, as amended, authorizes the Commonwealth to issue special obligation bonds secured by all or a portion of revenues accounted to the Commonwealth Transportation Fund (formerly the Highway Fund). Revenues which are accounted to the Commonwealth Transportation Fund are primarily derived from taxes and fees relating to the operation or use of motor vehicles in the Commonwealth, including the motor fuels excise tax and registry of motor vehicles fees. In addition, a portion of the Commonwealth's receipts from the sales tax is dedicated to the Commonwealth Transportation Fund (see "COMMONWEALTH REVENUES – State Taxes; Sales and Use Tax"), as is the underground storage tank petroleum cleanup fee to the extent it exceeds \$30 million, and state finance law currently provides for a series of substantial transfers from the General Fund to the Commonwealth Transportation Fund through fiscal 2020; none of the sales tax receipts or General Fund transfers has been pledged to secure Commonwealth special obligation bonds.

Pursuant to Chapter 233 of the Acts of 2008, as it may be amended from time to time (the Accelerated Bridge Program Act), the Commonwealth commenced a program in 2010 to finance the accelerated capital improvements of bridges and related infrastructure. The Accelerated Bridge Program Act authorized the aggregate issuance of \$2.984 billion of special obligation bonds secured by revenues in the Commonwealth Transportation Fund (CTF Bonds) and federal highway grant anticipation notes (GANs) to finance the design, construction, reconstruction, and repair of or improvements to bridges and approaches. As of June 30, 2023, the Commonwealth has financed \$2.980 billion of projects for the Accelerated Bridge Program with \$1.887 billion from CTF Bonds and \$1.093 billion from GANs.

The GANs are secured by reimbursements received or to be received by the Commonwealth, acting through MassDOT, from the federal government pursuant to the federal-aid highway program. Additionally, the GANs are secured by a back-up pledge of net amounts in the Commonwealth Transportation Fund after application of such amounts in accordance with the trust agreement securing the CTF Bonds. The Commonwealth has and expects to continue to pay interest on the GANs supporting the ABP from state appropriations. As of June 30, 2023, \$389.7 million of GANs were outstanding.

Section 20 of Chapter 79 of the Acts of 2014 authorized the issuance of up to \$6.7 billion in general obligation debt, special obligation debt, or a combination of both, for the purpose of funding significant rail improvement projects of MassDOT, for the benefit of the MBTA and for other Rail Enhancement Program (REP) projects.

As of June 30, 2023, the Commonwealth had outstanding approximately \$3.4 billion of CTF Bonds, which are secured by a pledge of registry fees and a specified portion of the motor fuels excise tax, \$1.5 billion of which have been issued in support of the ABP and \$1.9 billion of which have been issued in support of the REP. The Commonwealth expects to issue an additional \$500 million of CTF Bonds in October 2023.

Chapter 383 of the Acts of 2020 (Transportation Bond Bill or Chapter 383), authorized approximately \$16.2 billion of total capital authorization to improve the Commonwealth's transportation infrastructure. Chapter 383 provides substantial flexibility for borrowing to be issued as either general obligation bonds or special obligation bonds, depending on market conditions and the most effective borrowing strategies for the Commonwealth. Included in the \$16.2 billion total authorization is \$5.1 billion to support the MBTA, which is proposed as CTF Bonds, although such authorization also is eligible to be issued as general obligation bonds. Also included is authorization for \$1.25 billion of GANs to fund repairs, rehabilitation or replacement of the Commonwealth's bridges. The new GANs will provide funding to increase the level of annual funding to help achieve long-term bridge condition targets. An additional \$5.48 billion is authorized for highway, rail and transit, planning and multi-modal transportation, aeronautics safety and modernization, transportation IT, and grant programs and local projects, and is eligible to be issued as either general obligation bonds or special obligation bonds. The remaining authorization includes \$4.4 billion for federally aided highway projects, with \$880 million eligible to be issued as either general obligation or special obligation bonds.

On August 10, 2022, "An Act Relative to Massachusetts' Transportation Resources and Climate" (MassTRAC) was signed into law. MassTRAC authorizes a total of approximately \$11.375 billion of expenditures to support significant investments in the Commonwealth's roads, bridges, railways, transit agencies, and environmental infrastructure, including investments made possible by the federal Bipartisan Infrastructure Law (BIL) enacted in November 2021. MassTRAC allows MassDOT, the MBTA, and the Executive Office of Energy and Environmental Affairs to continue work supported by recent transportation and environmental bond bills, while also allowing the Commonwealth to take advantage of the historic increase in federal funding provided in the BIL. MassTRAC includes approximately \$6.279 billion in authorization to support the Commonwealth's core programs for Highway, Rail, Transit, Aeronautics, Planning and Shared Services, and Energy and Environmental Affairs. This authorization does not factor in anticipated federal reimbursements, which would reduce the amount of bonds needed to fund planned projects. MassTRAC also includes \$3.5 billion to support the pursuit of federal discretionary and competitive grant program funding, as well as \$400.0 million in authorization to support capital projects that improve safety of the MBTA's transit assets and address findings identified during the Federal Transit Administration's safety management inspection of the MBTA, \$275.0 million in authorization for investments in the East-West passenger rail project, and \$920.9 million in authorization for various local and regional transportation projects.

As with Chapter 383 described above, all of the bonds authorized in MassTRAC may be issued as either general obligation bonds or special obligation bonds, depending on the market conditions and the most effective borrowing strategies for the Commonwealth. The actual spending that will occur under these or any other bond authorizations will be limited by the Commonwealth's rolling five-year capital plan.

Convention Center Fund. Chapter 152 of the Acts of 1997, as amended, authorized \$694.4 million of special obligation bonds to be issued for the purposes of building a new convention center in Boston (\$609.4 million), the Springfield Civic Center (\$66 million), and the Worcester Convention Center (\$19 million). As of June 30, 2023, the only bonds outstanding pursuant to such authorization are certain special obligation bonds issued in 2005 (Series 2005 Bonds) currently outstanding in the amount of \$426.2 million. The bonds are payable from moneys credited to the Convention Center Fund created by such legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge and Springfield. As of June 30, 2023, the balance of the trustee-held Convention Center Revenue Fund available for debt service was \$307.8 million and as of June 30, 2023 retained earnings in the Convention Center Fund was \$371.6 million. The trust agreement for the Series 2005 Bonds requires a capital reserve fund to be maintained at an amount equal to the lesser of 10% of outstanding principal amount of the bonds, 125% of average annual debt service or maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of June 30, 2023,

the balance of the Capital Reserve Fund was \$54.9 million.

On July 29, 2014, the Governor approved legislation authorizing the Commonwealth to issue an additional \$1.1 billion in special obligation bonds to finance an expansion of the convention center in Boston, to finance costs of issuance and fund a debt service reserve fund. Such bonds would be secured by and payable from the Convention Center Fund, with the State Treasurer and Secretary of Administration and Finance having the authority to pledge additional state hotel/motel room occupancy excises to the new bonds.

Special Contribution Unemployment Compensation Trust Fund. Chapter 9 of the Acts of 2021, as amended, authorizes the Commonwealth to issue special obligation bonds secured by special assessments on private contributory employers for the purposes of repaying the federal advances made to the Commonwealth's account within the Unemployment Insurance Trust Fund (UITF) for fiscal years 2020 to 2025 and reducing the amount of or avoiding the need to obtain additional federal advances. On August 30, 2022, the Commonwealth issued \$2.681 billion of special obligation bonds and as of July 30, 2023, \$2.118 billion were outstanding. Proceeds of the bonds were used to repay the outstanding federal advances, including interest thereon, make a deposit into the Commonwealth's account within the UITF, and pay costs of issuance.

Build America Bonds

The Commonwealth has issued bonds in the form of Build America Bonds (BABs) and as Recovery Zone Economic Development Bonds (RZEDBs). BABs and RZEDBs were authorized under the federal American Recovery and Reinvestment Act of 2009 (ARRA). Pursuant to ARRA, the Commonwealth is entitled to receive cash subsidy payments from the federal government equal to 35% of interest payable on the BABs and 45% of the interest payable on the RZEDBs, provided, in both cases, that the Commonwealth makes certain required filings in accordance with applicable federal rules. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. Commencing in federal fiscal year 2016, such payments were subject to sequestration reduction and the United States Treasury Department of Treasury has projected that such payments during fiscal year 2021 through fiscal year 2030 will be reduced by 5.7% as a result of sequestration. The sequestration may be subject to change if a law is enacted that modifies or amends the current sequestration reduction. Such interest subsidy payments could become subject to a much larger sequestration reduction, and potentially be eliminated altogether, under the Statutory Pay-As-You-Go Act of 2010 (PAYGO Act), which is designed to limit federal deficit spending. Since the enactment of the PAYGO Act, the U. S. Congress has consistently acted to prevent its implementation, but there can be no assurance that it will continue to do so.

Beginning in fiscal 2012, federal interest subsidy payments received by the Commonwealth are required to be deposited in a Build America Bonds Subsidy Trust Fund and used, without further legislative appropriation, to pay debt service on the related BABs and RZEDBs. The Commonwealth is obligated to make payments of principal and interest on the BABs and RZEDBs whether or not it receives interest subsidy payments. As of June 30, 2023, \$1.8 billion of the Commonwealth's outstanding general obligation debt was comprised of BABs, \$419.8 million of the outstanding CTF Bonds consisted of BABs, and \$156.4 million of the outstanding CTF Bonds consisted of RZEDBs.

The following table shows long-term debt of the Commonwealth issued and retired from fiscal 2018 through fiscal 2022 and preliminary amounts as of June 30, 2023 for fiscal 2023, exclusive of unamortized bond premiums.

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

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023 (3)</u>
Beginning Balance as of July 1	\$26,445,665	\$27,360,819	\$27,739,221	\$28,098,890	\$29,048,457	\$29,335,406
Debt Issued	<u>2,391,763</u>	<u>1,814,564</u>	<u>1,778,439</u>	<u>2,387,135</u>	<u>1,748,241</u>	<u>1,615,105</u>
Subtotal	<u>28,837,428</u>	<u>29,175,383</u>	<u>29,517,660</u>	<u>30,486,025</u>	<u>30,796,698</u>	<u>30,950,511</u>
Debt retired or defeased, exclusive of refunded debt	(1,389,419)	(1,295,322)	(1,383,670)	(1,284,183)	(1,394,122)	(1,360,386)
Refunding debt issued, net of refunded debt (2)	<u>(87,190)</u>	<u>(140,840)</u>	<u>(35,100)</u>	<u>(153,385)</u>	<u>(67,170)</u>	<u>(244,465)</u>
Ending Balance June 30	<u>\$27,360,819</u>	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>	<u>\$29,335,406</u>	<u>\$29,345,660</u>

SOURCE: Office of the Comptroller.

(1) Including accretion of capital appreciation bonds.

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

(3) Amount as of June 30, 2023, preliminary and unaudited.

The following table sets forth the amounts of Commonwealth long-term general obligation debt, special obligation debt and federal grant anticipation notes outstanding, exclusive of unamortized bond premiums, as of the end of the last five fiscal years.

Outstanding Long Term Commonwealth Debt
(in thousands)

	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Preliminary Fiscal 2023 (1)</u>
General Obligation Debt	\$23,676,096	\$23,953,160	\$24,765,437	\$24,907,431	\$25,093,510
Special Obligation Debt	3,378,380	3,483,460	3,700,470	3,949,740	3,862,475
Federal Grant Anticipation Notes	<u>684,745</u>	<u>662,270</u>	<u>582,550</u>	<u>478,235</u>	<u>389,675</u>
TOTAL	<u>\$27,739,221</u>	<u>\$28,098,890</u>	<u>\$29,048,457</u>	<u>\$29,335,406</u>	<u>\$29,345,660</u>

SOURCE: Office of the Comptroller.

(1) Amount as of June 30, 2023, preliminary and unaudited.

Debt Service Requirements

The tables on the following pages set forth, as of June 30, 2023, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal GANs. For variable-rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate swap agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. For other variable-rate bonds, the schedule assumes a 5% interest rate.

Debt Service Requirements on Outstanding Commonwealth Bonds
as of June 30, 2023 through Maturity (in thousands)

<u>General Obligation Bonds</u>							<u>Federal Highway Grant Anticipation Notes</u>			
Period Ending	Principal	Gross Interest	CABs	Build America Bond Subsidies	Net Interest	Debt Service	Principal	Interest	Net Interest	Debt Service
6/30/2024	1,097,035	1,053,890	\$4,606	(31,412)	1,022,502	2,124,143	39,885	19,484	19,484	59,369
6/30/2025	1,107,547	1,001,892	4,948	(31,177)	970,715	2,083,210	93,985	17,490	17,490	111,475
6/30/2026	1,043,700	951,786	5,396	(30,776)	921,009	1,970,106	122,185	12,790	12,790	134,975
6/30/2027	956,814	904,366	6,068	(30,203)	874,163	1,837,044	133,620	6,681	6,681	140,301
6/30/2028	964,903	861,560	6,601	(28,953)	832,606	1,804,110	-	-	-	-
6/30/2029	1,117,094	816,647	6,105	(26,687)	789,960	1,913,159	-	-	-	-
6/30/2030	1,074,689	766,592	5,963	(22,892)	743,700	1,824,353	-	-	-	-
6/30/2031	1,053,584	710,694	5,836	(16,808)	693,887	1,753,306	-	-	-	-
6/30/2032	1,122,018	662,947	5,909	(14,776)	648,171	1,776,098	-	-	-	-
6/30/2033	939,729	615,220	5,094	(12,440)	602,780	1,547,603	-	-	-	-
6/30/2034	910,841	573,406	4,399	(11,068)	562,338	1,477,577	-	-	-	-
6/30/2035	854,384	537,541	3,898	(9,647)	527,894	1,386,176	-	-	-	-
6/30/2036	895,313	502,360	3,190	(8,177)	494,184	1,392,687	-	-	-	-
6/30/2037	877,966	465,152	2,520	(6,654)	458,498	1,338,984	-	-	-	-
6/30/2038	927,355	427,242	1,879	(5,077)	422,164	1,351,399	-	-	-	-
6/30/2039	919,072	390,919	1,371	(3,445)	387,474	1,307,916	-	-	-	-
6/30/2040	878,083	354,383	890	(1,609)	352,775	1,231,747	-	-	-	-
6/30/2041	822,351	320,398	560	-	320,398	1,143,309	-	-	-	-
6/30/2042	833,637	291,366	319	-	291,366	1,125,322	-	-	-	-
6/30/2043	953,445	257,200	124	-	257,200	1,210,768	-	-	-	-
6/30/2044	883,120	222,467	-	-	222,467	1,105,587	-	-	-	-
6/30/2045	784,115	188,827	-	-	188,827	972,942	-	-	-	-
6/30/2046	784,950	154,530	-	-	154,530	939,480	-	-	-	-
6/30/2047	717,055	122,100	-	-	122,100	839,155	-	-	-	-
6/30/2048	598,120	93,964	-	-	93,964	692,084	-	-	-	-
6/30/2049	565,530	69,163	-	-	69,163	634,693	-	-	-	-
6/30/2050	655,800	44,710	-	-	44,710	700,510	-	-	-	-
6/30/2051	360,800	24,640	-	-	24,640	385,440	-	-	-	-
6/30/2052	209,390	10,740	-	-	10,740	220,130	-	-	-	-
6/30/2053	109,395	2,747	-	-	2,747	112,142	-	-	-	-
Totals (1)	\$25,017,835	\$13,399,473	\$75,676	\$(291,801)	\$13,129,565	\$38,201,180	\$389,675	\$56,445	\$56,445	\$446,120

SOURCE: Office of the Comptroller.
(1) Totals may not add due to rounding.

Special Obligation Revenue Bonds
(Convention Center)

Special Obligation Revenue Bonds
(CTF- Accelerated Bridge Program)

Period Ending	Principal	Interest	Debt Service	Principal	Gross Interest	Build America Bond Subsidies	Net Interest	Debt Service
6/30/2024	\$28,990	\$23,443	\$52,433	39,870	76,004	(12,314)	63,690	103,560
6/30/2025	30,625	21,848	52,473	51,720	74,013	(11,937)	62,076	113,796
6/30/2026	32,360	20,164	52,524	54,340	71,389	(11,529)	59,859	114,199
6/30/2027	34,190	18,384	52,574	56,420	68,530	(11,065)	57,465	113,885
6/30/2028	36,125	16,504	52,629	51,520	65,553	(10,575)	54,977	106,497
6/30/2029	38,170	14,517	52,687	49,475	62,859	(10,058)	52,801	102,276
6/30/2030	40,330	12,418	52,748	49,420	60,210	(9,512)	50,698	100,118
6/30/2031	42,610	10,199	52,809	60,350	57,555	(8,935)	48,619	108,969
6/30/2032	45,020	7,856	52,876	63,445	54,311	(8,316)	45,995	109,440
6/30/2033	47,565	5,380	52,945	61,415	50,901	(7,661)	43,239	104,654
6/30/2034	50,250	2,764	53,014	64,485	47,697	(6,970)	40,727	105,212
6/30/2035				64,320	44,400	(6,239)	38,161	102,481
6/30/2036				67,635	41,104	(5,466)	35,638	103,273
6/30/2037				75,415	37,636	(4,650)	32,985	108,400
6/30/2038				74,995	33,551	(3,718)	29,833	104,828
6/30/2039				79,130	29,636	(2,546)	27,089	106,219
6/30/2040				83,080	25,674	(1,308)	24,366	107,446
6/30/2041				87,640	21,152	-	21,152	108,792
6/30/2042				92,410	17,274	-	17,274	109,684
6/30/2043				96,155	13,310	-	13,310	109,465
6/30/2044				109,415	8,556	-	8,556	117,971
6/30/2045				13,034	3,146	-	3,146	16,180
6/30/2046				61,670	2,554	-	2,554	64,224
Totals (1)	\$426,235	\$153,477	\$579,712	\$1,507,604	\$967,013	\$(132,800)	\$834,212	\$2,341,572

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

Special Obligation Revenue Bonds
(CTF – Rail Enhancement Program)

Period Ending	Principal	Interest	Debt Service
6/30/2024	22,910	90,437	113,347
6/30/2025	14,075	89,350	103,425
6/30/2026	14,710	88,658	103,368
6/30/2027	16,140	87,936	104,076
6/30/2028	24,745	87,129	111,874
6/30/2029	30,590	85,940	116,530
6/30/2030	34,740	84,411	119,151
6/30/2031	27,955	82,830	110,785
6/30/2032	29,405	81,433	110,838
6/30/2033	36,215	79,962	116,177
6/30/2034	38,050	78,152	116,202
6/30/2035	43,300	76,249	119,549
6/30/2036	45,140	74,269	119,409
6/30/2037	42,960	72,012	114,972
6/30/2038	49,470	69,864	119,334
6/30/2039	51,530	67,399	118,929
6/30/2040	53,920	64,825	118,745
6/30/2041	56,375	62,133	118,508
6/30/2042	58,200	59,413	117,613
6/30/2043	61,140	56,691	117,831
6/30/2044	55,500	53,826	109,326
6/30/2045	159,826	51,294	211,120
6/30/2046	118,700	44,374	163,074
6/30/2047	138,945	39,344	178,289
6/30/2048	145,740	32,547	178,287
6/30/2049	152,780	25,510	178,290
6/30/2050	160,415	17,871	178,286
6/30/2051	167,365	10,919	178,284
6/30/2052	78,040	3,902	81,942
Totals (1)	\$1,928,881	\$1,818,681	\$3,747,561

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

Liquidity Facilities

On May 11, 2020, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.75 billion from a syndicate of banks, which line of credit is available to be drawn for cash flow purposes. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. In May 2023, the line of credit was amended to change the interest rate index from LIBOR to SOFR in anticipation of the expiration of LIBOR at the end of June. In addition, the maturity of the line was extended to May 1, 2026. As of June 30, 2023, no amount was outstanding under the line of credit.

Direct Purchase Agreements

Certain of the Commonwealth's variable rate bonds have been directly purchased by commercial banking institutions. The following table lists those series of variable rate bonds subject to direct purchase agreements as of June 30, 2023.

Direct Purchase Agreements (2)

<u>Direct Purchase Bonds</u>	<u>Outstanding Principal Amount (in thousands)</u>	<u>Mandatory Tender Date</u>
2016 Series C	\$200,000	4/01/2024
2016 Series B	\$100,000	4/01/2026
General Obligation Tax Exempt Bond Anticipation Notes Series A ⁽¹⁾	\$200,000	2/08/2024

SOURCE: Office of the Treasurer and Receiver General.

- (1) Issued as Bond Anticipation Notes on July 28, 2022 under the prior liquidity facility with RBC Capital Markets, LLC with a maturity date of February 8, 2024.
- (2) Certain 2023 Series A Bonds in the principal amount of \$177.8 million outstanding as of June 30, 2023 were refunded in July 2023.

General Obligation Contract Assistance Liabilities

Massachusetts Department of Transportation, as successor to the Massachusetts Turnpike Authority. On February 19, 1999, the Commonwealth and the Massachusetts Turnpike Authority entered into a contract which provides for the Commonwealth to make annual operating assistance payments to MassDOT, as successor to the Turnpike Authority, which are capped at \$25 million annually and extend until June 30, 2050, which is the end of the 40th fiscal year following the transfer of certain facilities associated with the Commonwealth's Central Artery/Ted Williams Tunnel Project to MassDOT. On June 30, 2009, the Commonwealth and the Turnpike Authority entered into a contract for financial assistance which provides for the payment by the Commonwealth to MassDOT, as successor to the Turnpike Authority, of \$100 million per fiscal year, commencing July 1, 2009 until June 30, 2039. Payments under both contracts constitute a general obligation pledge of the Commonwealth for which the full faith and credit of the Commonwealth are pledged.

Massachusetts Clean Water Trust. The Massachusetts Clean Water Trust (the Trust) manages the Commonwealth's state revolving fund program under the federal Clean Water Act and the federal Safe Drinking Water Act. The Trust is authorized to apply for and accept federal grants and associated Commonwealth matching grants to capitalize the revolving funds and to issue debt obligations to provide low-interest loans and grants to cities, towns, and water utilities to help Massachusetts communities build or replace water quality infrastructure that enhances ground and surface water resources, ensures the safety of drinking water, protects public health, and develops resilient communities. Under state law, loans made by the Trust are required to provide for subsidies or other financial assistance to reduce the debt service expense on the loans. Most of the Trust's loans are subsidized to a 2% interest rate set by statute. Other loans made by the Trust may bear interest at lower rates, including a zero rate of interest, and a portion of the principal of certain loans has also been subsidized by the Trust. To provide for a

portion of the subsidy on most of its loans, the Trust receives contract assistance payments from the Commonwealth. Under the Trust's enabling act, the aggregate annual contract assistance payment for the Trust's programs may not exceed \$138 million. The Commonwealth's agreement to provide contract assistance constitutes a general obligation of the Commonwealth for which its full faith and credit are pledged. As of June 30, 2023 the Trust had approximately \$2.4 billion of bonds outstanding. Approximately 4.95% of the Trust's aggregate debt service is covered by Commonwealth contract assistance. Prior to August 2014, the Trust was known as the Massachusetts Water Pollution Abatement Trust.

Massachusetts Development Finance Agency. Under the infrastructure investment incentive act (sections 5 to 12 of Chapter 293 of the Acts of 2006, as amended to date), known as "I-Cubed," up to \$600 million of public infrastructure improvements to support significant new private developments may be financed by bonds issued by the Massachusetts Development Finance Agency (MassDevelopment) that are secured by and payable from contract assistance from the Commonwealth. The obligation of the Commonwealth to pay contract assistance is a general obligation of the Commonwealth. Until a related new private development is completed and occupied, the developer's property is assessed by the municipality in which the development is located in amounts equal to the debt service cost on the bonds and is applied to reimburse the Commonwealth for such cost. After each phase of the private development is completed and occupied, the municipality is required to reimburse the Commonwealth for any portion of the debt service cost on the bonds that is not covered by new state tax revenues generated from the related private development. The bonds are secured by a pledge of the agreement among the Commonwealth, MassDevelopment, the municipality and the developer (the "IDAA") and the rights of MassDevelopment to receive contract assistance from the Commonwealth. Each IDAA requires that a reserve fund be established for the bonds in an amount equal to or greater than twice the maximum annual debt service on the bonds allocable to the related assessment parcel. Once the cumulative new state tax revenues with respect to a project equal or exceed the net debt service on the bonds allocable to such project, the municipality and the developer will not have any further obligation to provide local infrastructure development assistance or to pay infrastructure assessments with respect to any of the debt service on such bonds that first becomes due and payable thereafter. Pursuant to this program, MassDevelopment has issued I-Cubed bonds to finance and refinance infrastructure projects associated with the Fan Pier development in Boston, the Assembly Row project in Somerville, the Chestnut Hill Square project in Newton, the Boston Landing project in Boston, the Van Ness project in Boston, the University Station project in Westwood, the North Point project in Cambridge and the Hub on Causeway project in Boston. As of June 30, 2023, total I-Cubed bonds were outstanding in the amount of approximately \$174.0 million.

Legislation approved by the Governor on August 8, 2008 included an authorization to finance up to \$43 million of the costs of a parkway at the former South Weymouth naval air base to support the development of the former base. Similar to the I-Cubed program financing model, the bonds issued by MassDevelopment to finance the parkway are secured by and payable from a general obligation pledge of contract assistance from the Commonwealth. As of June 30, 2023, approximately \$20.4 million of such bonds were outstanding.

Social Innovation Financing Trust Fund. Legislation approved in 2012 established a Social Innovation Financing Trust Fund for the purpose of funding contracts to improve outcomes and lower costs for contracted government services, referred to as "pay for success contracts." The legislation authorized the Secretary of Administration and Finance to enter into pay for success contracts in which a substantial portion of Commonwealth payments, from amounts appropriated by the Legislature to the Trust Fund, would be conditioned on the achievement of specified performance outcomes. The Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. The Commonwealth entered into four such contracts of which two are still outstanding. The first such contract was entered into in January 2014 (and amended in November 2016 and April 2020), to help young men leaving the juvenile justice system or on probation avoid re-offending. The contract obligated the Commonwealth to make up to \$28 million in success payments, in the aggregate, through fiscal 2024. The Commonwealth entered into a fourth such contract in July 2018 (and amended in October 2021 and August 2022) to support unemployed or underemployed veterans with post-traumatic stress disorder in attaining competitive and compatible employment. The contract obligates the Commonwealth to make up to \$6.0 million in success payments, in the aggregate, through fiscal 2024.

The following table sets forth the Commonwealth's general obligation contract assistance requirements for all of fiscal 2024 and each fiscal year thereafter pursuant to contracts with the Massachusetts Clean Water Trust, MassDOT (as successor to the Turnpike Authority), and MassDevelopment (including the I-Cubed Program and the

South Weymouth naval air base contract assistance requirements) and contracts associated with the Social Innovation Financing Trust Fund.

General Obligation Contract Assistance Requirements
(in thousands)

<u>Fiscal Year</u>	<u>Massachusetts Clean Water Trust</u>	<u>Massachusetts Department of Transportation</u>	<u>Massachusetts Development Finance Agency</u>	<u>Social Innovation Financing Trust Fund (4)</u>	<u>Total</u>
2024	\$63,384(1)	\$125,000	\$10,579	\$11,000	\$146,579
2025	18,439	125,000	10,594	-	135,594
2026	15,810	125,000	12,601	-	137,601
2027 through 2053	<u>117,661 (2)</u>	<u>1,900,000 (3)</u>	<u>247,038 (5)</u>	-	<u>2,147,038</u>
Total (6)	<u>\$215,294</u>	<u>\$2,275,000</u>	<u>\$280,812</u>	<u>\$11,000</u>	<u>\$2,566,812</u>

SOURCES: Massachusetts Clean Water Trust column – Office of the Treasurer and Receiver-General; MassDOT, MassDevelopment and Social Innovation Financing Trust Fund columns – Executive Office for Administration and Finance.

- (1) Includes \$23.057 million related to repayment of Trust debt obligations and the remainder will be used to provide additional subsidies for water infrastructure.
- (2) Current contract assistance payments end in fiscal year 2053.
- (3) Represents \$125 million per year for fiscal years 2027 to 2039, inclusive, and \$25 million per year for fiscal years 2040 to 2050, inclusive.
- (4) Projected payment schedule. The actual amount and timing of payments will be based on the achievement of specified performance outcomes. These projected payments may differ from annual appropriated amounts due to the availability of unexpended funds remaining in the Social Innovation Financing Trust Fund from prior years.
- (5) Aggregate of fiscal years 2027 to 2049.
- (6) Totals may not add due to rounding.

Long-Term Operating Leases and Capital Leases

The Commonwealth has entered into various right to use leases for land, buildings, and equipment, infrastructure, facilities, and improvements. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. One of the lease agreements calls for both fixed and variable (based on changes in index rates) payments; the latter of which are not included in the initial measurement of the lease liability. These variable payments totaled \$2,963,553 and were recognized as expense during the year ended June 30, 2022. The following schedule summarizes future minimum payments of non-cancelable leases for governmental activities for fiscal year ended June 30, 2022.

Governmental Activities - Long-Term Lease
(in thousands)

<u>Fiscal Year</u>	<u>Minimum Payment(1)</u>
2023	\$188,241
2024	160,779
2025	131,614
2026	96,003
2027	83,552
2028 - 2032	204,791
2029 - 2037	38,943
2030 - 2042	37,982
2043 - 2047	36,504
2048 - 2052	35,279
2053 -2077	<u>2,660</u>
Total	<u>\$1,016,348</u>

SOURCE: Office of the Comptroller

- (1) Does not include business-type activities – higher education institutions

Contingent Liabilities

Massachusetts Bay Transportation Authority. The MBTA issues its own bonds and notes. Prior to July 1, 2000, the Commonwealth supported MBTA bonds, notes and other obligations through guaranties of the debt service on its bonds and notes, contract assistance generally equal to 90% of the debt service on outstanding MBTA bonds and payment of the MBTA's net cost of service (current expenses, including debt service, minus current income). Beginning July 1, 2000, the Commonwealth's annual obligation to support the MBTA for operating costs and debt service is limited to a portion of the revenues raised by the Commonwealth's sales tax, but the Commonwealth remains contingently liable for the payment of MBTA bonds and notes issued prior to July 1, 2000 and for MBTA payment obligations related to leases, reimbursement obligations, interest exchange agreements and other financing obligations entered into prior to July 1, 2000. The Commonwealth's obligation to pay such prior bonds is a general obligation for which its full faith and credit have been pledged. As of June 30, 2023, the MBTA had approximately \$99.47 million of such prior bonds outstanding. Such bonds are currently scheduled to mature annually through fiscal 2030.

Massachusetts Development Finance Agency. Under legislation approved in 2010 and amended in 2011, MassDevelopment is authorized to issue bonds for the benefit of nonprofit community hospitals and nonprofit community health centers. Such bonds are to be secured by capital reserve funds funded at the time of bond issuance in an amount equal to the maximum annual debt service on the bonds. The legislation provides that MassDevelopment is to notify the Governor if any such capital reserve fund needs to be replenished, and that the Legislature is to appropriate the amount necessary to restore the fund to its required level. The legislation contains no limit on the amount of such bonds that may be issued. Any project to be financed by such bonds must be approved by the Secretary of Health and Human Services, and any loan to a community hospital or community health center (and the issuance and terms of the related bonds) must be approved by the Secretary of Administration and Finance. If any such institution defaults on a loan, any moneys in the custody of the Commonwealth that are payable to the institution may be withheld by the Commonwealth and used to pay debt service or to replenish the applicable capital reserve fund. If, following a Commonwealth transfer to replenish a capital reserve fund, the applicable institution fails to reimburse the Commonwealth within six months, the Commonwealth may withhold funds payable to the institution, and all contracts issued by the Group Insurance Commission, the Commonwealth Health Insurance Connector Authority and MassHealth to a third party for the purposes of providing health care insurance paid for by the Commonwealth are to provide that the third party is to withhold payments to the institution and transfer the withheld amounts to the Commonwealth. No bonds have ever been issued pursuant to this legislation.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. The Steamship Authority operates passenger and vehicle ferries to Martha's Vineyard and Nantucket. The Steamship Authority issues its own bonds and notes. Commonwealth support of the bonds and notes of the Steamship Authority includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide the Steamship Authority with funds sufficient to meet the principal of and interest on their bonds and notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to the Steamship Authority and the Commonwealth's payment, under applicable statutory provisions, of the net cost of service of the Steamship Authority. The Steamship Authority is currently self-supporting, requiring no net cost of service or contract assistance payments. As of June 30, 2023, the Steamship Authority had approximately \$58.2 million of bonds outstanding and \$33.0 million in bond anticipation notes outstanding, which bond anticipation notes are expected to be refunded with bonds in September 2023. The Commonwealth's obligations to the Steamship Authority are general obligations for which its full faith and credit have been pledged.

Regional Transit Authorities. The Commonwealth has 15 Regional Transit Authorities (RTAs) that provide fixed route and paratransit service in communities across the state. The RTAs were established by legislation, and are funded by rider fares, advertising, assessments to the local governments served by an RTA, federal grants and state assistance. An RTA may issue revenue anticipation notes to be repaid from Federal Transit Administration operating subsidies, net cost of service payments from the Commonwealth, which are included in the Commonwealth's annual budget, and local government assessments. Commonwealth support of the revenue anticipation notes of an RTA includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide an RTA with funds sufficient to meet the principal of and interest on its notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to such RTA and the

Commonwealth's payment, under applicable statutory provisions, of the net cost of service of RTA (current expenses, including debt service, minus current income). The Commonwealth assesses each of the cities and towns within the applicable RTA service area for a portion of the net cost of service. In fiscal 2023, the Commonwealth's budget included a \$96.5 million transfer to the RTAs, including \$2.5 million in grants. The Commonwealth is also obligated to pay principal and interest on any revenue anticipation notes issued by an RTA which is not paid when due.

University of Massachusetts Building Authority. This authority, created to assist the University of Massachusetts, is permitted by its enabling act to have outstanding up to \$200 million in Commonwealth-guaranteed debt. The Commonwealth's guaranty of principal and interest is a general obligation of the Commonwealth for which its full faith and credit are pledged. In addition to such guaranty, certain revenues of the Building Authority, including dormitory rental income and student fees, are pledged to pay the Building Authority's bonds. As of June 30, 2023, the Building Authority has no Commonwealth-guaranteed debt outstanding.

Authorized and Unissued Debt

General obligation bonds of the Commonwealth are authorized to correspond with capital appropriations. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Capital Investment Process and Controls." Over the last decade, the Commonwealth has typically had a large amount of authorized and unissued debt. However, the Commonwealth's actual expenditures for capital projects in a given year relate more to the capital needs which the Commonwealth determines it can afford to finance in such year than to the total amount of authorized and unissued debt. The table below presents authorized and unissued debt at year end:

Authorized and Unissued Debt (in thousands)

<u>Fiscal Year</u>	<u>Authorized and Unissued Debt</u>
2019	\$28,417,839
2020	26,397,710
2021	38,964,565
2022	38,201,424
2023(1)	49,156,874

SOURCE: Office of the Comptroller.

(1) Amounts for fiscal 2023 are preliminary and unaudited.

Authorized and unissued debt is measured in accordance with the statutory basis of accounting, which is different from GAAP. Only the net proceeds of bonds issued (exclusive of underwriters' discount, costs of issuance and other financing costs) are deducted from the amount of authorized and unissued debt. Therefore, the change in authorized and unissued debt at the end of any fiscal year is not intended to correlate to the change in the principal amount of debt outstanding as measured and reported in conformity with GAAP.

The Legislature has enacted various bond authorizations to fund the Commonwealth's capital investment plan. See "COMMONWEALTH CAPITAL INVESTMENT PLAN." Capital spending and subsequent debt issuance is constrained by the debt affordability policy and the statutory debt limit and will be published annually in the five-year capital investment plan.

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LEGAL MATTERS

There are pending in state and federal courts within the Commonwealth and in the Supreme Court of the United States various suits in which the Commonwealth is a party. In the opinion of the Attorney General, no litigation is pending or, to her knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition.

Programs and Services

From time to time actions are brought against the Commonwealth by the recipients of governmental services, particularly recipients of human services benefits, seeking expanded levels of services and benefits and by the providers of such services challenging the Commonwealth's reimbursement rates and methodologies. To the extent that such actions result in judgments requiring the Commonwealth to provide expanded services or benefits or pay increased rates, additional operating and capital expenditures might be needed to implement such judgments.

Simmons et al v. Baker et al, United States District Court, Massachusetts. In October 2022, Massachusetts Senior Action Council and seven individuals who are residents of various nursing facilities sued the Governor, the Executive Office of Health and Human Services, the Executive Office of Elder Affairs, and the Executive Office for Administration and Finance. The plaintiffs claim that they and a putative class of approximately 22,000 individuals with disabilities are unduly segregated in nursing facilities in violation of the Americans with Disabilities Act (ADA) and that they are entitled to, among other things, the receipt of services, including housing and other residential supports, in integrated community-based settings and as an alternative to nursing facility care. The plaintiffs further assert claims related to federal Pre-Admission Screening and Resident Review (PASRR) requirements and assert that individuals with serious mental illness are being unnecessarily admitted to nursing facilities rather than being served in community-based settings. Plaintiffs assert claims under the ADA, the federal Rehabilitation Act, and the Medicaid Act; and are seeking declaratory and injunctive relief.

The Commonwealth filed its answer in January 2023. The District Court has not yet made a determination as to the certification of a class. A hearing has been scheduled for November 3, 2023. At this time, the Commonwealth cannot predict the timing or outcome of this matter.

Federal Audits and Regulatory Reviews

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The federal Health Care Financing Administration (now the Centers for Medicare and Medicaid Services (CMS)) asserted in June 2000 that the portion of the Medicaid program funded by the Commonwealth's Health Safety Net Trust Fund (formerly the Uncompensated Care Pool) might violate federal regulations regarding permissible taxes on health care providers. The Commonwealth believes that the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor, the Health Safety Net Trust Fund, are within the federal law pertaining to health care-related taxes, but nevertheless sought federal waivers for the assessments as instructed by CMS. In 2017, a change in state law was made to the hospital assessment making a federal waiver for the hospital assessment unnecessary. In 2022, the hospital assessment was restructured pursuant to another change in state law and is currently operating under an approved federal waiver. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. The Commonwealth collected an estimated \$6.234 billion in acute hospital assessments between 1990 and the end of Health Safety Net fiscal year 2017 and will have collected an estimated \$3.899 billion in surcharge payments between 1998 and the end of Health Safety Net fiscal year 2023.

In re: Centers for Medicare and Medicaid Services: Disallowance Number MA/2018/001/MAP (1115(a) Demonstration Claiming Authority for Primary Care Payment Reform Initiative). On November 20, 2018, CMS issued to the Commonwealth a notice of disallowance in the amount of \$70.9 million in federal financial participation (FFP) for expenditures between March 31, 2014, and December 31, 2016, related to MassHealth's Primary Care Payment Reform Initiative (PCPRI). PCPRI was a payment model that bundled service payments to discourage billing based on fee-for-services, rewarded providers for achieving quality goals by providing certain quality incentive payments, and rewarded providers by sharing savings and losses with them. In its disallowance

letter, CMS asserts that EOHHS lacked explicit authority under its 1115 Demonstration Project to make payments that deviated from those that were described (or could be approved) under the Medicaid State Plan because (i) PCPRI was not mentioned by name in the 1115 Demonstration Project, (ii) there was no specific expenditure authority to support these payments, and (iii) CMS never approved the PCPRI addendum to the Primary Care Clinician (PCC) Plan contract. EOHHS maintains that it has authority under the 1115 Demonstration Project to make enhanced primary care clinician payments consistent with the PCPRI program and that no additional authority was necessary to make the payments. MassHealth contends that it sent CMS the PCPRI addendum to the PCC Plan contract in March 2014, but that CMS failed to act on it, either by approving or denying the addendum. EOHHS responded to the disallowance letter by requesting reconsideration, which CMS denied on March 15, 2019. EOHHS submitted a Notice of Appeal to the federal Health and Human Services Departmental Appeals Board (DAB) on May 13, 2019. Briefing was completed, and oral argument occurred on October 15, 2020. At oral arguments, the DAB asked whether CMS would consider waiving the two-year-claiming rule if the state were to now submit the fee-for-service claims for primary care services rendered through the PCPR program. On July 30, 2021, CMS filed a Case Statement apprising the DAB that CMS is not willing to consider reviewing disallowed claims because CMS believes it is unable to waive the timely filing requirement unless the state meets an exception to the rule, and CMS does not believe the state meets any such exception. EOHHS responded that, in light of CMS' decision to issue the disallowance more than two years after the claims accrued, CMS' unwillingness to consider reviewing the disallowed claims for the services provided under PCPR based on the timely filing requirement is arbitrary, capricious, and an abuse of discretion. A decision from DAB is currently pending. Decisions by the DAB regarding Medicaid disputes between CMS and states regarding FFP are the final decision of Health and Human Services. A final negative decision would be appealable to the federal district court.

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

DESE timely appealed the proposed final determination on February 11, 2021. In March 2021, DESE moved to dismiss the proposed determination as time-barred under the applicable five-year statute of limitations under the General Education Provisions Act (20 U.S.C. 1234a(k)), as well as the federal statute of limitations applicable to penalty proceedings (28 U.S.C. 2462). On March 16, 2021, DESE and OSERS jointly sought to stay the proceedings pending the outcome of DESE's motion to dismiss, which stay the administrative law judge granted. On August 2, 2021, the administrative law judge denied the motion to dismiss but continued to stay the case based on an anticipated request for an interlocutory appeal of the decision. On June 9, 2022, the United States Secretary of Education affirmed the administrative law judge's decision denying the motion to dismiss. There is currently no briefing schedule, and the parties are discussing settlement. If the case is not settled, the next step in the litigation will be to have a proceeding on the merits of the claim before the administrative law judge. At this time, the Commonwealth cannot predict the timing or outcome of this proceeding, including whether a reduction in the allocation to the Commonwealth of IDEA special education funding would be in the full amount of the penalty claimed (\$114,023,641), or whether any penalty amount found to be due would be deducted in a single year or over multiple years.

Taxes

Brownfields Tax Credits Claims. A brownfields tax credit for environmental response actions was established under the provisions of General Laws chapter 62, § 6(j) and chapter 63, § 38Q. Under the statutes, a business corporation, individual taxpayer, or non-profit organization which remediates certain contaminated properties may be eligible for a credit for costs incurred in the remediation of such property. The Department of Revenue carefully examines facts on applications from various taxpayers for brownfields tax credits in amounts that

often exceed \$1 million. With respect to claims filed with the Department of Revenue but not yet docketed at the Appellate Tax Board, currently the Department of Revenue estimates a total of \$70 million of potential revenue loss, with three of the individual credit amount claims exceeding \$10 million each.

Film Credits Claims. Under the provisions of General Laws chapter 62, § 6(l), chapter 63, § 38X, and chapter 64H, § 6(w), personal income tax and corporate excise tax credits and sales tax exemptions are available to qualifying taxpayers in the motion picture industry (commonly referred to as Film Credits). The Department of Revenue carefully examines and sometimes declines preliminary approval of applications from various taxpayers for Film Credits, against taxable income, in amounts that often exceed \$1 million. Currently, the Department of Revenue estimates a total potential revenue loss of approximately \$85.6 million, with two of the individual credit amount claims exceeding \$10 million.

Other Revenues

Commonwealth of Massachusetts v. Philip Morris Inc., RJ Reynolds Tobacco Company, Lorillard Tobacco Company, et al., Supreme Judicial Court, Middlesex Superior Court (a/k/a the Tobacco Master Settlement Agreement, Nonparticipating Manufacturer (NPM) Adjustment Disputes)

These matters arise under the Tobacco Master Settlement Agreement (MSA), entered into in 1998, that settled litigation and claims by Massachusetts and 51 other states or dependencies (collectively, the States) against the major tobacco manufacturers. Under the MSA, yearly payments made by the Original Participating Manufacturers (OPMs) and Subsequent Participating Manufacturers (collectively, the Participating Manufacturers or PMs) are subject to a number of adjustments. One such adjustment is the Non-Participating Manufacturer (NPM) Adjustment, which can be triggered if the PMs suffer a specified market share loss as compared to their market share during the base year 1997. Under the MSA, a nationally recognized economic firm selected jointly by the States and the PMs must make a determination that “the disadvantages experienced” by the PMs as a result of complying with the MSA were “a significant factor contributing to the Market Share Loss” for a given year. Even if such a determination is made, the States can still avoid the NPM Adjustment if it is determined that the States “diligently enforced” their individual NPM Escrow Statutes.

The PMs seek to reduce, by the approximate amount set forth in the chart below, the MSA payments they made to the States for sales in the respective years listed below. A determination has been made that the PMs suffered a market share loss in each of these years and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to such market share loss. The PMs notified the States of their intent to arbitrate the issue of whether each State diligently enforced its NPM Escrow Statute in each of the NPM Adjustment Years from 2005 through 2008, inclusive, following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. The PMs have not yet notified the States of their intent to arbitrate the issue of whether each State diligently enforced its NPM Escrow Statute in each of the NPM Adjustment Years from 2009 through 2018. If the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount to be determined, which amounts would be, for the applicable NPM Adjustment Year, between the Minimum Potential Commonwealth Reduction set forth below, plus interest, up to but not exceeding the full amount of the Commonwealth’s MSA payment for sales in the applicable year, depending upon the outcome of similar NPM proceedings against other States.

NPM Adjustment Year	Payment Reduction Sought for all States	Minimum Potential Commonwealth Reduction
2005	\$753,000,000	\$30,000,000
2006	704,000,000	7,000,000
2007	791,000,000	8,800,000
2008	888,000,000	900,000
2009	859,000,000	1,300,000
2010	873,000,000	500,000
2011	728,000,000	500,000
2012	797,000,000	300,000
2013	824,000,000	300,000 (5)

2014	847,000,000	300,000 (5)
2015	935,000,000	300,000 (5)
2016	893,000,000	300,000 (5)
2017	889,000,000	300,000 (5)
2018	971,000,000	300,000 (5)
2019	1,200,000,000 (1)	300,000 (5)
2020	1,500,000,000 (2)	300,000 (5)
2021	1,600,000,000 (3)	300,000 (5)
2022	1,400,000,000 (4)	300,000 (5)

- (1) Subject to revision until a final calculation in March 2024.
- (2) Subject to revision until a final calculation in March 2025.
- (3) Subject to revision until a final calculation in March 2026.
- (4) Subject to revision until a final calculation in March 2027.
- (5) Since 2013, the Commonwealth's minimum potential reduction has been set as a constant \$300,000 for reporting purposes as it is now impossible to predict, calculate, or even approximate potential reductions due to a variety of factors, including a number of settlements with varying structures in multiple states. In addition to not knowing how many States in a given NPM year may be found to be "non-diligent," it is also unclear how an arbitration panel would calculate a non-diligent State's share of the NPM Adjustment. Therefore, the \$300,000 amount is used to represent, at least conceptually, the minimal potential reduction the Commonwealth may incur if it is found to be non-diligent in a given NPM year.

Other

Drug Testing Laboratory Disputes. In 2012 and 2013, charges were brought against two chemists, working in two separate Commonwealth drug testing laboratories in Boston and Amherst, alleging malfeasance by such chemists in the handling and testing of laboratory samples and/or the adulteration or theft of seized drugs used as evidence in criminal cases. Both chemists were subsequently convicted. Following judicial review, more than 21,000 criminal cases potentially affected by altered drug evidence from the Boston laboratory were vacated or dismissed, with only a few hundred potentially affected criminal cases remaining open for re-prosecution. Pursuant to a court order, indigent defendants in the cases that remain who wish to pursue vacatur or a new trial will be assigned counsel, at state expense. Additionally, in actions relating to the Amherst laboratory, a court found that, in addition to the chemist's malfeasance, two former prosecutors "tampered with the fair administration of justice" and perpetrated "a fraud upon the court" by deliberately concealing documents relevant to the chemist's actions, with implications for thousands of drug tests conducted by the Amherst laboratory. Notwithstanding the court's finding that, with the exception of the identified chemist's work, the Amherst laboratory was "free from any deficiency in analytical procedure, was kept in an orderly fashion, and that work flowed through the lab smoothly," the Supreme Judicial Court ordered, in relevant part, that all convictions based on evidence tested at the Amherst laboratory on or after January 1, 2009 and through January 18, 2013, must be vacated and dismissed, regardless of the chemist who signed the drug certificate, as well as all methamphetamine convictions where the drugs were tested at the Amherst laboratory during the convicted chemist's tenure (2004-2013). *See Committee for Public Counsel Services, et al. v. Attorney General of Massachusetts, et al.*, SJC-12471 (Oct. 11, 2018). In September 2019, a court-appointed Special Master filed a report, stating that more than 24,000 convictions in more than 16,000 cases had been dismissed due to misconduct in the Amherst laboratory.

Consequently, there are several ongoing civil actions, in both state and federal court, relating to the rights of those criminal defendants potentially affected by the malfeasance of the two chemists and two attorneys' misconduct described above, and more are expected. *See, e.g., Penate v. Kaczmarek et al.*, C.A. No. 3:17-cv-30119-KAR, United States District Court for the District of Massachusetts, in which the plaintiff alleges civil rights violations under 42 U.S.C. § 1983 and seeks approximately \$5.7 million in compensatory and punitive damages, interest, costs, and attorneys' fees. In *Penate*, the District Court dismissed claims against three Department of Public Health (DPH) defendants and two attorneys in January 2019 but denied motions to dismiss filed by two former DPH employees and a now-inactive attorney. The now-inactive attorney's interlocutory appeal in the First Circuit Court of Appeals was rejected on June 26, 2019. One of the DPH employees, the former supervisor of the Amherst laboratory, whose motion to dismiss was denied, also filed an interlocutory appeal in the Court of Appeals. On December 13, 2019, the Court of Appeals reversed the District Court's order denying the motion to dismiss the 42 U.S.C. § 1983 claim and vacated the District Court's denial of this DPH employee's motion to dismiss the intentional infliction of emotional distress state-law claim and remanded the matter for further proceedings.

consistent with its ruling, and the plaintiff has since dismissed all claims against this DPH employee. The plaintiff and the remaining defendants in the *Penate* case cross-moved for summary judgment, and the Court heard arguments on these motions on November 23, 2021. On June 17, 2022, the District Court issued a decision on these cross-motions. The Court allowed the motion for summary judgment brought by employees of the state police; the Court allowed, in part, and denied, in part, plaintiff's motion for summary judgment against the now-inactive attorney; and the Court denied the now-inactive attorney's cross-motion for summary judgment. Pursuant to Fed. R. Civ. P. 41(a)(1)(A)(ii), the Plaintiff stipulated to a voluntary dismissal of all claims against the Commonwealth defendants with prejudice, without costs, and waiving all rights of appeal, on January 9, 2023. The potential claims of other criminal defendants against the Commonwealth and other officials are likely to range from: restitution for the fees and costs imposed on and incurred by the criminal defendants, including for uncompensated labor; erroneous conviction; negligence of the Commonwealth in supervising the laboratories and their employees; and potential civil rights violations under federal law.

In addition, plaintiffs have sought, and may in the future seek, compensatory as well as punitive damages, interest, costs, and attorneys' fees. In *Nelson v. Colorado*, 137 S. Ct. 1239 (2017), the United States Supreme Court declared that when a criminal conviction is invalidated by a reviewing court and no retrial will occur, a state is obliged to refund fees, court costs, and any restitution exacted from a defendant, because of the conviction. Based on this Supreme Court decision, a class action has been filed on behalf of the criminal defendants, whose convictions were vacated as the result of the potentially tainted drug tests in the two laboratories, seeking "refund of all Case-Related Payments, payment for all Uncompensated Labor, and return of all Forfeited Property." *Foster, et al. v. Commonwealth, et al.*, Docket No. 1:18-cv-10354-IT (D. Mass. filed Feb. 23, 2018). The plaintiffs in *Foster* have also filed a state court complaint covering most of the claims contained in the federal complaint, and their motion for class certification was allowed on May 13, 2020. *Foster et al. v. Commonwealth*, No. 1984CV03373 (Suffolk Super. Ct. filed Oct. 29, 2019). On June 1, 2022, the parties filed a proposed settlement agreement to resolve all claims in the state court action, and a hearing on the proposed settlement was scheduled for October 6, 2022. On October 6, 2022, the Suffolk County Superior Court approved a class settlement providing for the return of certain case-related monetary exactions, such as probation fees, but not the return of forfeited money or property. On February 3, 2023, the Plaintiffs filed a Second Amended Complaint in the federal action focused on forfeitures of money and property claims from class members. The Commonwealth and Municipal Defendants have filed five separate motions to dismiss, and the Plaintiffs filed an omnibus opposition to the Defendants' pending Motions to Dismiss on July 18, 2023.

Additionally, in two state court cases, the Supreme Judicial Court (SJC), following *Nelson*, ruled that the criminal defendants have due process rights to refunds of fees, fines, and restitution paid by a defendant because of a later invalidated conviction when it is determined the case will not or cannot be retried, but ruled that the civil forfeiture judgment was not solely a consequence of the invalidated drug convictions and need not be vacated under *Nelson v. Colorado*. See *Commonwealth v. Martinez*, SJC-12479 (Oct. 30, 2018); see also *Commonwealth v. Green*, SJC-12480 (Oct. 30, 2018). The SJC declined to exercise its superintendence authority to craft a global remedy for the potential refund motions that could be brought under *Nelson v. Colorado*, deferring to the attempts by the parties in *Foster* to craft a global remedy and reach a settlement. The SJC did, however, caution that "[n]othing bars this court from exercising [its] superintendence authority before that date [the *Foster* case global settlement is reached] if deemed necessary to preserve the fair administration of justice." In *Commonwealth v. Jermaine K. Watt*, No. SJC-12689 (Aug. 20, 2019), the defendant's criminal conviction was vacated due to the Amherst chemist's misconduct, and the defendant was seeking the return of monthly inmate account administration and maintenance fees, among other fees. The Superior Court denied the defendant's motion for fees, and he appealed. The SJC overturned the Superior Court's decision with respect to a drug analysis fee but upheld the decision for all other fees the defendant was seeking as those fees were not being charged as a direct result of his vacated case.

There are tens of thousands of criminal cases potentially affected by misconduct at the two laboratories. In the *Foster* state court action, the certified class consists of approximately 31,000 individuals whose convictions were vacated, and cases dismissed with prejudice. Given this, there likely will be continuing significant, yet undetermined, costs to the Commonwealth in remedying the alleged malfeasance, including vendor costs for information gathering and administration of extraction refunds; costs to investigate and defend the civil complaints alleging state liability in both state and federal courts, as described above; and the costs of settlements and judgments arising from these potential civil actions. The District Attorneys for both Middlesex and Suffolk

Counties have separately filed motions asking that the SJC consider whether the remedies in response to the overall conduct and operation of the Boston and Amherst drug labs are sufficient, or whether convictions based on the drug analyses performed by all the chemists, in addition to the two identified chemists, should also be set aside. The motion of the Middlesex County District Attorney was denied without prejudice as premature. *See Commonwealth v. Ricky Simmons*, No. SJC-13114 (July 28, 2021). Notwithstanding the SJC's denial in the *Simmons* matter, on February 13, 2023, Superior Court Judge, Patrick M. Haggan, ordered, in part, that the state Office of the Inspector General produce unredacted copies of the referrals and contemplated referrals of Hinton Lab employees it made to the Attorney General's Office for violations of state or federal law. *See Commonwealth v. Ricky Simmons*, No. 0481CR01176. Additionally, the Suffolk County District Attorney unsuccessfully moved the Superior Court to report certain questions to the SJC. *See Commonwealth v. Justino Escobar*, 479 Mass. 1010, 94 N.E.3d 844 (2018). After the Superior Court denied the motion on October 6, 2021, the Defendant filed a notice of appeal and a petition for direct appellate review. *See Commonwealth v. Justino Escobar*, No. 2021-P-0920; *Commonwealth v. Justino Escobar*, DAR-28550. Although the petition for direct appellate review was denied on January 6, 2022 and the appeal vacated without prejudice on January 23, 2023, should the criminal defendant prevail in this matter, the number of affected defendants could be significantly increased. Based on the court decisions to date and depending on the outcomes of the additional cases filed and cases that may be filed in the future, the Commonwealth could be required to budget for millions of dollars' worth of refundable exactions, settlements, and administrative expenses.

Stephen D. Anderson, and others v. Geoffrey E. Snyder, New Hampshire Superior Ct., Docket No. 218-2023-CV-00507. This case arises from Massachusetts's temporary state income tax regulation during the COVID-19 state of emergency that was designed to maintain the pre-pandemic status quo for sourcing nonresident employees' income from their work for Massachusetts businesses. Plaintiffs are a group of ten New Hampshire residents who allege they worked for Massachusetts businesses remotely from their homes in New Hampshire while the Massachusetts temporary state income tax regulation was in effect in 2020 and 2021. Plaintiffs initiated this class action suit against Defendant Geoffrey E. Snyder, Commissioner of the Massachusetts Department of Revenue, in his individual capacity seeking monetary damages for the Massachusetts state income taxes they claim were illegally collected from them. By a Motion to Dismiss filed on July 7, 2023, the Commissioner argues that the Plaintiffs' Complaint is not proper in the New Hampshire state courts and should be dismissed based on principles of sovereign immunity and comity, and because this Court lacks personal jurisdiction over Commissioner Snyder. Commissioner Snyder has requested a hearing on his Motion. Plaintiffs have recently filed an assented-to request that the Court allow them until August 25, 2023 to file their response to the Commissioner's Motion. Currently, the Department of Revenue estimates a total potential revenue loss from an adverse ruling in this case of between \$102 million to \$184 million.

Paid Family Medical Leave Appeal. On April 12, 2021, the Executive Office of Labor and Workforce Development ("EOLWD") and the Department of Family and Medical Leave ("DFML") denied a request from a taxpayer for a refund of medical leave contributions remitted from October 2019 through December 2020. The taxpayer sought the refund since its private medical plan was approved for exemption in the fourth quarter of 2020. EOLWD and DFML assert there is no statutory provision for a refund of contributions properly remitted where an employer later becomes exempt from remitting contributions. On April 6, 2022, the taxpayer filed amended Paid Family Medical Leave ("PFML") returns for quarters ended December 31, 2019 through September 30, 2020 reporting zero tax. The amended returns were not accepted as the refund request was previously denied. On January 30, 2023, the Department of Revenue provided notice to the taxpayer that it would not accept the amended returns. The taxpayer has subsequently filed Applications for Abatement with the Department of Revenue seeking a refund of the same medical leave contributions at issue in the amount of approximately \$38.8 million on behalf of itself and twenty four related affiliates.

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CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Annual Comprehensive Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report usually becomes available on or around October 31 of the following fiscal year and the Annual Comprehensive Financial Report becomes available in January of the following fiscal year. Copies of such reports and other financial reports of the Comptroller referenced in this document may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, 9th Floor, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller's web site located at <http://www.macomptroller.org> by clicking on "Financial Reports" on the Comptroller's homepage.

The Office of the State Auditor audits all agencies, departments and authorities of the Commonwealth at least every three years. Copies of audit reports may be obtained from the State Auditor, State House, Room 230, Boston, Massachusetts 02133.

On behalf of the Commonwealth, the State Treasurer will provide to the MSRB, through EMMA, no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in Rule 15c2-12, as amended, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, together with audited financial statements of the Commonwealth for such fiscal year. Except as noted below, the Commonwealth has not failed in the last five years to comply with its continuing disclosure undertakings with respect to any of its debt.

Certain annual financial information and audited financial statements of the Commonwealth were not properly linked to certain Commonwealth contract assistance bonds and certain CTF Bonds. Corrective filings have since been posted to EMMA.

In the course of substituting liquidity facilities in connection with certain Commonwealth general obligation variable rate demand bonds, supplements to the respective official statements for such bonds were posted in a timely manner to EMMA setting forth detailed information regarding the substituted liquidity facilities; however, separate event notices were not posted at the time. Event notices of the liquidity substitutions have since been posted.

In the course of reviewing its event notice filings, the Commonwealth discovered that bond call notices were not posted in a timely manner to EMMA in connection with certain advance refunding transactions. The Commonwealth has posted such notices with respect to all Commonwealth bonds that have been advance refunded, where the funds to redeem or pay the bonds remain held in escrow.

The State Treasurer also regularly files information with EMMA beyond the documents required by the Commonwealth's continuing disclosure undertakings, including updated Information Statements. In addition, information of interest to investors may be posted on the Commonwealth's investor website at www.massbondholder.com, on twitter at twitter.com/BuyMassBonds and on the Commonwealth's "Mass. Investor Disclosure" mobile app.

MISCELLANEOUS

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

This Information Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, changes in federal programs that could increase or transfer financial or other obligations to the Commonwealth, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates,” “forecasts,” “projects,” “assumes” and other analogous expression.

All estimates and assumptions in this Information Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Information Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the Commonwealth’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

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

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

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AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding this Information Statement or requests for additional information concerning the Commonwealth should be directed to Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Kaitlyn Connors, Assistant Secretary, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (857) 338-0234. Questions regarding legal matters relating to this Information Statement should be directed to Poonam Patidar, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-3038.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Deborah B. Goldberg
Deborah B. Goldberg
Treasurer and Receiver-General

By /s/ Matthew J. Gorzkowicz
Matthew J. Gorzkowicz
Secretary of Administration and Finance

September 11, 2023

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EXHIBIT A

STATEMENT OF ECONOMIC INFORMATION

Socioeconomic Indicators for Massachusetts

August 4, 2023

UMassAmherst

Donahue Institute
Economic and
Public Policy Research

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

This report was prepared by the UMass Donahue Institute and the information in text, tables, charts and graphs are the most recently available information as of August 4, 2023

Established in 1971, the UMass Donahue Institute is a public service, research, and economic development arm of the University of Massachusetts. Our mission is to advance equity and social justice, foster healthy communities, and support inclusive economies that alleviate poverty and promote opportunity. In collaboration with partner organizations and clients, we carry out our mission through research, education and training, capacity building, and direct services to strengthen our collective impact. We serve clients in the public, non-profit, and private sectors in the Commonwealth and throughout the nation and the world. For more information, www.donahue.umass.edu.

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

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

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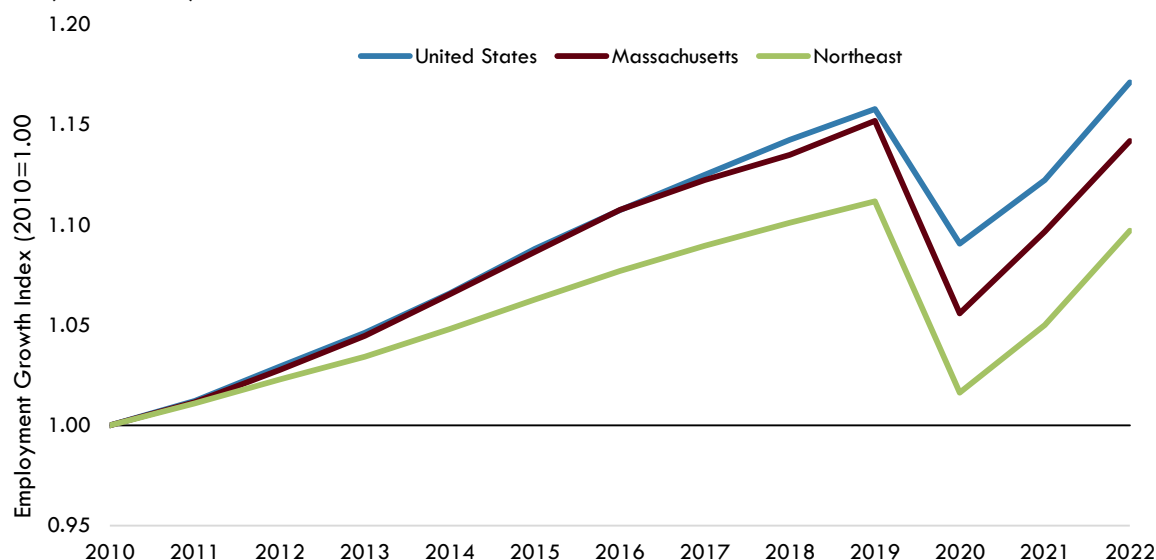
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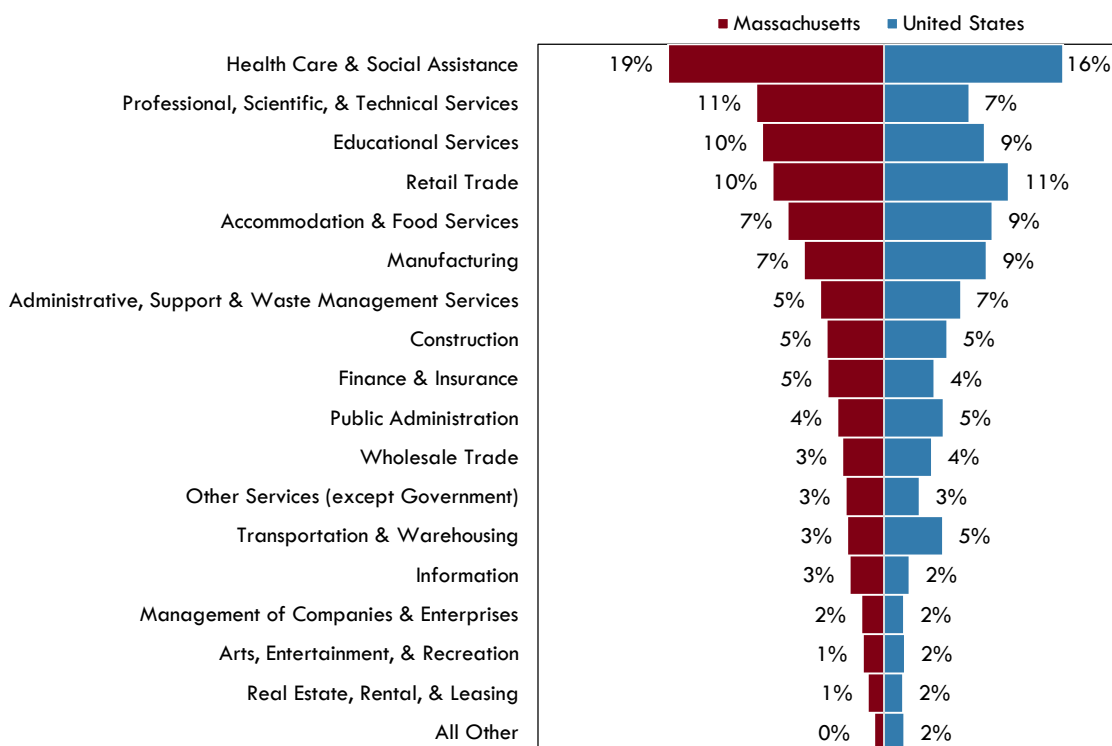
Economy

Over the past decade, Massachusetts has been a leader in job growth in the Northeast (Figure 1), driven largely by the state's highly-educated workforce, the overall diversity of industries, and strengths in knowledge-based industries, such as health care, education, and professional services (Figure 2). Professional and technical services have been increasingly important in the state, both as a share of employment and in terms of its contribution to state gross domestic product (GDP). During the pandemic, professional and technical services moved from being fourth in the state in terms of employment, to second. In 2022, the industry accounted for 11 percent of jobs and the sector was first in the state as a share of GDP, making up 14 percent of the state GDP. While the sector includes everything from legal services to veterinary services, in Massachusetts the two leading subsectors in terms of employees are computer systems design and related services, and scientific research and development services. These subsectors benefit from the Commonwealth's well-established higher education and health care sectors.

Figure 1. Employment Growth Index in Massachusetts, the Northeast, and the United States, 2010-2022 (2010=1.00)



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

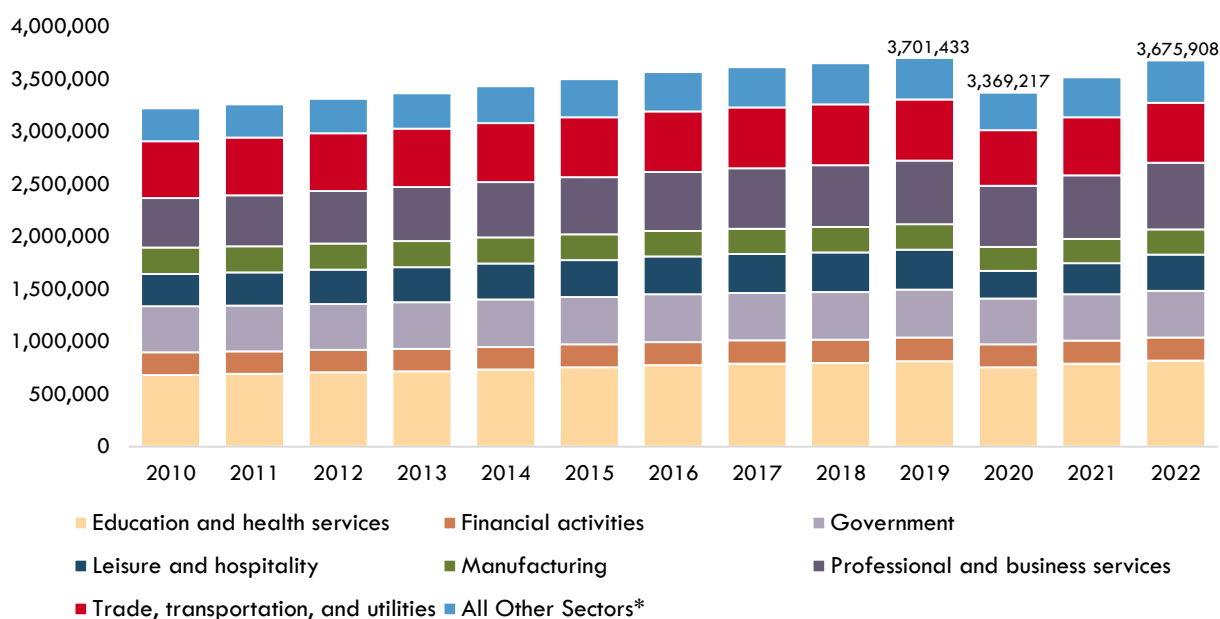
Figure 2. Industry Mix in Massachusetts and the United States, 2022 (Percent of Total Jobs)

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

Note: All Other includes: Utilities; Agriculture, Forestry, Fishing, & Hunting; and Mining, Quarrying, and Oil & Gas Extraction. Not seasonally adjusted.

Educational services and health care and social assistance have consistently been among the top industries in the state. The clusters of colleges, universities, and teaching hospitals contribute to Massachusetts being a hub for technology and research. Finance and insurance have played an important role in the Massachusetts economy making up roughly 5 percent of jobs, but contributing 9 percent to the state GDP. While sixth in terms of employment in 2022, manufacturing has historically experienced declines. In recent years the decline has slowed considerably, but the Commonwealth's share of manufacturing employment has remained lower than the share of employment in the United States as a whole.

Several NAICS service sectors, education and health services, professional services, and leisure and hospitality have grown to take the place of manufacturing in driving the Massachusetts economy and now account for almost half of total payroll employment, while financial activities, government, information, and trade, transportation and utilities have remained relatively level or declined in share (Figure 3).

Figure 3. Annual Average Employment in Massachusetts, 2010-2022 by NAICS Supersector

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

The COVID-19 pandemic interrupted the trajectory of the state's economic growth and continues to have tremendous short- and long-term ramifications for the state's economy. Over 690,000 jobs were lost in spring 2020. In the first half of 2023 the Commonwealth finally surpassed the pre-pandemic employment levels. As of June 2023, there were 19,100 more jobs than in February 2020 (Figure 4). The growth of professional and technical services during the pandemic has occurred during a period when retail trade, other services (which includes equipment repair, laundry and drycleaning, barbershops, and pet care among others), and accommodations and food services all suffered losses in terms of jobs. These generally lower-paying industries have been among the slowest sectors to recover in terms of absolute number of jobs lost and as a share of jobs lost compared to levels prior to the pandemic (Figure 4). The higher paying industries of construction and professional and technical services have both returned to well above their pre-pandemic levels, and construction in particular has seen growth that outpaces the U.S. overall. Since the onset of the pandemic through 2022, professional and technical services saw the largest gains in employment in scientific research and development services, management and technical consulting services, employment services, and services to buildings and dwellings.

Figure 4. Jobs Deficit in Massachusetts Relative to February 2020 Peak by 2-Digit NAICS Industry

Industry	Massachusetts				U.S.
	Feb-20	Jun-23	Change (N)	Change (%)	Change (%)
Accommodation and food services	323,900	295,600	(28,300)	(8.7%)	(2.3%)
Retail trade	351,000	331,200	(19,800)	(5.6%)	0.1%
Other services	142,000	135,700	(6,300)	(4.4%)	(1.1%)
Government	464,300	459,800	(4,500)	(1.0%)	(0.7%)
Manufacturing	242,800	238,900	(3,900)	(1.6%)	1.6%
Management of companies and enterprises	73,500	69,800	(3,700)	(5.0%)	1.4%
Mining and logging	1,000	1,000	0	0.0%	(6.4%)
Health care and social assistance	645,600	646,000	400	0.1%	2.8%
Arts, entertainment, and recreation	63,100	63,600	500	0.8%	(1.6%)
Information	95,600	96,700	1,100	1.2%	6.4%
Real estate and rental and leasing	48,800	50,400	1,600	3.3%	2.4%
Finance and insurance	177,900	182,000	4,100	2.3%	3.4%
Educational services	184,100	188,500	4,400	2.4%	3.9%
Transportation, warehousing and utilities	105,300	111,000	5,700	5.4%	16.3%
Wholesale Trade	123,100	129,800	6,700	5.4%	2.6%
Administrative and waste services	184,700	193,600	8,900	4.8%	4.1%
Construction	166,100	177,000	10,900	6.6%	4.5%
Professional and technical services	350,900	392,200	41,300	11.8%	12.4%
Total nonfarm	3,743,700	3,762,800	19,100	0.51%	2.5%

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

According to MassBenchmarks, the journal of the Massachusetts economy produced by the University of Massachusetts Donahue Institute (UMDI) and Federal Reserve Bank of Boston, in the second quarter of 2023, Massachusetts real gross domestic product (GDP) increased at a 4.0 percent annualized rate, while U.S. GDP increased at a 2.4 percent rate according to the U.S. Bureau of Economic Analysis (BEA). In the first quarter of 2023, Massachusetts GDP grew at a 2.5 percent annualized rate as compared to a 2.0 percent rate for the U.S., according to the BEA (Figure 5).

During the second quarter, both the state and national economy performed better than expected, with surprising resilience in the labor market as employers continued to hire and labor force participation reached pre-pandemic levels for so-called “prime aged” workers 25-54 years old. It is unlikely this pace of growth can continue during the third and fourth quarters. There is little slack left in the labor market to support strong employment growth, consumer spending in real terms seems to be leveling off as households exhaust excess savings from the COVID fiscal stimulus, and the Federal Reserve raised interest rates in their July rate-setting meeting with a possibility of a further rate increase later this year.

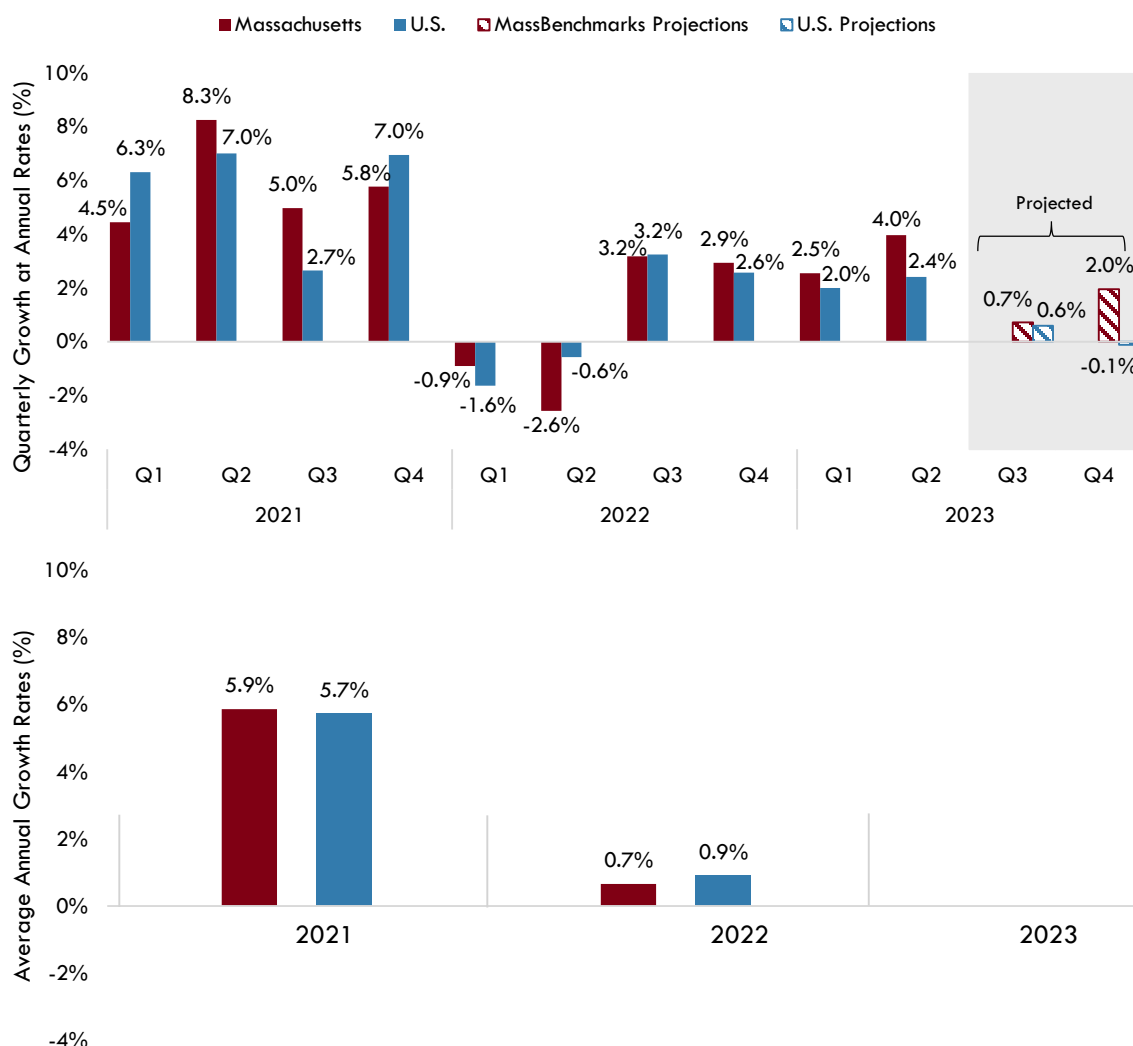
Although a recession is not anticipated in the second half of this year, all indications are that growth can be expected to slow. The Massachusetts and U.S. economies have been growing in sync with each other, with slightly higher growth in Massachusetts in the first half of this year reflected in marginally higher payroll employment growth and higher wage and salary income growth. In the second quarter, Massachusetts payroll employment grew at a 2.2 percent annualized rate versus 1.9 percent for the U.S. In the first quarter, state and national employment grew 2.9 percent and 2.5 percent respectively.

Wage and salary growth was also stronger in Massachusetts than nationally during Q2. MassBenchmarks estimates wage and salary income in the most recently completed quarter using state withholding tax revenues. Strong withholding tax revenues in April and May indicate that second quarter wage and salary income growth for Massachusetts was greater than the MassBenchmarks estimate for (annualized) U.S. wage and salary growth of 4.8 percent. For the first quarter of this year, the BEA reported a 5.8 percent growth rate in Massachusetts wage and salary income versus 4.7 percent for the U.S. Since the second quarter of 2022, wage and salary income is estimated to have grown 6.2 percent in Massachusetts versus 5.6 percent for the U.S.

Not surprisingly, the strong labor market has not been helping efforts to reduce inflation which, although moderating slightly, remains stubbornly above the Fed's target of 2.0 percent. In the Boston area, core CPI in the second quarter was up 4.3 percent from the first quarter on an annualized basis. The corresponding measure for the U.S. was 4.7 percent. While core inflation in the Boston area has been lower than that of the U.S. in recent quarters, Boston's inflation rate has nonetheless not declined meaningfully since the second quarter of 2022.

Massachusetts consumer and business spending on items subject to the regular and motor vehicle sales taxes, which reflect spending on goods – largely durable goods – declined in the first and second quarters of this year, at an annualized rate of 5.8 percent in the first quarter and 2.5 percent in the second quarter. Sales tax collections in Q2 2023 were 1.8 percent higher than in Q2 2022. Notably, these are nominal measures and are not adjusted for inflation. They are significantly weaker than measures of U.S. nominal spending on goods and durable goods. Spending on durable goods in the U.S. in the first quarter grew 15.2 percent on an annualized nominal basis and was 3.4 percent higher than the first quarter of 2022 (Q2 data are not available yet).

The outlook for the second half of this year calls for slower growth in both Massachusetts and the U.S. The MassBenchmarks Leading Economic Index expects third quarter growth of 0.7 percent for Massachusetts, while the Wall Street Survey of economists in July projects growth of 0.6 percent for the U.S. (Figure 5). The pace of job growth can be expected to slow as well, and there are some indications that employer demand for workers may be softening. Payroll employment in June in Massachusetts declined moderately—by 4,500—which could reflect the difficulty employers are having finding workers, or that demand for workers has peaked.

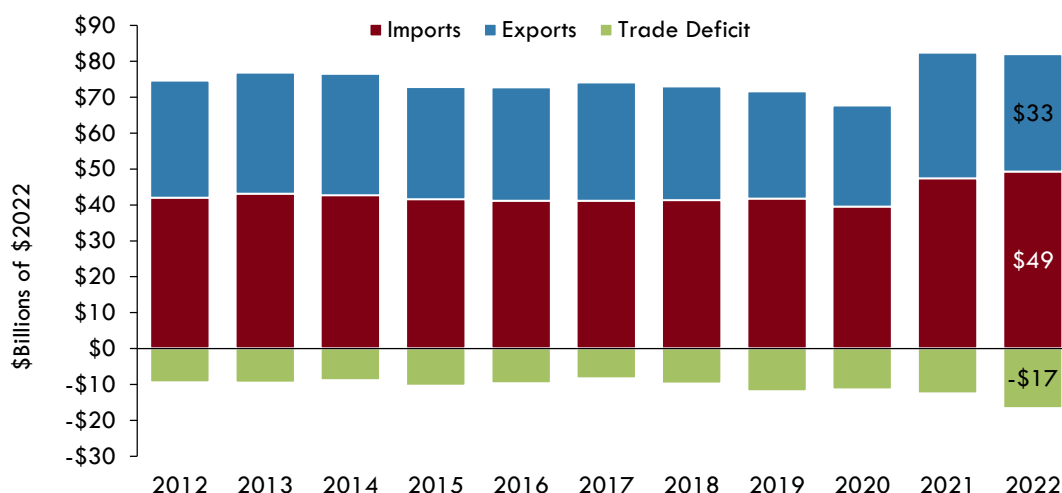
Figure 5. Growth in Real Product, Massachusetts and the United States, 2023 Q2

Source: U.S. Bureau of Economic Analysis, MassBenchmarks calculations by Dr. Alan Clayton-Matthews. U.S. projections from Wall Street Journal. Note: average annual growth is calculated by averaging the four quarters of annual growth rates for the calendar year.

Massachusetts trade has stabilized since the pandemic declines in 2020 and after a large rebound in 2021. The Commonwealth's total trade volume (exports and imports) increased 21.7 percent from 2020-2021 and fell 0.5 percent from 2021-2022; the total trade volume was \$82 billion in 2022 (Figure 6). Canada was by far our most valuable trading partner, with a trade volume of \$17 billion, 20.8 percent of the total state trade (Figure 7). The Massachusetts' trade deficit, \$16.6 billion, increased 33.3 percent in 2022. Massachusetts ranked 19th in the U.S. in 2022 and first in New England with \$32.7 billion in exports. This was a 6.6 percent decrease from the previous year's export value, while national exports increased by 8.8 percent and total exports from New England decreased by 4.1 percent (Figure 8). Canada and China were our top two export destinations in 2022 with \$3.7 billion each. Imports increased

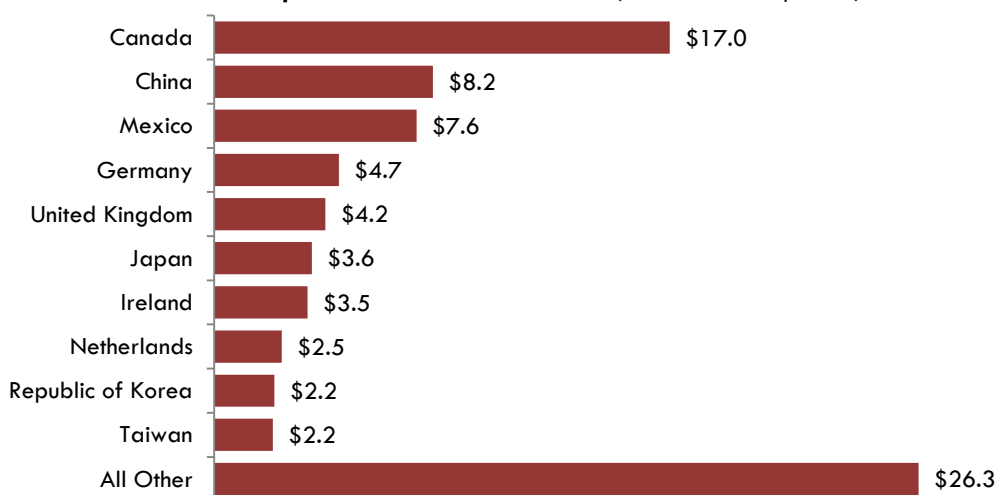
3.9 percent year-over-year to \$49.3 billion in 2022. Canada was the largest source for Massachusetts imports in 2022, from which we imported \$13.3 billion, or 27.1 percent, of our total. Russia's invasion of Ukraine precipitated a drastic reduction in trade with Russia. Between 2021 and 2022, Massachusetts' exports to Russia dropped from \$151 million to \$33 million, and imports halved from \$315 million to \$171 million, causing Russia to drop from our 29th largest trading partner to 42nd by total trade volume. In contrast, trade with Ukraine stayed largely constant and Ukraine remained our 75th largest trade partner.

Figure 6. Massachusetts Imports, Exports, and Trade Deficit, 2012-2022 (in Billions of \$2022)



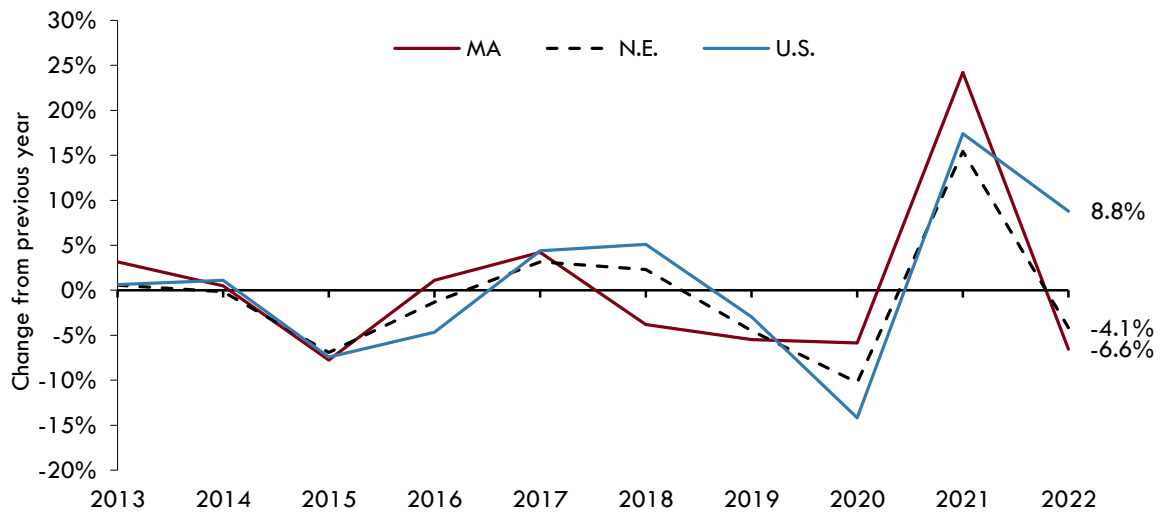
Source: WISERTrade.org; UMDI analysis

Figure 7. Massachusetts Top 10 Trade Partners in 2022 (in Billions of \$2022)



Source: WISERTrade.org; UMDI analysis

Figure 8. Export Growth for Massachusetts, the United States, and New England, 2013-2022

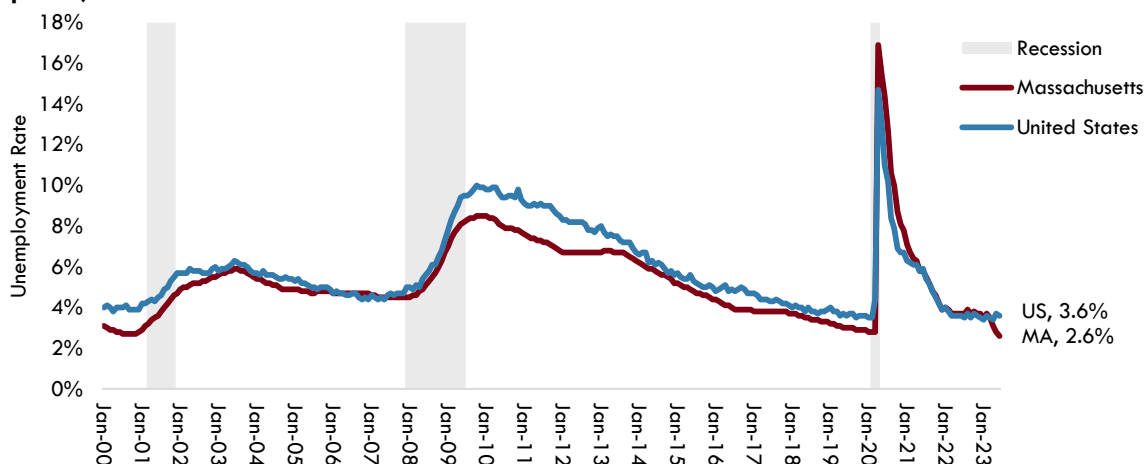


Source: WISERTrade.org; UMDI analysis

Workforce

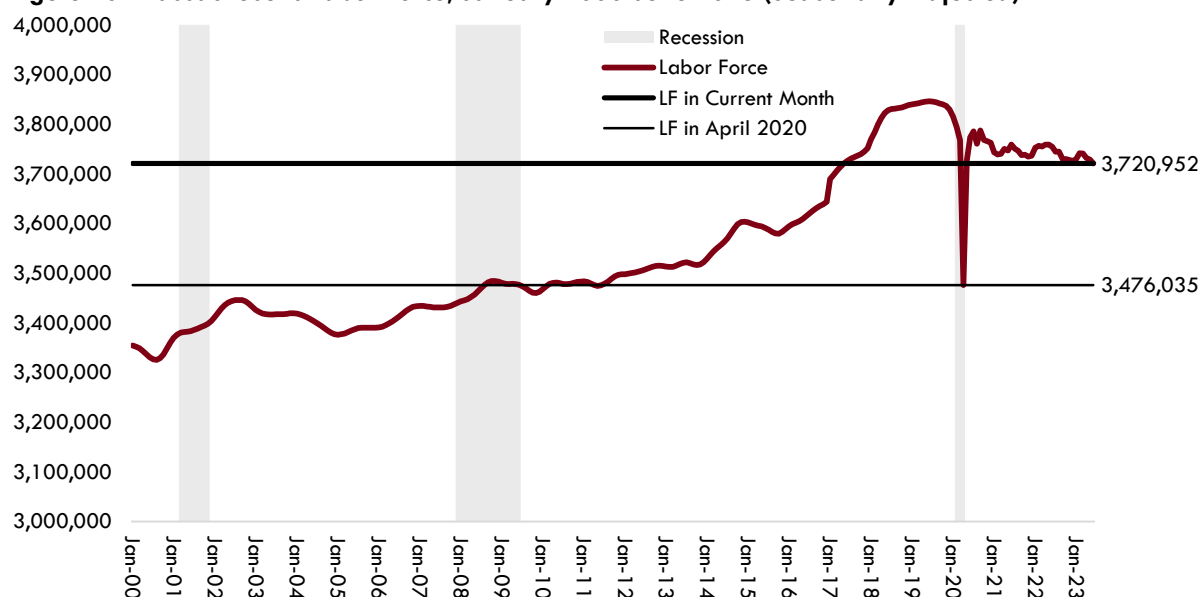
In recent history, the Massachusetts economy has generally outperformed the U.S., with the state unemployment rate typically below the nation. This was especially the case during and the period following the Great Recession. The Commonwealth's mix of knowledge-based industries and well-educated workforce led to high levels of labor force participation and low levels of unemployment in the state overall. The tightness of the current labor market is reflected in the unemployment rate, which in June was at historically low levels. The June unemployment rate for Massachusetts was 2.6 percent, just under the historic low of 2.7 percent recorded at the end of the tech boom in the summer and fall of 2000 and the lowest since these data were first collected in 1969. The U.S. unemployment rate, which was 3.6 percent in June, reached its nadir in January of 3.4 percent, the lowest level since the end of the 1960s (Figure 9).

Figure 9. Unemployment Rates in Massachusetts and the United States as of June 2023 (Seasonally Adjusted)



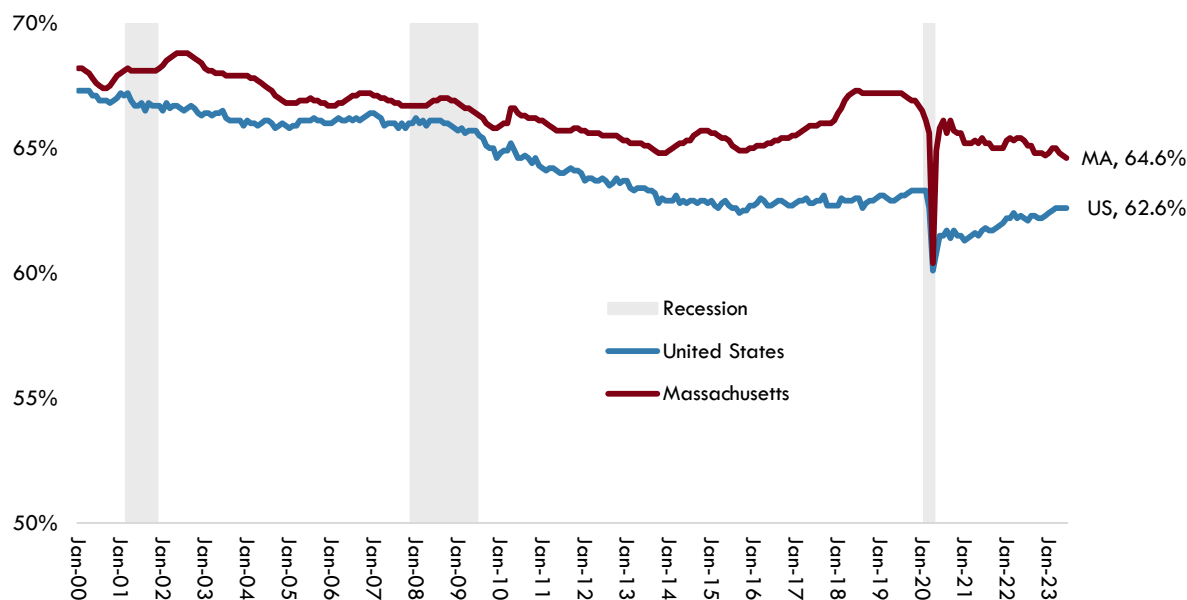
Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis

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

Figure 10. Massachusetts Labor Force, January 2000-June 2023 (Seasonally Adjusted)

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

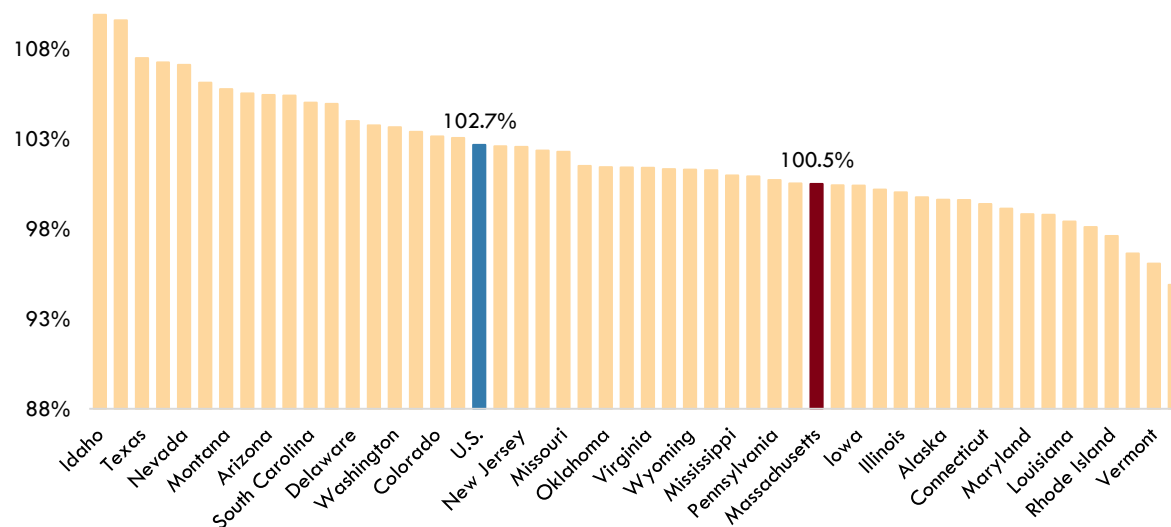
The size of the labor force in the state has largely recovered since the initial collapse at the start of the pandemic (Figure 10). Massachusetts has consistently maintained higher rates of labor force participation than the U.S. on a whole. As of June 2023, 64.6 percent of Massachusetts working-age residents were in the workforce (Figure 11). The rate is down 0.5 percentage points from December 2022 to June 2023 and below the pre-pandemic level of 66.5 percent in January 2020. Labor force participation rates and unemployment rates vary across race, gender, age and education levels. With higher peak unemployment rates during the pandemic being experienced by people of color, women, and younger workers, with lower levels of education who were more likely to be working in sectors impacted by the pandemic. While all groups have benefited from the economic recovery, rates of recovery have varied across demographics. The fact that educational attainment, age, race, and gender are all interconnected with access to job opportunities in the more resilient sectors of the economy has meant that historically marginalized populations have faced greater challenges during all stages of the pandemic. For example, in the spring of 2020, Massachusetts' residents of color experienced the highest levels unemployment in decades with unemployment rates exceeding 26 percent in April 2020—nearly 12 percentage points higher than their white counterparts. For women, unemployment peaked in June 2020 at 20.3 percent.

Figure 11. Labor Force Participation Rates in Massachusetts and the United States, January 2000-June 2023 (Seasonally Adjusted)

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

Over the past three years, labor market conditions improved dramatically for many workers in the U.S. following the initial wave of COVID-19 related shutdowns. Jobs recovered at a fast rate, with employment totals above pre-pandemic levels for the nation and 37 states, including Massachusetts. The remaining 13 states are within one percentage point of their February 2020 job peak (Figure 12).

Figure 12. Job recovery rates in Massachusetts and all states, February 2020 and June 2022 (Seasonally adjusted)



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

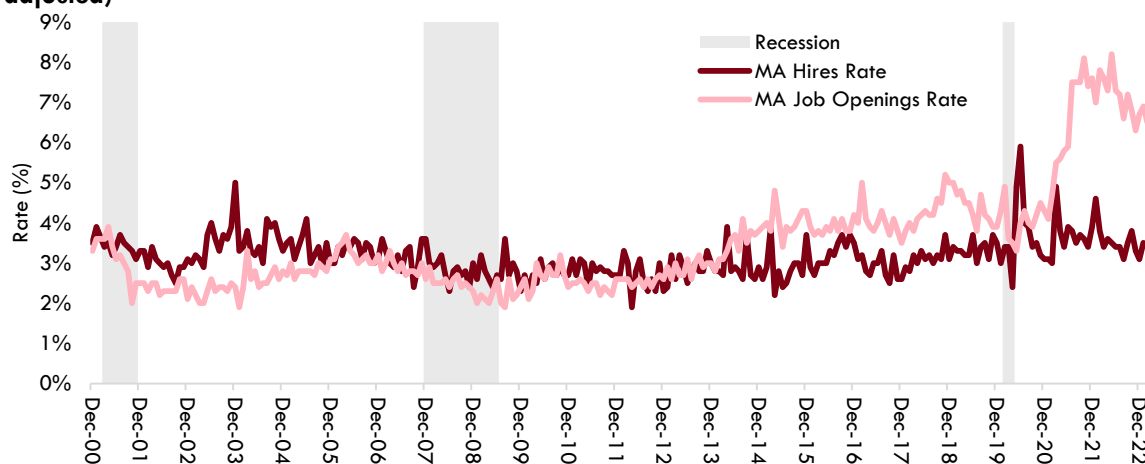
The combination of uneven job losses and recovery, as well as an overall decline in the total labor force size in the state have led to several hiring and staffing challenges for employers. An examination of the Bureau of Labor Statistics' Job Opening and Labor Turnover Survey (JOLTS) shows some interesting trends in job postings, hiring, and quits. On the one side, employers were routinely expressing an inability to find available workers to fill current vacancies. On the other side, was a significant increase in voluntary job separations (or "quits") during the recovery period following initial COVID job losses. The national media and popular discourse initially referred to this as "the Great Resignation" or "the Big Quit" and often boiled hiring challenges down to a fundamental shift in workers' views on work-life balance.¹ Quits in the labor market seem to be tied more to the extremely tight labor market conditions caused by pent up labor demand, reduced labor force size caused by demographic factors, and competition for available workers, and not the ongoing challenges related to childcare shortages and costs, or the need for flexible work arrangements.

The following graphic (Figure 13) shows the ongoing tension in Massachusetts between current job openings and hires. The pink line shows the job opening rate in the state, or the number of job postings over the total number of jobs. The red line shows the hiring rate, or the number of jobs filled over the total number of jobs in the state. Over time, we see that the hiring rate and the job opening rates moves closely together. In the pre-COVID period, the strong economic conditions in Massachusetts helped to increase demand, as we see the opening rate separate from the hiring rate between 2016 and 2019. Unsurprisingly, the hiring

¹ Newport, Cal. 2021. "Why Are So Many Knowledge Workers Quitting?" *The New Yorker*, August 16, 2021. <https://www.newyorker.com/culture/office-space/why-are-so-many-knowledge-workers-quitting>.

rate dips in the pandemic and then jumps dramatically as social distancing restrictions start to lift. Since 2021 there develops a significant gap between job openings and hires in the state. These data confirm the narrative from employers that they are having a hard time filling current openings.

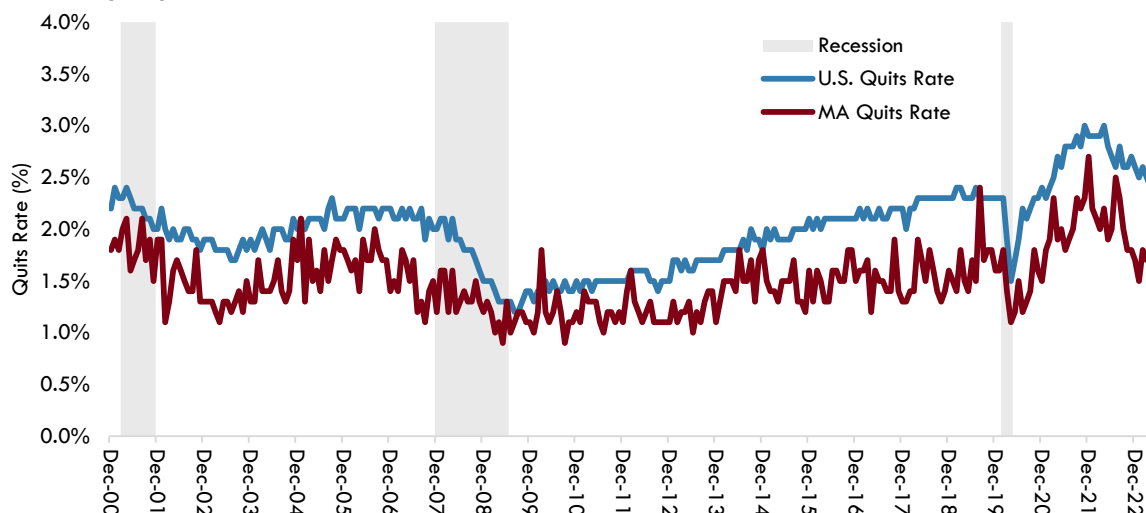
Figure 13. Job openings rate and hire rate in Massachusetts, December 2000 – May 2023 (Seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS); UMDI analysis

Similarly, the pandemic appeared to impact voluntary job changes. The graphic below (Figure 14) shows the monthly job quit rate for Massachusetts and the U.S. dating back to 2001. As one would expect, quits tend to go down during recessionary periods in the economy and increase when labor demand is stronger. The quit rate for the U.S. tends to be a bit higher than Massachusetts historically. This is likely due to the high education attainment of Massachusetts workers coupled with the state's industry mix.

**Figure 14. Job quits rate in Massachusetts and the United States, December 2000 - June 2023
(Seasonally adjusted)**



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS); UMDI analysis

Predictably, voluntary separations or “quits” dropped during the COVID recession. With layoffs and involuntary separations spiking throughout the economy, those who were able to stay in their current jobs were unlikely to quit during the economic downturn. As the economy opened back up quits spiked dramatically, especially in 2021. While there are a host of factors that would influence increased voluntary separations in the aggregate (e.g. health, family care responsibilities, pay, etc.), the primary cause of the increased quits is tight labor market conditions, reflected in the high number of job openings, low unemployment rates, and wage increases (though, not at the pace of current inflation). While some workers have not returned to the workforce, many seized the opportunity to find new employment. In short, with increased demand in the labor market and fewer available workers to draw from, workers were better positioned to seek out higher paying opportunities and more flexible work arrangements than they were during the early stages of the pandemic.

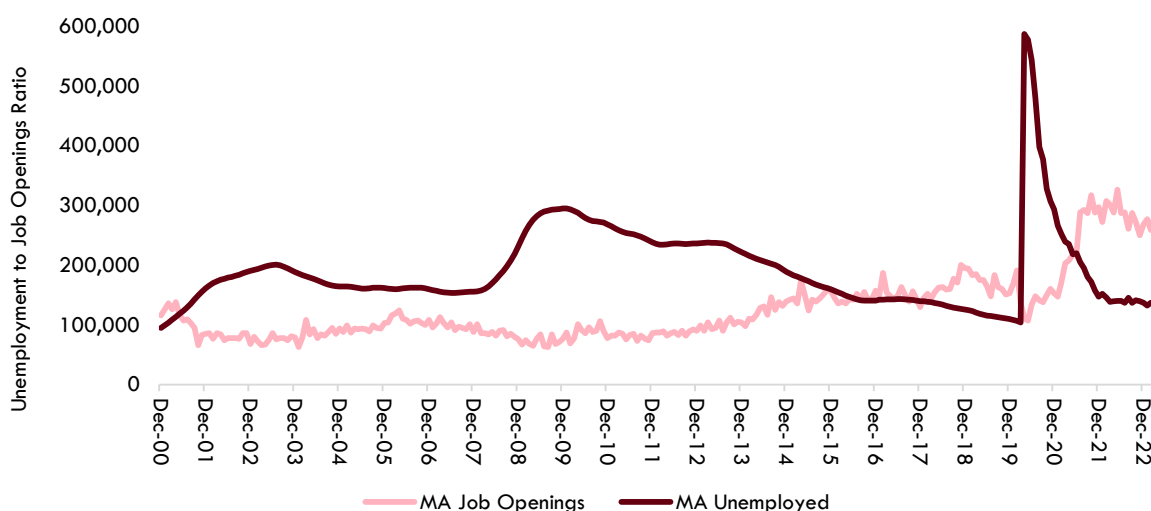
Competition for workers in a tight labor market led to wage increases across the Massachusetts economy in 2020 and 2021. While in recent quarters wage growth has declined, year-over-year wages increased 11 percent from 2019 to 2020 and five percent from 2020 to 2021. Despite the wage gains experienced by many workers in the economic recovery period, those gains have failed to keep up with the rate of inflation, leading to households having reduced spending power, despite any wage gains experienced over the economic recovery period.

This tension between labor demand and available workers is likely to continue for the foreseeable future due to several factors. As we will cover in the “Resident” section later in this report, the pandemic led to both an uptick in deaths in the state, as well as a dramatic decrease in international migration. This coupled with losses in net domestic migration is helping to lead to a slightly smaller labor force in Massachusetts than before the pandemic. In addition, with baby boomers approaching traditional

retirement ages, Massachusetts (along with the rest of the U.S.) will be facing labor shortages in the coming decades.

Focusing on the current labor market, the uneven economic downturn and recovery signals some elements of skills mismatches in the economy. In 2021, U.S. workers with a bachelor's degree had an unemployment rate of 3.5 percent, compared to 6.2 percent for individuals with a high school diploma, and 8.3 percent for workers with less than a high school education. Regardless, there are currently fewer unemployed workers in the state than current job openings, meaning that short of an increase in labor force participation in the current population and/or an influx of new workers, there simply are not enough available workers to fill vacancies in the current economy.

Figure 15. Job Openings and Number of Unemployed in Massachusetts (Dec 2000 - May 2023)



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS); UMDI analysis

In addition to upending the labor market, the pandemic has had lasting impacts on transportation in the Commonwealth. Transportation and mobility are essential to the economy and workforce. On one side, the industry sectors – transportation, warehousing, and wholesale trade – are indicative of the activities related to the movement of people and freight in Massachusetts and can be measured by jobs and contribution to the state's GDP. On the other side, indicators like congestion levels, vehicle miles traveled (VMT), public transit ridership, and air passengers have traditionally served as proxy measures of how the economy is performing. It remains to be seen to what extent employees will resume commuting to work and how the relationship between mobility and employment will evolve.

For many workers the transition to remote or hybrid work has been beneficial as it reduced or eliminated commuting. Leading up to the pandemic, the delays that Massachusetts drivers faced for their commutes had risen dramatically. The typical driver in Boston sat in traffic for nearly 90 hours per year as compared to just over 30 in the early 1980s. Nationally, the Boston urban area has consistently ranked among the highest in the nation in terms of annual hours of delay and Boston's traffic congestion has outpaced other

areas of the Commonwealth for this period, at times more than doubling the hours of delay incurred by Worcester or Springfield area drivers. All areas of the state saw unprecedented declines in 2020 as overall travel declined due to the COVID-19 pandemic.

Freeway daily vehicle miles traveled (VMT) throughout the three most populous regions of the state thoroughly outpaced population growth for the period of 1982-2019, increasing roughly 120 percent for the Boston, Springfield, and Worcester urban areas, regardless of the varying changes in population growth that each area experienced. This points potentially to statewide changes in driving behavior (e.g., more cars taking more and longer-distance trips) independent of population growth as well as land use patterns potentially favoring vehicle-focused types of development. Traffic volumes across the state have largely reversed and almost fully recovered from the significant dip in VMT that occurred in 2020 due to the pandemic, with average weekday and weekend VMT in May 2023 hovering between 85-115 percent of their pre-pandemic May 2019 levels.²

In contrast to daily VMT, public transit ridership has largely lagged the economic recovery in Massachusetts following the beginning of the COVID-19 pandemic in spring 2020 (Figure 16). Immediately following the emergence of COVID-19 and subsequent “stay at home” orders, transit authorities uniformly experienced a sharp decline in ridership. Total public transit ridership across the state has since started recovering, showing signs of seasonal variation with dips in the winters of 2020-21 and 2021-22 and relative peaks in summers.

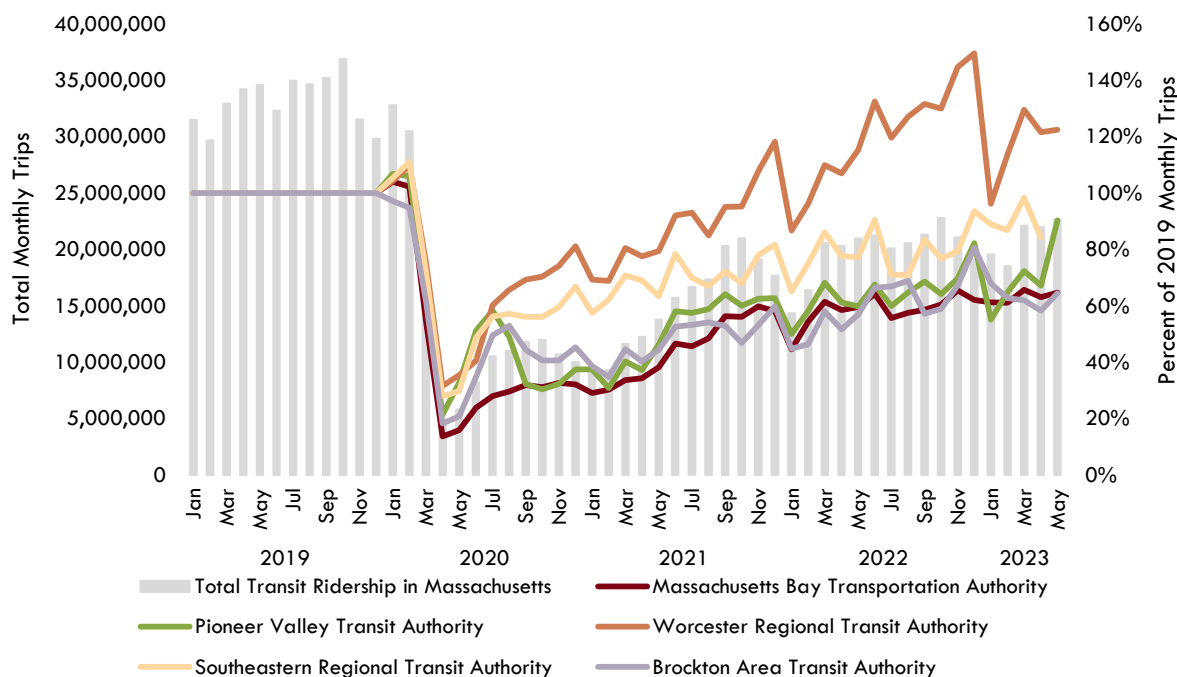
The Massachusetts Bay Transportation Authority (MBTA) and the Commonwealth’s regional transit authorities (RTAs) have seen highly variable rates of recovery. Among the top five largest transit authorities in the state measured by February 2020 ridership, one has surpassed its pre-pandemic ridership (the Worcester RTA), two are approaching pre-pandemic ridership (Southeastern RTA and the Pioneer Valley Transit Authority), and the remaining two are around two thirds of 2019 ridership (Brockton Area Transit Authority and the MBTA). The Worcester RTA has suspended fare collection on its buses since the beginning of the pandemic, and this is one possible explanation for why the region has consistently exceeded the state’s ridership recovery overall. The new initiative named “Try Transit” removed fares from all RTAs (but not the MBTA) throughout December 2022 and created the opportunity to test the effect of fare free transit for Massachusetts communities. Funding in the FY24 state budget, representing new investment from the Fair Share Amendment, is directed at the Commonwealth’s Regional Transit Authorities, a portion of which may be used to extend fare free transit programs.

Industry mix may explain some variation in ridership recovery across the Commonwealth as well. Worcester, with its emphasis on health care jobs, likely has many commuters who must still travel to their place of work. Boston, on the other hand, has a greater share of financial, tech, and professional services jobs - employees who are much more likely to work from home at least part of the time. Incomes may play a role as well. Low-income residents of Worcester may still rely on buses, whereas the MBTA serves

² Massachusetts Department of Transportation Mobility Dashboard, Average Traffic Volumes at Select Count Locations.
<https://mobility-massdot.hub.arcgis.com/>

different income groups across its commuter rail, rapid transit rail lines, and bus network. High-income workers may be less likely to return to transit if they have easier access to a personal vehicle.

Figure 16. Monthly Transit Ridership, 2019-2023



Source: National Transit Database. Note: total ridership is the sum of MBTA and Regional Transit Authority ridership per month. Top five transit authority by February 2020 ridership are shown as a share of their monthly ridership relative to the comparable month in 2019, e.g. September 2020 / September 2019.

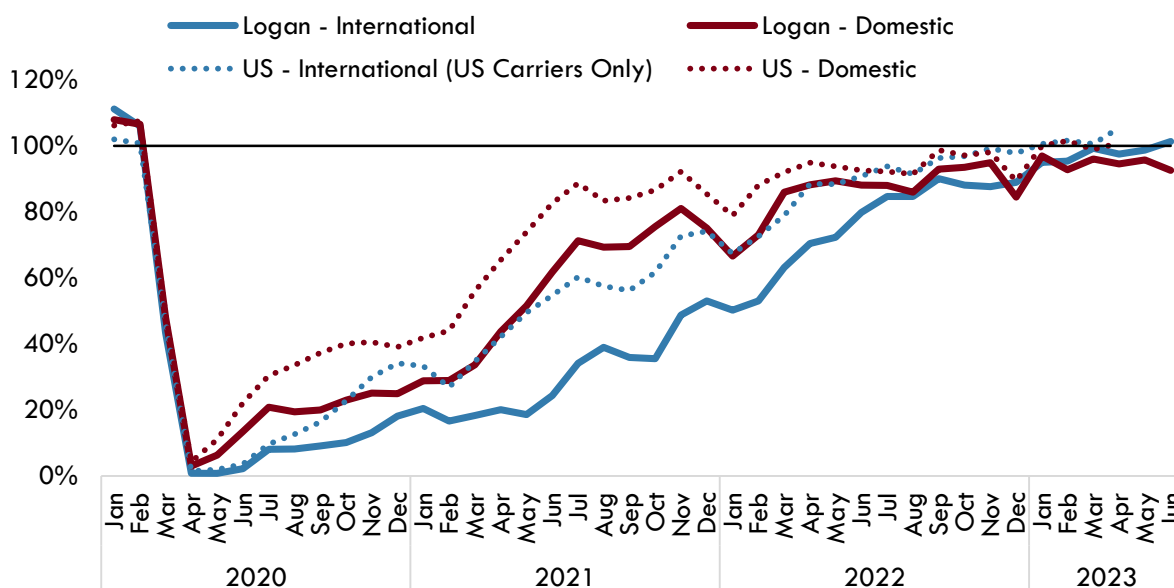
There are several MBTA expansion and redesign plans under construction or consideration that have potential to benefit tens of thousands of current and new riders. The Green Line Extension of light rail north of Lechmere opened in 2022 in phases; the Union Square Branch in Somerville opened in March 2022 and the Medford Branch opened in December 2022. New Bedford and Fall River, both Gateway Cities, will gain a Commuter Rail connection to Boston in 2023 through the South Coast Rail project. The MBTA's Bus Network Redesign project released a draft of its complete reconfiguration of Greater Boston region bus routes in May 2022 (a revised draft was released in October 2022); the review process for this project is underway and is expected to be phased in over the course of several years. This spring, the Commonwealth also pledged to create a new rail authority in the state to advance East-West Rail, a plan to connect Boston, Worcester, Springfield, and Pittsfield by passenger rail. The effects of these expansion and redesign plans remain to be seen considering the uncertainty of future travel patterns from the pandemic.

Logan International Airport, like the state's transit agencies, logged a significant decline in passenger volume in 2020 and 2021 below record numbers seen in 2019 (Figure 17). After reaching over 42 million domestic and international passengers in the calendar year before the COVID-19 pandemic, passenger

volumes collapsed to less than 13 million in 2020. Many air carriers expanded service to Asian, European, Middle Eastern, South American, and African destinations from Logan during the 2010s, but with the onset of COVID-19 and its travel restrictions, international passenger volumes were still only a fraction of the 2019 peak.

Logan initially lagged the U.S. overall in passenger recovery throughout 2020 and 2021 for both domestic flights and international flights carried out by U.S. carriers. Throughout 2022, resumption in overseas service and resurgent domestic travel helped passenger levels at Logan and across the country to continue their recovery. By April 2023, domestic and international passenger recovery was within 8 percentage points of the U.S. as overall passenger numbers return to pre-pandemic levels. As a global hub of education, technology, finance, medicine, and tourism, Massachusetts benefits from higher service levels and the passengers they bring into the state via Logan Airport.

Figure 17. Logan Airport and U.S. Monthly Passenger Volumes in 2023 as a Percent of 2019



Source: MassPort; Bureau of Transportation Statistics, T-100 Domestic & International Market
 Note: U.S. International passenger data are from U.S. carriers only.

In late June 2023, the Healey-Driscoll Administration released the FY24 – FY28 Capital Investment Plan (CIP).³ This document, in addition to the MassDOT and MBTA CIPs, as well as those from Massachusetts Municipal Planning Organizations (MPOs) steer significant funding toward transportation priorities in the Commonwealth. The Commonwealth's CIP includes a commitment to replacing the aging Cape Cod Bridges

³ Five-Year Capital Investment Plan FY2024–FY2028. (2023). Commonwealth of Massachusetts Executive Office for Administration and Finance.
<https://budget.digital.mass.gov/capital/fy24/static/1475dce8ff3a8e8167606105e8acb94f/fy24capitalplanma.pdf>

as well as funding repair and modernization efforts at the MBTA and building out electric vehicle charging facilities across the state, in addition to many other projects.

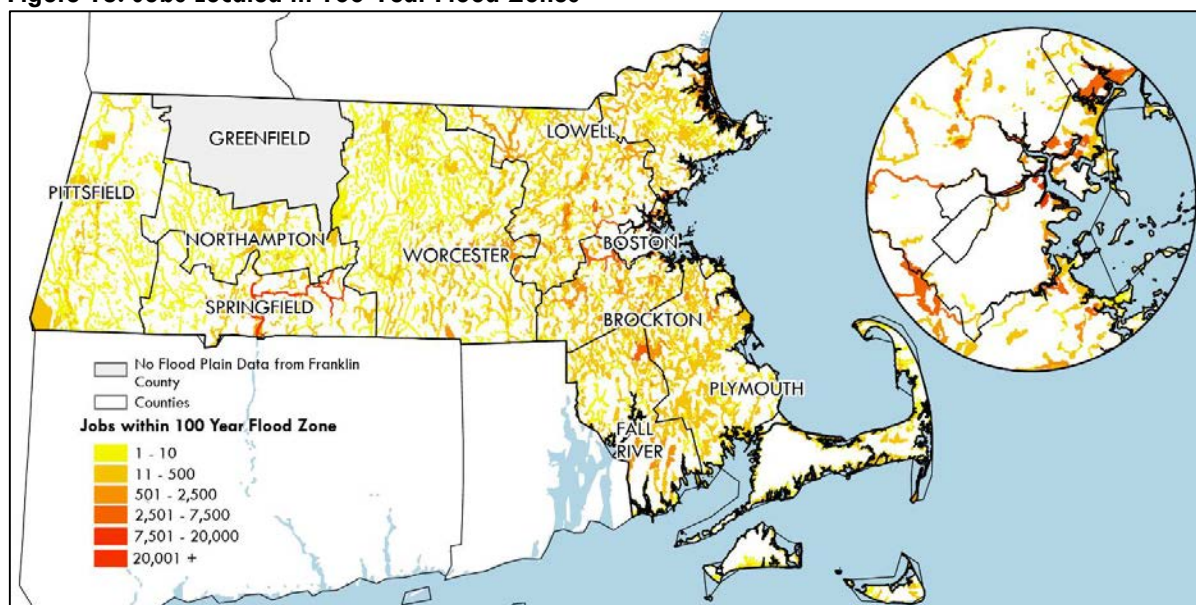
Environment

Massachusetts faces diverse risks related to climate change that will have broad economic impacts, depending on the extent to which adaptive measures are taken, at the state, national, and global levels. The threat posed by sea-level rise is of particular concern in Massachusetts because so much of the state's economic activity is concentrated along the coast, where the effects of climate change are already being felt. For example, in Boston the average number of flood days per a year has increased from 2.8 days during the 1950s and 1960s to 13.8 days from 2010 through 2020. Furthermore, the 2022 Sea Level Rise Technical Report released by the National Oceanic and Atmospheric Administration, estimated that sea levels along the East Coast will rise by 10-14 inches by 2050. The impact of coastal alteration, larger storm surges, and greater storm damage may be acutely felt where economic activity and residents are clustered. In 2020, approximately 370,000 jobs in Massachusetts were located in 100-year flood plains (Figure 18).⁴ Considering the economic recovery that has since occurred of jobs lost during the pandemic, the number of jobs in flood zones in 2023 is most certainly greater than this. With rising sea levels, flooding in these areas is likely to be more frequent and intense. Hurricanes are expected to threaten the East Coast more frequently.⁵ The number of jobs potentially effected by hurricanes is significant in Massachusetts. There are almost 800,000 jobs in areas designated by the Army Corps of engineers as being in hurricane inundation zones (Figure 19).

⁴ This estimate excludes jobs located in Franklin County because flood maps for Franklin County were not available.

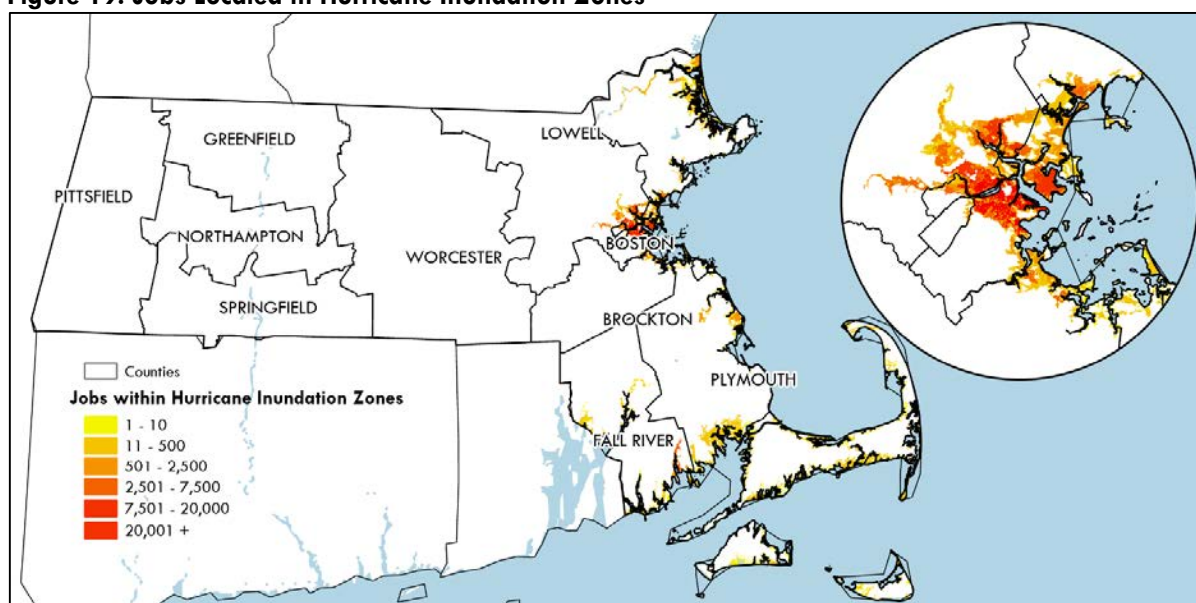
⁵ Gori, A., Lin, N., Xi, D. *et al.* Tropical cyclone climatology change greatly exacerbates U.S. extreme rainfall–surge hazard. *Nat. Clim. Chang.* 12, 171–178 (2022). <https://doi.org/10.1038/s41558-021-01272-7>

Figure 18. Jobs Located in 100-Year Flood Zones



Source: FEMA National Flood Hazard Layer via MA GIS, U.S. Census Bureau 2020 LODES data on Total Jobs; UMDI analysis
 Note: Counts of jobs in this table represent jobs in Census Blocks or parts of blocks that intersect or are fully contained within areas designated as 100 Year Flood Zones by FEMA and assumes an even distribution of jobs in those blocks. FEMA's current national flood hazard layer does not contain finalized flood data for Berkshire, Franklin or Hampshire counties; data from the previous flood map was used for Berkshire and Hampshire counties. Data for Franklin County was not available.

Figure 19. Jobs Located in Hurricane Inundation Zones



Source: U.S. Army Corps of Engineers Hurricane Surge Inundation Zones via MA GIS, U.S. Census Bureau 2020 LODES data on Total Jobs, Analysis by the Donahue Institute

There are also risks associated with rising temperatures. According to the 2022 National Oceanic and Atmospheric Administration National Centers for Environmental Information State Climate Summaries temperatures in Massachusetts have risen by 3.5 degrees Fahrenheit since the beginning of the 20th century and are predicted to continue to rise to historically unprecedented levels.

While the full effects of climate change are hard to predict at this time, it is certain that some industries will bear more of the burden than others. For example, the tourism industry will likely be affected as there are more than a dozen ski areas in the Commonwealth that will face challenges as precipitation is expected to shift from snow to rain with warmer winter temperatures. Agriculture will be impacted by changes to the growing season and increased risk of drought. Fisheries will be impacted as increasing temperatures change the habitats of ocean species. The health of residents may be impacted by climate change. For example, changes in temperature will likely increase the risk or incidence of acute respiratory diseases, such as Asthma, and increase the presence of ticks that carry Lyme disease and mosquitoes carrying West Nile Virus. The risks vary across the state, within communities, and from resident to resident. Vulnerability to climate change is a function of exposure, sensitivity, and adaptive capacity. The most vulnerable are often the young, old, and medically vulnerable, those who live in areas with higher risk of extreme events and those without the resources to adapt.

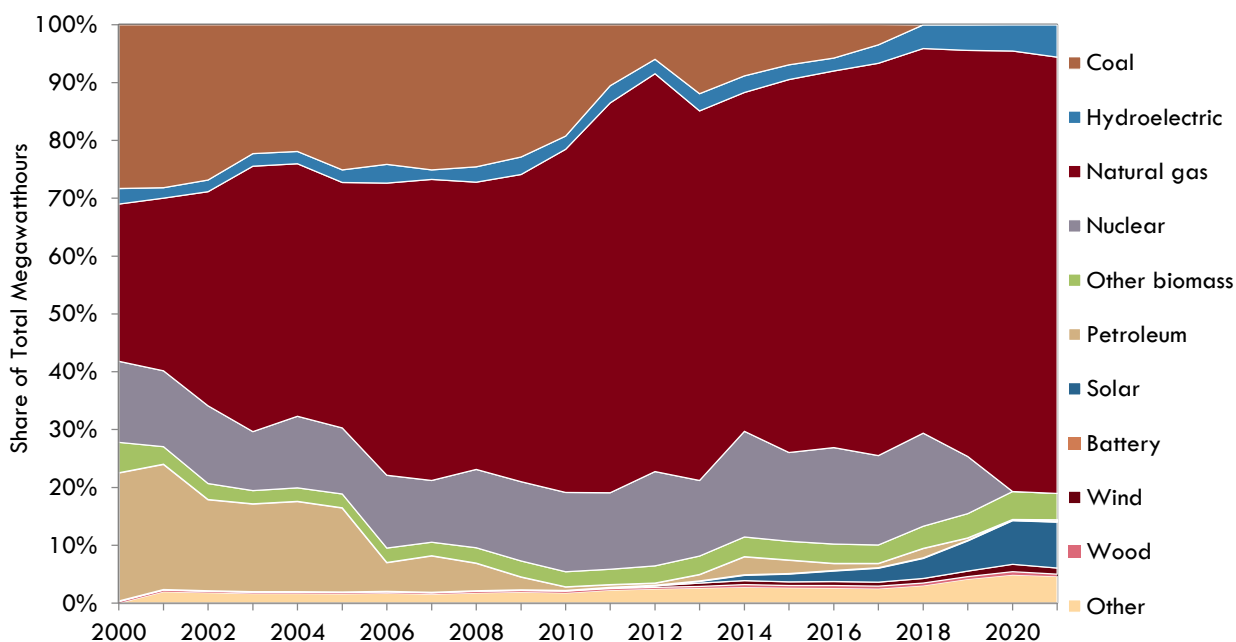
Changes to the environment, such as extreme weather events, do not respect political boundaries, therefore, policy makers have limited ability to mitigate the course of environmental change. However, local officials can prepare for natural disasters and plan for predicted changes in the environment,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

There have been significant legislative efforts to address the environmental risks of climate change. Most recently in August 2022, legislation was passed and signed that, among other provisions focused on creating local clean energy economy and modernizing the grid, requires that all new vehicles in the state be zero-emission beginning in 2035. This builds on the March 2021 net-zero emissions law that set the goal of Massachusetts achieving net-zero emissions by 2050. In addition, the law sets interim emission targets and sets targets for six sectors: electricity, transportation, commercial and industrial buildings, residential buildings, industrial processes, and natural gas distribution. Currently, Massachusetts consumes about 17 times more energy than it produces and relies on the regional grid to meet demand. However, Massachusetts uses less energy to produce a dollar of GDP than all but one other state, New York. Furthermore, according to the U.S. Energy Information Administration, Massachusetts used less energy per capita than all but four other states in 2020.

Over the past 20 years, Massachusetts has increasingly been reliant on natural gas for electric power generation, with the share of electric power from natural gas more than doubling from 2001 to 2020; (Figure 20). The state receives the majority of its natural gas through pipelines that bring in natural gas from sources in Appalachia and offshore Nova Scotia in Canada. In addition, natural gas arrives in the

state through liquefied natural gas import terminals in Everett and offshore in Massachusetts Bay. The Commonwealth is generating less energy from coal, petroleum, and nuclear; the last nuclear power plant in the state closed in 2019. Solar energy has steadily increased. Furthermore, Massachusetts ranked eighth in the U.S. in net generation from all solar in 2021. Electricity prices in Massachusetts are higher than in the nation as a whole. As of March 2023, Massachusetts consumers faced the third highest electricity prices in the nation.

Figure 20. Electric Power Generation by Primary Energy Source, 2000-2021



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

Note: Other includes batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, tire-derived fuels and misc. technologies. Pumped storage is omitted from the graph because it represents the storage of power generated elsewhere rather than newly generated power.

The state Capital Investment Plan (CIP)⁶ for the five years of FY24 – FY28 plans to invest in decarbonization efforts through efforts toward promoting electric vehicles and making school buildings, housing, and public transportation more efficient. Additionally, the CIP funds the Municipal Vulnerability Preparedness grant program at \$125 million, which will assist towns and cities as they manage the effects of extreme weather, heat, and other effects of climate change.

⁶ Five-Year Capital Investment Plan FY2024–FY2028. (2023). Commonwealth of Massachusetts Executive Office for Administration and Finance.

<https://budget.digital.mass.gov/capital/fy24/static/1475dce8ff3a8e8167606105e8acb94f/fy24capitalplanma.pdf>

Residents

Since 2010, Massachusetts has enjoyed a sustained period of population growth, driven largely by significant gains in the state's foreign-born population. That said, in recent months there has been a great deal of attention on modest year-over-year declines in the total Massachusetts population. Increases in domestic out migration over the last two years have alarmed economists and public policy makers alike. While Massachusetts has long had a significant churn of young adults moving into and out of the state around college-aged years, the combination of decreased immigration and increased retirement during the pandemic, coupled with increased domestic out migration has led to the Massachusetts labor force being smaller today than it was pre-pandemic. With the baby boomer generation increasingly reaching retirement ages in the coming years, the state's ability to attract and retain workers will be paramount in maintaining the economic strength and competitiveness that Massachusetts has enjoyed over the last couple of decades.

When seeking to understand state population trends, the primary sources of data come from the U.S. Census Bureau. The gold standard in demographic data in the U.S. continues to be the official decennial census enumeration. This is the official total population of an area as of April 1st of the enumeration year and these are the figures used, most notably, for determining congressional representations and political redistricting. The Census Bureau also annually estimates the total population for locations by estimating the various components of population change (natural change and migration) and applying them to the estimated population from the previous year. This estimate represents the total population of an area as of August 1st of the year in question. In addition, the Census Bureau fields an annual survey called the American Community Survey (ACS). The ACS captures detailed socioeconomic and demographic characteristics of the population, including information like educational attainment, household income, nativity status, and other variables. The combination of these three data sources provides a rich understanding of population patterns, especially as it relates to state population growth, decline, and migration.

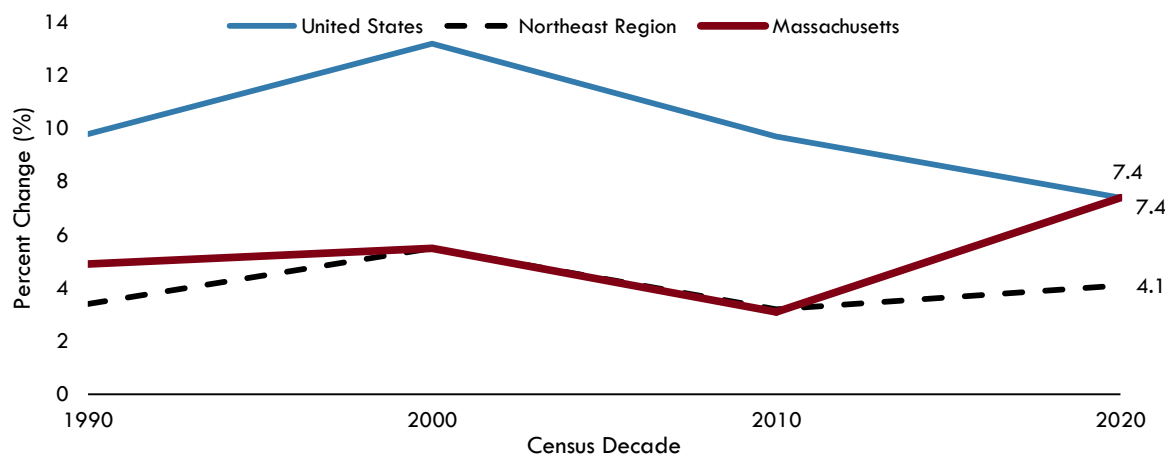
While New England has been a slow growth region for much of the last several decades, as higher numbers of people move to the southeast and western parts of the U.S., Massachusetts stands out as maintaining relatively strong population growth decade-to-decade among the New England states. Between the 2000 and 2010 census decennial enumerations, Massachusetts resident population grew at the same rate as the Northeast region.

From 2010-2020, Massachusetts experienced considerable resident population growth, placing it well above the average population change throughout the Northeast region (Figure 21).⁷ Between the 2010 and 2020 Census, the Massachusetts population grew from approximately 6.5 million to 7.0 million residents. This marked a 7.4 percent increase in the state's population, in line with the U.S. overall growth

⁷ The Northeast includes: Maine, New Hampshire, Vermont, Massachusetts, New York, Connecticut, Rhode Island, Pennsylvania, and New Jersey.

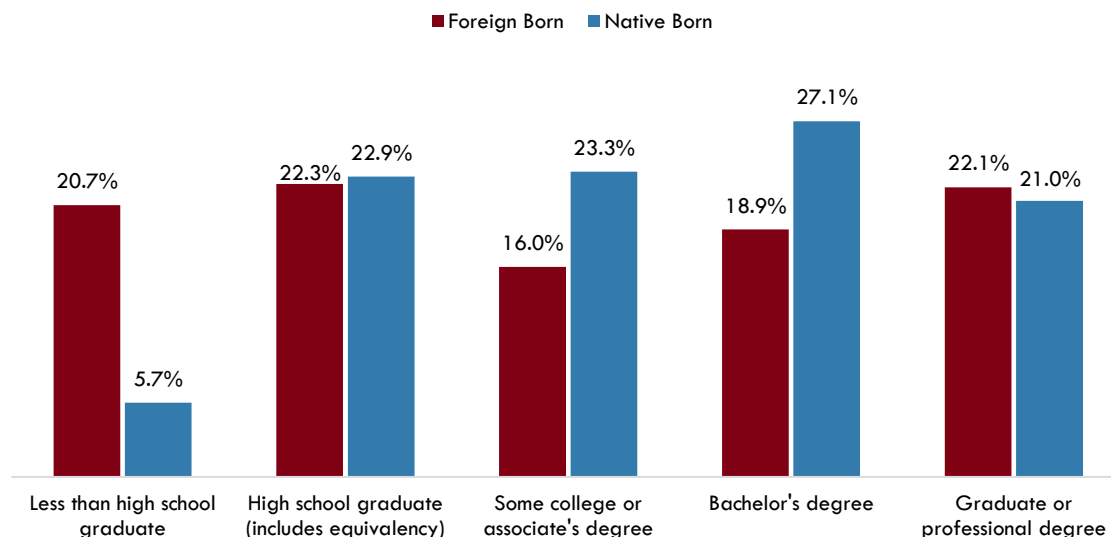
and making the Bay State the fastest growing state in the Northeast. In contrast, the average population growth in the Northeast was 4.1 percent.

Figure 21. Change in Resident Population by Decade



Source: U.S. Census Bureau; UMDI analysis

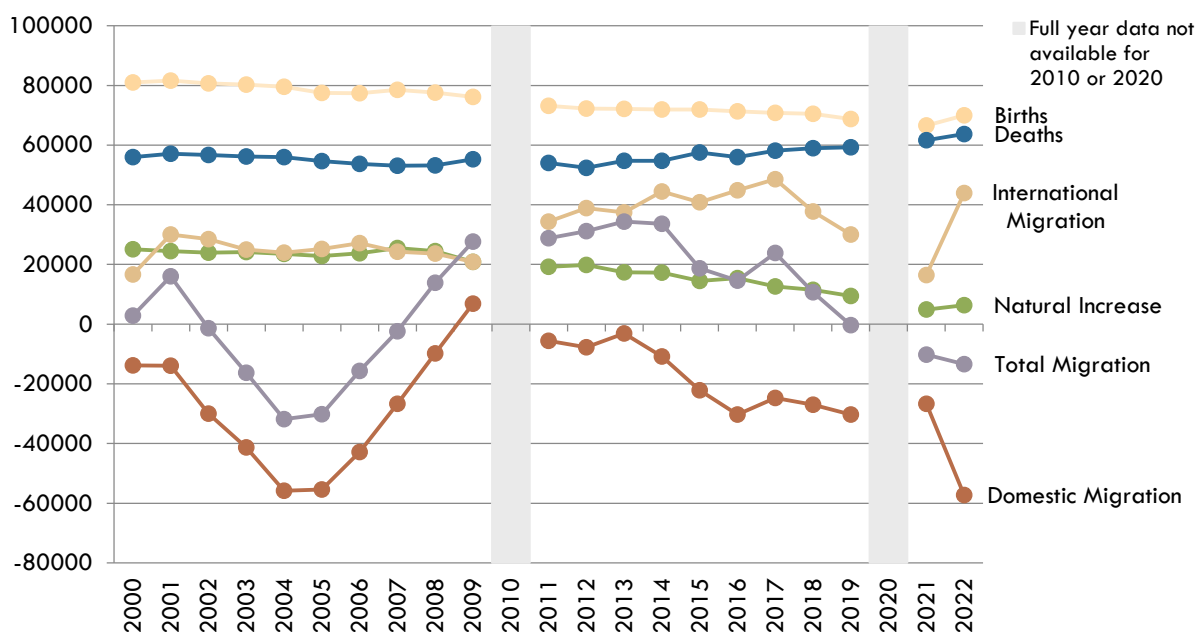
As mentioned above, annual population estimates from the Census Bureau build on the enumerations generated by the decennial census. The Census Bureau compiles data on the various components of population change (i.e., birth, death, in-and-out migration) each year to estimate an annual population. These components of change offer insights on broad demographic patterns for location. For example, during the 2000s population growth in Massachusetts has largely been driven by significant gains in international migration. Massachusetts' combination of higher education institutions and knowledge-based industries appears to be an important factor in attracting and retaining foreign-born residents. The foreign-born in Massachusetts has a bimodal education distribution with a high concentration with less than a high school education (21% in 2021) and a significant concentration with college degree (19%). Interestingly, a higher proportion of immigrants in the state hold a graduate degree (22%) than native-born residents (21%) (Figure 22).

Figure 22. Educational Attainment of the Foreign Born in Massachusetts, 2021

Source: U.S. Census Bureau, 2021 1-Year American Community Survey; UMDI analysis.

These gains in international migration have offset typical losses in domestic outmigration (i.e. people moving from Massachusetts to another state). The decline in natural population increases (i.e. the difference between births and deaths) is notable as well. Massachusetts has an extremely well-educated population, with high labor force participation from women. This often equates to later family formation and smaller household sizes. Couple this with an aging population and a global pandemic reducing birth rates and increasing death rates, the natural increase in Massachusetts has declined precipitously over the last several years.

While Massachusetts showed steady growth between the 2010 and 2020 Census, the onset of the global COVID pandemic appears to have spurred some unique and new population patterns in the state. For example, while Massachusetts has experienced net population losses through domestic outmigration over the last 20 years, 2022 showed a dramatic increase in the state's domestic outmigration rate, essentially doubling from the typically outmigration seen in the state over the last several years (Figure 23). Conversely, in both 2020 and 2021 international migration, which had slowed somewhat during the early part of the Trump administration, slowed dramatically due to pandemic related restrictions, only to finally return to a more typical rate for the state in 2022.

Figure 23. Massachusetts Estimated Components of Population Change, 2000-2022

UMass Donahue Institute. Source Data: ST-2000-7; CO-EST2010-ALLDATA; and NST-EST2022-ALLDATA, U.S. Census Bureau Population Division.

The U.S. Census Bureau Population Estimates Program provides a view of the changes in domestic migration and population changes within the Northeast states from 2019-2022. During this period, Massachusetts experienced an out of state migration rate that doubled from -0.4 percent to -0.8 percent. The United States experienced a 0.6 percent increase in population between 2020-2022, and in contrast Massachusetts' population declined by -0.7 percent placing the Commonwealth below the national average of population growth.

The outmigration rate in Massachusetts between 2020-2022 occurred at a much sharper migration rate than other states in the Northeast region, who have experienced net increases in domestic migration. The one state in the Northeast that experienced a higher rate of out-migration than Massachusetts is New York, which experienced an outmigration rate of -1.5 percent in 2022 compared to -0.9 percent in 2019.

To examine migration patterns by state and by county, the Internal Revenue Service (IRS) U.S. Population Migration dataset was used. This annual dataset presents migration patterns based on year-to-year address changes reported in individual income tax returns filed with the IRS. From 2010-2020, the IRS U.S. Population Migration data has shown that domestic outmigration in Massachusetts is highest among counties in Greater Boston. Prior to 2020, the highest rate of domestic out-migration occurred in the western half of Massachusetts, within Franklin and Berkshire Counties.

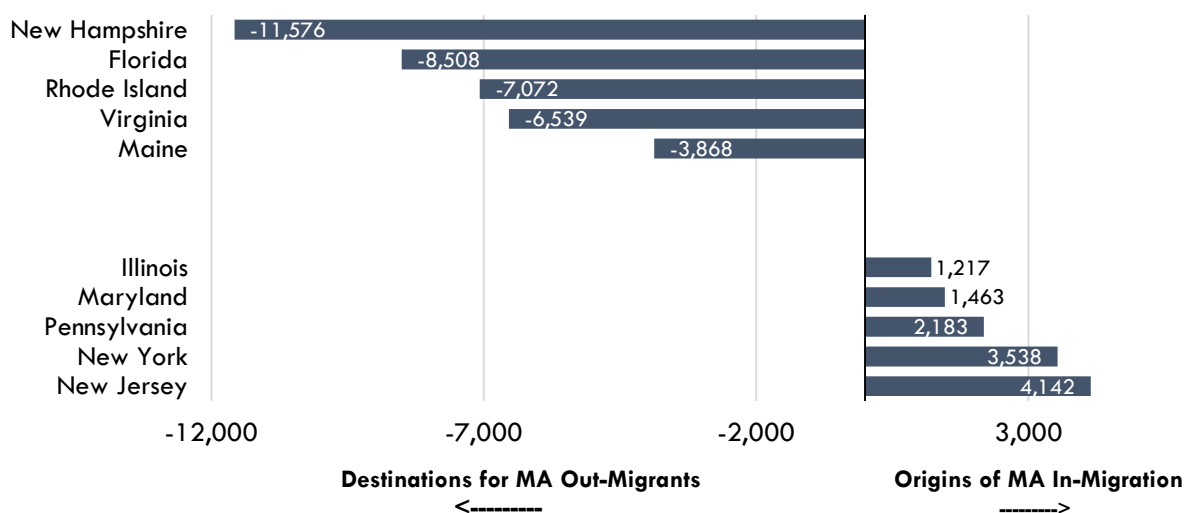
Massachusetts has experienced a dramatic divergence in migration trends in recent years from what it was pre-pandemic. The 2020-2021 IRS population migration data shows that this trend flipped, with Suffolk

and Middlesex counties experiencing the highest rate of out-migration in the state. However, domestic migration rates have not flipped in all counties. The island counties of Dukes and Nantucket, as well as Barnstable County have all experienced positive domestic migration rates over the past decade through 2021, particularly during 2020 when the global pandemic began. With the continued analysis of future migration datasets, we will be better able to understand where these trends will normalize and if, in the years to come, Massachusetts migration will return to pre-pandemic trends.

Using microdata from the 2021 U.S. Census Bureau's American Community Survey, net migration to Massachusetts is most concentrated throughout the 18–24 year-old age group. This group includes the large number of young adults who migrate into Massachusetts for their college education. Within this age group, the majority moved from New Hampshire to Massachusetts, followed by a sizable number of migrants from Florida. This is notable because overall New Hampshire and Florida are the top destinations for Massachusetts out migrants. From 2020-2021 over 11,500 individuals moved from Massachusetts to New Hampshire and another 8,500 moved to Florida, followed by Rhode Island, Virginia, and Maine (Figure 24). Most migrants aged 65 and older migrated to Florida, which is a popular destination state for retirees.

In contrast, most out-migrants to New Hampshire were aged 25-44, prime age workers potentially moving with their young children. Some of these workers may hold jobs located in Massachusetts and thus still pay payroll taxes in the Commonwealth. According to OnTheMap data from the U.S. Census Bureau, 75,000 workers (22%) who live in the three border counties of Southern New Hampshire⁸ hold Massachusetts jobs.

Figure 24: Net Migration to Massachusetts, 2020-2021



Source: U.S. Census Bureau, American Community Survey Microdata, 1-Year Estimates 2021.

⁸ Cheshire, Hillsborough, and Rockingham counties, New Hampshire. Data is from 2020 from the OnTheMap tool by the U.S. Census: <https://onthemap.ces.census.gov/>

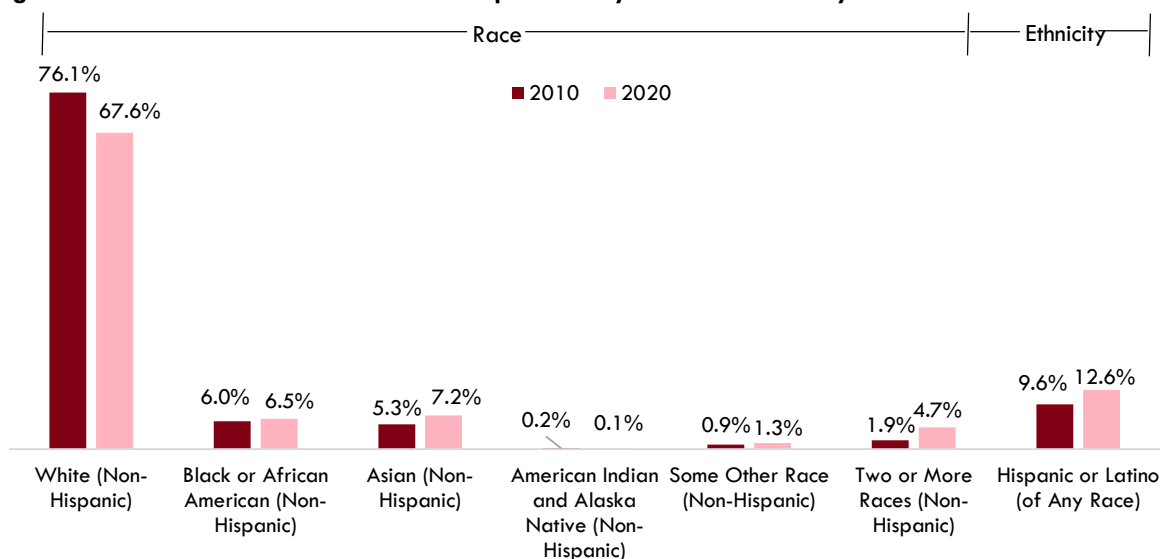
The age group experiencing the largest number of out migration is 25-44 year olds. Within this group, New Hampshire was the state most former Massachusetts residents moved to, followed by Rhode Island, Florida, Virginia, and Maine in turn. This group contains post graduate professionals, many of whom are at a point in their life where personal priorities include focusing on home ownership and starting families. It's likely that this group finds the cost of living, particularly with housing costs, challenging, and in this move to states where the cost of living is lower. The state that sent the most migrants into Massachusetts was New Jersey, which sent roughly 4,000 new Massachusetts residents, followed by New York, Pennsylvania, Maryland, and Illinois in turn.

Higher paid and more educated residents were more likely to move out of state in 2021. This likely reflects the fact that long distance moves require significant resources. Looking at the net migration patterns out of Massachusetts from 2020-2021, data from the U.S. Census Bureau, American Community Survey Microdata (2021) helps clarify who within the state is moving out. Net migration out of state was highest within occupations with higher wages across both high school diploma and college degree educational brackets.

Looking at the out-migration trend from 2020-2021 raises understandable concern over the dramatic increase in the rate of former residents moving out of the state. It is important to note that the COVID crisis upended residential patterns and migration trends. At this point, it is unclear which of these patterns are short-term reactions to the pandemic and which ones may be more durable over the term. With that, state migration trends should be analyzed cautiously as the years following the pandemic are likely not representative of an average year of out migration.

The question that remains is where out migration trends will normalize. We have already seen some trends from the Internal Revenue Service, U.S. Population Migration Data (2020-2021) that indicate certain areas within the state have already returned to their similar pre-pandemic migration trends, such as we see happening on the Cape in Barnstable County. Over the next few years, it will be important to continue tracking out migration trends to see where residential patterns normalize.

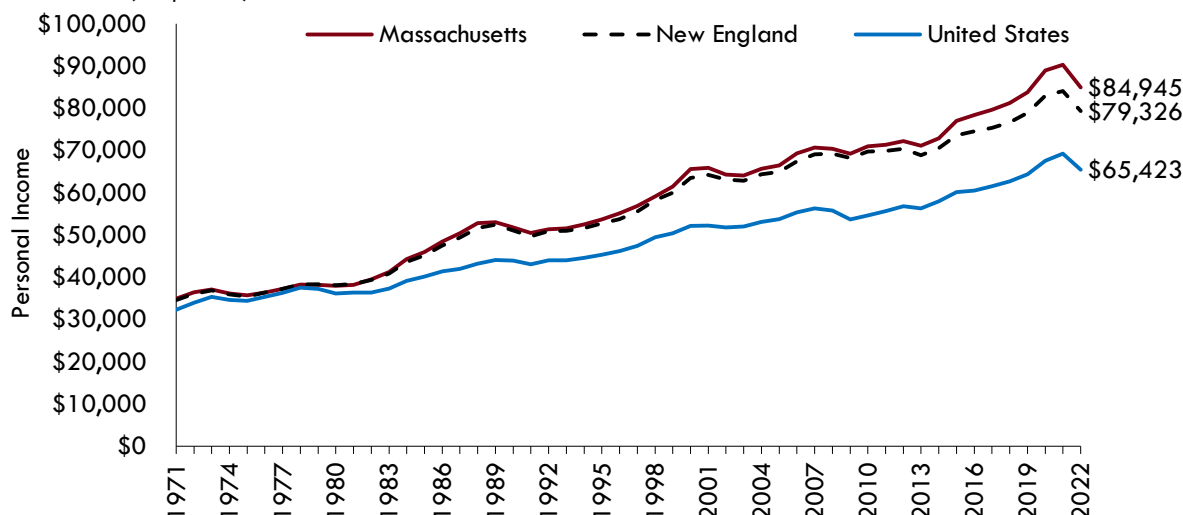
As with the nation, Massachusetts is becoming more racially and ethnically diverse. The share of the population that identifies as non-Hispanic, white decreased from 76 percent to 68 percent from 2010 to 2020, while the shares that identify as Black non-Hispanic, Asian non-Hispanic, and Hispanic increased to 6.5 percent, 7.2 percent, and 12.6 percent respectively. The share that identifies as two or more races (non-Hispanic) more than doubled to 4.7 percent (Figure 25). The state's population is older than the nation as a whole—the median age is 39.9 compared to 38.8 for the nation. The Commonwealth has the lowest median age in New England and, due to the presence of higher education institutions.

Figure 25. Share of Total Massachusetts Population by Race and Ethnicity in 2010 and 2020

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

Massachusetts' residents earn some of the highest incomes in the nation. Real per capita income has consistently exceeded incomes in the New England and the U.S. and in 2022, Massachusetts had the second highest real per capita personal income in the nation, excluding the District of Columbia. Connecticut had the highest, though the BEA estimates a less than \$30 gap between the two. In 2022, the Commonwealth's real per capita income was nearly \$85,000 compared to approximately \$79,000 in New England and just over \$65,000 in the U.S. (Figure 26). High inflation in 2021-2022 eroded some purchasing power for consumers nationwide, and so inflation adjusted incomes in 2022 were lower than in 2020 or 2021. The relatively high-income levels reflect the high level of education and the concentration of high-wage industries such as, health care, professional services, and finance and insurance. The poverty rate is lower in Massachusetts than in the nation at 9.9 percent compared to 12.6 percent according to the 2021 Five-Year American Community Survey. However, in several cities the poverty rate exceeds the state average: for example, in the Gateway cities of Holyoke, Springfield, and Worcester poverty rates were 26.5 percent, 26.3 percent and 19.3 percent, respectively. Boston is also above the state average with a rate of 17.6 percent. Higher rates of poverty in these Gateway Cities and Boston are particularly concerning because Gateway Cities are home to a large share of the state's communities of color and immigrant communities. The concentration of poverty in these cities raises concerns about equity and quality of life.

Figure 26. Real Per Capita Personal Income in Massachusetts, the United States, and New England, 1971-2022 (in \$2022)



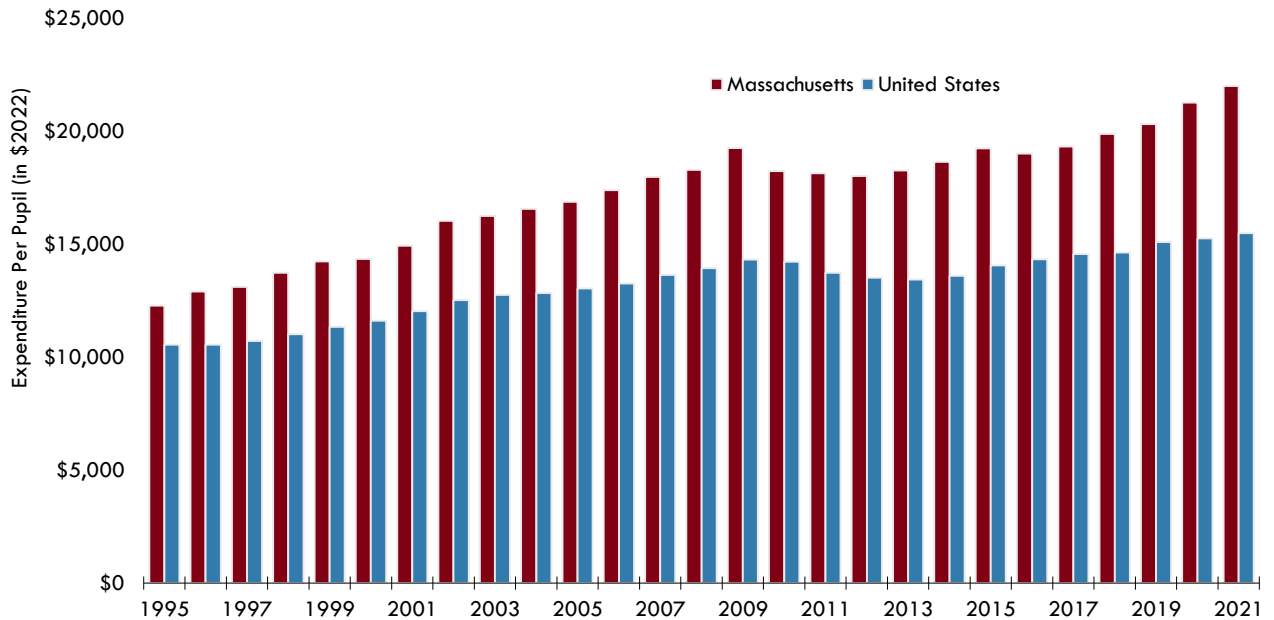
Source: U.S. Department of Commerce, Bureau of Economic Analysis

The presence of a skilled and well-educated population is an important resource for the Commonwealth. At the primary and secondary level, the state invests more than the national average in its public schools (Figure 27). Furthermore, students in Massachusetts' K-12 public schools consistently outperform their peers in the U.S. on national assessments. The state has the most well-educated population in the country, with over 46 percent of all residents 25 years of age or older earning a bachelor's degree or more. However, educational attainment varies significantly across racial groups: Black and Hispanic residents are less likely to have a bachelor's degree than the state average, at 32 percent and 23 percent respectively. Fifty percent of white residents and 64 percent of Asian residents hold a bachelor's degree or higher. That said, across all racial groups, educational attainment rates are higher than the national average (

Figure 28). For adults without a high school diploma and/or low English proficiency, the State has recently increased investment in adult basic education and English for speaker of other languages services through its Department of Elementary and Secondary Education.

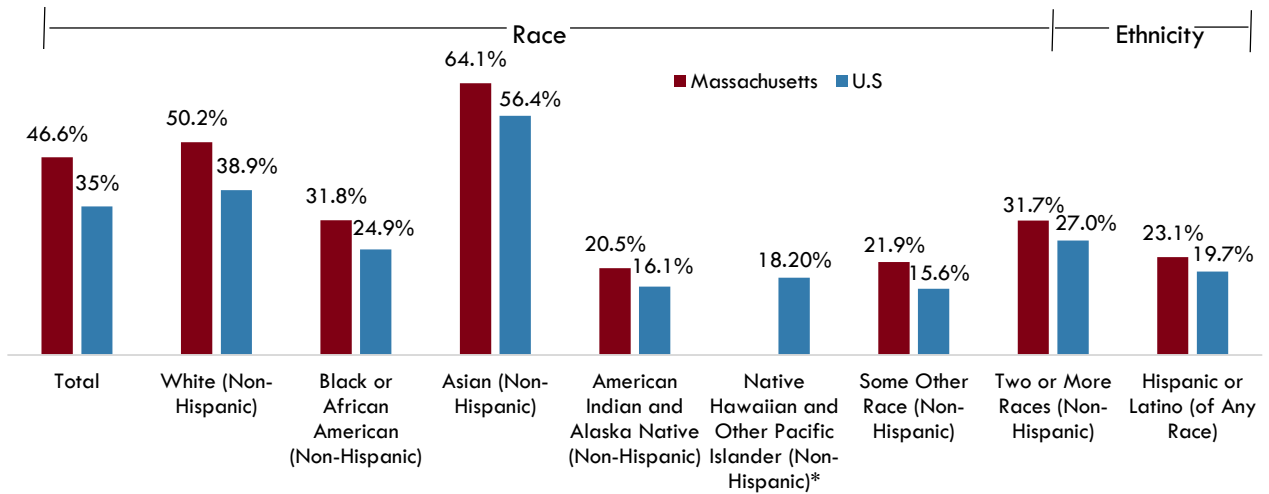
The well-educated population supports and is a product of the concentration of elite public and private colleges and universities in the state. Educational services is the third largest industry in Massachusetts in terms of jobs. Nearly half a million students are enrolled in higher education in the state. The number of international students has rebounded from pandemic-era lows of 66,000 in the 2020/2021 academic year to 71,000 in the 2021/2022 academic year. This is close to the record, nearly 74,000 in the 2019/2020 academic year.

Figure 27: Per Pupil Expenditure in Public Elementary and Secondary Schools (in \$2022)



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

Figure 28. Persons in Massachusetts and the United States 25 Years and Older with a Bachelor's Degree or Higher by Race and Ethnicity in 2021

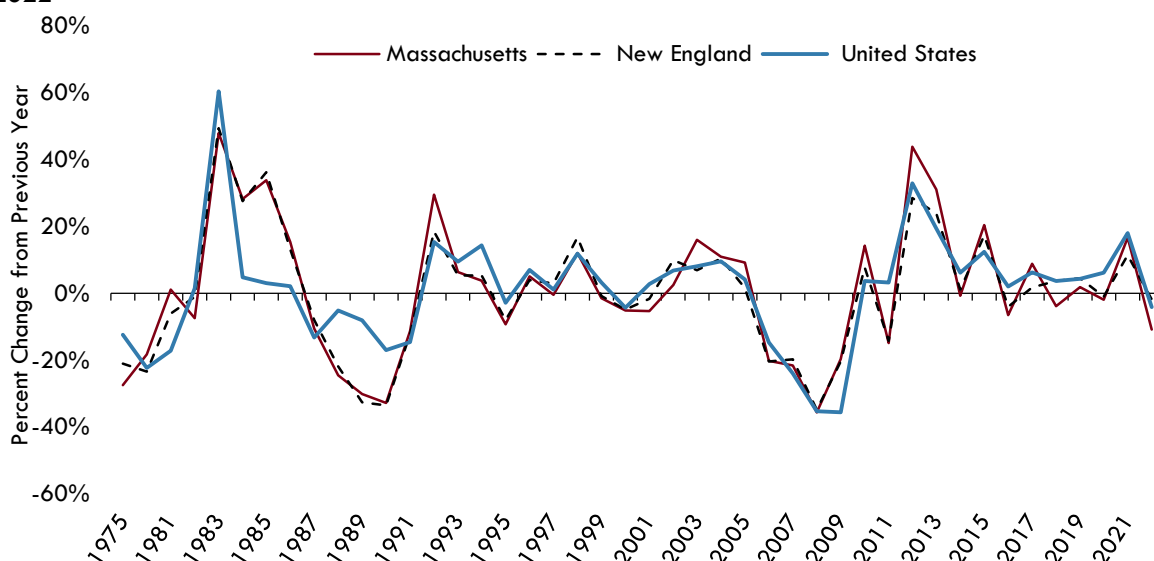


Source: U.S. Census Bureau, 2021 1-Year American Community Survey; UMDI analysis.

*Note: The estimate for Native Hawaiian and Other Pacific Islander (Non-Hispanic) in Massachusetts cannot be displayed because there were an insufficient number of sample cases in the selected geographic area.

While residents enjoy higher incomes than most other states, the cost of housing in Massachusetts is a burden for many, especially for Black and Hispanic households. Housing costs are rising across the Commonwealth, driven in part by population and economic growth and inadequate housing production over the last couple of decades. The sales price of existing homes continued to increase, but at a slower rate, despite higher interest. In 2022, prices increased to \$575,000 from \$530,000 in 2021, an 8.5 percent increase. Prices have remained well above the national median, which according to the National Association of Realtors was at \$366,900 in December 2021. Construction is not keeping up with demand. Preliminary data shows that nationally, the number of building permits decreased 4.1 percent from 2021 to 2022, but in Massachusetts the decline was greater, permits decreased 10.9 percent over the same period (Figure 29).

Figure 29. Housing Units Authorized by Building Permit, Percent Change from Previous Year, 1975-2022

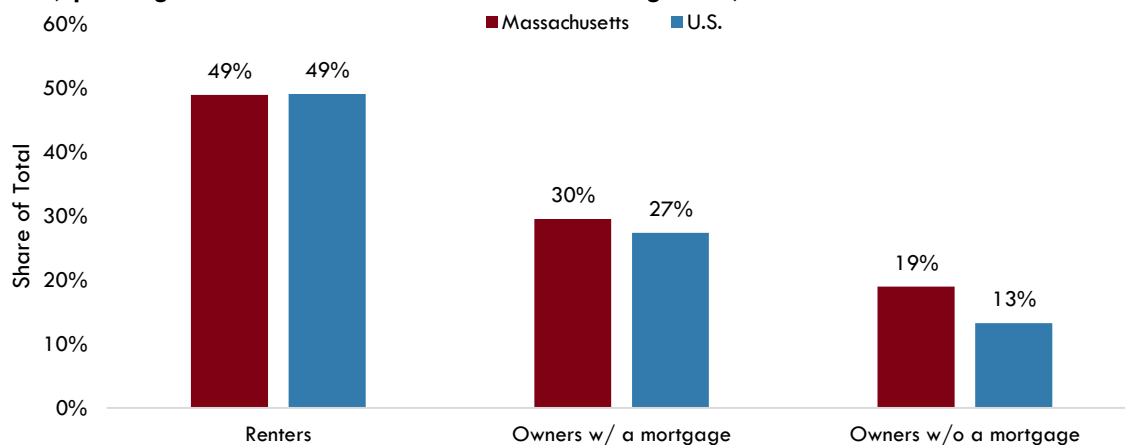


Source: U.S. Census Bureau Building Permits Survey; UMDI analysis
 Note: Reported data plus data imputed for non-reporters & partial reporters.

The increase in sale prices and the low supply of homes for sale has translated into high rental costs as well. In addition, low vacancy rates have contributed to higher costs; rental vacancy rates in the state were at 3.3 percent in 2021 compared to 5.7 percent nationally. Mirroring rates in the U.S., nearly half of renters are cost burdened, meaning they spend over 30 percent of their income on housing costs, and nearly a quarter (23%) of Massachusetts renters are severely cost burdened, meaning they spend 50 percent or more of their income on housing (Figure 30). In contrast, 30 percent of owners with a mortgage are cost burdened and 10 percent are severely cost burdened. The rates of cost burden are highest among low-income residents, as well as Black and Hispanic households. It is important to note that rates of housing cost burden depend on both the income of residents and housing costs. For example, in the Boston Metro Area 46 percent of renters were cost burdened in 2021, compared to 50 percent in Springfield Metro Area, where rents are relatively lower than the Boston Metro Area, but out-of-reach for many lower income families. Due to a history of discriminatory housing policies, rates of homeownership vary by race

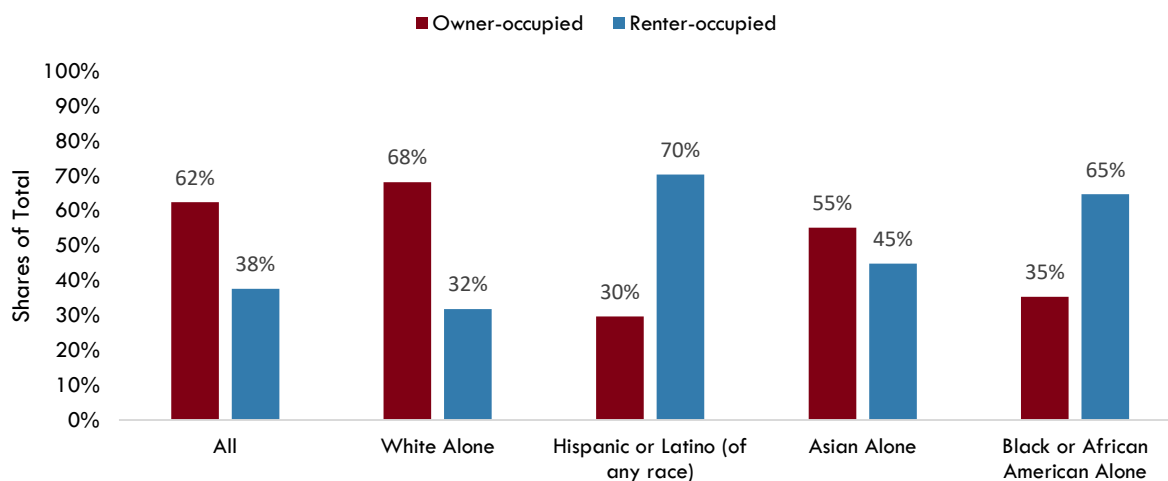
and ethnicity. Among the most detrimental federal policies that originated in the 1930's was "redlining," which meant that racial and ethnic identity were a primary factor in the determination of loan risk, leading to the racist assignment of lower ratings to communities or color than neighboring and similar white communities. This system kept people of color from buying their own homes, one of the most important forms of intergenerational wealth. The harmful impact of this system is still felt today in the disproportionate rate that people of color rent, where they live, and their substantially lower levels of wealth than their white peers.

Figure 30. Housing-Cost-Burdened Households by Housing Tenure in Massachusetts and the United States (Spending 30 Percent or More of Income on Housing Costs)



Source: ACS 2017-2021 5-Year Estimates, Table DP04, A through I.

Figure 31. Housing Tenure in Massachusetts in 2021 by Race and Ethnicity



Source: ACS 2017-2021 5-Year Estimates, Table B25003, A through I.

Overall, 62 percent of households in Massachusetts are owner-occupied and 38 percent are renter occupied. The majority of white and Asian households own their homes and Black and Latino households

are more likely to rent (Figure 31). The disparity in homeownership rates matters because homeownership is a fundamental mechanism for building wealth in the U.S. and homeowners are far less likely to experience severe housing cost burden.

With the goal of increasing housing production, particularly near transit hubs, the Commonwealth has passed legislation to amend the state Zoning Act. Known as the “Housing Choice” Act it included several provisions to remove zoning-related barriers to production. The Act changed voting standards for local city councils or town meetings to adopt or change zoning ordinances and bylaws from two-thirds to a simple majority. Among other measures, the Act also requires “by right”, multi-family zoning in “MBTA” communities, 176 communities that are served by the Massachusetts Bay Transportation Authority. Renters and owners, who struggled to afford housing during the pandemic, benefited from targeted federal American Rescue Plan Act (ARPA) funds that have flowed into the Commonwealth. In particular, the Emergency Rental Assistance Program and Homeowner Assistance Fund helped keep residents housed during the COVID-19 pandemic. In addition, the State has also received flexible funds through ARPA that it intends to use to address the housing need. In November 2022 the legislature passed, and the Governor signed an economic development bill that included \$407 million in funds to support housing production and affordability in the Commonwealth.

As part of the Commonwealth’s FY24 – FY28 Capital Investment Plan, significant funding is allocated to the new HousingWorks program which aims to provide affordable housing funding to projects across the state. The Affordable Housing Trust Fund and the Housing Stabilization Fund are also slated to receive robust funding, and the effort to reinvest in Massachusetts public housing will receive \$120 million. Overall, funding toward housing programs has increased 21 percent (inflation-adjusted) in this 5-year capital plan compared to the FY23 – FY27 CIP, which was released last year.⁹

⁹ *Five-Year Capital Investment Plan FY2024–FY2028*. (2023). Commonwealth of Massachusetts Executive Office for Administration and Finance.
<https://budget.digital.mass.gov/capital/fy24/static/1475dce8ff3a8e8167606105e8acb94f/fy24capitalplanma.pdf>

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EXHIBIT B

STATUTORY BASIS FINANCIAL REPORT

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Commonwealth of Massachusetts
STATUTORY BASIS FINANCIAL REPORT
FISCAL YEAR ENDING JUNE 30, 2022

Commonwealth of Massachusetts



Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2022

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

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

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Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2022

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Introductory Section



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December 23, 2022

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

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

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

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

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

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

Dear Sirs:

The Office of the Comptroller hereby files the Commonwealth's Statutory Basis Financial Report (SBFR) for Fiscal Year 2022, the 12-month period ended June 30, 2022.

The SBFR provides independent and unbiased accounting of Commonwealth revenues and expenditures for Fiscal Year 2022. The SBFR was prepared by the professional staff of the Office of Comptroller and reviewed by the Commonwealth's independent audit firm, CliftonLarsonAllen LLP (CLA), in accordance with professional standards established by the American Institute of Certified Public Accountants.

Pursuant to M.G.L. c. 7A, § 12, the Comptroller is required to file the SBFR with the Governor, the Secretary of Administration and Finance, the House and Senate Committees on Ways and Means, the Clerks of the House and Senate, and any other parties specified in general or special law by October 31 of each year. We acknowledge that this filing is more than 50 days beyond the statutory deadline, and a full month later than the November 19 date achieved last year. Given that large a miss on deadline, it is worthwhile to review the timeline that determined this year's SBFR publication date.

The Administration's proposed final Fiscal Year 2022 supplemental appropriation act was filed on September 1, 2022. Elements of that proposal and a separate economic development bill were included in the supplemental appropriation act that was ultimately enacted by the Legislature on November 3, 2022 and signed by the Governor on November 10, 2022. Financial transactions required by that act and other statutory requirements were executed over the following week. Therefore, final work on the SBFR by the Office of Comptroller commenced in mid-November. In the roughly five weeks since then, the Office of the Comptroller "closed the books" on Fiscal Year 2022, generated this extensive report, and provided time for independent review by CLA.

As ever when discussing the timing of the final supplemental appropriation act and the SBFR, I begin with a sincere respect for the complexity of budgetary policy and the prerogative of elected officials in both the executive branch and the Legislature in setting their respective calendars. That being said, it is clear the SBFR's statutory delivery date of October 31 is not achievable when the process regularly extends well into the autumn. Taking the earlier 2000s as an example, I note that following the June 30 fiscal year end-date, each step historically started and ended earlier in most years - from the administration's submission of a proposal, through the period of legislative debate and action, to enactment and signature. Excluding truly exceptional circumstances such as the first year of the pandemic, I hope that earlier completion can again become a priority and a norm.

The Commonwealth's financial processes, controls, and reporting are the result of collaborative and professional work by the talented and dedicated financial teams in every agency and department across the state. To you, and to their executive management in each state entity, I commend their work this year.

I also thank the staff of the Office of the Comptroller, including Assistant Comptroller & Chief Financial Reporting Officer Pauline Lieu, Assistant Comptroller & Chief Accounting Officer Kristin Lacroix, their respective teams, and Senior Advisor Howard Merkowitz. With the year-long work of agency and Office of the Comptroller colleagues as the foundation, it is they who have produced this extensive, informative, and valuable report.

Sincerely,



William McNamara
Comptroller of the Commonwealth

Report Summary

As of June 30, 2022, the Commonwealth had a budgetary fund balance of approximately \$18.200 billion and completed FY22 with a budget surplus (“consolidated net surplus”) of \$4.812 billion according to state finance law (see below for the statutory definition of a balanced budget). Per legislation enacted at the end of FY22, that surplus was deposited into the Transitional Escrow Fund, to be appropriated in FY23. During the fiscal year, the balance of the Commonwealth Stabilization (or rainy day) Fund increased by \$2.311 billion, to \$6.938 billion, as a result of transfers of capital gains and gaming tax revenue to the Fund. No funds were drawn from the Stabilization Fund in FY22. (The *Budgeted Funds – Operations* table on page 9 displays the FY22 summary of budgeted funds compared to FY21. Details of the FY22 Stabilization Fund activity are provided on pages 11-13 and [155](#).) The total budgeted fund balance of \$18.200 billion reflects a gain (revenues and other financing sources greater than expenditures and other financing uses) of approximately \$6.101 billion, from the FY22 beginning balance of \$12.099 billion. This follows an FY21 operating gain of \$7.804 billion. In addition to the \$6.938 billion reserved in the Stabilization Fund, \$6.076 billion is reserved for continuing appropriations and debt service in FY22, \$5.654 billion is held in the Transitional Escrow Fund, and \$3.495 billion is in the Federal COVID-19 Response Fund, which was created in FY21 to hold funds received from the federal government under the American Rescue Plan Act of 2021 (ARPA). The remaining undesignated balance of \$386 million is made up of other budgeted fund balances.

During FY22, budgeted fund tax revenues increased by \$6.815 billion, or 21.5%, from FY21, as the national and Massachusetts economies continued their recoveries from the COVID-19-induced recession, capital gains tax revenues continued to be strong, and a change in Massachusetts tax laws that partially offset the recently enacted limitation on deducting state taxes in determining federal tax liability resulted in an increase in personal income tax revenues. Before transfers between budgeted funds (which do not affect total budgeted fund balances), total budgeted fund revenues and other financing sources increased by \$5.202 billion, or 9.1%. Budgeted fund expenditures and other financing uses increased by \$6.905 billion, or 14.1%, primarily due to increases in Medicaid spending, additional payments to hospitals that care for the uninsured, and higher contributions to the state pension system to pay down the Commonwealth’s unfunded pension liability. A detailed analysis of revenue and spending changes, as well as the economic factors that affected the budget, is included in the sections that follow.

Overview of the Financial Statements

This report focuses primarily on the Commonwealth’s budgeted funds. For the budgeted funds, the activity (inflows and outflows) and balances (assets and liabilities) of each fund are presented separately. For all other funds included in this report, the activity – inflows and outflows – is presented in tabular form, but per statute, the full balance sheets for each fund are not shown.

The financial operations of these funds are maintained in the Massachusetts Management Accounting and Reporting System (MMARS), the statewide accounting system, which is operated by the Commonwealth and contains detailed information summarized in this report.

The SBFR satisfies the requirements of state finance law and to present the results of FY22 activity in the Commonwealth’s funds. The report contains computations required by state finance law, including the certification of the state’s consolidated net surplus and the balances in the Stabilization Fund.

Basis of Accounting and Definition of the Consolidated Net Surplus

The statutory (or budgetary) basis of accounting, as defined in Massachusetts law, is used to budget and control the Commonwealth’s fiscal operations. The statutory basis of accounting does not conform with accounting principles generally accepted in the United States of America (GAAP) as defined for governments by the Governmental Accounting Standards Board (GASB). In addition, per statute, the Commonwealth-managed fiduciary funds are not included in this presentation. The Comptroller’s Office will report the Commonwealth’s financial position on a GAAP basis in the State’s Annual Comprehensive Financial Report (ACFR). That report provides a basis for comparison with other jurisdictions, as the accounting rules for the ACFR are the same for all governments, whereas the statutory basis of accounting may differ across states. There are significant differences between what is

contained in the SBFR and what will be presented in the GAAP-based ACFR, the major ones being that the ACFR reflects capital assets and depreciation expense, all types of long-term obligations – including debt, pensions, and other post-employment benefits (or OPEB, which are mainly retirees’ health insurance benefits) – and in the ACFR the financial statements are presented in an all-encompassing, net position and net expense format. In addition, the statutory basis of accounting is mainly cash-based, with a two month accounts payable period for expenses and accounts receivable for revenues received from other government entities.

The Commonwealth’s statutory basis of accounting, as set out in [Chapter 29 of the Massachusetts General Laws](#) (MGL), defines the “consolidated net surplus” or CNS as the ending “undesignated”, or unreserved, balances in the budgeted funds, that is, those funds subject to the state’s annual appropriation process, though by statute several budgeted funds (including the Federal COVID-19 Response Fund and the Transitional Escrow Fund) are excluded from the consolidated net surplus calculation. State finance law defines a “balanced budget” as a consolidated net surplus of \$0 or greater. The largest of the budgeted funds are the General Fund and the Commonwealth Transportation Fund, which in FY22 together accounted for approximately 92.0% and 3.2%, respectively, of total budgeted fund expenditures and other financing uses. The remaining approximately 4.8% of budgeted fund activity comprises nineteen other funds, eleven of which by statute are excluded from the consolidated net surplus calculations.

In accordance with [Section 12 of Chapter 7A of the MGL](#), the Office of the Comptroller is required to transmit the SBFR by October 31st. However, due to the fact that the final FY22 supplemental budget bill was not enacted and signed into law until mid-November, this SBFR is being transmitted on December 23, 2022 in order to provide sufficient time to accurately incorporate the bill’s provisions into this report and have it reviewed by the Commonwealth’s independent auditor.

The SBFR for the fiscal year ended June 30, 2022 is reviewed, not audited, by the state’s independent auditor, CliftonLarsonAllen (“CLA”), and represents the closing of the Commonwealth’s books for the fiscal year.

The Economic Context

The funding available to the Commonwealth to finance its programs is determined largely by the performance of the state’s economy, particularly growth in employment and wages, which drive the personal income tax, the state’s largest revenue source, and the sales tax, which depends on the amount of income Massachusetts residents have available to spend. In FY22, the Commonwealth’s economy continued to recover from the economic impact of the global Coronavirus or COVID-19 pandemic. Between June 2021 and June 2022, employment increased by approximately 167,100 jobs, or 4.8%, compared to increased employment of 4.3% for the United States as a whole. With the relatively rapid growth of the Commonwealth’s economy over the past year, as of June 2022 the Massachusetts unemployment rate was about the same as for the U.S. as a whole: 3.7%, compared to 3.6% nationally. Massachusetts wages and salaries, which largely determine personal income tax collections, grew by 9.9% from FY21, about the same as the median of all other states.

The Budgeted Funds

The FY22 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY22 tax revenue estimate of \$34.400 billion prior to tax initiatives (and including \$50 million in tax settlements), an increase of \$4.230 billion from the FY22 consensus estimate of \$30.120 billion, with the increase due to impact on tax revenues of that faster than anticipated economic and financial market recovery from the COVID-19 pandemic.

The GAA estimate was further increased to \$34.400 billion as a result of enacted and proposed tax law changes and other tax-generating initiatives included in the budget. \$30.941 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.336 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.236 billion) and the Massachusetts School Building Authority (\$1.076 billion), capital gains tax revenues transferred to the Stabilization Fund (\$1.263 billion), and revenue allocated to the non-budgeted Workforce Training Fund (\$25 million).

In January 2022, the Secretary of Administration and Finance revised the FY22 state tax revenue estimate upward by \$598 million, to a gross total of \$34.998 billion (including \$50 million in judgment and settlement revenue), to reflect stronger than projected growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

FY22 tax revenues ended the year at \$41.146 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$38.587 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds increased by \$6.815 billion, or 21.5%, from FY21, \$6.383 billion above the original FY22 tax estimate and \$5.925 billion above the final FY22 estimate. [Chapter 62F Massachusetts General Laws](#) requires that at the end of each fiscal year the Massachusetts State Auditor calculate whether state tax revenues have for the preceding fiscal year exceeded an allowable limit and the amount above that limit reduce each taxpayers's current year's (in this case, tax year 2022) tax liability in an amount proportional to their prior year's (in this case, tax year 2021) tax liability, in the form of tax credits. On September 15, 2022 the Auditor [issued a report](#) indicating that FY22 tax revenues exceeded that year's limit by \$2.941 billion. As a result, individual income tax refunds were issued to taxpayers by the Department of Revenue in November and December 2022 and charged to the General Fund in FY23.

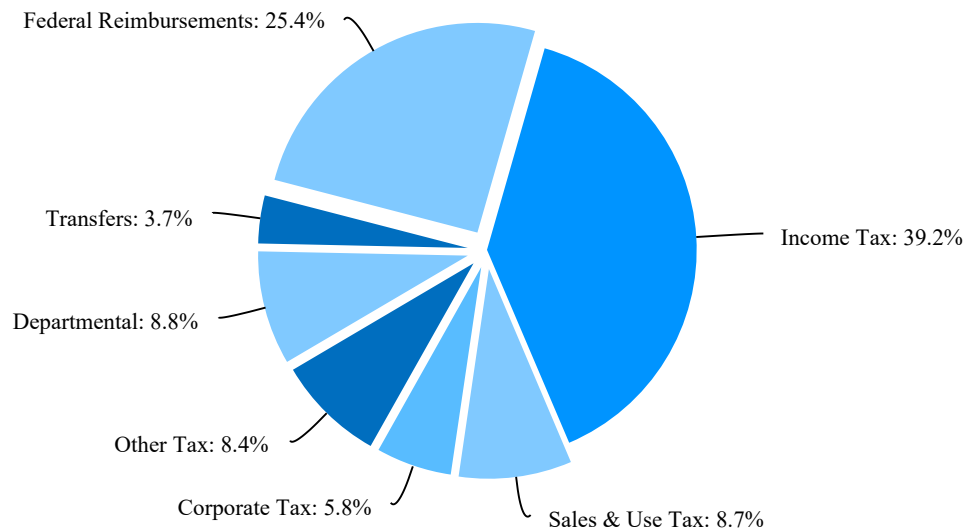
The FY22 General Appropriation Act (GAA) authorized approximately \$50.162 billion in spending, exclusive of approximately \$3.415 billion in required pension contributions and \$1.084 billion in FY21 spending authorized to be continued into FY22 as part of the FY21 and FY22 general appropriation acts and various FY21 supplemental budgets.

Approximately \$9.042 billion in supplemental appropriations were authorized during FY22, \$5.508 billion of which were enacted by June 30, 2022. Subsequent to year end, a supplemental budget was enacted totaling approximately \$3.534 billion in new appropriations. Many of the supplemental appropriations were for the purpose of allocating the \$1.460 billion FY21 surplus balance in the Transitional Escrow Fund and the \$4.892 billion balance in the Federal COVID-19 Relief Fund. The year's significant supplemental appropriations (many of which were carried forward and reappropriated to be expended in FY23):

- \$900 million for a COVID-19 response reserve;
- \$500 million to pay debt incurred by the Unemployment Insurance Trust Fund to fund unemployment insurance benefits in response to COVID-19;
- \$472 million to fund MassHealth (Medicaid) services;
- \$424 million to fund behavioral health and addiction services;
- \$350 million to fund relief payments for Massachusetts Hospitals;
- \$346 million for to fund a Home and Community Based Services Reserve;
- \$305 million to fund increased housing production;
- \$260 million for a COVID-related program providing relief to fiscally strained hospitals;
- \$248 million for Medical Assistance Trust Fund payments to hospitals that treat low-income patients;
- \$225 million to fund Chapter 257 supplemental payments;
- \$200 million for local and regional public health systems;
- \$195 million for nursing facilities and rest homes;
- \$176 million to fund collective bargaining costs of state employees;

- \$153 million to support, through the Massachusetts Growth Capital Corporation, businesses adversely affected by COVID-19;
- \$150 million to fund housing programs for senior citizens and veterans;
- \$150 million to rehabilitate and modernize state-aided public housing developments;
- \$150 million to fund clean energy initiatives;

**Fiscal Year 2022 Budgeted Fund Revenues and Other Financing Sources
Before Transfers Between Budgeted Funds (Total of \$62.084 billion)**



FY22 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$62.084 billion, an increase of \$5.202 billion, or 9.1%, from FY21, although an estimated \$1.629 billion of that increase was due to the net impact of [implementation of a “pass-through entity excise tax”](#), which was enacted by the Legislature in response to the recently imposed federal limitation on the deductibility of state personal income taxes. Under this provision, businesses whose income is subject to the Massachusetts personal income tax (such as partnerships, sole proprietorships, and S-corporations) may elect to pay an additional 5% tax on that income and receive 90% of those payments back in the form of tax credits. Even excluding the additional revenue from this change, tax revenue growth picked up significantly in FY22 as the Massachusetts economy continued to recover from the coronavirus pandemic, with total tax receipts (after subtracting sales tax transfers of \$1.349 billion to the Massachusetts Bay Transportation Authority and \$1.189 billion to the Massachusetts School Building Authority) totaling \$38.587 billion, an increase of \$6.815 billion, or 21.5% from FY21, (or \$5.184 billion and 16.3%, adjusting for revenues from the pass-through entity excise). All major tax types grew strongly in FY22. Total personal income tax collections totaled \$24.336 billion, an increase of \$4.718 billion, or 24.1% (or \$3.089 billion and 15.7% adjusting for the pass-through excise), with personal income tax withholding growing by \$1.196 billion, or 8.1%, non-withheld personal income tax (excluding the pass-through entity tax) increasing by \$1.144 billion, or 24.7%, the latter driven entirely by growth in capital gains tax revenue, which totaled \$3.877 billion an increase of \$1.293 billion, or 50.1%, from FY21. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) totaled \$5.110 billion, an increase of \$957 million, or 23.0% and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax and the revenues allocated to the MBTA and MSBA) increased by \$741 million, or 13.7%, including a \$388 million, or 41.0% increase in meals taxes as restaurant dining continued to recover from pandemic-related declines. Other notable tax revenue growth included deeds excise revenues, which increased by \$75 million, or 18.9%, as the real

estate market staged a strong recovery, cannabis sales and excise taxes, which increased by \$63 million, or 40.7%, as the number of cannabis dispensaries continued to increase, and estate and inheritance taxes, which grew by \$81 million, or 10.2%.

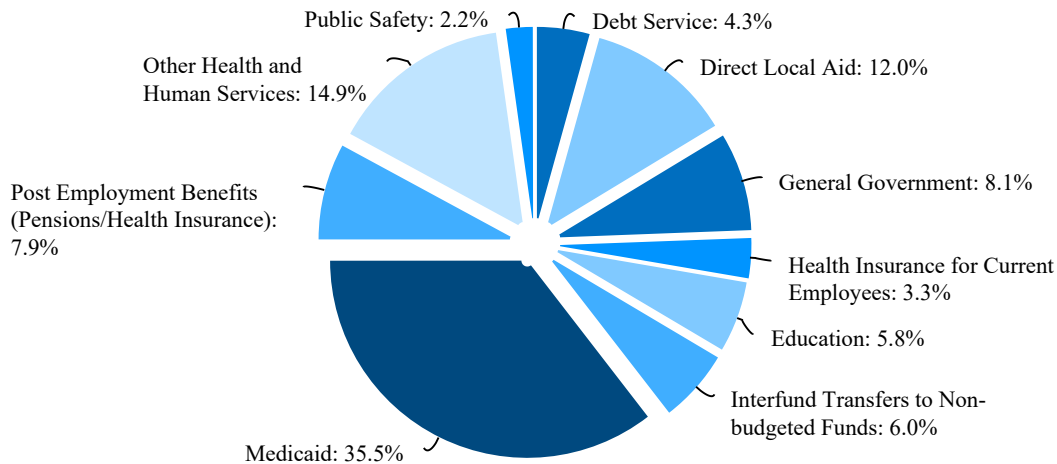
Budgetary fund federal reimbursements totaled \$15.779 billion, a decrease of \$2.560 billion, or 14.0%, with the decline resulting from non-recurring revenue of \$4.892 billion received under the American Rescue Plan Act (ARPA) in FY21. This decrease was partially offset by growth in federal reimbursements for the Commonwealth's Medicaid program, which totaled \$13.895 billion, an increase of \$1.557 billion, or 12.6%, due to increases in reimbursable spending associated with the declared coronavirus Public Health Emergency (PHE), additional reimbursements under the Families First Coronavirus Response Act (FFCRA), which allowed the Commonwealth to claim an additional 6.2% in federal reimbursements during the PHE and extra Home and Community Based Services revenue from the American Rescue Plan Act (ARPA), which totaled approximately \$646 million in FY22 .

Departmental revenue totaled \$5.413 billion, an increase of \$638 million, or 13.4%, from FY21. The most significant sources of departmental revenue are assessments and fees for state licenses (particularly for Motor Vehicles, which totaled \$608 million in FY22), reimbursements from cities and towns for health insurance provided by the Group Insurance Commission (which totaled \$620 million in FY22) and rebates received from drug manufacturers, which accounted for most of departmental revenue growth, totaling \$1.592 billion, up \$472 million, or 42.1% from FY21 (after a significant drop in those revenues between FY20 and FY21).

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$2.305 billion, an increase of \$309 million, or 15.5%, from FY21, including a \$160 million, or 35.4% increase in fringe benefit assessments resulting mainly from increased non-budgeted personnel spending in coronavirus-related accounts upon from which fringe benefits are recovered. Gaming revenues transferred to the budgetary funds totaled \$174 million, up \$40 million, or 30.3% from FY21. Lottery Fund transfers to the General Fund totaled \$1.079 billion, a decrease of \$11 million, or 1.0% (see *Lottery and Gaming* section on page 11).

The Commonwealth continues to receive revenues, as it will in perpetuity, from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses. In FY22, the Commonwealth received \$247 million in tobacco settlement funds, an increase of \$1 million compared to FY21. Statute requires that a portion of tobacco settlement proceeds be transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds is deposited in the SRBTF in FY22 and after. For FY22, the statutorily required transfer was 100% of tobacco settlement revenues; however, FY22 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 100% to 10%. That action reduced the FY22 transfer to approximately \$25 million, compared to the statutorily required amount of \$247 million.

**Fiscal Year 2022 Budgeted Expenditures and Other Financing Uses
Before Transfers Between Budgeted Funds (Total of \$55.983 billion)**



FY22 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$55.983 billion, an increase of \$6.905 billion, or 14.1%, from FY21, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$45.755 billion, an increase of \$4.163 billion, or 10.0%, from FY21. Medicaid expenditures totaled \$19.846 billion, an increase of \$1.723 billion, or 9.5%, from FY21, due to caseload increases, and the extension of the Federal Public Health emergency, during which disenrollment of beneficiaries was suspended. Spending for other Executive Office of Human Services programs totaled \$8.287 billion. Spending for direct local aid (both education aid and unrestricted aid), at \$6.743 billion, was up \$260 million, or 4.0%, from FY21, subsidies paid to Massachusetts Higher Education Institutions totaled \$1.262 billion, an increase of \$97 million, or 8.3%, from FY21. Spending on state employee health benefits paid through the Group Insurance Commission increased by \$126 million, or 7.3%, from \$1.713 billion to \$1.838 billion, as patient visits and overall spending rebounded from pandemic-delayed medical treatment lows in FY21. Other significant spending increases included a \$165 million increase, to \$506 million, in spending from a COVID Response Reserve, for various COVID-related costs.

Spending on post employment benefits (primarily pensions but also state retiree health insurance) totaled \$4.433 billion, an increase of \$682 million, or 18.2%, from FY21. That increase was mainly driven by transfers to the state pension fund of \$3.415 billion in accordance with the Commonwealth's actuarially-determined pension funding schedule, an increase of \$300 million, or 9.6%, from FY21, and additional pension contributions funded by \$250 million appropriation from general revenues and a \$126 million transfer of capital gains tax taxes, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold. As a result, FY22 contributions to the pension fund totaled \$3.791 billion an increase of \$615 million, or 19.4% from FY21. Budgeted fund debt service totaled \$2.423 billion, up \$133 million, or 5.8%, from FY21.

Interfund transfers from budgeted to non-budgeted funds totaled \$3.372 billion, an increase of \$1.927 billion or 133.4%, from FY21, primarily due to \$600 million in ARPA revenue transfers to the Unemployment Insurance Compensation Trust Fund, including \$500 million for repayment of loans taken out from the federal government to pay unemployment insurance benefits during the pandemic, \$460 million in new transfers of ARPA revenues to fund a COVID-related program providing assistance to low-income front line workers, a \$246 million, or 48.7% increase in transfers to the Medical Assistance Trust Fund for payments to hospitals that treat large populations of lower income patients, \$255 million in new funding for a COVID-related program providing relief to fiscally

strained hospitals, \$350 million to create a Student Opportunity Act Investment Fund, and \$100 million for targeted funding to help municipalities repair roads from winter damage, modeled after the 2015 Winter Recovery Assistance Program.

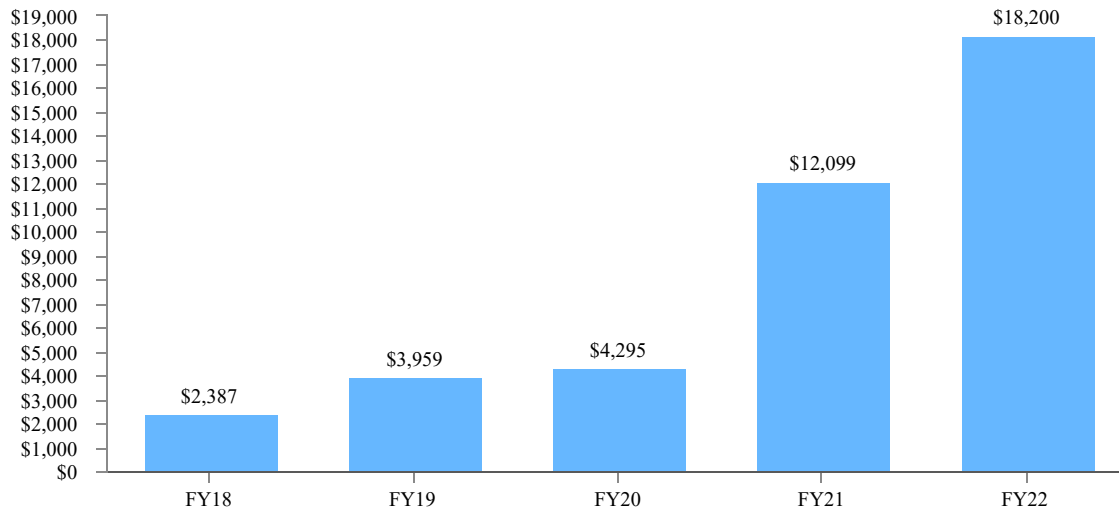
In conducting the budget process, the Commonwealth excludes from its forecast those “interfund” transactions within the budgeted funds that are included in this report; these transactions by their nature have no impact on the combined fund balance of the budgeted funds. The Budgeted Funds - Operations table isolates this “interfund” activity from the budgeted sources and subtracts this revenue and spending to align forecasts prepared during the budget process and in bond disclosure documents to actual amounts in this report. In FY22, transfers among the Budgeted Funds totaled \$8.230 billion, an increase of \$5.130 billion, or 165.5%, from FY21, primarily due to an increase in transfers of \$1.196 billion, to \$2.312 billion in capital gains tax revenue deposited in the Stabilization Fund and an increased in transfers of \$3.352 billion, to \$4.812 billion, in the transfer of the FY22 consolidated net surplus to the Transitional Escrow Fund, as mandated by Section 259 of [Chapter 268 of the Acts of 2022](#) (the FY22 final supplemental appropriation bill).

A detailed list of these interfund transfers is included in [Note 3](#) of the financial statements and [Schedule C](#) of the Supplemental Information section of this report.

Fiscal Year 2022 Budgeted Funds - Operations
(Amounts in thousands)

	2022	2021
Beginning fund balances:		
Reserved and designated	\$ 1,099,338	\$ 776,645
Reserved for Stabilization Fund	4,626,419	3,501,181
Undesignated in Federal COVID-19 Response Fund	4,891,987	—
Undesignated in Transitional Escrow Fund	1,460,324	—
Other Undesignated	21,109	17,379
Total	12,099,177	4,295,205
Revenues and other financing sources:		
Taxes	38,587,176	31,771,947
Federal reimbursements	15,778,753	18,338,990
Departmental and other revenues, including tobacco settlement	5,413,293	4,775,501
Interfund transfers from non-budgeted funds and other financing sources	2,304,883	1,996,000
Budgeted revenues and other financing sources	62,084,105	56,882,438
Intragovernmental Service Fund revenues	480,098	441,643
Interfund transfers among budgeted funds and other financing sources	7,749,645	2,658,449
Total revenues and other financing sources	70,313,848	59,982,530
Expenditures and other financing uses:		
Programs and services	45,755,367	41,592,766
Debt service	2,422,682	2,289,446
Post employment benefits	4,433,376	3,751,854
Interfund transfers to non-budgeted funds and other financing uses	3,371,598	1,444,400
Budgeted expenditures and other financing uses	55,983,023	49,078,466
Intragovernmental Service Fund expenditures	480,098	441,643
Interfund transfers among budgeted funds and other financing uses	7,749,645	2,658,449
Total expenditures and other financing uses	64,212,766	52,178,558
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	6,101,082	7,803,972
Ending fund balances:		
Reserved for Prior Appropriations Continued and Designated for Debt Service	6,076,478	1,099,338
Reserved for Stabilization Fund	6,937,864	4,626,419
Undesignated in Federal COVID-19 Response Fund	167,889	4,891,987
Undesignated in Transitional Escrow Fund	4,631,768	1,460,324
Other Undesignated	386,260	21,109
Total	<u>\$ 18,200,259</u>	<u>\$ 12,099,177</u>

Budgeted Funds – Fund Balance (Including Stabilization Fund)
(Amounts in millions)



The graph of Budgeted Funds - Fund Balance above portrays the combined fund balance in the budgeted funds for the past five years.

As of June 30, 2022, the ending balance is comprised mainly of the \$1.501 billion fund balance in the General Fund, \$3.495 billion in the Federal COVID-19 Response Fund, \$6.938 billion in the Stabilization Fund and \$5.654 billion in the Transitional Escrow Fund. Due to designations of fund balances, \$6.076 billion of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY23. The remaining \$386 million is undesignated in the budgeted environmental and other funds that are not included in the consolidated net surplus calculation and therefore was not transferred to the Transitional Escrow Fund at the close of FY22.

Lottery and Gaming

FY22 Lottery revenues and profits recovered from the decline caused by the coronavirus pandemic in the second half FY21. Gross Lottery revenues (including revenues from the Arts Lottery) grew from \$5.959 billion in FY21 to \$5.987 billion in FY22, an increase of \$28 million, or 0.5%. Lottery profits, after deducting administrative expenses, debt service, and fringe benefit costs borne by and reimbursed by the Lottery to the General Fund, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gambling appropriations as mandated in the FY22 budget, totaled \$1.101 billion, a decrease of \$7 million, or 0.7%, from FY21. Of that \$1.101 billion in profits, and as mandated in the FY22 General Appropriation Act, approximately \$1.078 billion was transferred to the General Fund to fund so-called Unrestricted General Government Aid (formerly Lottery Local Aid), \$22 million funded the Massachusetts Cultural Council appropriation, and \$1 million reimbursed a compulsive gambling program appropriation.

FY22 gaming revenues continued to recover from the FY20 decline caused by the pandemic. FY22 budgeted fund tax revenues remitted to the Commonwealth by the Plainridge slot machine parlor, which are equal to 40% of gross profits (or “gross gaming revenues”) from slot machines, totaled approximately \$57 million, an increase of approximately \$8 million, or 15.3% from FY21, but still below the FY19 pre-pandemic revenue of \$68 million. An additional \$13 million in non-budgeted fund revenue, equal to 9% of gross gaming revenue from the slot machines, was earmarked for the advancement of horse racing. Revenues from the Springfield casino (equal to 25% of gross gaming revenue) totaled \$65 million, an increase of \$14 million, or 27.0%, from FY21, taxes from the gaming

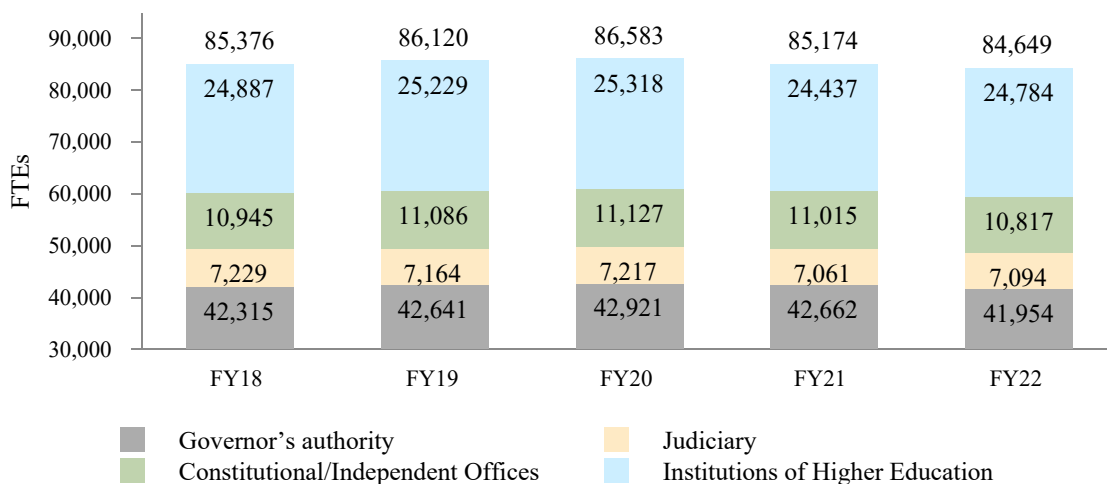
operations of the Everett casino (also equal to 25% of gross gaming revenues) totaled \$178 million during FY22, up \$55 million, or 44.3%, from FY21.

Statute requires that all tax revenues from the Plainridge slots parlor and a portion of the tax revenues from the Springfield and Everett casinos are allocated to fund unrestricted local aid. The FY22 General Appropriation Act allocated \$88 million in gaming revenues to local aid, and taxes on gaming revenues deposited in the Gaming Local Aid Fund exceeded that amount by approximately \$18 million, with the excess being included in the FY22 consolidated net surplus.

Full-Time Equivalent Employment

The chart below shows the Commonwealth's full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2022, the number of Commonwealth employees decreased by a net of 525 full-time equivalent employees (FTEs) from June 30, 2021, to a total of 84,649. The largest decreases were in the executive agencies controlled by the Governor, where FTEs decreased by 708, to 41,954, particularly in the Executive Office of Health and Human Services, where employment dropped by 586 FTEs. This decrease was partially offset by increases in the Higher Education system, where FTEs increased by 347, to 24,784, particularly at the University of Massachusetts, where employment grew by 284, to 15,124, offsetting a portion of the layoffs and furloughs carried on in FY21 due to the pandemic.

***Full Time Equivalent Workforce
Including Higher Education
June 2018 – June 2022***



The Stabilization Fund

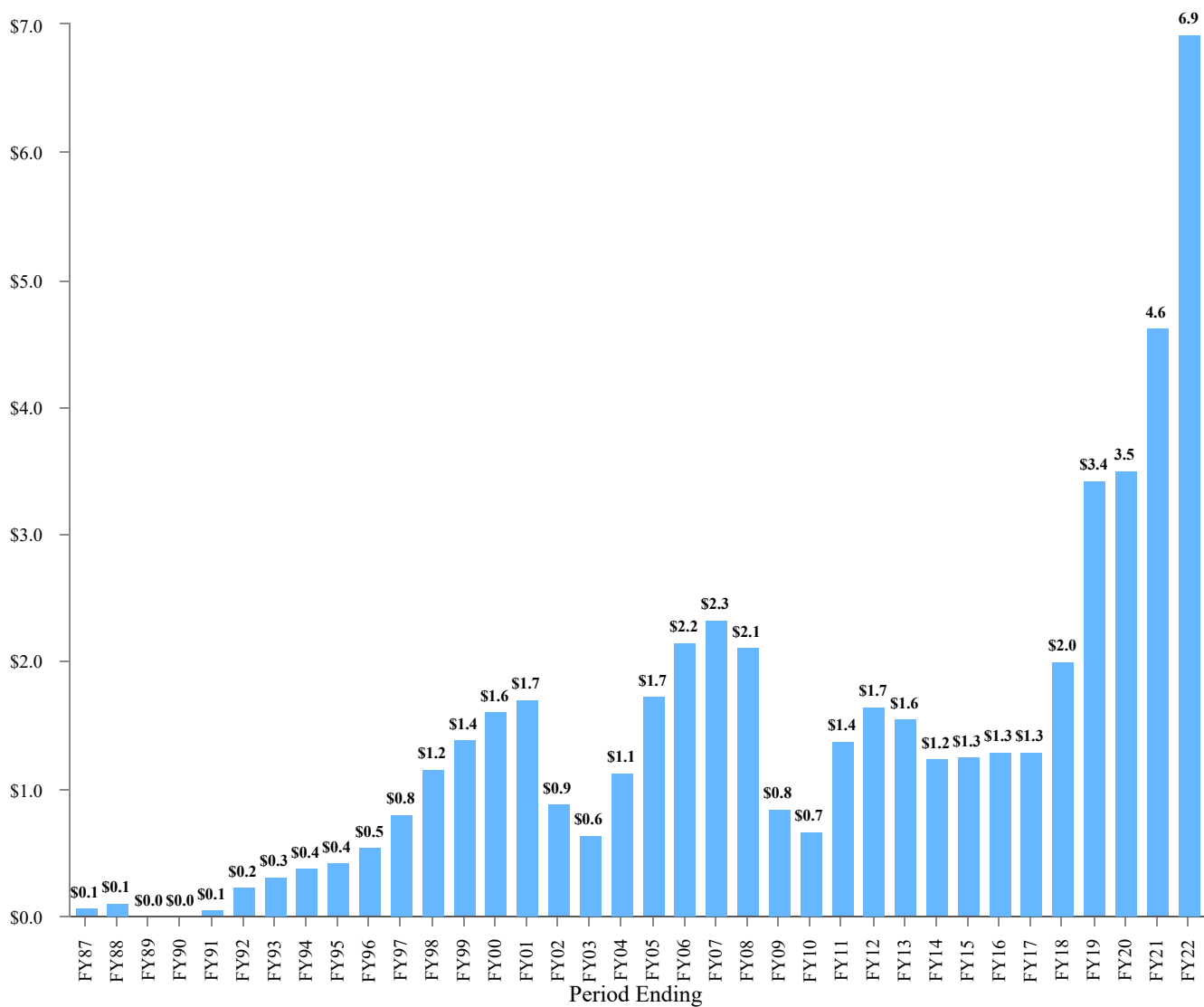
The Stabilization (or rainy day) Fund provides a reserve to be used in the event of an economic downturn or other fiscal emergency. The balance of the Stabilization Fund increased by \$2.311 billion, to \$6.938 billion, between the close of FY21 and FY22, with the main source of growth being the transfer of capital gains tax revenues to the Fund, with additional transfers of gaming tax revenues and a small amount of income tax withholding from the transfer of Lottery prizes.

As mentioned earlier, Massachusetts [state finance law](#) includes a requirement to transfer personal income tax revenue attributable to capital gains above an annual threshold to the Stabilization Fund, State Pension Liability Fund, and State Retiree Benefits Trust Fund. The FY22 capital gains tax threshold, as determined by the Department of Revenue, was \$1.352 billion. In July 2022, the Department of Revenue certified that FY22 tax

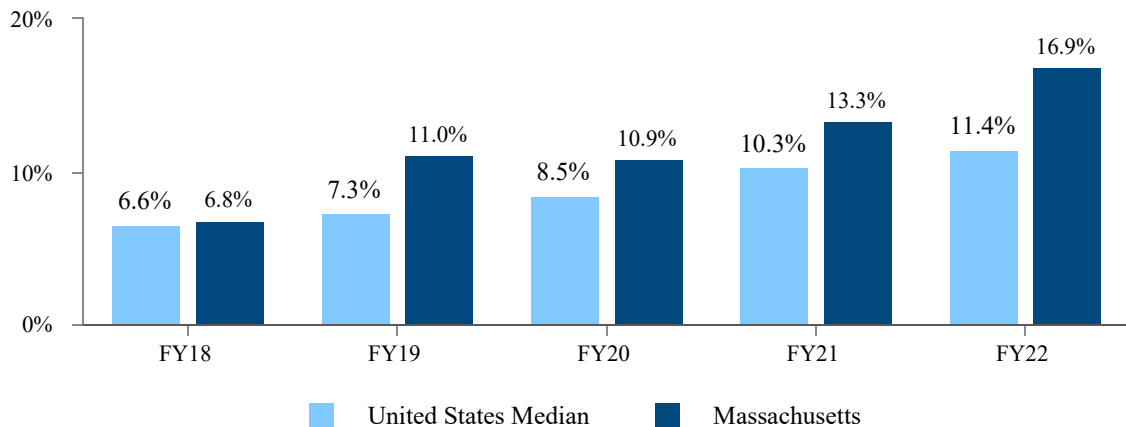
collections attributable to capital gains totaled \$3.877 billion. Of the above-threshold amount of \$2.525 billion, 90%, or \$2.273 billion was transferred to the Stabilization Fund, with the remaining \$253 million divided equally between the Commonwealth pension fund and State Retiree Benefits Trust Fund (which funds retired employee health benefits). During the fiscal year, the Stabilization Fund also recorded net negative investment income of \$353,541, due to relative decline (compared to June 30, 2021) of \$23 million in the market value of the Stabilization Fund's short-term bond fund because of rapidly rising interest rates towards the end of FY22, which offset FY22 interest earnings of \$22 million. The Fund also received \$24 million from casino gaming tax revenue and a small amount of tax revenue. The Commonwealth made no withdrawals from the Stabilization in FY22. (Details of transfers and to and investment earnings of the Stabilization Fund are shown in the table on [page 155](#)).

The following two charts show the end of fiscal year Stabilization Fund balances since the inception of the fund in FY87, and the Stabilization Fund balance as a percentage of General Funds own-source expenditures over the past five fiscal years, compared to the projected median of all states.

Stabilization Fund Balance
(Amounts in billions)



***Stabilization Fund Balance as a Percentage of General Fund Own-Source Expenditures
Massachusetts vs. Median of all U.S. States***



Rainy day fund balances are typically measured both in terms of the absolute size of those funds and the funds' balances as a percentage of General Fund expenditures, with the latter calculation taking into account a state's level of spending that stabilization funds are required to cover when economic downturns cause unanticipated declines in states' tax revenues and increases in demand for state services. According to The National Association of State Budget Officers' (NASBO) [*Fall 2022 Fiscal Survey of the States*](#), at the close of FY21 (the most recent year for which final rainy day fund balances were available for all states), the Commonwealth Stabilization Fund's balance of \$4.626 billion was the threeth largest in the nation in absolute terms, and Massachusetts had the third largest Stabilization Fund balance at the end of FY22. As a percentage of total General Fund expenditures (after subtracting federally reimbursed General Fund expenditures, since all other states in the NASBO survey exclude such spending from their General Fund totals, making their Stabilization Fund percentage calculations a proportion of "own-source" General Fund expenditures), the Commonwealth's FY21 Stabilization Fund balance of 13.3% as a percentage of General Fund own-source expenditures was well above the national median of 10.3%. For FY22, the Commonwealth's Stabilization Fund balance as a percentage of General Fund own source expenditures was 16.9%, well above the preliminary FY22 national median of 11.4% as reported in the NASBO Fall survey.

With the \$2.312 billion added to the Stabilization Fund balance in FY22, the Fund's balance has risen to its highest level since its creation in FY87.

The Non-Budgeted Funds

The Non-Budgeted Funds represent operations in which the government has imposed its sovereign authority but has excluded these operations from the annual budget process. During FY22, the Commonwealth maintained 129 non-budgeted funds, while another 44 were inactive.

The largest non-budgeted funds in terms of operating revenues include the State Lottery and Gaming Fund, the Federal Grants Fund, the MBTA State and Local Contribution Trust Fund (which accounts for sales tax revenue dedicated to and transferred to the MBTA), Coronavirus Relief Fund (established in FY20, which accounts for revenue received from the federal government under the Coronavirus Aid, Relief, and Economic Security, or CARES, Act), the School Modernization Trust Fund (which accounts for sales tax revenue dedicated to and transferred to Massachusetts School Building Authority), the Commonwealth Care Trust Fund, the Medical Assistance Trust Fund, the Health Safety Net Trust Fund, the MassHealth Delivery System Reform Trust Fund, the Convention and Exhibition Center Fund and the Massachusetts Transportation Trust Fund. Other funds that show large inflows include the Grant Anticipation Notes Trust Fund, which is funded by federal highway spending reimbursements.

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Commonwealth received \$2.461 billion in federal revenue during FY21, of which \$761 million was spent during that fiscal year and \$568 million was expended in FY22, allocated to eligible COVID-19 related expenditures. (The Coronavirus Relief Fund financial statement is shown on page 144 of this report.) In FY21, the Commonwealth received \$5.286 billion in federal American Rescue Plan Act (ARPA) funds, of which \$4.892 billion was transferred to the newly established Federal COVID-19 Response Fund (a budgetary fund, subject to appropriation) and carried forward for allocation in FY22. In FY22, the Commonwealth spent \$1.397 billion from the Fund, leaving a balance of \$3.495 billion (\$3.328 billion of which is reserved for FY22 appropriations continued into FY23) that, according to federal law, must be obligated by December 31, 2024 and expended by December 31, 2026. In addition to the CARES Act and ARPA funding, in FY22 approximately \$1.942 billion in coronavirus-related expenses were incurred by programs in the Commonwealth's non-budgetary Federal Grants Fund.

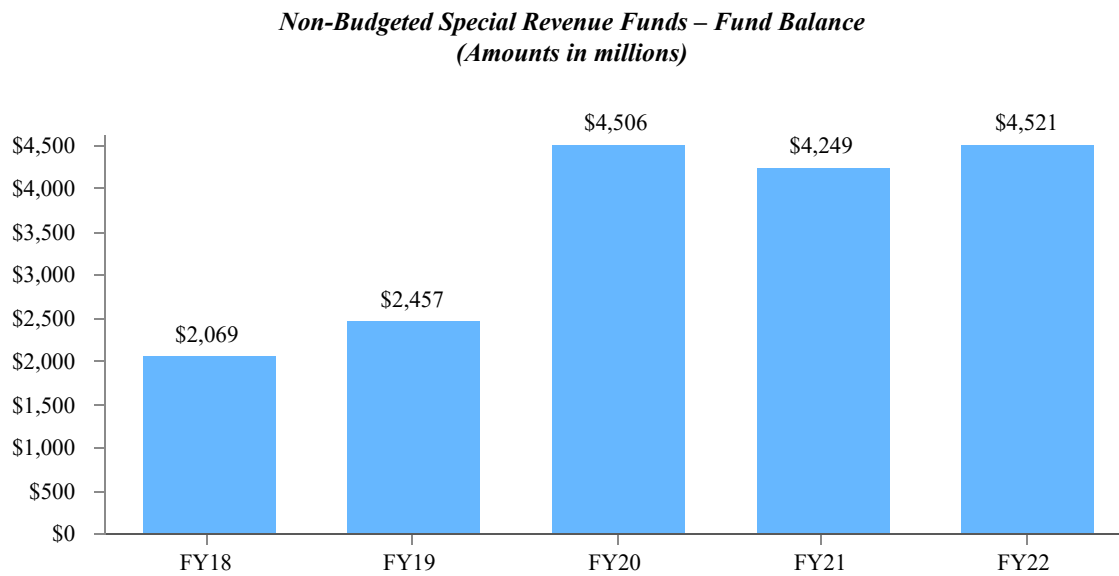
The table below, Non-Budgeted Special Revenue Funds - Operations, summarizes the FY22 non-budgeted funds. A Statement of Revenues, Expenditures and Changes in Fund Balance is presented in a table within this report for each of the individual non-budgeted funds in the financial section of this report. The table includes the State Lottery Funds, where Lottery revenues and expenditures occur prior to Lottery profits being transferred to the General Fund to reimburse it for local aid and other appropriations. The non-budgeted special revenue funds had a \$272 million operating surplus in FY22.

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

	2022	2021
Beginning fund balance.....	\$ 4,249,034	\$ 4,506,466
Revenues and other financing sources:		
Taxes.....	3,217,407	2,877,080
Assessments.....	1,072,888	898,752
Federal grants and reimbursements.....	6,536,894	5,806,155
Departmental and miscellaneous.....	7,255,847	7,119,175
Transfers and other financing sources.....	2,942,705	1,637,880
Total revenues and other financing sources.....	21,025,741	18,339,042
Expenditures and other financing uses:		
Programs and services.....	17,909,687	15,807,172
Debt service.....	215,933	218,500
Transfers and other financing uses.....	2,628,617	2,570,802
Total expenditures and other financing uses.....	20,754,237	18,596,474
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses.....	271,504	(257,432)
Ending fund balance.....	<u>\$ 4,520,538</u>	<u>\$ 4,249,034</u>

In FY22, \$104 million of the Commonwealth's federal transportation funds were used to repay prior year expenditures, which were financed through Federal Grant Anticipation Notes (GANs). In addition, approximately \$29 million in interest payments for the GANs were funded by a General Fund appropriation.

The following chart, Non-Budgeted Special Revenue Funds - Fund Balance, shows the combined fund balance in the Non-Budgeted Special Revenue funds for the past five years.



Individual non-budgeted funds that represent approximately 86% of total non-budgeted fund FY22 year-end balances include:

- \$1.343 billion – Massachusetts Transportation Trust Fund;
- \$363 million – Medical Assistance Trust Fund;
- \$296 million – Central Artery/Tunnel Project Repair and Maintenance Trust Fund;
- \$290 million – Convention and Exhibition Center Fund;
- \$251 million – Enhanced 911 Fund;
- \$268 million – Commonwealth Care Trust Fund;
- \$185 million – Regional Greenhouse Gas Initiative (RGGI) Auction Trust Fund;
- \$173 million – Substance Use Disorder Federal Reinvestment Trust Fund;
- \$95 million – Health Safety Net Trust Fund;
- \$82 million – Workforce Competitiveness Trust Fund;
- \$78 million – Massachusetts Community Preservation Trust Fund;
- \$70 million – Grant Anticipation Note Trust Fund;
- \$66 million – Debt and Long-Term Liability Reduction Trust Fund;
- \$64 million – MassHealth Delivery System Reform Trust Fund;

- \$63 million – Workforce Training Trust Fund;
- \$40 million – Community Mitigation Fund;
- \$36 million – Housing Preservation and Stabilization Trust Fund;
- \$22 million – Race Horse Development Trust Fund;
- \$22 million – Child Support Enforcement Fund;
- \$17 million - Safety Net Provider Trust Fund;
- \$16 million - Public Health Trust Fund;
- \$16 million - Build America Bonds Subsidy Trust Fund;
- \$10 million – Department of Industrial Accidents Special Fund;

In FY22, six non-budgeted special revenue funds had operating deficits of \$10 million or more. These were the Massachusetts Coronavirus Relief Fund with a deficit of \$476 million (where revenue was received from the federal government toward the end of FY20, but most spending occurred in FY21 and FY22), the Federal Grant Fund with a deficit of \$312 million which was mostly related to Federal Emergency Rental Assistance Program (where revenue received in FY21 and spending in FY22), the COVID-19 Emergency Paid Sick Leave Fund with a deficit of \$75 million for reimbursing employers for the cost of providing employees with COVID-19 emergency paid sick leave, the MassHealth Delivery System Reform Trust Fund which had a deficit of \$58 million, the Grant Anticipation Note Trust which had a deficit of \$18 million, and the Community Hospital Reinvestment Trust with a deficit of \$10 million.

As noted in previous years, the Government Land Bank Fund has a continuing structural fund deficit. The FY22 deficit balance of approximately \$35 million remains an unbudgeted drain on the Commonwealth's cash pool. While steps have been taken to stop the growth in this deficit, the Fund should be abolished and the deficit transferred to the General Fund. More consolidation and elimination is needed for the non-budgeted special revenue funds generally.

The Capital Projects Funds

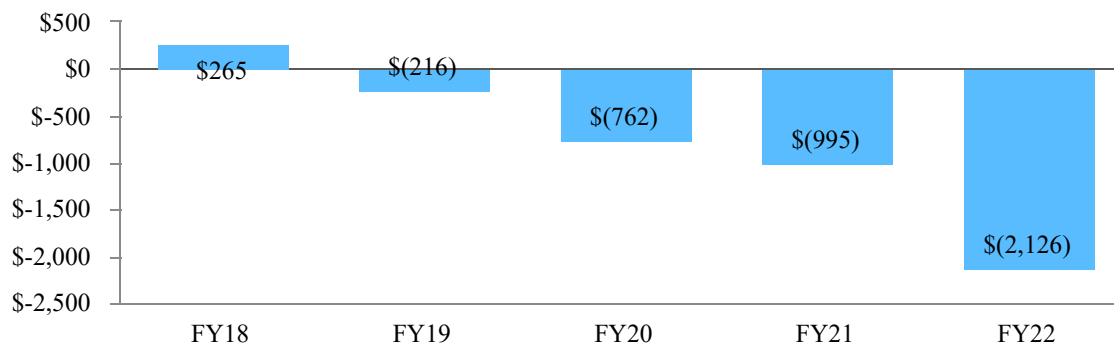
The purpose of the capital project funds is to account for the construction or acquisition of capital assets. The Governor may propose capital outlay budgets which, upon enactment by the Legislature and approval by the Governor, become capital outlay acts. Capital outlay acts financed through the sale of debt require a two-thirds vote of the Legislature. Numerous acts may be combined for reporting in an individual capital projects fund, but each act is accounted for separately within the fund. These accounts record authorizations for expenditures in itemized capital appropriation accounts and equivalent authorizations to issue bonds or notes.

The structure of these funds is such that each capital outlay authorization is in balance, creating authorization for inflows (which may be from sales of bonds, federal reimbursements or other revenues) and expenditures. Imbalances due to timing differences develop when the expenditure precedes the inflow of funds from the sale of bonds or federal reimbursements. Due to restrictions imposed by federal tax arbitrage rules, tax exempt bonds are not routinely sold in anticipation of expenditures.

To fund the FY22 capital budget, the Commonwealth borrowed by issuing \$1.743 billion in new money long-term bonds; \$1.393 billion of which was general obligation debt and \$350 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. In addition, the Commonwealth issued \$525 million in debt to refund already existing obligations, taking advantage of continued low interest rates in FY22.

The following graph Capital Projects Funds - Fund Balance/(Deficit) shows the combined fund balance in the capital projects funds for the past five years. Typically, the combined ending balance in the capital projects funds is negative, as capital spending occurs prior to bonds being issued by the Commonwealth. At the end of FY22, the capital projects funds had a \$2.126 billion deficit balance (including \$779 million in accounts payable), as the Commonwealth had not yet reimbursed itself for capital spending that it typically funds in arrears through subsequent bond issues.

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



The following table, Capital Projects Funds - Operations, includes the FY22 capital projects funds, summarized and compared to FY21. Financial statements for each of the individual funds are included in the financial section of this report.

Capital Projects Funds - Operations
(Amounts in thousands)

	2022	2021
Beginning fund balance/(deficit)	\$ (994,878)	\$ (762,098)
Revenues and other financing sources:		
Federal grants and reimbursements	91,957	77,259
Departmental and miscellaneous	1,012	894
Proceeds of general and special obligation bonds	2,016,962	2,863,217
Proceeds of refunding bonds	610,306	1,963,003
Transfers and other financing sources	685,936	774,450
Total revenues and other financing sources	3,406,173	5,678,823
Expenditures and other financing uses:		
Acquisition and maintenance of capital assets	3,718,808	3,773,992
Payments to advance refunding escrow agent/principal on current refundings	610,306	1,963,002
Transfers and other financing uses	207,697	174,609
Total expenditures and other financing uses	4,536,811	5,911,603
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,130,638)	(232,780)
Ending fund balance/(deficit)	<u>\$ (2,125,516)</u>	<u>\$ (994,878)</u>

The Administration oversees a coordinated fiscal strategy for the management of the capital projects funds. This strategy includes a five-year capital budget linked to debt management and capital management. The focus of this strategy is to manage capital spending within outstanding debt levels and debt service obligations the Administration considers appropriate for the Commonwealth. An important part of the strategy is to control capital spending within an administrative “cap.”

During FY22, significant capital spending included:

- \$503 million for state-owned facilities including public higher education campuses, trial courts, and state health care facilities;
- \$457 million for safety and capacity improvements and reconstruction for the Commonwealth’s highways, bridges, and tunnels;
- \$284 million for affordable housing development and public housing;
- \$213 million in support for rail enhancement projects and MBTA capital projects, including investment in reducing the MBTA’s State of Good Repair backlog and South Coast Rail;
- \$201 million in Chapter 90 reimbursements and additional new MassDOT grant programs to municipalities for local road, bridge, and sidewalk projects;
- \$128 million in spending for the Department of Conservation and Recreation, including improvements to roadways, parks, and for environmental spending;
- \$76 million for the MassWorks economic development initiative, which provides infrastructure grants to municipalities;
- \$54 million to directly address climate change, including funds for repairing and rebuilding coastal infrastructure and inland dams, helping state agencies and municipalities plan for and protect against the impact of a changing climate, tree planting, and wetlands protection;
- \$40 million to improve the quality of clean and drinking water;
- \$35 million for the Life Sciences Capital program, providing grants to promote job growth, business expansion, discovery, and innovation in the industry and the Commonwealth economy;
- \$26 million for the maintenance, modernization, and replacement of regional transit vehicles and facilities;
- \$21 million for the Food Security Infrastructure program, which provides grants to enhance food security for the people of the Commonwealth and to increase access and production of local food;
- \$20 million for planning and construction grants from the Board of Library Commissioners to public library systems;
- \$20 million for cybersecurity and vulnerability remediation for the Commonwealth’s IT systems, including those of public higher education institutions;
- \$14 million for the Workforce Skills capital grants to educational institutions; and
- \$11 million for aid to towns in western Massachusetts to extend high-speed broadband networks.

The Non-Appropriated Funds of Higher Education

The statistical section of this SBFR includes data on the financial operations of the non-appropriated funds of the 25 institutions of higher education as reported on MMARS. Each institution of higher education is authorized and directed in its enabling statute to collect, retain and expend certain fees, rents, sales, donations, federal financial

participation and other types of revenue through campus-based systems. These financial resources are integral parts of the total financial activity of each campus. They also represent resources in addition to amounts made available from Commonwealth appropriations.

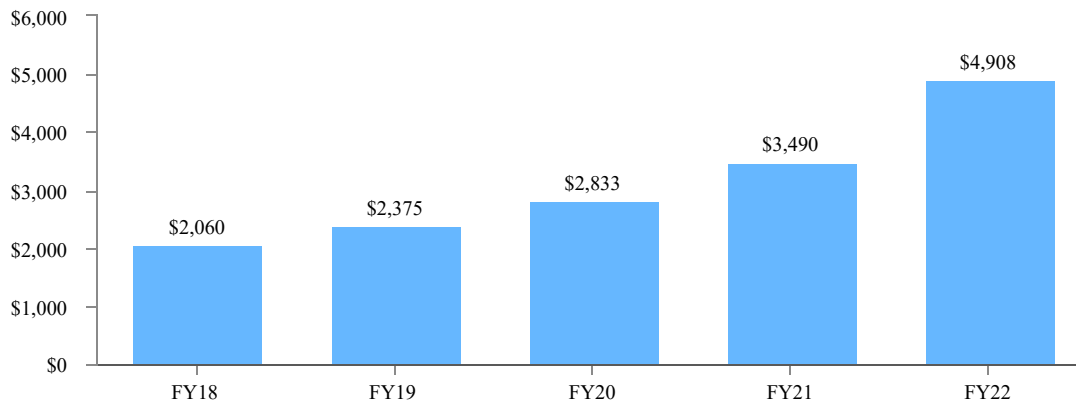
The following table, Non-Appropriated Funds of Higher Education – Operations, includes the FY22 activity in the higher education funds, summarized and compared to FY21. Financial statements for each of the individual funds are included in the statistical section of this report.

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

	2022	2021
Beginning fund balance	\$ 3,489,904	\$ 2,833,293
Revenues and other financing sources:		
Federal grants and reimbursements	1,394,727	603,554
Departmental revenue	2,694,829	2,414,009
Miscellaneous revenue	1,809,052	1,712,901
Total revenues and other financing sources	5,898,608	4,730,464
Expenditures and other financing uses:		
Programs and services	4,480,034	4,073,853
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	1,418,574	656,611
Ending fund balance	<u>\$ 4,908,478</u>	<u>\$ 3,489,904</u>

The following chart, Non-Appropriated Funds of Higher Education - Fund Balance, shows the combined fund balance for the past five years. The combined balance represents approximately \$3.054 billion fund balance for the University of Massachusetts, approximately \$1.118 billion fund balance for the State University System and approximately \$737 million fund balance for the Community Colleges.

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



#

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Maura Healey
Attorney General

Deborah B. Goldberg
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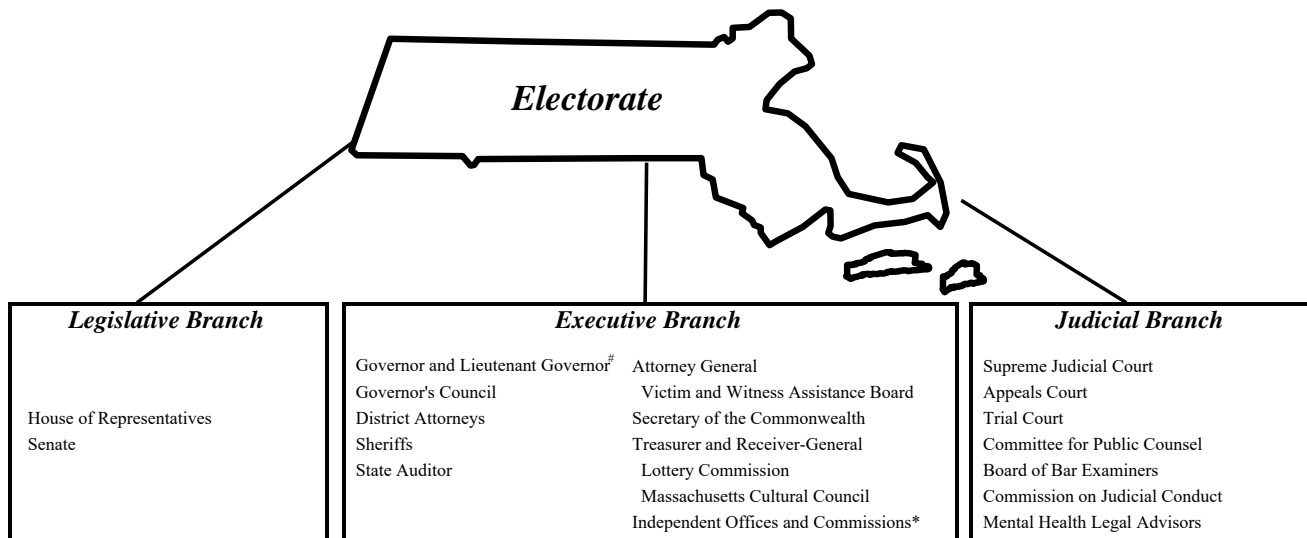
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Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



<i>Executive Branch Independent Offices and Commissions*</i>		
Board of Library Commissioners	Commission on the Status of Latinos and Latinas	Office of the Child Advocate
Campaign and Political Finance	Commission on the Social Status of Black Men and Boys	Office of the Comptroller
Cannabis Control Commission	Commission on the Status of Persons with Disabilities	Office of the Inspector General
Center for Health Information & Analysis	Commission on the Status of Women	State Ethics Commission
Commission Against Discrimination	Disabled Persons Protection Commission	State Retiree Benefits Trust Fund Board
Commission on the Status of African Americans	Massachusetts Gaming Commission	University of Massachusetts System
	Massachusetts Peace Officer Standards and Training Commission	

<i>Executive Departments Under Gubernatorial Authority[#]</i>		
<u>Administration and Finance</u>	<u>Housing and Economic Development</u>	<u>Executive Office of Labor and Workforce Development</u>
Executive Office for Administration and Finance	Executive Office of Housing and Economic Development	
Appellate Tax Board	Department of Business Development	<u>Health and Human Services</u>
Bureau of the State House	Office of Consumer Affairs & Business Regulations	Executive Office of Health and Human Services
Civil Service Commission	Massachusetts Marketing Partnership	Executive Office of Elder Affairs
Department of Revenue	Department of Housing & Community Development	Department of Children and Families
Developmental Disabilities Council	Department of Telecommunications and Cable	Department of Developmental Services
Division of Administrative Law Appeals	Division of Banks	Department of Mental Health
Division of Capital Asset Management and Maintenance	Division of Insurance	Department of Public Health
George Fingold Library	Division of Professional Licensure	Department of Transitional Assistance
Group Insurance Commission	Division of Standards	Department of Veterans' Services
Health Policy Commission		Department of Youth Services
Human Resource Division	<u>Energy and Environmental Affairs</u>	Massachusetts Commission for the Blind
Massachusetts Office on Disability	Executive Office of Energy and Environmental Affairs	Massachusetts Commission for the Deaf and Hard of Hearing
Massachusetts Teachers' Retirement System	Department of Agricultural Resources	Massachusetts Rehabilitation Commission
Operational Services Division	Department of Conservation and Recreation	Office for Refugees and Immigrants
Public Employee Retirement Administration Commission	Department of Energy Resources	Soldiers' Home, Holyoke
	Department of Environmental Protection	Soldiers' Home, Massachusetts
<u>Education</u>	Department of Fish and Game	
Executive Office of Education	Department of Public Utilities	<u>Public Safety</u>
Department of Early Education and Care	State Reclamation Board	Executive Office of Public Safety and Security
Department of Elementary and Secondary Education		Chief Medical Examiner
Department of Higher Education	<u>Technology and Security</u>	Department of Criminal Justice Information Services
Community Colleges	Executive Office of Technology Services and Security	Department of Correction
State Universities		Department of Fire Services
	<u>Transportation and Public Works</u>	Department of State Police
	Massachusetts Department of Transportation (MassDOT)	Massachusetts Emergency Management Agency
		Military Division/ Massachusetts National Guard
		Municipal Police Training Committee
		Parole Board
		Sex Offender Registry

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Secretary of Administration and Finance

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Chief Administrator, Trial Court

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Attorney General

Michael Esmond
Chief Financial Officer
Massachusetts Convention Center Authority
Gubernatorial Appointee

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

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Senior Advisor

Financial Section



Independent Accountants' Review Report
Historical Chart - Revenues and Other Financing Sources vs. Expenditures and Other Financing Uses
Combined Financial Statements - Statutory Basis
Notes to Combined Financial Statements - Statutory Basis
Combining and Individual Fund Financial Statements - Statutory Basis
Historical Chart - Full-Time Equivalent Workforce
Historical Chart - Annual Pension Funding



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts

We have reviewed the accompanying combined financial statements—statutory basis of the Commonwealth of Massachusetts as of June 30, 2022, and the related notes to the combined financial statements—statutory basis as listed in the accompanying table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements—statutory basis as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements—statutory basis in accordance with Section 12 of Chapter 7A of the Massachusetts General Laws, as amended, and the budgetary principles of the Commonwealth of Massachusetts (hereinafter referred to as the Statutory Basis of Accounting) as described in Notes 1 and 2, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements—statutory basis that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the combined financial statements—statutory basis for them to be in accordance with the Statutory Basis of Accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Commonwealth of Massachusetts, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined financial statements—statutory basis in order for them to be in accordance with the statutory basis of accounting as described in Notes 1 and 2.

Basis of Accounting

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

Supplementary Information

The combining and individual fund financial statements—statutory basis and supplemental information are presented for the purpose of additional analysis and are not required parts of the combined financial statements—statutory basis. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements—statutory basis. Such information has been subjected to the review procedures applied in our review of the combined financial statements—statutory basis. We are not aware of any material modifications that should be made to the combining and individual fund financial statements—statutory basis and supplemental information. We have not audited the combining and individual fund financial statements—statutory basis and supplemental information and do not express an opinion on such information.

Other Information

The introductory and statistical sections have not been subjected to the review procedures applied in our review of the combined financial statements—statutory basis. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on such information.

Restriction on Use

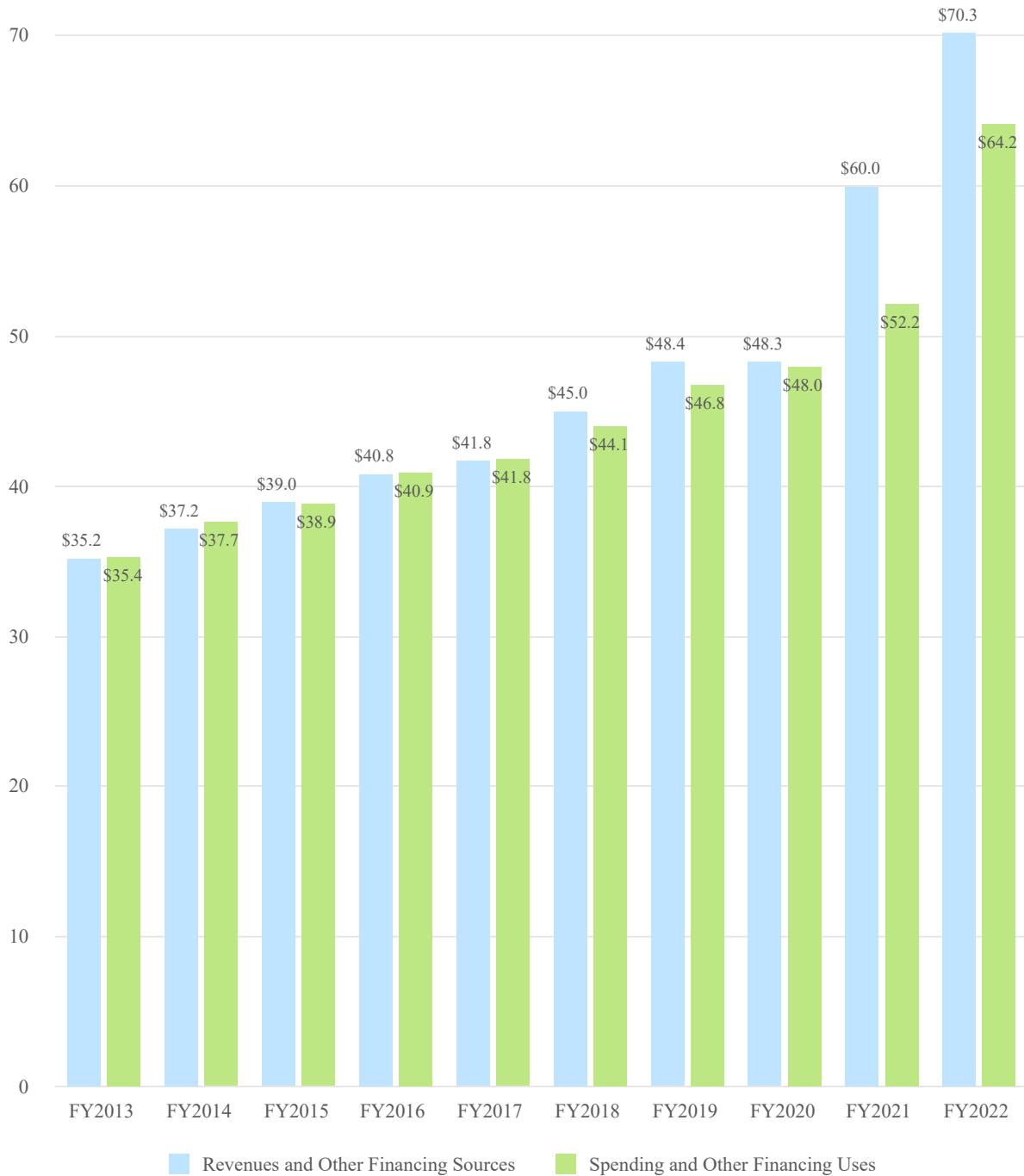
Our report is intended solely for the information and use of management and elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 23, 2022

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





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Combined Financial Statements - Statutory Basis

Budgeted Funds
Combined Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	Totals (Memorandum only)	
	2022	2021
ASSETS		
Cash and short-term investments	\$ 18,760,800	\$ 12,898,809
Cash with fiscal agent	16,657	15,553
Investments	290,249	304,140
Receivables, net of allowance for uncollectibles:		
Due from federal government	1,708,341	1,059,548
Other receivables	22,663	38,127
Due from cities and towns	18,197	9,312
Total assets	<u>\$ 20,816,907</u>	<u>\$ 14,325,489</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	\$ 69	\$ —
Accounts payable	2,399,736	2,061,902
Accrued payroll	216,843	164,410
Total liabilities	<u>2,616,648</u>	<u>2,226,312</u>
Fund balance:		
Combined fund balance:		
Reserved for:		
Continuing appropriations	6,059,821	1,083,785
Commonwealth Stabilization	6,937,864	4,626,419
Debt service	16,657	15,553
Unreserved:		
Undesignated	<u>5,185,917</u>	<u>6,373,420</u>
Total fund balance	<u>18,200,259</u>	<u>12,099,177</u>
Total liabilities and fund balance	<u>\$ 20,816,907</u>	<u>\$ 14,325,489</u>

See accompanying notes to financial statements and accountants' review report

Budgeted Funds
Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	\$ 32,078,100	\$ 38,587,176	\$ 6,509,076
Assessments	458,422	429,924	(28,498)
Federal grants and reimbursements	14,115,003	15,778,753	1,663,750
Tobacco settlement revenue	254,645	246,997	(7,648)
Departmental	3,972,438	4,832,636	860,198
Miscellaneous	450,324	383,834	(66,490)
Total revenues	51,328,932	60,259,320	8,930,388
Other financing sources:			
Fringe benefit cost recovery	495,629	613,577	117,948
Lottery reimbursements	114,526	122,189	7,663
Lottery distributions	1,124,183	1,079,306	(44,877)
Operating transfers in	382,156	1,107,461	725,305
Stabilization transfer	1,168,562	2,311,539	1,142,977
Transfer for transitional escrow	—	4,812,071	4,812,071
Other fund deficit support	—	8,384	8,384
Total other financing sources	3,285,056	10,054,528	6,769,472
Total revenues and other financing sources	54,613,988	70,313,848	15,699,860
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	127,362	76,093	51,269
Judiciary	1,145,124	1,090,795	54,329
Inspector General	6,902	6,387	515
Governor and Lieutenant Governor	9,861	7,811	2,050
Secretary of the Commonwealth	52,282	49,992	2,290
Treasurer and Receiver-General	296,867	221,658	75,209
Auditor of the Commonwealth	21,541	21,366	175
Attorney General	61,874	58,548	3,326
Ethics Commission	2,753	2,691	62
District Attorney	151,972	150,329	1,643
Office of Campaign & Political Finance	1,874	1,786	88
Sheriffs' Departments	737,896	663,230	74,666
Disabled Persons Protection Commission	10,831	8,660	2,171
Commission on Status of Women	987	501	486
Board of Library Commissioners	36,532	36,366	166
Comptroller	66,748	25,457	41,291
Administration and Finance	7,956,783	2,674,218	5,282,565
Energy and Environmental Affairs	512,305	431,118	81,187
Health and Human Services	8,869,505	8,287,368	582,137
Executive Office of Technology Services and Security	209,645	160,107	49,538
Massachusetts Department of Transportation	242,826	129,115	113,711
Office of the Child Advocate	3,995	2,930	1,065
Commission Against Discrimination	8,430	6,870	1,560
Cannabis Control Commission	15,718	13,816	1,902
Executive Office of Education	3,499,253	3,267,072	232,181
Center for Health Information and Analysis	31,202	31,179	23
Public Safety and Security	1,429,772	1,240,395	189,377
Massachusetts Peace Officer Standards and Training	1,740	1,740	—
Housing and Economic Development	1,052,863	855,030	197,833
Labor and Workforce Development	171,016	116,141	54,875
Direct local aid	6,744,710	6,742,777	1,933
Medicaid program expenses	19,847,962	19,845,596	2,366
Post employment benefits	4,433,423	4,433,376	47
Debt service:			
Principal retirement	1,309,886	1,261,784	48,102
Interest and fiscal charges	1,182,317	1,160,898	21,419
Total expenditures	60,254,777	53,083,201	7,171,576
Other financing uses:			
Fringe benefit cost assessment	—	20,007	(20,007)
Operating transfers out	3,252,855	3,265,051	(12,196)
Stabilization transfer	2,272,593	2,272,593	—
Medical assistance transfer	751,458	751,458	—
Transfer for transitional escrow	—	4,812,072	(4,812,072)
Other fund deficit support	—	8,384	(8,384)
Total other financing uses	6,276,906	11,129,565	(4,852,659)
Total expenditures and other financing uses	66,531,683	64,212,766	2,318,917
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (11,917,695)	6,101,082	\$ 18,018,777
Fund balance/(deficit) at beginning of year		12,099,177	
Fund balance/(deficit) at end of year		\$ 18,200,259	

See accompanying notes to financial statements and accountants' review report

Non-Budgeted Special Revenue and Capital Projects Funds
Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

			Totals (Memorandum only)	
	Non-Budgeted Special Revenue	Capital Projects	2022	2021
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 3,217,407	\$ —	\$ 3,217,407	\$ 2,877,080
Assessments	1,072,888	—	1,072,888	898,752
Federal grants and reimbursements	6,536,894	91,957	6,628,852	5,883,414
Departmental	7,254,781	684	7,255,465	7,086,950
Miscellaneous	1,066	328	1,394	33,121
Total revenues	18,083,036	92,969	18,176,006	16,779,317
Other financing sources:				
Issuance of general obligation bonds	—	1,392,836	1,392,836	1,982,048
Bond premiums/(discounts) on general obligation bonds	—	245,038	245,038	393,984
Issuance of special obligation bonds	—	350,000	350,000	400,000
Bond premiums/(discounts) on special obligation bonds	—	29,088	29,088	87,185
Issuance of current refunding bonds	—	525,485	525,485	865,115
Bond premiums/(discounts) on current refunding bonds	—	84,821	84,821	199,529
Issuance of advance refunding bonds	—	—	—	900,775
Bond premiums/(discounts) on advance refunding bonds	—	—	—	(2,416)
Operating transfers in	2,191,247	541,944	2,733,191	1,765,396
Medical assistance transfer	751,458	—	751,458	505,250
State share of federal highway construction	—	143,992	143,992	141,684
Total other financing sources	2,942,705	3,313,204	6,255,909	7,238,550
Total revenues and other financing sources	21,025,741	3,406,173	24,431,915	24,017,867
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	3,159	12,926	16,084	13,327
Inspector General	104	—	104	103
Governor and Lieutenant Governor	172	—	172	189
Secretary of the Commonwealth	3,827	1,510	5,337	7,075
Treasurer and Receiver-General	7,499,746	44,789	7,544,534	7,342,424
Auditor of the Commonwealth	—	204	204	102
Attorney General	47,525	236	47,761	52,744
Ethics Commission	—	301	301	82
District Attorney	4,336	—	4,336	4,654
Sheriffs' Departments	13,343	10,164	23,507	16,059
Disabled Persons Protection Commission	1,347	—	1,347	1,203
Board of Library Commissioners	6,769	19,962	26,731	23,407
Massachusetts Gaming Commission	56,032	—	56,032	45,589
Comptroller	1,527	3,030	4,557	3,262
Administration and Finance	1,069,480	464,996	1,534,476	1,318,771
Energy and Environmental Affairs	103,961	291,392	395,353	363,105
Health and Human Services	3,332,372	81,434	3,413,806	2,736,279
Executive Office of Technology Services and Security	10,327	67,561	77,887	64,538
Massachusetts Department of Transportation	1,096,058	2,094,100	3,190,158	3,317,078
Executive Office of Education	2,451,785	100,328	2,552,113	1,604,269
Center for Health Information and Analysis	—	76	76	4,974
Public Safety and Security	595,617	31,992	627,609	353,277
Massachusetts Peace Officer Standards and Training	—	—	—	—
Housing and Economic Development	1,405,567	490,732	1,896,299	2,074,274
Labor and Workforce Development	206,633	3,075	209,708	234,380
Debt service:				
Principal retirement	132,338	—	132,338	107,905
Interest and fiscal charges	83,595	—	83,595	110,595
Total expenditures	18,125,620	3,718,808	21,844,426	19,799,665
Other financing uses:				
Payments to advance refunding bonds escrow	—	—	—	898,358
Principal on current refundings	—	610,306	610,306	1,064,644
Fringe benefit cost assessment	348,171	35,380	383,551	250,179
Lottery operating reimbursements	122,189	—	122,189	105,986
Lottery distributions	1,079,306	—	1,079,306	1,090,040
Operating transfers out	1,054,643	28,325	1,082,968	1,140,066
Stabilization transfer	24,308	—	24,308	17,457
State share of federal highway construction	—	143,992	143,992	141,684
Total other financing uses	2,628,617	818,003	3,446,620	4,708,414
Total expenditures and other financing uses	20,754,237	4,536,811	25,291,046	24,508,079
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses				
	271,504	(1,130,638)	(859,131)	(490,212)
Fund balance/(deficit) at beginning of year	4,249,034	(994,878)	3,254,156	3,744,368
Fund balance/(deficit) at end of year	\$ 4,520,538	\$ (2,125,516)	\$ 2,395,025	\$ 3,254,156

See accompanying notes to financial statements and accountants' review report

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1. FINANCIAL STATEMENT PRESENTATION

A. INTRODUCTION

The accompanying combined financial statements (Statutory Basis Financial Report or SBFR) of the Commonwealth of Massachusetts (the Commonwealth) are presented in accordance with the requirements of Section 12 of Chapter 7A as amended by Section 4 of Chapter 88 of the Acts of 1997 of the Massachusetts General Laws, as amended most recently by Chapter 26, Section 4 of the Acts of 2009. The Office of the Comptroller also publishes the Commonwealth's Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America for governments.

The SBFR includes the budgeted, non-budgeted special revenue, and capital projects funds of the Commonwealth, as recorded by the Office of the Comptroller in compliance with Massachusetts General Laws (MGL) and in accordance with the Commonwealth's budgetary principles.

The SBFR's financial statements are not intended to include independent authorities, non-appropriated funds of higher education, or other organizations included in the Commonwealth's reporting entity as it would be defined under GAAP.

B. GOVERNMENTAL FUND TYPES

The fund types are organized as follows:

Governmental fund types account for the general governmental activities of the Commonwealth.

Budgeted Funds - are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions, i.e., those subject to the annual appropriation process. Budgeted funds include the General, Commonwealth Transportation, Stabilization Funds, the Federal COVID-19 Response Fund, and the Transitional Escrow Fund (into which was transferred the FY22 consolidated net surplus for appropriation in FY23), which are identified by the Comptroller as the operating funds of the Commonwealth. In addition, there are 15 other budgeted funds, the Intragovernmental Services Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Underground Storage Tank Petroleum Product Cleanup Fund, the Public Safety Training Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund, the Behavioral Health Outreach Access and Support Trust Fund, the Student Opportunity Act Investment Fund, the Broadband Innovation Fund, and the Behavioral Health Trust Fund.

Non-Budgeted Special Revenue Funds - are established by law to account for revenue sources that have been segregated from the budgeted funds to support specific governmental activities such as federal grants, the operations of the state lottery and funds related to the Massachusetts Gaming Commission.

Capital Projects Funds - account for financial resources used to acquire or construct major capital assets and to finance local capital projects. These resources are derived almost entirely from proceeds of bonds and other obligations, which are generally received after related expenditures have been incurred, operating transfers authorized by the Legislature, and from federal reimbursements. Deficit balances in the capital projects funds represent amounts to be financed, primarily through future bond sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. STATUTORY BASIS OF ACCOUNTING

The SBFR is prepared from the Commonwealth's books and records and other official reports that are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (statutory basis). The statutory basis emphasizes accountability and budgetary control of appropriations. The SBFR is not intended to present the Commonwealth's financial condition and results of operations in conformity with GAAP.

Under the statutory basis of accounting, revenues generally are recognized when cash deposits are received by the Treasury. However, revenues receivable for federal grants and reimbursements generally are recognized when related expenditures are incurred, provided that the related revenues are received by the Commonwealth by August 31, the end of the statutory accounts receivable period. For FY22, the statutory accounts receivable definition was modified by the Massachusetts Legislature, which directed the Comptroller's Office to record as FY22 statutory accounts receivable certain federal COVID19-related reimbursements for expenditures made prior to June 30, 2022, but projected to be received by the Commonwealth, primarily from the Federal Emergency Management Agency (FEMA) subsequent to August 2022. These revenues amounted to approximately \$693 million.

Amounts due from political subdivisions of the Commonwealth are recognized when considered measurable and available. These are largely payments from municipalities reimbursing for pension costs paid by the Commonwealth on their behalf, authorized under Section 3(8)c of Chapter 32 of the MGL, provided that the revenues are received by August 31.

Under the statutory basis of accounting, expenditures are generally recorded when the related cash disbursement occurs. At year-end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, for goods or services received by June 30, and payment made by August 31. Costs incurred under the federally-sponsored Medicaid program, amounts required to settle claims and judgments against the Commonwealth, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment. In some cases the liabilities will have been incurred prior to June 30, but recorded when paid in the following fiscal year, not as statutory payables.

The accounting policies followed in preparing the accompanying statutory basis financial report are described in the remainder of this section.

B. CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS

The Commonwealth follows the practice of pooling cash and cash equivalents, except for balances in the Commonwealth Stabilization Fund, which are sequestered. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other governmental funds.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT). MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Fund. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost, which approximates fair value. The Short Term Bond Fund investments are carried at fair value.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333. The statements can also be downloaded from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. MGL Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

C. DEDICATED REVENUE AND PLEDGES

The Commonwealth has a number of bond programs in which bonds are secured by a pledge of dedicated revenues provided to bondholders, pursuant to trust agreements, as well as pledges of revenue for general operations. Like the Commonwealth, certain state authorities have also issued special obligation bonds secured by specific Commonwealth revenues. These other authorities' debts are not included in the SBFR, but are included in the ACFR.

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal years 2011, 2014, 2015, 2017 and 2018. The Commonwealth issued no GANs in FY22. As of June 30, 2022, total principal remaining to be paid was approximately \$478 million. Remaining maturities are from FY22 through FY27. Debt service paid during FY22 was approximately \$135 million.

In FY22, the Commonwealth issued approximately \$350 million in new money special obligation bonds under the Rail Enhancement Program (REP). These bonds mature from FY47 to FY52 and are secured by a lien on the full 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the Commonwealth Transportation Fund (CTF). As of June 30, 2022, approximately \$1.538 billion and \$1.958 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$899 million and \$1.909 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

The ABP projected interest costs are net of federal subsidies under the Build America Bond (BABs) program. BABs is a temporary program under which the Commonwealth and other state and local governments issued taxable bonds in calendar 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% (depending on whether the proceeds are used for projects in economically distressed areas) of the interest costs on the bonds.

Other special obligation bonds for highway construction purposes were secured, through FY22 and in prior years, by a pledge of 6.86 cents of the 24 cent per gallon gasoline tax. These bonds were issued in multiple series and those outstanding matured in FY22, with the final principal and interest paid during FY22 amounted to approximately \$28 million and \$1.4 million, respectively. With the maturing of these bonds, the full 24 cents per gallon of the gasoline tax is pledged to the CTF bonds, as described above.

A portion of the Commonwealth's receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MBTA is the amount raised by a 1.0% sales tax (not including meals), subject to an inflation-adjusted floor. A comparable amount, though without the floor, is dedicated to the MSBA beginning in fiscal 2010, with lesser amounts having been dedicated to the MSBA from fiscal 2005 through fiscal 2009.

Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by \$160 million annually, starting in fiscal 2015. The \$160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor were intended to replace the \$160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014. In FY22, total dedicated sales tax revenue that was directed to the MBTA was approximately \$1.349 billion. Dedicated revenues to the MBTA increase by the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0% and a ceiling of 3.0%.

The MSBA also receives a pledge starting in FY11 of a 1.0% sales tax (not including meals) but with no annual floor or ceiling. In FY22, approximately \$1.189 billion of the dedicated sales tax revenue stream was directed to the MSBA.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2022, taxes within the Convention Center districts support approximately \$454 million of outstanding

principal and approximately \$178 million of interest on debts related to these Convention Centers. Taxes collected in FY22 were approximately \$149 million, while debt service on the bonds was approximately \$52 million.

The Transportation Modernization Act of 2009, as amended, eliminated the pledges of sales tax revenue to MassDOT through the Commonwealth Transportation Fund (CTF). Beginning in FY14, motor vehicle sales tax collections were shifted from the General Fund to the CTF while also eliminating the 0.385% pledge of regular and meals sales tax. During FY22, approximately \$549 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$94 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

D. INTERFUND/INTRAFUND TRANSACTIONS

Transactions of a buyer/seller nature between departments within a fund are not eliminated.

Transfers in and out net to approximately \$17 million due to higher education non-appropriated fund activity, which is not included in the combined statements - statutory basis.

E. CURRENT EMPLOYEE BENEFITS

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay (not accrued on a statutory basis).

F. FRINGE BENEFIT COST RECOVERY

The Commonwealth pays the fringe benefit costs of its employees and retirees through the General Fund. These fringe benefits include the costs of employees' health insurance, pensions, unemployment compensation, and other costs necessary to support the state work force. As directed by Chapter 29, Sections 5D and 6B(f) of the MGL, these costs are assessed to other funds based on their payroll costs, net of credits for direct payments.

Since these fringe benefit costs and pensions are not appropriated in the budget, the required assessment creates a variance between budget and actual expenditures at year-end. The fringe benefit cost recoveries of approximately \$614 million in the General Fund results from cost assessments from the other budgeted funds, non-budgeted special revenue funds, capital projects funds, non-appropriated activities of higher education, expendable trust, and agency funds.

G. LOTTERY REVENUE AND PRIZES

Ticket revenues are recognized when sold and prizes awarded by the Massachusetts State Lottery Commission are recognized as drawings are held. Games expenditures are accrued at year-end only for open jackpots for Mega Millions, Powerball and Megabucks.

H. RECEIVABLES

Reimbursements due to the Commonwealth for its expenditures on federally funded reimbursement and grant programs are reported as "Due from federal government." Other receivables include reimbursement of fringe benefit assessments from authorities and the institutions of higher education along with other departmental receivables.

I. DUE FROM CITIES AND TOWNS

"Due from Cities and Towns" represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

J. RISK MANAGEMENT

The Commonwealth is self-insured for state employees' workers' compensation, casualty, theft, tort claims and other losses. Such liabilities are not recognized in the governmental funds on the statutory basis until encumbered and/or processed for payment. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division.

For personal injury or property damages, [Chapter 258 of the MGL](#) limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

The Group Insurance Commission administers contributory health care and other insurance programs for the Commonwealth's employees and retirees.

K. ENCUMBRANCES

Encumbrance accounting is utilized in the Governmental Funds as a significant aspect of budgetary control. The full amounts of purchase orders, contracts and other commitments of appropriated resources are encumbered and recorded as deductions from appropriations prior to actual expenditure, ensuring that such commitments do not exceed appropriations. Encumbrances outstanding at year-end for goods or services received on or before June 30, but paid after, are reported as expenditures and statutory basis liabilities as a component of accounts payable.

L. FUND BALANCES

Fund balance has been reserved as follows:

"Reserved for continuing appropriations" - are unexpended amounts in appropriations, which the Legislature has specifically authorized to be carried into the next fiscal year.

"Reserved for Commonwealth Stabilization" - are amounts set aside in the Commonwealth Stabilization Fund in accordance with Section 5C of Chapter 29 of the MGL.

"Reserved for debt service" - are amounts held by fiscal agents or the Commonwealth to fund future debt service obligations.

The remainder of fund balance is unreserved and undesignated and consists of cumulative surplus or deficits of the fund not otherwise designated.

M. TOTAL COLUMN - MEMORANDUM ONLY

Total and subtotal columns on the combined financial statements - statutory basis are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations, or changes in financial position. Interfund eliminations have not been made in the aggregation of these data.

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the Commonwealth's financial statements in this SBFR for the year ended June 30, 2021, from which the summarized information was derived.

N. ESTIMATES

The preparation of the SBFR requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. BUDGETARY CONTROL

State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act.

Before signing the appropriations act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations act may be made via supplemental appropriation acts or other legislative acts. These must also be signed by the Governor and are subject to the line item veto.

In addition, MGL authorizes the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds, which effectively reduce the affected accounts' expenditure budgets.

The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs that are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference from separately published budget documents, which eliminate some interfund activity. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the Commonwealth is required to pay certain Medicaid expenses regardless of appropriations, due to superseding federal law.

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003) amended Section 9C of Chapter 29, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any reductions in spending. This proposal must be delivered to the Legislature 15 days before any reductions take effect. Alternatively, funds from the Stabilization Fund may be used to cure the deficiency, subject to appropriation.

The following table summarizes budgetary activity for FY22 (amounts in thousands):

	Revenues	Expenditures
<u>General Appropriation Act, Chapter 24 of the Acts of 2021:</u>		
Direct appropriations	\$ 50,061,800	\$ 47,647,325
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2021	—	2,514,431
Total original budget	50,061,800	50,161,756
Supplemental Acts of 2021:		
<u>Chapter 102</u>	—	3,478,744
Supplemental Acts of 2022:		
<u>Chapter 22</u>	—	76,000
<u>Chapter 42</u>	—	1,920,772
<u>Chapter 103</u>	—	56,000
<u>Chapter 268</u>	—	3,510,287
Total budgeted revenues and expenditures per Legislative action	—	9,041,804
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	4,552,188	7,328,123
Budgeted revenues and expenditures as reported	<u>\$ 54,613,988</u>	<u>\$ 66,531,683</u>

The following table identifies the interfund activity from budgeted sources and uses to reconcile forecasts prepared during the budget process to the results presented in these statements (amounts in thousands):

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Actual as presented in the combined budget and actual statement - statutory basis	\$ 70,313,848	\$ 64,212,766
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(480,098)	(480,098)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(20,007)	(20,007)
Transfer of surplus revenues from the Intragovernmental Service Fund to the General Fund	(6,020)	(6,020)
RMV license plates	(2,700)	(2,700)
Transfers from General Fund to the Stabilization Fund	(2,272,593)	(2,272,593)
Consolidated Net Surplus Transfers from budgeted funds to the Transitional Escrow Fund	(4,812,071)	(4,812,071)
Other fund deficit support	(8,384)	(8,384)
Other	(627,870)	(627,870)
Adjusted actuals pertaining to the budgeted funds	<u>\$ 62,084,105</u>	<u>\$ 55,983,023</u>

The section divider for the budgeted funds contains a list of budgeted funds grouped by categories.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Budgetary control is exercised through the state accounting system, the Massachusetts

Management Accounting and Reporting System (MMARS). Encumbrances and expenditures are not allowed to exceed the appropriation account's spending authorization.

4. MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT)

MassDOT is a legally separate entity from the Commonwealth. MassDOT operations are reported separately in the non-budgeted special revenue funds section of this report, which includes all of the Commonwealth's highway and turnpike-related operations as well as the activity of the Registry of Motor Vehicles. MassDOT capital spending and revenue activity are reported in the capital funds section of this report, in the General Capital Projects Fund, Central Artery Statewide Road and Bridge Infrastructure Fund, the Highway Capital Projects Fund, and the Federal Highway Construction Program Fund.

MassDOT financial activity is included in this report in order to reflect all activity reported on the Commonwealth's MMARS accounting system. For the SBFR, MassDOT is treated as an agency or department of the Commonwealth, as specified in Massachusetts General Laws. However, for GAAP reporting purposes, as reflected in the Commonwealth's ACFR, MassDOT is reported as a discretely presented component unit of the Commonwealth.

5. INDIVIDUAL FUND DEFICITS

The following non-budgeted special revenue and capital projects funds are included in the combined totals and have individual fund deficits at June 30, 2022, as follows (amounts in thousands) (excludes MassDOT):

Budgeted Special Revenue:	
Public Safety Trust Fund	\$ (270)
Non-budgeted special revenue:	
Other:	
Government Land Bank Fund	(35,033)
Capital projects:	
General Capital Projects Fund	(1,227,206)
Highway Capital Projects Fund	(977,675)
Government Land Bank Capital Projects Fund	(500)
Total Capital Projects Funds	(2,205,381)
Total	\$ (2,240,684)

None of the funds detailed above were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by MGL.

6. MEDICAID COSTS

Approximately 43.4% of the Commonwealth's budgeted fund spending for programs and services is devoted to Medicaid. It is the largest and has been one of the fastest growing items in the Commonwealth's budget. For the fiscal year ended June 30, 2022, the General Fund includes approximately \$19.846 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis includes Medicaid claims processed but unpaid at June 30, 2022 of approximately \$48 million as accounts payable.



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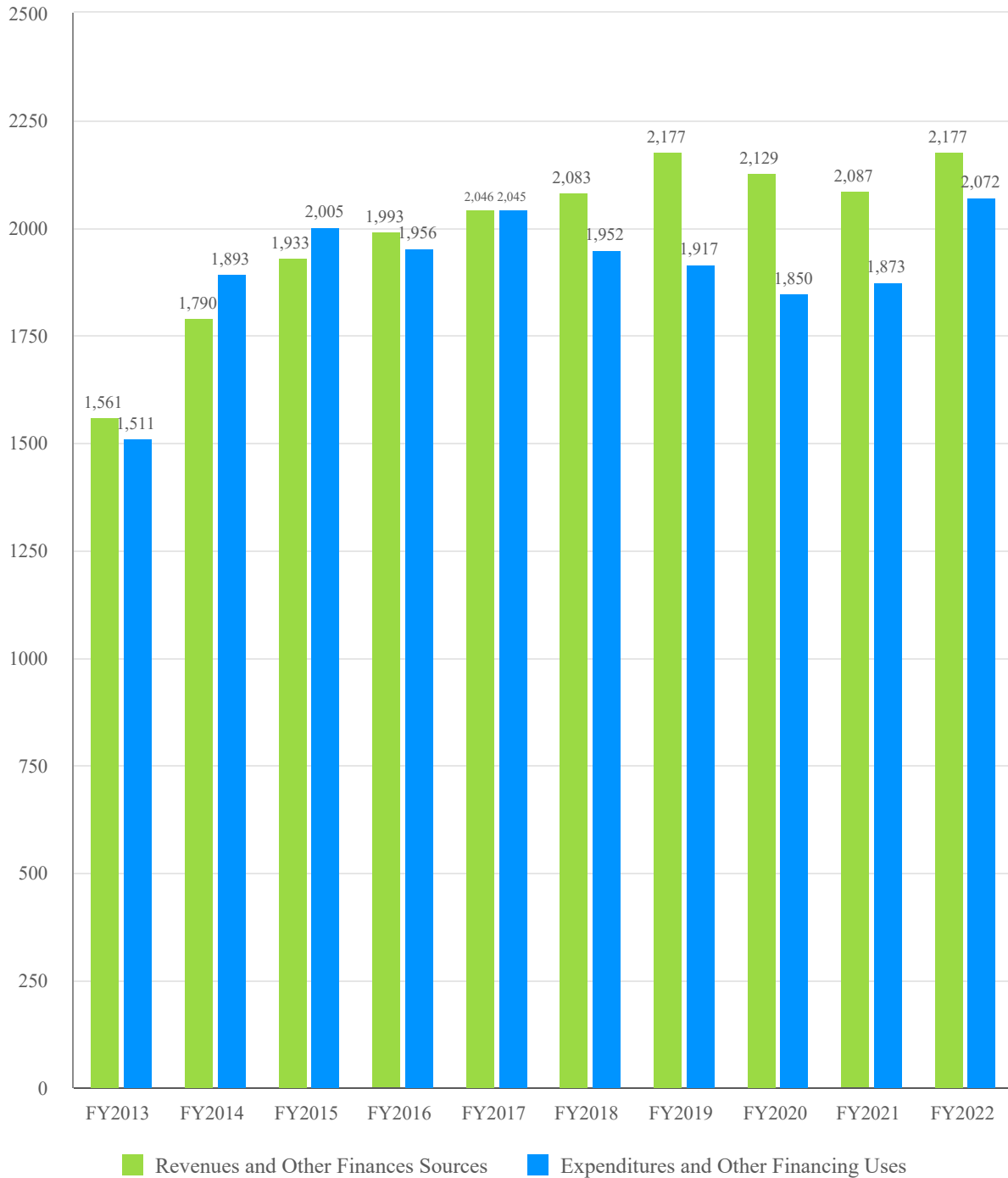
Combining and Individual Fund Financial Statements - Statutory Basis



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THE BIG PICTURE: HISTORICAL CONTEXT
Commonwealth Transportation Fund
Revenues and Expenditures by Fiscal Year
Prior to End of Year Transfers

Last Ten Fiscal Years
(Amounts in \$ Millions)



Individual Budgeted Funds

Budgeted funds are those funds subject to appropriation in either the annual General Appropriation Act (GAA) or other appropriations bills. Unless otherwise specified, budgeted funds are also subject to Section 5C of Chapter 29 of the Massachusetts General Laws (MGL) which defines the “consolidated net surplus” calculation (and determines whether the annual budget is in balance) as well as year-end transfers to eliminate deficits in budgeted funds and transfers of surplus balances to the Commonwealth Stabilization Fund.

BUDGETED FUNDS:

The General Fund - The General Fund is the Commonwealth’s primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, constitutional offices, Judiciary, institutions of higher education and independent commissions are paid from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes and the full amount of most other governmental taxes.

Commonwealth Transportation Fund - to account for revenues from motor fuels taxes and all fees and fines received by the Registry of Motor Vehicles relating to the use and operation of motor vehicles and trailers. Spending is for debt service on general and special obligation debt, as well as for amounts, subject to appropriation, to fund the programs and services of the Massachusetts Department of Transportation.

The Commonwealth Stabilization Fund - to account for amounts calculated in accordance with state finance law and to maintain a reserve to enhance the Commonwealth’s fiscal stability. Tax revenues from certain lottery winners selling their stream of future winnings in exchange for current payments are recorded in this fund. In addition, transfers are required for fiscal year capital gains tax revenues exceeding \$1 billion (adjusted annually for economic growth), judgments and settlements of more than \$10 million that exceed the previous 5 years average of judgments and settlements, and a portion of the gaming tax revenues. Any excess undesignated fund balance as calculated by Section 5C of Chapter 29 of the MGL, are also transferred to this fund.

ADMINISTRATIVE CONTROL FUND:

This fund accounts for the revenues generated by certain administrative functions of government, for which the Legislature has required a separate fund be established.

Intragovernmental Service Fund - to account for the charges of any state agency for services provided to another state agency.

Transitional Escrow Fund - to account for an amount equal to the fiscal year 2022 consolidated net surplus per section 259 of Ch. 268 of the Acts of 2022. This Fund shall not be subject to section 5C of Chapter 29 of the General Laws. The fund shall expire on September 15, 2027, and transfer the remaining unexpended balance to the Stabilization Fund established in section 2H of chapter 29 of the General Laws.

BUDGETED ENVIRONMENTAL FUNDS:

Inland Fisheries and Game Fund - to account for revenues from license and permit fees for inland fishing, hunting, trapping, and sporting licenses and revenue producing stamps or the sales of land, rights and properties, gifts, interest, and federal grant reimbursements; used for developing, maintaining and operating the Division of Fisheries and Wildlife. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Marine Recreational Fisheries Development Fund - to account for salt water permit fees collected, funds, grants and gifts received as authorized, including investment income; used for development and administration of recreational saltwater fishing improvement programs. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Underground Storage Tank Petroleum Product Cleanup Fund - to account for fees, appropriations, grants, gifts or other contributions, and investment income. Annually, the fund is to receive the first \$30 million in underground petroleum storage fees. Expenditures are to provide reimbursements for cleanup and other expenses as a result of damage caused by underground storage tanks and systems.

OTHER BUDGETED FUNDS:

These funds account for a variety of miscellaneous taxes, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Public Safety Training Fund - to account for certain surcharge revenues imposed by MGL. Expenditures are for the instruction and recruitment of public safety personnel. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Local Capital Projects Fund - to account for funds generated by the casino license fees and by the tax imposed on revenues generated by casinos (but not the slots parlor).

Gaming Local Aid Fund - to account for gaming tax revenues imposed on casino revenues. The fund is used to finance local aid distributions to cities and towns.

Education Fund - to account for a portion of the funds generated by the tax imposed on casino revenue (but not slots parlor) revenue. 35% of the funds received shall be appropriated for higher education purposes. Any expenditures for either higher education or K-12 education from this fund are required to supplement, not offset, General Appropriation Act spending.

Local Aid Stabilization Fund - to account for funds generated by the tax imposed on casino revenues. Monies are used to supplement local aid distributions to cities and towns. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Gaming Economic Development Fund - to account for a portion of the funds generated by the tax imposed on casino (but not slots parlor) revenue. Expenditures are to be used to support economic development and job growth.

Marijuana Regulation Fund - to account for tax, application, civil penalties and interest revenues generated by the licensing and regulation of marijuana establishments. The fund is used to administer the operations of the Cannabis Control Commission and other departments to carry out marijuana regulations.

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

Federal COVID-19 Response Fund - to account for federal funds authorized under the federal legislation enacted after December 4, 2020 and in response to the COVID-19 outbreak or related economic recovery. Expenditures assist the commonwealth in its public health, community and economic recovery efforts to respond to the novel coronavirus disease outbreak. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Student Opportunity Act Investment Fund - to account for appropriations, other money authorized or transferred by the general court, grants and investment income. Funds shall be expended for the implementation of chapter 132 of the acts of 2019 relative to educational opportunity for students at school districts, charter schools, approved private day or residential schools or collaborative schools. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Broadband Innovation Fund - to account for appropriations, other money authorized by the general court, investment income and funds from public and private sources including gifts, grants and donations administered by the secretary of housing and economic development. Expenditures are for the purpose of the closing digital divide by facilitating equitable broadband service adoption in unserved and underserved communities. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Behavioral Health Trust Fund - to account for money authorized or transferred by the general court, grants and gifts for the purpose of addressing barriers to the delivery of an equitable, culturally-competent, affordable and clinically-appropriate continuum of behavioral health care and services.

The following funds have been enacted in legislation but had no activity in FY22 and are not presented in this report:

Temporary Holding Fund - to account for cumulative tax revenues during the fiscal year in excess of permissible tax revenues as defined in Chapter 62F, Section 6A of the MGL. The fund balance in the fund closes annually to the Stabilization Fund to the extent of expenditures from that fund. Any remaining balance transfers to the General Fund. The mechanism transferring tax revenues to the fund was repealed effective January 1, 2013, but the fund itself was not repealed.

Tax Reduction Fund - to account for the maintenance of a reserve, which shall be used only to reduce personal income taxes.

Commonwealth Substance Abuse Prevention and Treatment Fund - to account for sales tax revenues (non-dedicated) collected from the sale of alcoholic beverages, with the funds used for substance abuse treatment and prevention services. In November 2010, the sales tax on alcoholic beverages was repealed via referendum, effective January 1, 2011, but the fund itself was not repealed.

International Educational and Foreign Language Grant Program Fund - to account for appropriations, bond proceeds or other monies authorized to be used to support programs and activities that advance cultural awareness, to support international education programs and promote the study of foreign languages.

Dam Safety Trust Fund - to account for all revenues generated through agreements with public or private entities for dam safety purposes, and all fines, costs, expenses and interest imposed. Revenues over \$250,000 in a fiscal year shall be credited to the General Fund.

Children and Families Protection Fund - to account for any penalties collected for violations of the Massachusetts Pesticide Control Act, amounts credited to the fund are used for the implementation and enforcement of said Act.

Community First Trust Fund - The secretary of health and human services may expend amounts in excess of the \$16 million collected from federal reimbursements in the nonbudgeted Community First Trust Fund to ensure compliance with the state balancing incentive payment program. Monies deposited in the fund are used for non-institutionally-based long-term services and support. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Home and Community-based Services Policy Lab Fund - to account for appropriations and any additional nonstate-sourced funds such as federal or private grants or donations. The fund is used to support research and analysis to enhance the development, evaluation, design and continued improvement of programs to individuals who need long-term services and support.

Regional Water Entity Reimbursement Fund - to account for amounts to reimburse the Massachusetts Water Resources Authority for costs to provide financial assistance to cities and towns to rehabilitate collection systems.

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

Community College Fund - to account for a portion of gaming license fees.

Agricultural Revolve and Security Fund - to account for gifts, grants, donations, federal reimbursements and grants plus any interest earnings. Expenditures are to be used to foster agriculture in the Commonwealth and other purposes of the Department of Agricultural Resources.

School Improvement Fund - to account for appropriations allocated in each fiscal year to the fund which are to be used to improve the quality of education at the school building level.

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Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2022
(Amounts in thousands)

	Administrative Control			
	General	Commonwealth Transportation	Commonwealth Stabilization	Intragovernmental Service
ASSETS				
Cash and short-term investments	\$ 2,295,102	\$ 112,565	\$ 6,647,615	\$ 52,367
Cash with fiscal agent	—	16,657	—	—
Investments	—	—	290,249	—
Receivables, net of allowance for uncollectibles:				
Due from federal government	1,708,341	—	—	—
Other receivables	22,663	—	—	—
Due from cities and towns	18,197	—	—	—
Total assets	<u>\$ 4,044,303</u>	<u>\$ 129,222</u>	<u>\$ 6,937,864</u>	<u>\$ 52,367</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments	\$ —	\$ —	\$ —	\$ —
Accounts payable	2,331,165	607	—	30,100
Accrued payroll	211,798	—	—	4,286
Total liabilities	<u>2,542,963</u>	<u>607</u>	<u>—</u>	<u>34,386</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations	1,501,340	111,958	—	17,981
Commonwealth Stabilization	—	—	6,937,864	—
Debt service	—	16,657	—	—
Unreserved:				
Undesignated	—	—	—	—
Total fund balance/(deficit)	<u>1,501,340</u>	<u>128,615</u>	<u>6,937,864</u>	<u>17,981</u>
Total liabilities and fund balance	<u>\$ 4,044,303</u>	<u>\$ 129,222</u>	<u>\$ 6,937,864</u>	<u>\$ 52,367</u>

See accountants' review report

Administrative Control	Environmental			Budgeted Other				
	Inland Fisheries and Game	Marine Recreational Fisheries Development	Underground Storage Tank Petroleum Product Cleanup	Public Safety Training	Local Capital Projects	Gaming Local Aid	Education	Local Aid Stabilization
\$ 5,681,563	\$ 14,344	\$ 4,475	\$ 1,733	\$ —	\$ —	\$ —	\$ —	\$ 50
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 5,681,563</u>	<u>\$ 14,344</u>	<u>\$ 4,475</u>	<u>\$ 1,733</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>
\$ —	\$ —	\$ —	\$ —	\$ 69	\$ —	\$ —	\$ —	\$ —
27,037	324	43	1,685	—	—	—	—	—
41	339	38	48	—	—	—	—	—
<u>27,078</u>	<u>663</u>	<u>81</u>	<u>1,733</u>	<u>69</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
1,022,717	—	—	—	201	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>4,631,768</u>	<u>13,681</u>	<u>4,394</u>	<u>—</u>	<u>(270)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50</u>
<u>5,654,485</u>	<u>13,681</u>	<u>4,394</u>	<u>—</u>	<u>(69)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50</u>
<u>\$ 5,681,563</u>	<u>\$ 14,344</u>	<u>\$ 4,475</u>	<u>\$ 1,733</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>

continued

Budgeted Funds
Combining Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	Budgeted Other			
	Gaming Economic Development	Marijuana Regulation	Behavioral Health Outreach, Access and Support Trust	Federal COVID-19 Response Fund
ASSETS				
Cash and short-term investments.....	\$ 1,391	\$ 30,660	\$ 22,743	\$ 3,496,192
Cash with fiscal agent.....	—	—	—	—
Investments.....	—	—	—	—
Receivables, net of allowance for uncollectibles:				
Due from federal government.....	—	—	—	—
Other receivables.....	—	—	—	—
Due from cities and towns.....	—	—	—	—
Total assets.....	<u>\$ 1,391</u>	<u>\$ 30,660</u>	<u>22,743</u>	<u>3,496,192</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deficiency in cash and short-term investments.....	\$ —	\$ —	\$ —	\$ —
Accounts payable.....	1,034	2,696	4,338	706
Accrued payroll.....	—	294	—	—
Total liabilities.....	<u>1,034</u>	<u>2,990</u>	<u>4,338</u>	<u>706</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations.....	357	27,670	—	3,327,597
Commonwealth Stabilization.....	—	—	—	—
Debt service.....	—	—	—	—
Unreserved:				
Undesignated.....	—	—	18,405	167,889
Total fund balance/(deficit).....	<u>357</u>	<u>27,670</u>	<u>18,405</u>	<u>3,495,486</u>
Total liabilities and fund balance.....	<u>\$ 1,391</u>	<u>\$ 30,660</u>	<u>\$ 22,743</u>	<u>\$ 3,496,192</u>

See accountants' review report

Budgeted Other			Totals (Memorandum only)	
Student Opportunity Act Investment	Broadband Innovation	Behavioral Health Trust	2022	2021
\$ 350,000	\$ 50,000	\$ —	\$ 18,760,800	\$ 12,898,809
—	—	—	16,657	15,553
—	—	—	290,249	304,140
—	—	—	1,708,341	1,059,548
—	—	—	22,663	38,127
—	—	—	18,197	9,312
<u>\$ 350,000</u>	<u>\$ 50,000</u>	<u>\$ —</u>	<u>\$ 20,816,907</u>	<u>\$ 14,325,489</u>
\$ —	\$ —	\$ —	\$ 69	\$ —
—	—	—	2,399,736	2,061,902
—	—	—	216,843	164,410
—	—	—	2,616,648	2,226,312
—	50,000	—	6,059,821	1,083,785
—	—	—	6,937,864	4,626,419
—	—	—	16,657	15,553
350,000	—	—	5,185,917	6,373,420
350,000	50,000	—	18,200,259	12,099,177
<u>\$ 350,000</u>	<u>\$ 50,000</u>	<u>\$ —</u>	<u>\$ 20,816,907</u>	<u>\$ 14,325,489</u>

Budgeted Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

				Administrative Control	
	General	Commonwealth Transportation	Commonwealth Stabilization	Intragovernmental Service	Transitional Escrow
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes	\$ 36,972,843	\$ 1,456,475	\$ 260	\$ —	\$ —
Assessments	403,600	26,324	—	—	—
Federal grants and reimbursements	15,767,898	—	—	—	—
Tobacco settlement revenue	246,997	—	—	—	—
Departmental	3,633,702	634,160	—	496,334	—
Miscellaneous	383,903	239	(354)	—	—
Total revenues	57,408,943	2,117,198	(94)	496,334	—
Other financing sources:					
Fringe benefit cost recovery	613,577	—	—	—	—
Lottery reimbursements	122,189	—	—	—	—
Lottery distributions	1,079,306	—	—	—	—
Operating transfers in	267,486	59,764	—	—	—
Stabilization transfer	—	—	2,311,539	—	—
Transfer for transitional escrow	—	—	—	—	4,812,071
Other fund deficit support	—	8,384	—	—	—
Total other financing sources	2,082,558	68,148	2,311,539	—	4,812,071
Total revenues and other financing sources	59,491,501	2,185,346	2,311,445	496,334	4,812,071
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature	76,093	—	—	—	—
Judiciary	1,090,380	—	—	—	415
Inspector General	6,387	—	—	—	—
Governor and Lieutenant Governor	7,811	—	—	—	—
Secretary of the Commonwealth	49,992	—	—	—	—
Treasurer and Receiver-General	216,090	—	—	—	5,569
Auditor of the Commonwealth	21,366	—	—	—	—
Attorney General	58,542	—	—	4	—
Ethics Commission	2,691	—	—	—	—
District Attorney	150,329	—	—	—	—
Office of Campaign & Political Finance	1,786	—	—	—	—
Sheriffs' Departments	662,825	—	—	—	—
Disabled Persons Protection Commission	8,660	—	—	—	—
Commission on Status of Women	501	—	—	—	—
Board of Library Commissioners	36,366	—	—	—	—
Comptroller	9,731	—	—	15,726	—
Administration and Finance	2,484,376	—	—	143,174	34,812
Energy and Environmental Affairs	311,331	—	—	2,890	99,023
Health and Human Services	7,933,404	—	—	122,561	150,028
Executive Office of Technology Services and Security	51,668	—	—	108,439	—
Massachusetts Department of Transportation	—	127,145	—	—	1,970
Office of the Child Advocate	2,930	—	—	—	—
Commission Against Discrimination	6,870	—	—	—	—
Cannabis Control Commission	—	—	—	—	—
Executive Office of Education	3,213,798	—	—	65	6,349
Center for Health Information and Analysis	31,179	—	—	—	—
Public Safety and Security	1,179,630	—	—	53,877	1,599
Massachusetts Peace Officer Standards and Training	1,740	—	—	—	—
Housing and Economic Development	755,686	—	—	1,957	59,878
Labor and Workforce Development	99,282	—	—	—	469
Direct local aid	6,641,961	—	—	—	—
Medicaid program expenses	19,845,596	—	—	—	—
Post employment benefits	4,421,423	11,953	—	—	—
Debt service:					
Principal retirement	617,464	607,332	—	36,988	—
Interest and fiscal charges	599,520	561,379	—	—	—
Total expenditures	50,597,407	1,307,809	—	485,681	360,112
Other financing uses:					
Fringe benefit cost assessment	7,786	—	—	—	148
Operating transfers out	831,291	764,475	—	6,020	257,650
Stabilization transfer	2,272,593	—	—	—	—
Medical assistance transfer	751,458	—	—	—	—
Transfer for transitional escrow	4,578,822	—	—	—	—
Other fund deficit support	7,978	—	—	—	—
Total other financing uses	8,449,928	764,475	—	6,020	257,798
Total expenditures and other financing uses	59,047,335	2,072,284	—	491,701	617,910
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses					
Fund balance/(deficit) at beginning of year	1,057,174	15,553	4,626,419	13,348	1,460,324
Fund balance/(deficit) at end of year	\$ 1,501,340	\$ 128,615	\$ 6,937,864	\$ 17,981	\$ 5,654,485

See accountants' review report

continued

Budgeted Funds
Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Budgeted Other				
	Behavioral Health Outreach, Access and Support Trust	Federal COVID-19 Response Fund	Student Opportunity Act Investment	Broadband Innovation	Behavioral Health Trust
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—
Departmental	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	—	—	—	—	—
Other financing sources:					
Fringe benefit cost recovery	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—
Lottery distributions	—	—	—	—	—
Operating transfers in	12,500	—	350,000	50,000	192,650
Stabilization transfer	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—
Other fund deficit support	—	—	—	—	—
Total other financing sources	12,500	—	350,000	50,000	192,650
Total revenues and other financing sources	12,500	—	350,000	50,000	192,650
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature	—	—	—	—	—
Judiciary	—	—	—	—	—
Inspector General	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—
Auditor of the Commonwealth	—	—	—	—	—
Attorney General	—	—	—	—	—
Ethics Commission	—	—	—	—	—
District Attorney	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—
Comptroller	—	—	—	—	—
Administration and Finance	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—
Health and Human Services	5,033	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—
Executive Office of Education	953	10,000	—	—	—
Center for Health Information and Analysis	—	—	—	—	—
Public Safety and Security	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—
Labor and Workforce Development	—	5,202	—	—	—
Direct local aid	—	—	—	—	—
Medicaid program expenses	—	—	—	—	—
Post employment benefits	—	—	—	—	—
Debt service:					
Principal retirement	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—
Total expenditures	5,986	15,202	—	—	—
Other financing uses:					
Fringe benefit cost assessment	—	—	—	—	—
Operating transfers out	—	1,381,299	—	—	—
Stabilization transfer	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	192,315
Other fund deficit support	—	—	—	—	335
Total other financing uses	—	1,381,299	—	—	192,650
Total expenditures and other financing uses	5,986	1,396,501	—	—	192,650
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	6,514	(1,396,501)	350,000	50,000	—
Fund balance/(deficit) at beginning of year	11,891	4,891,987	—	—	—
Fund balance/(deficit) at end of year	\$ 18,405	\$ 3,495,486	\$ 350,000	\$ 50,000	\$ —

See accountants' review report

Totals (Memorandum only)			
2022		2021	
\$	38,587,176	\$	31,771,947
	429,924		423,025
	15,778,753		18,338,990
	246,997		245,636
	4,832,636		4,255,760
	383,834		292,723
	60,259,320		55,328,081
	613,577		453,299
	122,189		105,986
	1,079,306		1,090,040
	1,107,461		399,135
	2,311,539		1,115,597
	4,812,071		1,460,324
	8,384		30,068
	10,054,528		4,654,449
	70,313,848		59,982,530
	76,093		72,682
	1,090,795		1,018,349
	6,387		5,747
	7,811		9,385
	49,992		58,444
	221,658		221,914
	21,366		19,825
	58,548		54,951
	2,691		2,489
	150,329		145,969
	1,786		1,660
	663,230		686,751
	8,660		5,464
	501		206
	36,366		33,821
	25,457		19,689
	2,674,218		2,350,156
	431,118		305,957
	8,287,368		6,913,367
	160,107		146,520
	129,115		127,000
	2,930		1,723
	6,870		6,824
	13,816		11,334
	3,267,072		2,838,327
	31,179		23,330
	1,240,395		1,466,042
	1,740		23
	855,030		817,115
	116,141		64,646
	6,742,777		6,482,323
	19,845,596		18,122,376
	4,433,376		3,751,854
	1,261,784		1,176,279
	1,160,898		1,113,167
	53,083,201		48,075,709
	20,007		17,029
	3,265,051		992,039
	2,272,593		1,098,139
	751,458		505,250
	4,812,072		1,460,324
	8,384		30,068
	11,129,565		4,102,849
	64,212,766		52,178,558
	6,101,082		7,803,972
	12,099,177		4,295,205
\$	18,200,259	\$	12,099,177

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	General			Commonwealth Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$30,530,500	\$36,972,843	\$ 6,442,343	\$ 1,421,900	\$ 1,456,475	\$ 34,575
Assessments	434,064	403,600	(30,464)	24,358	26,324	1,966
Federal grants and reimbursements	14,107,003	15,767,898	1,660,895	—	—	—
Tobacco settlement revenue	254,645	246,997	(7,648)	—	—	—
Departmental	3,255,690	3,633,702	378,012	658,191	634,160	(24,031)
Miscellaneous	435,492	383,903	(51,589)	—	239	239
Total revenues	49,017,394	57,408,943	8,391,549	2,104,449	2,117,198	12,749
Other financing sources:						
Fringe benefit cost recovery	495,629	613,577	117,948	—	—	—
Lottery reimbursements	114,526	122,189	7,663	—	—	—
Lottery distributions	1,124,183	1,079,306	(44,877)	—	—	—
Operating transfers in	209,512	267,486	57,974	31,407	59,764	28,357
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	8,384	8,384
Total other financing sources	1,943,850	2,082,558	138,708	31,407	68,148	36,741
Total revenues and other financing sources	50,961,244	59,491,501	8,530,257	2,135,856	2,185,346	49,490
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	127,212	76,093	51,119	—	—	—
Judiciary	1,135,124	1,090,380	44,744	—	—	—
Inspector General	6,902	6,387	515	—	—	—
Governor and Lieutenant Governor	9,861	7,811	2,050	—	—	—
Secretary of the Commonwealth	52,266	49,992	2,274	—	—	—
Treasurer and Receiver-General	291,295	216,090	75,205	—	—	—
Auditor of the Commonwealth	21,541	21,366	175	—	—	—
Attorney General	61,857	58,542	3,315	—	—	—
Ethics Commission	2,753	2,691	62	—	—	—
District Attorney	151,972	150,329	1,643	—	—	—
Office of Campaign & Political Finance	1,874	1,786	88	—	—	—
Sheriffs' Departments	737,490	662,825	74,665	—	—	—
Disabled Persons Protection Commission	10,831	8,660	2,171	—	—	—
Commission on Status of Women	987	501	486	—	—	—
Board of Library Commissioners	36,532	36,366	166	—	—	—
Comptroller	9,781	9,731	50	—	—	—
Administration and Finance	3,520,187	2,484,376	1,035,811	—	—	—
Energy and Environmental Affairs	329,573	311,331	18,242	—	—	—
Health and Human Services	8,394,530	7,933,404	461,126	—	—	—
Executive Office of Technology Services and Security	53,604	51,668	1,936	—	—	—
Massachusetts Department of Transportation	—	—	—	239,103	127,145	111,958
Office of the Child Advocate	3,995	2,930	1,065	—	—	—
Commission Against Discrimination	8,430	6,870	1,560	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	3,361,013	3,213,798	147,215	—	—	—
Center for Health Information and Analysis	31,202	31,179	23	—	—	—
Public Safety and Security	1,344,061	1,179,630	164,431	—	—	—
Massachusetts Peace Officer Standards and Training	1,740	1,740	—	—	—	—
Housing and Economic Development	879,725	755,686	124,039	—	—	—
Labor and Workforce Development	121,976	99,282	22,694	—	—	—
Direct local aid	6,643,893	6,641,961	1,932	—	—	—
Medicaid program expenses	19,847,962	19,845,596	2,366	—	—	—
Post employment benefits	4,421,469	4,421,423	46	11,953	11,953	—
Debt service:						
Principal retirement	630,373	617,464	12,909	642,524	607,332	35,192
Interest and fiscal charges	612,054	599,520	12,534	570,262	561,379	8,883
Total expenditures	52,864,085	50,597,407	2,266,678	1,463,842	1,307,809	156,033
Other financing uses:						
Fringe benefit cost assessment	—	7,786	(7,786)	—	—	—
Operating transfers out	819,095	831,291	(12,196)	764,475	764,475	—
Stabilization transfer	2,272,593	2,272,593	—	—	—	—
Medical assistance transfer	751,458	751,458	—	—	—	—
Transfer for transitional escrow	—	4,578,822	(4,578,822)	—	—	—
Other fund deficit support	—	7,978	(7,978)	—	—	—
Total other financing uses	3,843,146	8,449,928	(4,606,782)	764,475	764,475	—
Total expenditures and other financing uses	56,707,231	59,047,335	(2,340,104)	2,228,317	2,072,284	156,033
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (5,745,987)	444,166	\$ 6,190,153	\$ (92,461)	113,062	\$ 205,523
Fund balance/(deficit) at beginning of year		1,057,174			15,553	
Fund balance/(deficit) at end of year		\$ 1,501,340			\$ 128,615	

See accountants' review report

Administrative Control								
Commonwealth Stabilization			Intragovernmental Services			Transitional Escrow		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ —	\$ 260	\$ 260	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	496,334	496,334	—	—	—
14,768	(354)	(15,122)	—	—	—	—	—	—
14,768	(94)	(14,862)	—	496,334	496,334	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,168,562	2,311,539	1,142,977	—	—	—	—	—	—
—	—	—	—	—	—	—	4,812,071	4,812,071
—	—	—	—	—	—	—	—	—
1,168,562	2,311,539	1,142,977	—	—	—	—	4,812,071	4,812,071
1,183,330	2,311,445	1,128,115	—	496,334	496,334	—	4,812,071	4,812,071
—	—	—	—	—	—	150	—	150
—	—	—	—	—	—	10,000	415	9,585
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	16	—	16	—	—	—
—	—	—	—	—	—	5,572	5,569	3
—	—	—	—	—	—	—	—	—
—	—	—	5	4	1	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	56,966	15,726	41,240	—	—	—
—	—	—	196,818	143,174	53,644	826,526	34,812	791,714
—	—	—	3,226	2,890	336	156,742	99,023	57,719
—	—	—	159,086	122,561	36,525	170,108	150,028	20,080
—	—	—	156,041	108,439	47,602	—	—	—
—	—	—	—	—	—	3,724	1,970	1,754
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	1,860	65	1,795	74,600	6,349	68,251
—	—	—	—	—	—	—	—	—
—	—	—	77,718	53,877	23,841	2,440	1,599	841
—	—	—	—	—	—	—	—	—
—	—	—	7,684	1,957	5,727	113,937	59,878	54,059
—	—	—	—	—	—	14,030	469	13,561
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	36,988	36,988	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	696,408	485,681	210,727	1,377,829	360,112	1,017,717
—	—	—	—	—	—	—	148	(148)
—	—	—	6,020	6,020	—	257,650	257,650	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	6,020	6,020	—	257,650	257,798	(148)
—	—	—	702,428	491,701	210,727	1,635,479	617,910	1,017,569
\$ 1,183,330	2,311,445	\$ 1,128,115	\$ (702,428)	4,633	\$ 707,061	\$ (1,635,479)	4,194,161	\$ 5,829,640
—	4,626,419	—	—	13,348	—	—	1,460,324	—
—	\$ 6,937,864	—	—	\$ 17,981	—	—	\$ 5,654,485	—

continued

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Environmental					
	Inland Fisheries and Game			Marine Recreational Fisheries Development		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes.....	\$ 1,000	\$ 930	\$ (70)	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—
Federal grants and reimbursements.....	8,000	10,855	2,855	—	—	—
Tobacco settlement revenue.....	—	—	—	—	—	—
Departmental.....	8,113	8,597	484	1,897	1,906	9
Miscellaneous.....	62	43	(19)	—	—	—
Total revenues.....	17,175	20,425	3,250	1,897	1,906	9
Other financing sources:						
Fringe benefit cost recovery.....	—	—	—	—	—	—
Lottery reimbursements.....	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—
Operating transfers in.....	214	1,404	1,190	—	—	—
Stabilization transfer.....	—	—	—	—	—	—
Transfer for transitional escrow.....	—	—	—	—	—	—
Other fund deficit support.....	—	—	—	—	—	—
Total other financing sources.....	214	1,404	1,190	—	—	—
Total revenues and other financing sources.....	17,389	21,829	4,440	1,897	1,906	9
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature.....	—	—	—	—	—	—
Judiciary.....	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—
Auditor of the Commonwealth.....	—	—	—	—	—	—
Attorney General.....	12	2	10	—	—	—
Ethics Commission.....	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—
Office of Campaign & Political Finance.....	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—
Commission on Status of Women.....	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—
Energy and Environmental Affairs.....	18,333	14,692	3,641	1,843	1,028	815
Health and Human Services.....	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—
Commission Against Discrimination.....	—	—	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—
Center for Health Information and Analysis.....	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training.....	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—
Direct local aid.....	—	—	—	—	—	—
Medicaid program expenses.....	—	—	—	—	—	—
Post employment benefits.....	—	—	—	—	—	—
Debt service:						
Principal retirement.....	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—
Total expenditures.....	18,345	14,694	3,651	1,843	1,028	815
Other financing uses:						
Fringe benefit cost assessment.....	—	3,464	(3,464)	—	222	(222)
Operating transfers out.....	—	—	—	—	—	—
Stabilization transfer.....	—	—	—	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—
Transfer for transitional escrow.....	—	—	—	—	—	—
Other fund deficit support.....	—	—	—	—	—	—
Total other financing uses.....	—	3,464	(3,464)	—	222	(222)
Total expenditures and other financing uses.....	18,345	18,158	187	1,843	1,250	593
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	\$ (956)	3,671	\$ 4,627	\$ 54	656	\$ 602
Fund balance/(deficit) at beginning of year.....		10,010			3,738	
Fund balance/(deficit) at end of year.....		\$ 13,681			\$ 4,394	

See accountants' review report

continued

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Budgeted Other					
	Gaming Local Aid			Education		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments.....	—	—	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	—	—
Tobacco settlement revenue.....	—	—	—	—	—	—
Departmental.....	—	—	—	—	—	—
Miscellaneous.....	—	—	—	—	—	—
Total revenues.....	—	—	—	—	—	—
Other financing sources:						
Fringe benefit cost recovery.....	—	—	—	—	—	—
Lottery reimbursements.....	—	—	—	—	—	—
Lottery distributions.....	—	—	—	—	—	—
Operating transfers in.....	87,579	105,596	18,017	26,722	34,031	7,309
Stabilization transfer.....	—	—	—	—	—	—
Transfer for transitional escrow.....	—	—	—	—	—	—
Other fund deficit support.....	—	—	—	—	—	—
Total other financing sources.....	87,579	105,596	18,017	26,722	34,031	7,309
Total revenues and other financing sources.....	87,579	105,596	18,017	26,722	34,031	7,309
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature.....	—	—	—	—	—	—
Judiciary.....	—	—	—	—	—	—
Inspector General.....	—	—	—	—	—	—
Governor and Lieutenant Governor.....	—	—	—	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	—	—
Treasurer and Receiver-General.....	—	—	—	—	—	—
Auditor of the Commonwealth.....	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	—
Ethics Commission.....	—	—	—	—	—	—
District Attorney.....	—	—	—	—	—	—
Office of Campaign & Political Finance.....	—	—	—	—	—	—
Sheriffs' Departments.....	—	—	—	—	—	—
Disabled Persons Protection Commission.....	—	—	—	—	—	—
Commission on Status of Women.....	—	—	—	—	—	—
Board of Library Commissioners.....	—	—	—	—	—	—
Comptroller.....	—	—	—	—	—	—
Administration and Finance.....	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	—	—
Health and Human Services.....	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—
Office of the Child Advocate.....	—	—	—	—	—	—
Commission Against Discrimination.....	—	—	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	7,207	7,143	64
Center for Health Information and Analysis.....	—	—	—	—	—	—
Public Safety and Security.....	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training.....	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—
Direct local aid.....	87,609	87,609	—	13,208	13,208	—
Medicaid program expenses.....	—	—	—	—	—	—
Post employment benefits.....	—	—	—	—	—	—
Debt service:						
Principal retirement.....	—	—	—	—	—	—
Interest and fiscal charges.....	—	—	—	—	—	—
Total expenditures.....	87,609	87,609	—	20,415	20,351	64
Other financing uses:						
Fringe benefit cost assessment.....	—	—	—	—	2,665	(2,665)
Operating transfers out.....	—	—	—	—	—	—
Stabilization transfer.....	—	—	—	—	—	—
Medical assistance transfer.....	—	—	—	—	—	—
Transfer for transitional escrow.....	—	17,956	(17,956)	—	10,996	(10,996)
Other fund deficit support.....	—	31	(31)	—	19	(19)
Total other financing uses.....	—	17,987	(17,987)	—	13,680	(13,680)
Total expenditures and other financing uses.....	87,609	105,596	(17,987)	20,415	34,031	(13,616)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	\$ (30)	—	\$ 30	\$ 6,307	—	\$ (6,307)
Fund balance/(deficit) at beginning of year.....	—	—	—	—	—	—
Fund balance/(deficit) at end of year.....	\$ —	\$ —	—	\$ —	\$ —	—

See accountants' review report

continued

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Budgeted Other					
	Behavioral Health Outreach, Access and Support Trust			Federal COVID-19 Response Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	12,500	12,500	—	—	—
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	12,500	12,500	—	—	—
Total revenues and other financing sources	—	12,500	12,500	—	—	—
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	3,347,674	—	3,347,674
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	27,499	5,033	22,466	26,000	—	26,000
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	1,000	953	47	16,000	10,000	6,000
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
Housing and Economic Development	—	—	—	10,000	—	10,000
Labor and Workforce Development	—	—	—	18,126	5,202	12,924
Direct local aid	—	—	—	—	—	—
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	28,499	5,986	22,513	3,417,800	15,202	3,402,598
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	—	—
Operating transfers out	—	—	—	1,381,299	1,381,299	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	—	—	1,381,299	1,381,299	—
Total expenditures and other financing uses	28,499	5,986	22,513	4,799,099	1,396,501	3,402,598
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (28,499)	6,514	\$ 35,013	\$ (4,799,099)	(1,396,501)	\$ 3,402,598
Fund balance/(deficit) at beginning of year		11,891			4,891,987	
Fund balance/(deficit) at end of year		\$ 18,405			\$ 3,495,486	

See accountants' review report

continued

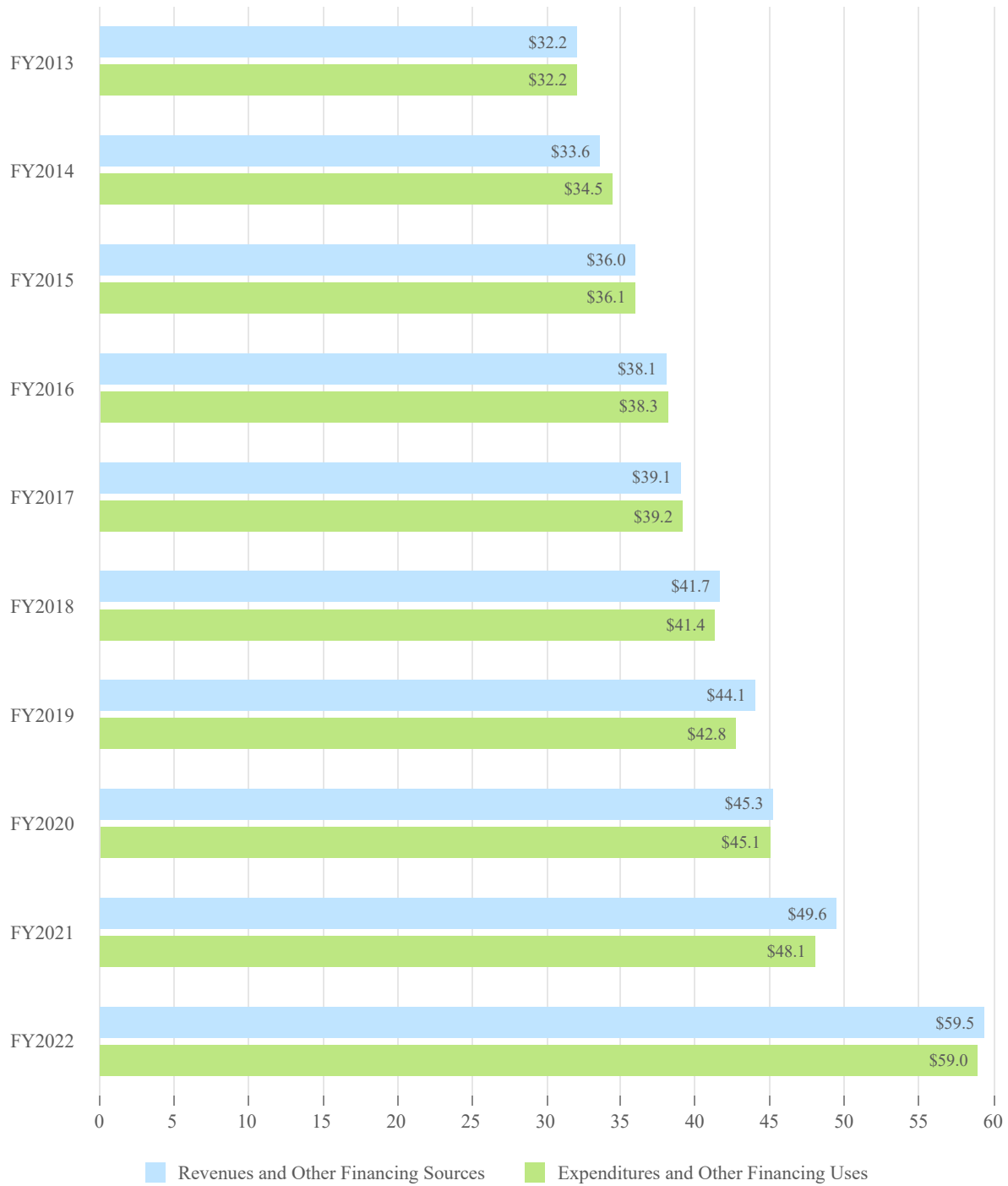
Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Totals (Memorandum only)		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	\$ 32,078,100	\$ 38,587,176	\$ 6,509,076
Assessments	458,422	429,924	(28,498)
Federal grants and reimbursements	14,115,003	15,778,753	1,663,750
Tobacco settlement revenue	254,645	246,997	(7,648)
Departmental	3,972,438	4,832,636	860,198
Miscellaneous	450,324	383,834	(66,490)
Total revenues	51,328,932	60,259,320	8,930,388
Other financing sources:			
Fringe benefit cost recovery	495,629	613,577	117,948
Lottery reimbursements	114,526	122,189	7,663
Lottery distributions	1,124,183	1,079,306	(44,877)
Operating transfers in	382,156	1,107,461	725,305
Stabilization transfer	1,168,562	2,311,539	1,142,977
Transfer for transitional escrow	—	4,812,071	4,812,071
Other fund deficit support	—	8,384	8,384
Total other financing sources	3,285,056	10,054,527	6,769,471
Total revenues and other financing sources	54,613,988	70,313,847	15,699,859
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	127,362	76,093	51,269
Judiciary	1,145,124	1,090,795	54,329
Inspector General	6,902	6,387	515
Governor and Lieutenant Governor	9,861	7,811	2,050
Secretary of the Commonwealth	52,282	49,992	2,290
Treasurer and Receiver-General	296,867	221,658	75,209
Auditor of the Commonwealth	21,541	21,366	175
Attorney General	61,874	58,548	3,326
Ethics Commission	2,753	2,691	62
District Attorney	151,972	150,329	1,643
Office of Campaign & Political Finance	1,874	1,786	88
Sheriffs' Departments	737,896	663,230	74,666
Disabled Persons Protection Commission	10,831	8,660	2,171
Commission on Status of Women	987	501	486
Board of Library Commissioners	36,532	36,366	166
Comptroller	66,748	25,457	41,291
Administration and Finance	7,956,783	2,674,218	5,282,565
Energy and Environmental Affairs	512,305	431,118	81,187
Health and Human Services	8,869,505	8,287,368	582,137
Executive Office of Technology Services and Security	209,645	160,107	49,538
Massachusetts Department of Transportation	242,826	129,115	113,711
Office of the Child Advocate	3,995	2,930	1,065
Commission Against Discrimination	8,430	6,870	1,560
Cannabis Control Commission	15,718	13,816	1,902
Executive Office of Education	3,499,253	3,267,072	232,181
Center for Health Information and Analysis	31,202	31,179	23
Public Safety and Security	1,429,772	1,240,395	189,377
Massachusetts Peace Officer Standards and Training	1,740	1,740	—
Housing and Economic Development	1,052,863	855,030	197,833
Labor and Workforce Development	171,016	116,141	54,875
Direct local aid	6,744,710	6,742,777	1,933
Medicaid program expenses	19,847,962	19,845,596	2,366
Post employment benefits	4,433,423	4,433,376	47
Debt service:			
Principal retirement	1,309,886	1,261,784	48,102
Interest and fiscal charges	1,182,317	1,160,898	21,419
Total expenditures	60,254,777	53,083,200	7,171,577
Other financing uses:			
Fringe benefit cost assessment	—	20,007	(20,007)
Operating transfers out	3,252,855	3,265,051	(12,196)
Stabilization transfer	2,272,593	2,272,593	—
Medical assistance transfer	751,458	751,458	—
Transfer for transitional escrow	—	4,812,072	(4,812,072)
Other fund deficit support	—	8,384	(8,384)
Total other financing uses	6,276,906	11,129,565	(4,852,659)
Total expenditures and other financing uses	66,531,683	64,212,765	2,318,918
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (11,917,695)	6,101,082	\$ 18,018,777
Fund balance/(deficit) at beginning of year		12,099,177	
Fund balance/(deficit) at end of year		\$ 18,200,259	

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



General Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 2,295,102	\$ 2,137,303
Receivables, net of allowance for uncollectibles:		
Due from federal government	1,708,341	1,059,548
Other receivables	22,663	38,127
Due from cities and towns	18,197	9,312
Total assets	<u>\$ 4,044,303</u>	<u>\$ 3,244,290</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,331,165	\$ 2,028,577
Accrued payroll	211,798	158,539
Total liabilities	<u>2,542,963</u>	<u>2,187,116</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	1,501,340	1,057,174
Total fund balance	<u>1,501,340</u>	<u>1,057,174</u>
Total liabilities and fund balance	<u>\$ 4,044,303</u>	<u>\$ 3,244,290</u>

See accountants' review report

General Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 30,530,500	\$ 36,972,843	\$ 6,442,343	\$ 30,302,064
Assessments	434,064	403,600	(30,464)	399,848
Federal grants and reimbursements	14,107,003	15,767,898	1,660,895	13,440,226
Tobacco settlement revenue	254,645	246,997	(7,648)	245,636
Departmental	3,255,690	3,633,702	378,012	3,073,616
Miscellaneous	435,492	383,903	(51,589)	283,308
Total revenues	49,017,394	57,408,943	8,391,549	47,744,698
Other financing sources:				
Fringe benefit cost recovery	495,629	613,577	117,948	453,299
Lottery reimbursements	114,526	122,189	7,663	105,986
Lottery distributions	1,124,183	1,079,306	(44,877)	1,090,040
Operating transfers in	209,512	267,486	57,974	203,049
Other fund deficit support	—	—	—	—
Total other financing sources	1,943,850	2,082,558	138,708	1,852,374
Total revenues and other financing sources	50,961,244	59,491,501	8,530,257	49,597,072
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	127,212	76,093	51,119	72,682
Judiciary	1,135,124	1,090,380	44,744	1,016,437
Inspector General	6,902	6,387	515	5,747
Governor and Lieutenant Governor	9,861	7,811	2,050	9,328
Secretary of the Commonwealth	52,266	49,992	2,274	58,444
Treasurer and Receiver-General	291,295	216,090	75,205	220,935
Auditor of the Commonwealth	21,541	21,366	175	19,825
Attorney General	61,857	58,542	3,315	54,951
Ethics Commission	2,753	2,691	62	2,489
District Attorney	151,972	150,329	1,643	145,969
Office of Campaign and Political Finance	1,874	1,786	88	1,660
Sheriffs' Department	737,490	662,825	74,665	686,626
Disabled Persons Protection Commission	10,831	8,660	2,171	5,464
Commission on Status of Women	987	501	486	206
Board of Library Commissioners	36,532	36,366	166	33,821
Comptroller	9,781	9,731	50	9,270
Administration and Finance	3,520,187	2,484,376	1,035,811	2,211,033

continued

General Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
Expenditures (continued):				
Energy and Environmental Affairs	329,573	311,331	18,242	286,838
Health and Human Services	8,394,530	7,933,404	461,126	6,762,074
Executive Office of Technology Services and Security	53,604	51,668	1,936	46,826
Office of the Child Advocate	3,995	2,930	1,065	1,723
Commission Against Discrimination	8,430	6,870	1,560	6,824
Executive Office of Education	3,361,013	3,213,798	147,215	2,833,844
Center for Health Information and Analysis	31,202	31,179	23	23,330
Public Safety and Security	1,344,061	1,179,630	164,431	1,407,723
Massachusetts Peace Officer Standards and Training	1,740	1,740	—	23
Commission on the Status of Persons with Disabilities	20	—	20	—
Housing and Economic Development	879,725	755,686	124,039	805,572
Labor and Workforce Development	121,976	99,282	22,694	59,672
Direct local aid	6,643,893	6,641,961	1,932	6,352,585
Medicaid	19,847,962	19,845,596	2,366	18,122,376
Post employment benefits	4,421,469	4,421,423	46	3,739,584
Debt service:				
Principal retirement	630,373	617,464	12,909	595,467
Interest and fiscal charges	612,054	599,520	12,534	569,410
Total expenditures	52,864,085	50,597,407	2,266,678	46,168,758
Other financing uses:				
Fringe benefit cost assessment	—	7,786	(7,786)	8,730
Operating transfers out	819,095	831,291	(12,196)	305,108
Stabilization transfer	2,272,593	2,272,593	—	1,098,139
Medical assistance transfer	751,458	751,458	—	505,250
Transfer for transitional escrow	—	4,578,822	(4,578,822)	1,151,006
Other fund deficit support	—	7,978	(7,978)	23,699
Total other financing uses	3,843,146	8,449,928	(4,606,782)	3,091,932
Total expenditures and other financing uses	56,707,231	59,047,335	(2,340,104)	49,260,690
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (5,745,987)</u>	444,166	<u>\$ 6,190,153</u>	336,382
Fund balance/(deficit) at beginning of year		1,057,174		720,792
Fund balance/(deficit) at end of year		<u>\$ 1,501,340</u>		<u>\$ 1,057,174</u>

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Commonwealth Transportation Fund

Balance Sheet - Statutory Basis

As of June 30, 2022

(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 112,565	\$ 635
Cash with fiscal agent	16,657	15,553
Total assets	<u>\$ 129,222</u>	<u>\$ 16,188</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 607	\$ 635
Total liabilities	<u>607</u>	<u>635</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	111,958	—
Reserved for debt service	16,657	15,553
Total fund balance	<u>128,615</u>	<u>15,553</u>
Total liabilities and fund balance	<u>\$ 129,222</u>	<u>\$ 16,188</u>

See accountants' review report

Commonwealth Transportation Fund
Statement of Revenues, Expenditures And Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,421,900	\$ 1,456,475	\$ 34,575	\$ 1,356,340
Assessments	24,358	26,324	1,966	23,177
Departmental	658,191	634,160	(24,031)	655,187
Miscellaneous	—	239	239	33
Total revenues	2,104,449	2,117,198	12,749	2,034,737
Other financing sources:				
Operating transfers in	31,407	59,764	28,357	52,618
Other fund deficit support	—	8,384	8,384	—
Total other financing sources	31,407	68,148	36,741	52,618
Total revenues and other financing sources	2,135,856	2,185,346	49,490	2,087,355
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General	—	—	—	977
Massachusetts Department of Transportation	239,103	127,145	111,958	127,000
Post employment benefits	11,953	11,953	—	12,271
Debt service:				
Principal retirement	642,524	607,332	35,192	547,451
Interest and fiscal charges	570,262	561,379	8,883	543,757
Total expenditures	1,463,842	1,307,809	156,033	1,231,456
Other financing uses:				
Operating transfers out	764,475	764,475	—	641,672
Transfer for transitional escrow	—	—	—	214,622
Other fund deficit support	—	—	—	4,419
Total other financing uses	764,475	764,475	—	860,712
Total expenditures and other financing uses	2,228,317	2,072,284	156,033	2,092,168
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (92,461)</u>	113,062	<u>\$ 205,523</u>	(4,813)
Fund balance/(deficit) at beginning of year		15,553		20,366
Fund balance/(deficit) at end of year		<u>\$ 128,615</u>		<u>\$ 15,553</u>

See accountants' review report

Commonwealth Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 6,647,615	\$ 4,322,279
Investments	290,249	304,140
Total assets	<u>\$ 6,937,864</u>	<u>\$ 4,626,419</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for Commonwealth Stabilization	6,937,864	4,626,419
Total fund balance	<u>6,937,864</u>	<u>4,626,419</u>
Total liabilities and fund balance	<u>\$ 6,937,864</u>	<u>\$ 4,626,419</u>

See accountants' review report

Commonwealth Stabilization Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ 260	\$ 260	\$ 324
Miscellaneous	14,768	(354)	(15,122)	9,317
Total revenues	14,768	(94)	(14,862)	9,641
Other financing sources:				
Stabilization transfer	1,168,562	2,311,539	1,142,977	1,115,597
Total other financing sources	1,168,562	2,311,539	1,142,977	1,115,597
Total revenues and other financing sources	1,183,330	2,311,445	1,128,115	1,125,238
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Stabilization transfer	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 1,183,330</u>	2,311,445	<u>\$ 1,128,115</u>	1,125,238
Fund balance/(deficit) at beginning of year		4,626,419		3,501,181
Fund balance/(deficit) at end of year		<u>\$ 6,937,864</u>		<u>\$ 4,626,419</u>

See accountants' review report

Intragovernmental Service Fund

Balance Sheet - Statutory Basis

As of June 30, 2022

(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 52,367	\$ 46,454
Total assets	<u>\$ 52,367</u>	<u>\$ 46,454</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 30,100	\$ 27,823
Accrued payroll	<u>4,286</u>	<u>5,283</u>
Total liabilities	<u>34,386</u>	<u>33,106</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	<u>17,981</u>	<u>13,348</u>
Total fund balance	<u>17,981</u>	<u>13,348</u>
Total liabilities and fund balance	<u>\$ 52,367</u>	<u>\$ 46,454</u>

See accountants' review report

Intragovernmental Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ 496,334	\$ 496,334	\$ 460,619
Total revenues	—	496,334	496,334	460,619
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	496,334	496,334	460,619
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Governor and Lieutenant Governor	—	—	—	57
Secretary of the Commonwealth	16	—	16	—
Treasurer and Receiver - General	—	—	—	—
Attorney General	5	4	1	—
Comptroller	56,966	15,726	41,240	10,419
Administration and Finance	196,818	143,174	53,644	126,660
Energy and Environmental Affairs	3,226	2,890	336	2,964
Health and Human Services	159,086	122,561	36,525	113,861
Executive Office of Technology Services and Security ..	156,041	108,439	47,602	99,694
Executive Office of Education	1,860	65	1,795	—
Public Safety and Security	77,718	53,877	23,841	55,658
Housing and Economic Development	7,684	1,957	5,727	1,920
Debt service:				
Principal retirement	36,988	36,988	—	33,361
Total expenditures	696,409	485,681	210,728	444,595
Other financing uses:				
Operating transfers out	6,020	6,020	—	13,580
Total other financing uses	6,020	6,020	—	13,580
Total expenditures and other financing uses	702,429	491,701	210,728	458,175
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (702,429)</u>	4,633	<u>\$ 707,062</u>	2,444
Fund balance/(deficit) at beginning of year		13,348		10,904
Fund balance/(deficit) at end of year		<u>\$ 17,981</u>		<u>\$ 13,348</u>

See accountants' review report

Transitional Escrow Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 5,681,563	\$ 1,460,324
Total assets	<u>\$ 5,681,563</u>	<u>\$ 1,460,324</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 27,037	\$ —
Accrued payroll	<u>41</u>	<u>—</u>
Total liabilities	<u>27,078</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	1,022,717	—
Unreserved fund balance:		
Undesignated	<u>4,631,768</u>	<u>1,460,324</u>
Total fund balance	<u>5,654,485</u>	<u>1,460,324</u>
Total liabilities and fund balance	<u>\$ 5,681,563</u>	<u>\$ 1,460,324</u>
See accountants' review report		

Transitional Escrow Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Transfer for transitional escrow	—	4,812,071	4,812,071	1,460,324
Total other financing sources	—	4,812,071	4,812,071	1,460,324
Total revenues and other financing sources	—	4,812,071	4,812,071	1,460,324
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	150	—	150	—
Judiciary	10,000	415	9,585	—
Treasurer and Receiver-General	5,572	5,569	3	—
Administration and Finance	826,526	34,812	791,714	—
Energy and Environmental Affairs	156,742	99,023	57,719	—
Health and Human Services	170,108	150,028	20,080	—
Massachusetts Department of Transportation	3,724	1,970	1,754	—
Executive Office of Education	74,600	6,349	68,251	—
Public Safety and Security	2,440	1,599	841	—
Housing and Economic Development	113,937	59,878	54,059	—
Labor and Workforce Development	14,030	469	13,561	—
Total expenditures	1,377,829	360,112	1,017,717	—
Other financing uses:				
Fringe benefit cost assessment	—	148	(148)	—
Operating transfers out	257,650	257,650	—	—
Total other financing uses	257,650	257,798	(148)	—
Total expenditures and other financing uses	1,635,479	617,910	1,017,569	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (1,635,479)</u>	4,194,161	<u>\$ 5,829,640</u>	1,460,324
Fund balance/(deficit) at beginning of year		1,460,324		—
Fund balance/(deficit) at end of year		<u>\$ 5,654,485</u>		<u>\$ 1,460,324</u>

See accountants' review report

Inland Fisheries And Game Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 14,344	\$ 10,724
Total assets	<u>\$ 14,344</u>	<u>\$ 10,724</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 324	\$ 412
Accrued payroll	<u>339</u>	<u>302</u>
Total liabilities	<u>663</u>	<u>714</u>
Fund balance:		
Unreserved fund balance:		
Undesignated.....	<u>13,681</u>	<u>10,010</u>
Total fund balance	<u>13,681</u>	<u>10,010</u>
Total liabilities and fund balance	<u>\$ 14,344</u>	<u>\$ 10,724</u>

See accountants' review report

Inland Fisheries And Game Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022 Budget	2022 Actual	Variance Favorable (Unfavorable)	2021 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,000	\$ 930	\$ (70)	\$ 849
Federal grants and reimbursements	8,000	10,855	2,855	6,776
Departmental	8,113	8,597	484	8,702
Miscellaneous	62	43	(19)	58
Total revenues	17,175	20,425	3,250	16,385
Other financing sources:				
Operating transfers in	214	1,404	1,190	236
Total other financing sources	214	1,404	1,190	236
Total revenues and other financing sources	17,389	21,829	4,440	16,621
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General	12	2	10	—
Energy and Environmental Affairs	18,333	14,692	3,641	14,195
Total expenditures	18,345	14,694	3,651	14,195
Other financing uses:				
Fringe benefit cost assessment	—	3,464	(3,464)	3,443
Total other financing uses	—	3,464	(3,464)	3,443
Total expenditures and other financing uses	18,345	18,158	187	17,638
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (956)	3,671	\$ 4,627	(1,017)
Fund balance/(deficit) at beginning of year		10,010		11,027
Fund balance/(deficit) at end of year		\$ 13,681		\$ 10,010

See accountants' review report

Marine Recreational Fisheries Development Fund

Balance Sheet - Statutory Basis

As of June 30, 2022

(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 4,475	\$ 3,866
Total assets	<u>\$ 4,475</u>	<u>\$ 3,866</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 43	\$ 91
Accrued payroll	<u>38</u>	<u>37</u>
Total liabilities	<u>81</u>	<u>128</u>
Fund balance:		
Unreserved fund balance:		
Undesignated.....	<u>4,394</u>	<u>3,738</u>
Total fund balance	<u>4,394</u>	<u>3,738</u>
Total liabilities and fund balance	<u>\$ 4,475</u>	<u>\$ 3,866</u>

See accountants' review report

Marine Recreational Fisheries Development Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022 Budget	2022 Actual	Variance Favorable (Unfavorable)	2021 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,897	\$ 1,906	\$ 9	\$ 1,868
Total revenues	1,897	1,906	9	1,868
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	1,897	1,906	9	1,868
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	1,843	1,028	815	1,395
Total expenditures	1,843	1,028	815	1,395
Other financing uses				
Fringe benefit cost assessment	—	222	(222)	222
Total other financing uses	—	222	(222)	222
Total expenditures and other financing uses	1,843	1,250	593	1,617
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 54	656	\$ 602	251
Fund balance/(deficit) at beginning of year		3,738		3,487
Fund balance/(deficit) at end of year		\$ 4,394		\$ 3,738

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund

Balance Sheet - Statutory Basis

As of June 30, 2022

(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 1,733	\$ 3,787
Total assets	<u>\$ 1,733</u>	<u>\$ 3,787</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 1,685	\$ 51
Accrued payroll	<u>48</u>	<u>40</u>
Total liabilities	<u>1,733</u>	<u>91</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	<u>—</u>	<u>3,696</u>
Total fund balance	<u>—</u>	<u>3,696</u>
Total liabilities and fund balance	<u>\$ 1,733</u>	<u>\$ 3,787</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 30,000	\$ 30,000	\$ —	\$ 30,000
Total revenues	30,000	30,000	—	30,000
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	30,000	30,000	—	30,000
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	15,578	11,856	3,722	12,463
Total expenditures	15,578	11,856	3,722	12,463
Other financing uses:				
Fringe benefit cost assessment	—	525	(525)	462
Operating transfers out	21,315	21,315	—	24,679
Total other financing uses	21,315	21,840	(525)	25,141
Total expenditures and other financing uses	36,893	33,696	3,197	37,604
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (6,893)</u>	<u>(3,696)</u>	<u>\$ 3,197</u>	<u>(7,604)</u>
Fund balance/(deficit) at beginning of year		3,696		11,300
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ 3,696</u>

See accountants' review report

Public Safety Training Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ —	\$ 387
Total assets	<u>\$ —</u>	<u>\$ 387</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	\$ 69	\$ —
Total liabilities	<u>69</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	(270)	387
Total fund balance	<u>(69)</u>	<u>387</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ 387</u>

See accountants' review report

Public Safety Training Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,050	\$ 724	\$ (326)	\$ 703
Total revenues	1,050	724	(326)	703
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	1,050	724	(326)	703
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Sheriffs' Department	—	—	—	7
Public Safety and Security	1,223	1,022	201	609
Total expenditures	1,223	1,022	201	616
Other financing uses:				
Fringe benefit cost assessment	—	158	(158)	114
Total other financing uses	—	158	(158)	114
Total expenditures and other financing uses	1,223	1,180	43	730
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (173)	(456)	\$ (283)	(27)
Fund balance/(deficit) at beginning of year		387		414
Fund balance/(deficit) at end of year		\$ (69)		\$ 387

See accountants' review report

Local Capital Projects Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ —	\$ 2,500
Total assets	<u>\$ —</u>	<u>\$ 2,500</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	2,500
Total fund balance	<u>—</u>	<u>2,500</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ 2,500</u>

See accountants' review report

Local Capital Projects Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	8,589	10,938	2,349	7,856
Total other financing sources	8,589	10,938	2,349	7,856
Total revenues and other financing sources	8,589	10,938	2,349	7,856
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and Economic Development	8,585	8,585	—	7,696
Total expenditures	8,585	8,585	—	7,696
Other financing uses:				
Transfer for transitional escrow	—	4,845	(4,845)	352
Other fund deficit support	—	8	(8)	7
Total other financing uses	—	4,853	(4,853)	359
Total expenditures and other financing uses	8,585	13,438	(4,853)	8,055
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 4	(2,500)	\$ (2,504)	(199)
Fund balance/(deficit) at beginning of year		2,500		2,699
Fund balance/(deficit) at end of year		\$ —		\$ 2,500

See accountants' review report

Gaming Local Aid Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	—	—
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ —</u>

See accountants' review report

Gaming Local Aid Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	87,579	105,596	18,017	84,351
Other fund deficit support	—	—	—	30,068
Total other financing sources	87,579	105,596	18,017	114,419
Total revenues and other financing sources	87,579	105,596	18,017	114,419
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Direct local aid	87,609	87,609	—	114,419
Total expenditures	87,609	87,609	—	114,419
Other financing uses:				
Transfer for transitional escrow	—	17,956	(17,956)	—
Other fund deficit support	—	31	(31)	—
Total other financing uses	—	17,987	(17,987)	—
Total expenditures and other financing uses	87,609	105,596	(17,987)	114,419
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (30)</u>	—	<u>\$ 30</u>	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Education Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>—</u>	<u>—</u>
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ —</u>

See accountants' review report

Education Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	26,722	34,031	7,309	24,441
Total other financing sources	26,722	34,031	7,309	24,441
Total revenues and other financing sources	26,722	34,031	7,309	24,441
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	7,207	7,143	64	4,484
Direct local aid	13,208	13,208	—	15,319
Total expenditures	20,415	20,351	64	19,803
Other financing uses:				
Fringe benefit cost assessment	—	2,665	(2,665)	1,629
Transfer for transitional escrow	—	10,996	(10,996)	2,948
Other fund deficit support	—	19	(19)	61
Total other financing uses	—	13,680	(13,680)	4,638
Total expenditures and other financing uses	20,415	34,031	(13,616)	24,441
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 6,307</u>	<u>—</u>	<u>\$ (6,307)</u>	<u>—</u>
Fund balance/(deficit) at beginning of year		<u>—</u>		<u>—</u>
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Local Aid Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 50	\$ 50
Total assets	<u>\$ 50</u>	<u>\$ 50</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	50	50
Total fund balance	<u>50</u>	<u>50</u>
Total liabilities and fund balance	<u>\$ 50</u>	<u>\$ 50</u>

See accountants' review report

Local Aid Stabilization Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	—	\$ —	—
Fund balance/(deficit) at beginning of year		50		50
Fund balance/(deficit) at end of year		\$ 50		\$ 50

See accountants' review report

Gaming Economic Development Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 1,391	\$ 2,931
Total assets	<u>\$ 1,391</u>	<u>\$ 2,931</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 1,034	\$ 2,931
Total liabilities	<u>1,034</u>	<u>2,931</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	357	—
Total fund balance	<u>357</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 1,391</u>	<u>\$ 2,931</u>

See accountants' review report

Gaming Economic Development Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ 2	\$ 2	\$ —
Total revenues	—	2	2	—
Other financing sources:				
Operating transfers in	18,133	23,092	4,959	16,585
Total other financing sources	18,133	23,092	4,959	16,585
Total revenues and other financing sources	18,133	23,094	4,961	16,585
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	10,576	10,218	358	—
Executive Office of Housing and Economic Development	—	—	—	1,898
Labor and Workforce Development	9,194	3,498	5,696	4,975
Total expenditures	19,770	13,716	6,054	6,873
Other financing uses:				
Fringe benefit cost assessment	—	26	(26)	—
Transfer for transitional escrow	—	5,984	(5,984)	11,264
Other fund deficit support	—	10	(10)	232
Operating transfers out	3,001	3,001	—	7,000
Total other financing uses	3,001	9,021	(6,020)	18,496
Total expenditures and other financing uses	22,771	22,737	34	25,369
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (4,638)</u>	357	<u>\$ 4,995</u>	(8,784)
Fund balance/(deficit) at beginning of year		—		8,784
Fund balance/(deficit) at end of year		<u>\$ 357</u>		<u>\$ —</u>

See accountants' review report

Marijuana Regulation Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 30,660	\$ 3,114
Total assets	<u>\$ 30,660</u>	<u>\$ 3,114</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,696	\$ 805
Accrued payroll	<u>294</u>	<u>209</u>
Total liabilities	<u>2,990</u>	<u>1,014</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	<u>27,670</u>	<u>2,100</u>
Total fund balance	<u>27,670</u>	<u>2,100</u>
Total liabilities and fund balance	<u>\$ 30,660</u>	<u>\$ 3,114</u>

See accountants' review report

Marijuana Regulation Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 124,700	\$ 156,669	\$ 31,969	\$ 112,370
Departmental	17,497	27,213	9,716	25,066
Miscellaneous	2	1	(1)	7
Total revenues	142,199	183,883	41,684	137,443
Other financing sources:				
Other fund deficit support	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	142,199	183,883	41,684	137,443
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	—	—	—	1,912
Sheriff's Department	406	406	—	117
Energy and Environmental Affairs	2,588	2,153	435	564
Health and Human Services	92,282	76,342	15,940	36,823
Cannabis Control Commission	15,718	13,816	1,902	11,334
Executive Office of Education	26,996	18,546	8,450	—
Public Safety and Security	4,330	4,267	63	2,053
Housing and Economic Development	32,932	28,924	4,008	28
Labor and Workforce Development	7,690	7,690	—	—
Total expenditures	182,942	152,144	30,798	52,831
Other financing uses:				
Fringe benefit cost assessment	—	5,012	(5,012)	2,429
Transfer for transitional escrow	—	1,155	(1,155)	80,133
Other fund deficit support	—	2	(2)	1,650
Total other financing uses	—	6,169	(6,169)	84,212
Total expenditures and other financing uses	182,942	158,313	24,629	137,043
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (40,743)	25,570	\$ 66,313	400
Fund balance/(deficit) at beginning of year		2,100		1,700
Fund balance/(deficit) at end of year		\$ 27,670		\$ 2,100

See accountants' review report

Behavioral Health Outreach, Access and Support Trust

Balance Sheet - Statutory Basis

As of June 30, 2022

(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 22,743	\$ 12,467
Total assets	<u>\$ 22,743</u>	<u>\$ 12,467</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 4,338	\$ 576
Total liabilities	<u>4,338</u>	<u>576</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>18,405</u>	<u>6,924</u>
Total fund balance	<u>18,405</u>	<u>11,891</u>
Total liabilities and fund balance	<u>\$ 22,743</u>	<u>\$ 12,467</u>

See accountants' review report

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	12,500	12,500	10,000
Total other financing sources	—	12,500	12,500	10,000
Total revenues and other financing sources	—	12,500	12,500	10,000
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	27,499	5,033	22,466	609
Executive Office of Education	1,000	953	47	—
Total expenditures	28,499	5,986	22,513	609
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	28,499	5,986	22,513	609
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (28,499)</u>	6,514	<u>\$ 35,013</u>	9,391
Fund balance/(deficit) at beginning of year		11,891		2,500
Fund balance/(deficit) at end of year		<u>\$ 18,405</u>		<u>\$ 11,891</u>

See accountants' review report

Federal COVID-19 Response Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 3,496,192	\$ 4,891,987
Total assets	<u>\$ 3,496,192</u>	<u>\$ 4,891,987</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 706	\$ —
Total liabilities	<u>706</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	3,327,597	—
Unreserved fund balance:		
Undesignated	<u>167,889</u>	<u>4,891,987</u>
Total fund balance	<u>3,495,486</u>	<u>4,891,987</u>
Total liabilities and fund balance	<u>\$ 3,496,192</u>	<u>\$ 4,891,987</u>

See accountants' review report

Federal COVID-19 Response Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ 4,891,987
Total revenues	—	—	—	4,891,987
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	4,891,987
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	3,347,674	—	3,347,674	—
Health and Human Services	26,000	—	26,000	—
Executive Office of Education	16,000	10,000	6,000	—
Housing and Economic Development	10,000	—	10,000	—
Labor and Workforce Development	18,126	5,202	12,924	—
Total expenditures	3,417,800	15,202	3,402,598	—
Other financing uses:				
Operating transfers out	1,381,299	1,381,299	—	—
Total other financing uses	1,381,299	1,381,299	—	—
Total expenditures and other financing uses	4,799,099	1,396,501	3,402,598	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (4,799,099)</u>	<u>(1,396,501)</u>	<u>\$ 3,402,598</u>	<u>4,891,987</u>
Fund balance/(deficit) at beginning of year		4,891,987		—
Fund balance/(deficit) at end of year		<u>\$ 3,495,486</u>		<u>\$ 4,891,987</u>

See accountants' review report

Student Opportunity Act Investment Fund

Balance Sheet - Statutory Basis

As of June 30, 2022

(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 350,000	\$ —
Total assets	<u>\$ 350,000</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	350,000	—
Total fund balance	<u>350,000</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 350,000</u>	<u>\$ —</u>

See accountants' review report

Student Opportunity Act Investment Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	350,000	350,000	—
Total other financing sources	—	350,000	350,000	—
Total revenues and other financing sources	—	350,000	350,000	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	350,000	\$ 350,000	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ 350,000		\$ —

See accountants' review report

Broadband Innovation Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ 50,000	\$ —
Total assets	<u>\$ 50,000</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	50,000	—
Total fund balance	<u>50,000</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 50,000</u>	<u>\$ —</u>

See accountants' review report

Broadband Innovation Fund

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

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	50,000	50,000	—
Total other financing sources	—	50,000	50,000	—
Total revenues and other financing sources	—	50,000	50,000	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	50,000	—	50,000	—
Total expenditures	50,000	—	50,000	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	50,000	—	50,000	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (50,000)</u>	50,000	<u>\$ 100,000</u>	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		<u>\$ 50,000</u>		<u>\$ —</u>

See accountants' review report

Behavioral Health Trust Fund
Balance Sheet - Statutory Basis

As of June 30, 2022
(Amounts in thousands)

	2022	2021
ASSETS		
Cash and short-term investments	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	—	—
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ —</u>

See accountants' review report

Behavioral Health Trust Fund

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

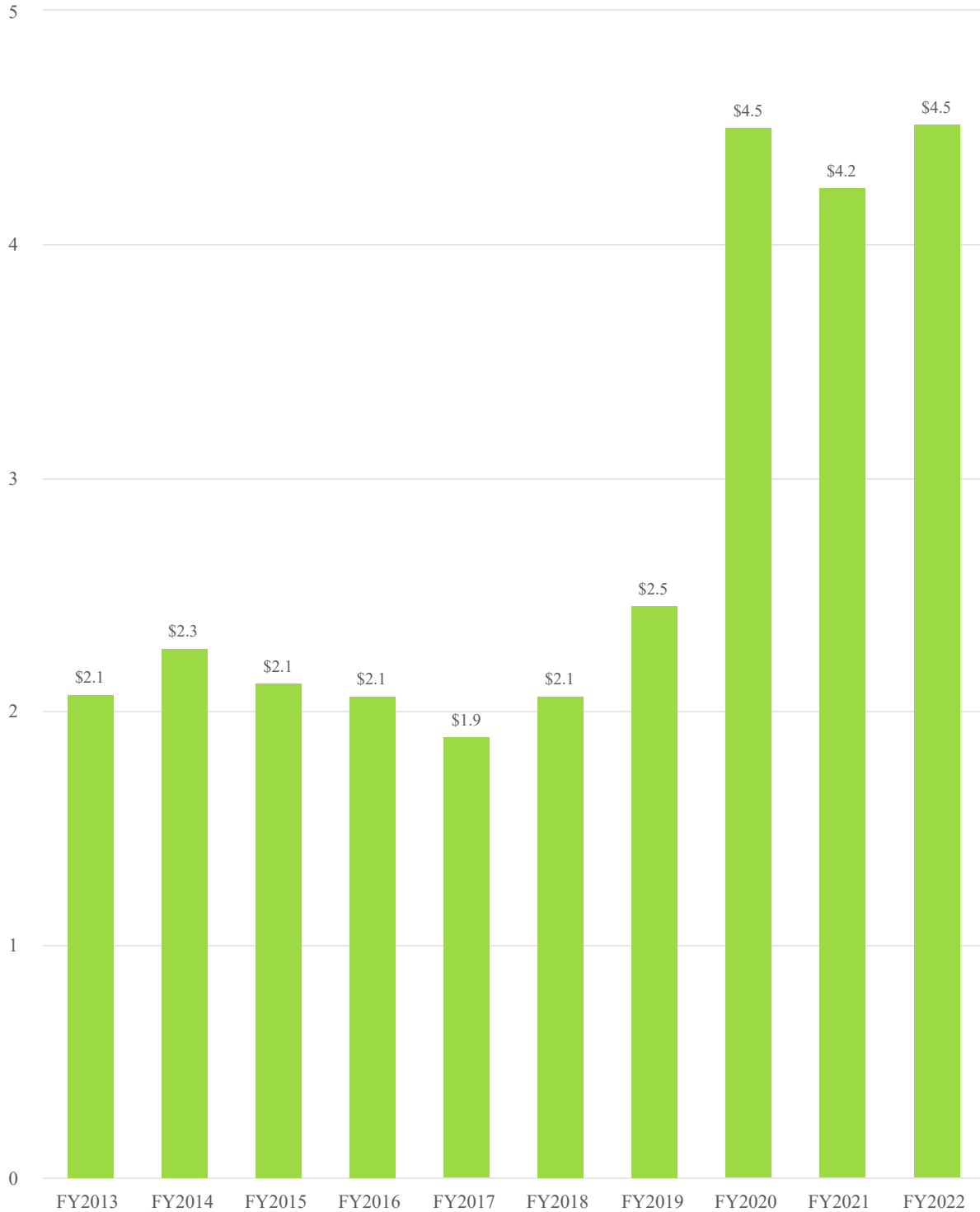
Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	2022Budget	2022Actual	Variance Favorable (Unfavorable)	2021Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	192,650	192,650	—
Total other financing sources	—	192,650	192,650	—
Total revenues and other financing sources	—	192,650	192,650	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Transfer for transitional escrow	—	192,315	(192,315)	—
Other fund deficit support	—	335	(335)	—
Total other financing uses	—	192,650	(192,650)	—
Total expenditures and other financing uses	—	192,650	(192,650)	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	—	\$ —	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ —		\$ —

See accountants' review report

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



Non-Budgeted Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are restricted to finance specific functions. Funds that are not subject to appropriation are considered Non-Budgeted Special Revenue Funds.

Federal Grants Fund - to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

LOTTERY FUNDS:

The two lottery funds account for the operations of the State and Arts Lotteries.

State Lottery and Gaming Fund - to account for revenue from the sale of lottery tickets and for the payment of prizes, expenses of the State Lottery Commission and the distribution to municipalities and school districts. Transfers are made from lottery profits to the General Fund.

Arts Lottery Fund - to account for revenues from the sale of lottery tickets, for payment of prizes and the expenses of the State Lottery Commission, and for the administration of the Arts Lottery Council. Residual fund balance transfers are made to the General Fund at the end of the fiscal year.

GAMING FUNDS:

Massachusetts Gaming Control Fund - to account for all gaming fees and assessments not recorded in other funds by legislative mandate and other monies authorized by the General Court. Expenditures are to finance the activities of the Massachusetts Gaming Commission (MGC).

Gaming Revenue Fund - to account for revenues collected from taxes on gross gaming revenue received from gaming licenses. The revenues shall be transferred to other funds to finance the activities of those funds.

OTHER FUNDS:

The other special revenue funds account for a variety of miscellaneous taxes, assessments, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Catastrophic Illness in Children Relief Fund - to account for a portion of an employer's unemployment health insurance contribution and certain Federal Financial Participation (FFP). The funds are for medical expenses of childhood catastrophic illnesses not covered by any other state and federal program.

Commonwealth Care Trust Fund - to collect fair share employer assessments, free rider surcharges, cigarette tax revenues, transfers from the Health Safety Net Trust Fund and any funds that may be appropriated or transferred into the fund for the purpose of increasing health care coverage, including subsidized health insurance to low - income residents. Funds may be transferred to the Health Safety Net Trust Fund.

Medical Assistance Trust Fund - to account for any funds from public entities and federal revenues related to medical assistance; to be used to provide supplemental Medicaid payments to certain safety net hospitals.

Health Safety Net Trust Fund - to account for reimbursing hospitals and community health centers for a portion of the cost of reimbursable health services provided to low-income, uninsured or underinsured residents of the Commonwealth. Revenues are from surcharges and assessments in health care services.

Community First Trust Fund - To account for revenues received from FFP earned on any qualifying expenditures from the fund. Expenditures are for non - institutionally - based long-term service and support and may be made for services provided in prior fiscal years, but may not exceed more than \$16 million.

Money Follows the Person Rebalancing Demonstration Grant Trust Fund - to account for funds used for expenses that primarily benefit individuals who have disabilities or long-term illnesses or who are elders. Monies equal to the amount of FFP collected from the previous quarter shall be transferred to the fund.

Public Health Trust Fund - to account for fees assessed on slot machines and all other monies credited or transferred to the fund from any other source under law. Funds shall be expended to assist social service and public health programs dedicated to addressing problems associated with compulsive gambling.

Healthcare Payment Reform Fund - to account for a portion of gaming license fees, 5% of the acute hospital assessments and any monies credited or transferred to the fund from any other fund or source. Funds are used to improve the quality and reduce the cost of health care in the Commonwealth.

Distressed Hospital Trust Fund - to account for gifts, grants and donations, interest earnings, 60% of the acute hospital assessments, and any funds provided from other sources. Expenditures support efforts to meet the health care cost growth benchmark and any activities funded by the e-Health Institute, the Healthcare Payment Reform Fund, other health related purposes.

Prevention and Wellness Trust Fund - to account for appropriations or other monies authorized to be credited to the fund, fines and penalties gifts, grants and donations, interest earnings, and any funds provided from other sources. Also, 26 2/3% of the acute hospital assessments shall be credited to this fund. Expenditures shall support the state's efforts to meet the health care cost growth benchmark and any activities funded by the Healthcare Payment Reform Fund and other health related purposes.

MassHealth Delivery System Reform Trust Fund - to account for any transfers from the Health Safety Net Trust Fund, FFP revenues, appropriations; and any interest earned. The monies will be expended for approved Medicaid payments, reimbursements for services delivered to MassHealth beneficiaries; and for enhanced service and incentive payments to acute hospitals, and other providers or care organizations.

Community Hospital Reinvestment Trust Fund - to account for gifts, grants, donations, and interest earned. To be used to provide financial support to eligible acute care hospitals.

Non-Acute Care Hospital Reimbursement Trust Fund - to account for assessments on acute care hospitals, FFP revenues, appropriations, and interest income. Funds shall be expended for Medicaid payments to non-acute, nonpublic hospitals licensed by the Department of Public Health.

Substance Use Disorder Federal Reinvestment Trust Fund - to account for FFP revenues, other federal reimbursements, grants, premiums, gifts, interest income and any other funds specifically designated to the fund. Funds shall be used to implement MassHealth's substance use disorder waiver demonstration project and to enhance and expand substance use disorder services.

Safety Net Provider Trust Fund - to account for operating transfers and any income designated to the fund by legislation. Funds shall be expended for payments to qualifying provider under an approved federal waiver.

Home Care Technology Trust Fund - to account for fees, appropriations, transfers, federal reimbursements, grants, premiums, gifts or other contributions from any source, investment income, and any other revenues. Funds shall be used to provide technological support for the aging service access points network.

Dam and Seawall Repair or Removal Fund - to account for federal grants, loan repayments, and investment earnings. Funds shall be used to provide grants or loans to local governmental entities, charitable organizations and private dam owners to finance or refinance costs related to dams and flood or wave control repair or remediation projects.

Department of Telecommunication and Energy Trust Fund - to account for assessments on interstate operating revenue of electric companies and investment income. The expenditures are for activities of the Department related to the regulation of electric companies.

Fingerprint-Based Background Check Trust Fund - to account for any appropriations and other monies including any private donations. Expenditures shall be for the sole purpose of carrying out state and national criminal background checks and verifications.

Liability Management and Reduction Fund - to account for chargebacks assessed to departments as premiums for the provision of insurance coverage for state agencies to cover payment of judgments, settlements and litigation costs in tort claims.

Dockside Testing Trust Fund - to account for fees collected from harvesters of molluscan shellfish on Georges Bank in the amount of \$35,000 per vessel. Expenditures shall be for the administrative costs of the operations and programs related to regulating and monitoring the shellfish harvesters, including the testing of shellfish as necessary to ensure that they are safe for human consumption.

Commonwealth of Massachusetts Civil Monetary Penalty (CMP) Fund - to account for civil monetary penalties paid by nursing homes participating in the medical program for the protection of health and property of residents in a nursing home if the facility is found deficient.

MBTA State and Local Contribution Fund - to account for the transfer of dedicated sales tax revenue and the Massachusetts Bay Transportation Authority (MBTA) service area assessments from the Commonwealth to the MBTA.

Massachusetts Community Preservation Trust Fund - to account for surcharges from the registry of deeds, public and private sources as gifts, grants and donations, from damages, penalties costs from litigation settlements and surcharge on municipal liens imposed by the cities and towns that accept funds from the trust, to further community open space preservation programs.

Health Insurance Portability and Accountability Act Fund - to account for revenues received from Federal reimbursements under the Social Security Act, other Federal reimbursements, grants, gifts or other contributions to meet the costs of compliance with the Federal Health Insurance Portability and Accountability Act (HIPPA) of 1996.

State Racing Fund - to account for racing-related taxes and assessments, to be used for expenditures governing simulcasting and to provide certain relief to the racing industry in the Commonwealth.

Division of Professional Licensure Trust Fund - to support programs and administrative costs of the Division of Professional Licensure. Revenues are from professional registration fees. Moneys deposited into the trust fund that are unexpended at the end of the fiscal year, and that total not more than 50% of the division's expenditures for the previous fiscal year, shall not revert to the General Fund.

Victims of Drunk Driving Trust Fund - to account for fines collected from individuals convicted of driving under the influence of various substances defined by the law. Expenditures are for grants to community based programs to provide counseling and support services to victims of accidents.

State Athletic Commission Fund - to account for licensing fees, other fees and fines collected up to a maximum of \$200,000 per year. All revenues in excess of \$200,000 shall be transferred to the General Fund. Expenditures are for the administration of the State Athletic Commission, including payments for officials and referees of athletic events sanctioned by the Commission.

Organ and Tissue Donor Registration Fund - to account for funds received from public and private donations, fees, and interest revenue; for the purpose of registration of residents of the Commonwealth as organ and tissue donors.

Department of Fire Services Hazardous Materials Emergency Mitigation Response Recovery Trust Fund - to account for monies received from fees, fines and investment income up to a maximum of \$250,000 per year. Any unexpended funds in excess of \$250,000 at the end of a fiscal year are transferred to the General Fund. Expenditures are for emergency hazardous materials response and mitigation costs.

Registers Technological Fund - to account for funds received from deed surcharges for the benefit of abolished counties. Expenditures are for technological improvements at the registries of deeds in those counties.

County Registers Technological Fund - to account for monies received from deed surcharges for Barnstable, Bristol, Dukes, Norfolk, Plymouth and Nantucket Counties. Expenditures are for technical improvements at those counties.

State Election Campaign Fund - to account for the costs of quadrennial statewide elections provided for through contributions from citizens.

Enhanced 911 Fund - to account for expenditures by the State Police and the Executive Office of Public Safety and Security to automatically identify a telephone number used to place or route a 911 call.

Counsel for Indigent Salary Enhancement Trust Fund - to account for fees collected for private applications for criminal complaints for misdemeanors in Commonwealth courts, including investment income. Expenditures are for rate enhancements for advocates for the indigent. Any amounts received in excess of \$12 million in any fiscal year shall be credited to the General Fund.

Special Projects Permitting and Oversight Fund - to account for environmental permitting fees. Expenditures are for permitting, technical assistance, compliance and other activities related to environmental oversight.

Department of Energy Resources Credit Trust Fund - to account for the receipt, retention, redemption, sale or transfer of energy conservation credits, renewable energy certificates or credits, emission credits and similar allowances. The Division of Energy Resources may expend these funds for the implementation of programs for energy reliability, renewable energy, public procurement of energy and energy efficiency and climate change.

School Modernization and Reconstruction Trust Fund - to account for dedicated sales tax revenues to support the School Building Assistance Program.

Roche Community Rink Fund - to account for the residual net revenues of the privately operated ice skating rink located in the West Roxbury section of the City of Boston.

Health Care Workforce Transformation Fund - to account for appropriations, gifts, grants, loan repayments and interest income. Expenditures of not more than 10% of the amount held in the fund in any one year shall be used for the combined cost of program administration, technical assistance to grantees and program evaluation. Funds of not less than 20% may be transferred to the Department of Public Health and up to 10% may be transferred to the Massachusetts Nursing and Allied Health Workforce Development Trust Fund. Funds remaining shall be expended for various healthcare related jobs programs.

Workforce Competitiveness Trust Fund - to account for funds to support the development and implementation of employer and work responsive programs to enhance worker skills, income, productivity and retention and to increase the quality and competitiveness of Massachusetts firms.

Fire Prevention and Public Safety Fund - to account for all penalties recovered under the Cigarette Fire Safety Regulation Act to be used for fire safety and prevention programs.

Cigarette Fire Safety and Firefighter Protection Act Enforcement Fund - to account for the fire safety certification fees submitted by cigarette manufacturers. The fund is used solely to support state processing, testing, enforcement and oversight activities related to implementation of the cigarette fire safety regulations.

Massachusetts Nursing and Allied Health Workforce Development Trust Fund - to account for appropriations, grants, loans or private donations received to increase the number of public and private higher education faculty and students who participate in programs that support careers in fields related to nursing and allied health.

Health Information Technology Trust Fund - to account for federal reimbursements received under the Health Information Technology for Economic and Clinical Health Act and other revenues. Expenditures are for incentive payments to eligible Massachusetts Medicaid health care providers and for the promotion of electronic health record adoption and health information exchange in the Commonwealth.

Build America Bonds Subsidy Trust Fund - to account for subsidies from the United States Treasury related to debt service payable on Build America bonds issued by the Commonwealth. Expenditures are used to pay debt service related to these bonds.

Housing Preservation and Stabilization Fund - to account for appropriations, transfers, and all interest earnings. Expenditures shall be made for providing affordable housing for low-income families and individuals in the commonwealth, particularly those most at risk of becoming homeless.

Office of Refugees and Immigrants Trust Fund - to account for grants, bequests, gifts or contributions. Expenditures shall be made only for operating costs of the office for refugees and immigrants and costs associated with refugee and immigrant-related programs, grants and initiatives of the director.

Veterans Independence Plus Initiative Trust Fund - to account for reimbursements collected from the US Department of Veterans Affairs. Expenditures from the fund shall be for the administration of the Veterans Independence Plus Initiative Program.

Massachusetts Environmental Police Trust Fund - to account for certain administrative surcharges, a 10% maintenance fee charged on private details, any bond proceeds or appropriations, interest or investment earnings, and all other amounts credited or transferred to the fund. Funds may be expended on programs and costs related to the division of law enforcement.

Domestic and Sexual Violence Prevention and Victim Assistance Fund - to support innovative practices to prevent domestic and sexual violence and provide assistance to victims of domestic violence in the commonwealth. The fund shall be credited any appropriations, bond proceeds or other monies authorized.

Massachusetts Seafood Marketing Program Fund - to account for a portion of the monies from the sale of commercial harvester and dealer permits issued not to exceed \$250,000 per fiscal year; any appropriations, grants, gifts or other monies authorized; and any investment income. All amounts credited to the fund shall be for the purpose of developing and administering the seafood marketing program.

Government Land Bank Fund - to account for proceeds from disposition, conversion and redevelopment of land used for industrial and low income housing developments to fund payments of principal and interest on bonds and notes of the Massachusetts Development Finance Agency.

Natural Heritage and Endangered Species Fund - to account for revenues from public and private sources and/or the federal government as reimbursements, grants, donations or other receipts and investment income; used to acquire by purchase, lease, easement or license land critical to nongame wildlife and endangered species for purposes of protecting and enhancing nongame wildlife.

Massachusetts Mathematics, Science, Technology and Engineering Grant Fund (STEM Pipeline Fund) - to account for support provided to Massachusetts students who participate in programs that support careers in fields related to mathematics, science, technology and engineering.

Regional Greenhouse Gas Initiatives (RGGI) Auction Trust Fund - to account for auction proceeds under the carbon dioxide cap and trade program. Expenditures shall be made to adopt rules and regulations establishing a carbon dioxide cap to limit and reduce carbon dioxide emissions released by electricity-generating stations.

Mosquito and Greenhead Fly Control Fund - to account for assessments to cities and towns of various mosquito control districts; to support activities designed to control mosquitoes and/or “greenhead” flies.

Ocean Resources and Waterways Trust Fund - to account for appropriations, investment income, and grants or ocean development mitigation fees; for use in restoring or enhancing marine habitat and resources affected by project developments.

Off Highway Vehicle Program Fund - to account for fees, fines and investment income collected for use in enforcement and environmental development, repair and restorations of trails and facilities.

Workforce Training Trust Fund - to account for the 0.075% unemployment surcharge on taxable wages on employers; to provide grants to employers, employer groups, labor organizations and training providers for projects to provide education and training to existing employees and newly hired workers.

Oil Overcharge Fund - to account for the fines and penalties collected under federal litigation from certain oil companies; used to provide fuel assistance and home insulation for low-income residents.

Victims of Human Trafficking Trust Fund - to account for the proceeds of assets seized and forfeited, fines and assessments and interest earnings. Funds shall be transferred to the Victim and Witness Assistance Board to administer grants to public, private non-profit or community-based programs in the Commonwealth.

Department of Public Utilities Storm Trust Fund - to account for assessments charged against each electric company under the jurisdictional control of the Department of Public Utilities and any investment income. Funds shall be used in investigating the preparation for and response to storm and other emergency events by electric companies in the Commonwealth.

Homeless Animal Prevention and Care Fund - to offset costs associated with the vaccination, spaying and neutering of homeless dogs and cats owned by low-income residents and to assist with the training of animal control officers. The fund shall consist of voluntary tax check-off donations, gifts, grants, donations and investment income.

Horseneck Beach Reservation Trust Fund - to account for the long-term preservation, maintenance, nourishment and public safety of Horseneck Beach in the Town of Westport. Revenues shall consist of a surcharge of \$1 imposed by on admission to and parking in the Horseneck Beach Reservation. Expenditures for public safety may be made available to the Town of Westport's police, fire, ambulance and emergency personnel.

Environmental Trust Fund - to account for fines, gifts, grants and investment income used for restoration, protection and improvement of the quality of Boston Harbor, Lynn Harbor, Massachusetts Bay, Buzzards Bay and Cape Cod Bay.

Social Innovation Financing Trust Fund - to account for appropriations used to fund contracts to improve outcomes and lower costs for contracted government services.

Children's Trust Fund - to account for gifts, grants, interest and donations to the Child Abuse Prevention Board and certain appropriations; used for support programs to raise awareness of child abuse and prevention programs.

Child Support Enforcement Fund - to account for child support payments, fees and penalties c, federal monies and any related interest earnings. Expenditures are for child-support related activities.

Massachusetts Military Family Relief Fund - to account for revenues received from voluntary tax check-off donations, gifts, grants, donations and investment income; to help members of the Massachusetts National Guard and Massachusetts residents who are members of the U. S. Armed Forces and who were called to active duty after September 11, 2001.

Department of Industrial Accidents Special Fund - to account for assessments to employers and cities and towns for workers' compensation insurance premiums and penalties assessed against employers who fail to insure for workers' compensation; used to reimburse the General Fund for the operating account of the Department of Industrial Accidents and for administrative overhead.

Logan Airport Health Study Trust Fund - to account for monies allocated by the Massachusetts Port Authority or any other public or private entity. Funds shall be expended for administration and project management activities and for direct support to community health centers within the study area.

Massachusetts State Public Health HIV and Hepatitis Fund - to account for revenues received from voluntary tax check-off donations from public and private sources as gifts, grants, and donations; used for research, treatment, and education related to acquired immune deficiency syndrome.

Head Injury Treatment Services Trust Fund - to account for revenues from a surcharge on fines resulting from “driving under the influence” convictions and investment income; funds shall be used to develop and maintain non-residential rehabilitation services for head injured persons.

Board of Registration in Medicine Trust Fund - to account for licensing fees of medical professionals. Expenditures are for the administration and operation of the Board.

Water Pollution Abatement and Drinking Water Projects Administration Fund - to account for transfers from the Massachusetts Clean Water Trust and general obligation bond proceeds; used for the administration of the Department of Environmental Protection to fund water pollution abatement projects.

Child Care Quality Fund - to account for revenues from the sale of “Invest in Children” distinctive license plates; funds are used for providing grants for not-for-profit childcare organizations for the purpose of improving childcare services.

Convention and Exhibition Center Fund - to account for certain rooms and sales and use taxes, surcharges imposed on tourist tickets, including cruises and land-based sightseeing located in the Commonwealth; used to finance the construction and operating expenses of the Boston Convention Center and convention centers in Worcester and Springfield.

Firearms Fingerprint Identity Verification Trust Fund - to account for firearm registration fees for the purpose of financing fingerprint identification verifications with the fingerprint records maintained by the Federal Bureau of Investigations or any other federal agency for the verification of firearms license application identities.

Grant Anticipation Note Trust Fund - to account for proceeds to cover federal grant anticipation note expenditures and pay the related debt service.

Race Horse Development Fund - to account for the daily assessment of 9% of gross gaming revenues collected by slot machine-only venues. Expenditures from this fund shall be made to each licensee to support the operations of thoroughbred racing in the Commonwealth.

Community Mitigation Fund - to account for gaming tax revenue transferred from the Gaming Revenue Fund and all other monies credited or transferred to the fund from any other fund or source. Funds shall be expended to assist the communities in offsetting costs related to the construction and operation of a gaming establishment.

Massachusetts Tourism Trust Fund - to account for the \$10,000,000 collected from the room occupancy excise and revenues under the Gaming Revenue Fund designated by legislation. Spending from the fund will be as follows; 40% to the Massachusetts marketing partnership and 60% to regional tourism councils to promote tourism and for related administrative costs.

Long-Term Facility Quality Improvement Fund - to account for income from legislatively mandated fines and penalties imposed by the department of public health on long-term care facilities, revenues from appropriations: gifts, grants, donations rebates and settlements. Spending will be used to improve safety and enhance the quality of care provided in long-term care facilities.

Sexual Assault Nurse Examiner Trust Fund - to account for gifts, grants, donations, bequests, cash, securities and property contributions from any source. Spending will be used to support the sexual assault nurse examiner program costs and provide services for sexual assault patients.

Transportation Infrastructure Enhancement Trust Fund - to account for assessments based on the number of annual rides in a fiscal year by each transportation network company within the commonwealth; ½ of the funds are proportionately distributed to cities and towns, ¼ of the funds are distributed to the Massachusetts Development Finance Agency, and the final ¼ is distributed to the Commonwealth Transportation Fund.

Nickerson State Park Trust Fund - to account for a \$5 surcharge on admission for out-of-state campers in Nickerson State Park. Expenditures shall be made for the long-term preservation and maintenance of the Nickerson State Park.

Massachusetts United States Olympic Fund - to account for revenues from the sale of distinctive vehicle license plates, voluntary tax check-off donations, and public and private gifts, grants and donations. Funds shall be used for assisting commonwealth athletes in paying all or part of the costs associated with participating on the United States Olympic or Paralympic teams.

State House Special Event Fund - to account for the fees collected from nongovernmental individuals, entities and groups and the related expenditures for using the state house for meetings, receptions or exhibits.

Quality in Health Professions Trust Fund - to account for the license or registration fees of health professionals issued by department of public health. Funds shall be used for the administrative costs of the operations and programs of the health licensing board.

Nantasket Beach Reservation Trust Fund - to account for the surcharge for admission into parking at Nantasket Beach Reservation. Funds shall be used for the preservation, maintenance, and safety of Nantasket Beach.

Milk Producers Security Fund - to account for revenues from commonwealth milk dealers imposed on the volume of milk purchases, transfers and investment income. The fund shall be for reimbursing Massachusetts producers who sold milk to a dealer when the dealer has defaulted in the timely payment for the milk under regulations issued.

Commonwealth Security Trust Fund - to account for fees from the sale of United We Stand distinctive license plates and interest earnings. Funds shall be used for grants to local police and fire departments to enhance emergency response including responses to acts of terrorism; and the design, construction and maintenance of memorials dedicated to those killed in the line of duty.

Organ Transplant Fund - to account for revenues collected from voluntary tax check-off donations, public and private gifts, grants, and donations, and from the federal government. Funds shall assist residents in paying all or part of any costs associated with a medically required organ transplant.

Municipal Police Training Fund - to account for a \$2 surcharge (not to exceed \$10 million in a calendar year; any excess surcharge is deposited to the general fund) on each rental car contract in the commonwealth, any interest earned, appropriations, any public and private gifts, grants, and donations, and any transfers from the Marijuana Regulation Fund or the Public Safety Training Fund. Funds shall be used for operating expenses of the municipal police training committee and for the training programs for police officers.

Department of Public Utilities Energy Facilities Siting Board Trust Fund - to account for application fees to construct an electricity generating facility and any interest earned. Funds shall be used by the department for the operation of the energy facilities siting board.

Department of Public Utilities Unified Carrier Registration Trust Fund - to account for registration fees from motor vehicle interstate carriers and any interest earned. Funds shall be used for the regulation of motor carriers.

Municipal Naloxone Bulk Purchase Trust Fund - to account for revenues collected from municipalities and non-profit organizations purchasing naloxone, any appropriations authorized, and any public and private gifts, grants, and donations. Funds are used to provide price reductions for municipalities purchasing naloxone through the program, in addition to any discounts procured through bulk purchasing.

Debt and Long-Term Liability Reduction Trust Fund - to account for the transfer of 10% of category 1 license revenues from the Gaming Revenue Fund. Funds shall be used for the payment and prepayment of commonwealth debt and other long-term liabilities.

Public Health Grant Trust Fund - to account for money received from public and private sources. Funds shall be used to collaborate with nonprofit organizations to participate in competitive grant opportunities that further the mission of the department.

Commonwealth Facility Trust for Energy Efficiency Fund - to account for an initial transfer of \$500,000 from the Energy Credit, Efficiency and Sustainable Design Trust Fund, monies received as reimbursements for projects funded by this fund, and any monies specifically authorized. Funds are used for funding certain small and medium energy and water efficiency projects at state facilities.

Garden of Peace Trust Fund - to account for any monies specifically authorized for transfer into the fund and any public and private gifts, grants and donations for the operation of the Garden of Peace.

Community Behavioral Health Promotion and Prevention Trust Fund - to account for any transfers into the fund, 30% of the excise tax on electronic nicotine delivery systems, and any public and private gifts, grants and donations. Funds shall be used to promote positive mental, emotional and behavioral health and to prevent substance use disorders among children and young adults.

Civics Project Trust Fund - to account for monies specifically authorized for the fund, any public and private gifts, grants and donations, and interest earned. Funds shall be used to provide support to educators for teaching subjects promoting civic service.

Childhood Lead Poisoning Prevention Trust Fund - to account for certain surcharges, appropriations, any public and private sources, gifts, grants, donations, and settlements. Funds shall be used to produce and distribute educational materials, train lead paint inspectors and homeowners to abate or contain lead paint.

Cultural and Performing Arts Mitigation Trust Fund - to account monies transferred from the Gaming Revenue Fund, investment income and another monies to be credited to the fund. Funds shall be used to support programs of the Massachusetts Cultural Council.

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

Massachusetts Coronavirus Relief Fund - to account for federal funds authorized under the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Funds shall be used in accordance with requirements and guidance in the CARES Act issued by the federal government. Treasury has revised the guidance on CRF to provide that a cost associated with a necessary expenditure incurred due to the public health emergency shall be considered to have been incurred by December 31, 2021, if the recipient has incurred an obligation with respect to such cost by December 31, 2021.

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

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

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

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

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

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

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

Offshore Wind Energy Career Training Trust Fund - to account for monies from specific transfers, any public/private gifts, grants, or donations, and any interest earned, to be used for the purpose of providing grants to educational organizations to develop training, certificate, and internship programs, along with other external support for the offshore wind energy industry in the commonwealth.

Criminal Justice and Community Support Trust Fund - to account for appropriations, gifts, grants, and investment income, to be used for the purpose of awarding grants to county and community-based jail diversion programs and community policing and behavioral health training initiatives.

Special Contribution Unemployment Compensation Trust Fund - to account for the special unemployment obligation assessment, to pay for the principal and interest on bonds or notes, or any administrative expenses in connection with the bonds or notes.

COVID-19 Public Health Emergency Hospital Relief Trust Fund - to account for appropriations, public and private gifts, grants, and donations, and interest earned, to be used to support hospitals and affiliated hospital health care providers to prevent, prepare for and respond to COVID-19.

COVID-19 Essential Employee Premium Pay Fund - to account for appropriations, gifts, grants, or contributions directed to the fund, for the purpose of issuing direct financial support to eligible essential workers for in-person work performed during the state of emergency declared by the governor on March 10, 2020.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUNDS:

Massachusetts Transportation Trust Fund - to account for assessments, federal grants, departmental revenues, transfers and expenditures related to MassDOT.

Central Artery/Tunnel Project Repair and Maintenance Trust Fund - to account for any costs incurred in connection with the repairs and maintenance of the Central Artery and the Ted Williams Tunnel.

Motor Vehicle Safety Inspection Trust Fund - to account for motor vehicle inspection fees for administration and operation of safety inspection programs by the Registry of Motor Vehicles.

Transportation Infrastructure and Development Fund - to account for monies transferred from the Gaming Revenue Fund and all other monies credited or transferred to the fund from any other fund or source and proceeds from the investment of such funds. Any expenditures from this fund shall be solely for the purpose of transportation and related infrastructure projects.

The following funds have been enacted in legislation but were inactive in FY22 and are not presented in this report:

Medical Marijuana Trust Fund - to account for revenues generated from fees collected after July 1, 2013, as authorized by the MGL. Expenditures from the fund shall be for the administrative costs of operations and programs regulating medical marijuana use in the Commonwealth.

Essex Regional Emergency Communication Center Fund - The fund shall be used for the operation of the Regional Emergency Communications Center (RECC) to provide centralized emergency communication services to participating communities. There shall be credited to the fund a per capita assessment, any other funding, including, but not limited to, appropriations, gifts, grants, contributions, transfers or investment income.

MBTA Infrastructure Renovation Fund - to account for supplemental appropriations beyond the MBTA State and Local Contribution Fund for certain MBTA infrastructure improvements. Funds are to be used for, but not limited to, compliance with the American with Disabilities Act, elevator and escalator improvements, waterproofing, fare gates, signage, lighting and structural improvements.

Smart Growth Housing Trust Fund - to account for revenues from state surplus property sold for between \$25 million to \$50 million, appropriations, and monetary sanctions imposed by the department. Expenditures are for payments to communities for zoning incentive and density bonus payments related to smart growth or starter home zoning districts.

Essential Community Provider Trust Fund - to account for amounts appropriated for transfers and interest earned by the fund; used for payments to acute care hospitals and community health centers.

Department of Mental Retardation Trust Fund - to account for any receipts from assessments, transfers for public facilities and any other FFP. Expenditures are for operating the intermediate care facilities and community residences serving individuals with mental retardation.

Agricultural Inspection and Infrastructure Trust Fund - to account for agricultural inspection fees, interest or investment earnings; and all other monies credited or transferred to the fund by law. Expenditures shall be for agricultural programs and costs related to the Agricultural Innovation Center.

Massachusetts Board of Higher Education Scholar-Internship Match Fund - to provide a match not to exceed \$5,000 per student, for industry scholarships given to Massachusetts students going on to study for a post-secondary degree at Massachusetts public higher education institutions.

District Local Technical Assistance Fund - to account for grants to regional planning agencies for technical assistance to municipalities and to develop a statewide permitting model. Technical assistance services funded by these grants shall include services for zoning, land use planning, conservation, public safety planning, information technology and statistical trend modeling.

Educational Rewards Grant Program Fund - to account for grants to students in accredited post-secondary certificate or vocational technology programs or associate degrees in targeted high-demand occupations.

Housing and Economic Development Trust Fund - to account for grants, bequests, gifts or contributions of cash or securities, or contributions of services or property in kind and all interest earned on monies in the trust. Expenditures shall be for operating costs of the executive office of housing and community development, operating costs of the Massachusetts marketing partnership, and costs associated with housing and economic development programs, grants and initiatives.

Climate Change Adaptation Infrastructure Investment Fund - to account for amounts credited or transferred to the fund, federal grants, loan repayments, investment earnings and any other amounts required to be credited to the fund. Amounts credited to the fund may be used for the operations of the division of waterways and the office of dam safety, the department of environmental protection, the department of fish and game and the office of coastal zone management and to provide grants or loans to agencies of the Commonwealth and local governmental bodies to finance or refinance costs of certain environmental or coastal projects.

Massachusetts Alternative and Clean Energy Investment Trust Fund - to account for any funds invested in clean energy technology research and issued as seed grants to companies, universities and nonprofits to encourage the creation of clean technology ventures and the training of workers to perform associated green jobs.

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

Human Service Salary Reserve Fund - to account for funds transferred from the General Fund to provide a one-time subsidy to personnel earning less than \$40,000 in annual compensation who are employed by private human service providers that deliver human and social services under contracts with departments within the Executive Office of Health and Human Services and the Executive Office of Elder Affairs.

Commonwealth Sewer Rate Relief Fund - to account for transfers of amounts from the General Fund or other funds; used for the purpose of mitigating sewer rate increases and making sewer rate relief grants to municipalities.

Gaming Licensing Fund - to account for the licensing fees of all gaming establishments but excluding initial application fees. Monies from this fund shall be transferred to various funds. This fund expired on December 31, 2015.

Massachusetts Health Information Exchange Fund - to account for expenditures to support the dissemination and development of the statewide health information exchange. There shall be credited to the fund any appropriations, proceeds of any bonds or notes of the commonwealth issued for the purpose, federal grants or loans; private gifts, grants or donations, and investment income.

Securities Fraud Prosecution Fund - to account for criminal penalties, fines and settlements and any income from the investment of amounts credited to the fund. Expenditures from this fund are for investigations, enforcement of and dissemination of information about the Uniform Securities Act.

Flood Control Compact Fund - to account for any funds authorized and specifically designated to the fund plus any interest or investment earnings on any such monies. Expenditures shall be made for costs arising under any compact authorized by the general court, which may include reimbursing cities and towns or other states for flood control costs.

Public Records Assistance Fund - to account for revenues collected from punitive damages fines assessed to agencies or municipalities in violation of certain public record laws, appropriations, bond proceeds, gifts, grants, private contributions, operating transfers and earned investment income. To be used to provide grants to municipalities to support information technology capabilities and improve access to public records.

Olmsted Park Improvement Fund - to account for expenditures by the Department of Conservation & Recreation for the purposes of providing rehabilitation and improvement grants to cities and towns with an Olmsted Park within its municipal boundaries. The fund shall consist of public and private sources such as gifts, grants and donations, interest earned on revenues from gifts, grants and donations and any funds provided from other sources.

Municipal Epinephrine Bulk Purchase Trust Fund - to account for payments from participating cities and towns, appropriations, gifts, grants, donations, rebates and settlements. Funds shall be used for the purchase and distribution of epinephrine to first responder departments and the elementary and secondary schools in participating cities and towns.

State Parks Preservation Trust Fund - to account for revenues received from public and private gifts, grants, and donations, and from the federal government for preservation efforts. Funds shall be used for the purposes of maintaining and preserving all state-owned parks.

Abandoned Vessel Trust Fund - to account for revenues generated from the sale of abandoned vessels and any appropriations from the General Fund. Funds shall be used for removing abandoned vessels from public waterways.

Endowment Incentive Holding Fund - to account for the collection of private contributions into each higher education institution's recognized foundation. The commonwealth shall contribute funds to each institution's recognized foundation in an amount necessary to match private contributions in the current fiscal year.

Technical Rescue Services Fund - to account for compensation received under specific contracts, cost reimbursements, any monies specifically authorized for the fund, any public and private gifts, grants and donations, and interest earned. Funds shall be used for the maintenance and operation of technical rescue regions, technical rescue services and training, and the acquisition of technical rescue equipment.

Massachusetts Veterans and Warriors to Agriculture Program Fund - to account for appropriations, any public and private gifts, grants and donations, and interest earned. Funds shall be used to enhance the education, training, employment, income, productivity and retention of veterans currently working or aspiring to work in the agricultural field.

Global Warming Solutions Trust Fund - to account for appropriations, any public and private gifts, grants and donations, rebates, settlements, interest earned and any other revenues specifically credited to the fund. The fund is used to issue grants or loans to governmental, quasi-governmental or non-profit entities for costs incurred implementing the Clean Energy and Climate Plan related to climate change mitigation and adaptation.

Transfer of Development Rights Revolving Fund - to account for appropriations, any public and private gifts, grants and donations, rebates, settlements, interest earned and any other revenues specifically credited to the fund.

Expenditures from the fund are to provide loans to municipalities for the acquisition of transferable development rights to protect conservation values and encourage development.

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

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

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

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

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

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

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

Revere Beach Reservation Trust Fund - to account for parking station fees and parking violations within the Revere beach reservation, to be used for the purpose of capital improvements of the Revere beach reservation.

Academic Health Department Partnerships Trust Fund - to account for the revenues from public or private gifts, grants, donations, and contributions, to be used to support the academic health department and academic volunteer corps programs.

Genocide Education Trust Fund - to account for appropriations, public and private gifts, grants, and donations, fines imposed for hate crimes or civil rights violations, and interest earned, to be used for the purpose of educating middle and high school students on the history of genocide.

Christian A. Herter Park Trust Fund - to account for the fees generated by permits, licenses and all other agreements relating to the use of the Christian A. Herter Park, to be used for the purposes of advancing recreational, educational and conservation interests.

Leo M. Birmingham Parkway Trust Fund - to account for appropriations, monies received from public and private gifts, grants, and donations, and fees generated by permits, licenses, and all other agreements related to the use of the Leo M. Birmingham Parkway, to be used for the purposes of advancing recreational, educational and conservation interests.

Massachusetts Rehabilitation Commission Vocational Rehabilitation Reimbursement Fund - to account for federal government reimbursement, program participant reimbursement, and interest earned, to be used for the vocational rehabilitation program under the Massachusetts Rehabilitation Commission.

Massachusetts Commission for the Blind Vocational Rehabilitation Reimbursement Fund - to account for federal government reimbursement, program participant reimbursement, and interest earned, to be used for the vocational rehabilitation program under the Massachusetts Commission for the Blind.

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Lotteries			Gaming		Non-Budgeted Other Funds	
	Federal Grants	State Lottery and Gaming	State Arts Lottery	Massachusetts Gaming Control	Gaming Revenue	Catastrophic Illness in Children Relief	Commonwealth Care Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ 224	\$ —	\$ —	\$ 300,057	\$ —	\$ 122,527
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	5,307,028	—	—	—	—	—	—
Departmental	—	5,954,353	31,562	31,963	—	—	139,519
Miscellaneous	32	1,242	39	1	—	—	—
Total revenues	5,307,060	5,955,819	31,601	31,964	300,057	—	262,046
Other financing sources:							
Operating transfers in	4,054	—	—	—	—	3,079	35,000
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	4,054	—	—	—	—	3,079	35,000
Total revenues and other financing sources	5,311,114	5,955,819	31,601	31,964	300,057	3,079	297,046
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	3,159	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	867	—	—	—	—	—	—
Treasurer and Receiver-General	3,148	4,750,843	22,347	51	—	—	—
Attorney General	45,685	—	—	1,648	—	—	—
District Attorney	4,191	—	—	—	—	—	—
Sheriffs' Departments	5,813	—	—	—	—	—	—
Disabled Persons Protection Commission	1,347	—	—	—	—	—	—
Board of Library Commissioners	6,769	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	25,015	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	79,893	—	—	—	—	—	119,933
Energy and Environmental Affairs	40,021	—	—	—	—	—	—
Health and Human Services	1,022,456	—	—	—	—	2,565	—
Executive Office of Technology Services and Security	1,459	—	—	—	—	—	—
Massachusetts Department of Transportation	91	—	—	—	—	—	—
Executive Office of Education	2,446,353	—	—	—	—	—	—
Public Safety and Security	268,161	—	—	20	—	—	—
Housing and Economic Development	1,348,160	—	—	—	—	—	—
Labor and Workforce Development	160,888	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	5,438,461	4,750,843	22,347	26,734	—	2,565	119,933
Other financing uses:							
Fringe benefit cost assessment	93,209	12,734	—	2,985	—	211	—
Lottery operating reimbursements	—	122,189	—	—	—	—	—
Lottery distributions	—	1,070,052	9,254	—	—	—	—
Operating transfers out	79,428	—	—	2,757	275,749	73	19,079
Stabilization transfer	—	—	—	—	24,308	—	—
Total other financing uses	172,637	1,204,976	9,254	5,742	300,057	284	19,079
Total expenditures and other financing uses	5,611,098	5,955,819	31,601	32,476	300,057	2,849	139,012
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(299,984)	—	—	(512)	—	230	158,034
Fund balances/(deficits) at beginning of year	467,716	—	—	1,945	—	6,022	110,416
Fund balances/(deficits) at end of year	\$ 167,732	\$ —	\$ —	\$ 1,433	\$ —	\$ 6,252	\$ 268,450

See accountants' review report

Non-Budgeted Other Funds									
Medical Assistance Trust	Health Safety Net Trust	Community First Trust	Money Follows the Person Rebalancing Demonstration Grant Trust	Public Health Trust	Healthcare Payment Reform	Distressed Hospital Trust	Prevention and Wellness Trust	MassHealth Delivery System Reform Trust	Community Hospital Reinvestment Trust
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	376,761	—	—	5,000	—	—	—	257,500	—
—	—	—	—	—	—	—	—	207,262	—
136,028	1,562	—	—	—	151	—	—	—	—
—	366	—	—	—	—	—	—	—	—
136,028	378,689	—	—	5,000	151	—	—	464,762	—
—	16,000	—	—	12,154	—	—	—	—	—
751,458	—	—	—	—	—	—	—	—	—
751,458	16,000	—	—	12,154	—	—	—	—	—
887,486	394,689	—	—	17,154	151	—	—	464,762	—
—	—	—	—	—	—	—	—	—	—
—	104	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	5,951	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	1,447	1,271	131	—	—
661,845	371,096	—	5	6,732	116	—	29	479,721	10,000
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	2,917	—
—	—	—	—	—	—	—	—	—	—
661,845	371,200	—	5	12,683	1,563	1,271	160	482,638	10,000
—	658	—	—	287	40	34	9	479	—
—	—	—	—	—	—	—	—	—	—
—	4,660	2	—	380	14	13	3	40,000	—
—	—	—	—	—	—	—	—	—	—
—	5,318	2	—	667	54	47	12	40,479	—
661,845	376,518	2	5	13,350	1,617	1,318	172	523,117	10,000
225,641	18,171	(2)	(5)	3,804	(1,466)	(1,318)	(172)	(58,355)	(10,000)
137,577	76,911	2	29	12,467	4,072	7,330	1,586	122,440	10,000
\$ 363,218	\$ 95,082	\$ —	\$ 24	\$ 16,271	\$ 2,606	\$ 6,012	\$ 1,414	\$ 64,085	\$ —

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Non-Acute Care Hospital Reimbursement Trust	Substance Use Disorder Federal Reinvestment Trust	Safety Net Provider Trust	Home Care Technology Trust	Dam and Seawall Repair or Removal	Department of Telecommunication and Energy Trust	Fingerprint- Based Background Check Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	9,372	—	—	—	—	2,670	—
Federal grants and reimbursements	11,591	148,988	—	839	—	—	—
Departmental	—	—	—	1,800	857	—	4,934
Miscellaneous	—	—	—	—	18	1	—
Total revenues	20,963	148,988	—	2,639	875	2,671	4,934
Other financing sources:							
Operating transfers in	—	—	171,171	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	171,171	—	—	—	—
Total revenues and other financing sources	20,963	148,988	171,171	2,639	875	2,671	4,934
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	1,488	—
Health and Human Services	20,786	134,713	163,412	2,073	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	4,249
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	20,786	134,713	163,412	2,073	—	1,488	4,249
Other financing uses:							
Fringe benefit cost assessment	—	—	—	—	—	535	283
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	55	112
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	590	395
Total expenditures and other financing uses	20,786	134,713	163,412	2,073	—	2,078	4,644
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	177	14,275	7,759	566	875	593	290
Fund balances/(deficits) at beginning of year	2,937	158,926	8,878	2,433	8,396	5,674	6,224
Fund balances/(deficits) at end of year	\$ 3,114	\$ 173,201	\$ 16,637	\$ 2,999	\$ 9,271	\$ 6,267	\$ 6,514

See accountants' review report

Non-Budgeted Other Funds									
Liability Management and Reduction	Dockside Testing Trust	Commonwealth of Massachusetts Civil Monetary Penalty (CMP)	MBTA State and Local Contribution	Massachusetts Community Preservation Trust	Health Insurance Portability and Accountability Act	State Racing	Division of Professional Licensure Trust	Victims of Drunk Driving Trust	State Athletic Commission
\$ —	\$ —	\$ —	\$ 1,348,905	\$ 70,650	\$ —	\$ 1,080	\$ —	\$ —	\$ 77
—	—	—	179,283	—	—	792	—	—	—
—	—	—	—	—	9,834	—	—	—	—
1,939	—	1,098	—	—	—	423	12,405	259	41
4	—	—	—	17	—	304	—	1	—
1,943	—	1,098	1,528,189	70,667	9,834	2,599	12,405	260	118
—	—	—	—	30,000	—	—	702	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	30,000	—	—	702	—	—
1,943	—	1,098	1,528,189	100,667	9,834	2,599	13,107	260	118
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
82	—	—	1,528,189	—	—	—	5	105	—
—	—	—	—	—	—	—	—	97	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,875	—	—	—
1,527	—	—	—	—	—	—	—	—	—
—	—	—	—	88,477	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	8	1,119	—	—	10,556	70	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	8,596	—	102
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,609	8	1,119	1,528,189	88,477	10,556	1,945	8,601	202	102
37	—	—	—	—	215	266	1,512	1	29
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	162	173	436	1	9
—	—	—	—	—	—	—	—	—	—
37	—	—	—	—	377	439	1,948	2	38
1,646	8	1,119	1,528,189	88,477	10,933	2,384	10,549	204	140
297	(8)	(21)	—	12,190	(1,099)	215	2,558	56	(22)
3,079	218	11,764	—	65,783	4,453	773	5,011	869	267
\$ 3,376	\$ 210	\$ 11,743	\$ —	\$ 77,973	\$ 3,354	\$ 988	\$ 7,569	\$ 925	\$ 245

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Organ and Tissue Donor Registration	Department of Fire Services Hazardous Material Emergency Mitigation Response Recovery Trust	Registers Technological	County Registers Technological	State Election Campaign	Enhanced 911	Counsel for Indigent Salary Enhancement Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	144	299	5,116	2,886	200	162,803	—
Miscellaneous	—	—	—	—	3	321	—
Total revenues	144	299	5,116	2,886	203	163,124	—
Other financing sources:							
Operating transfers in	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	—
Total revenues and other financing sources	144	299	5,116	2,886	203	163,124	—
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	2,960	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	6,792	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	89	—
Health and Human Services	297	—	—	—	—	49	—
Executive Office of Technology Services and Security	—	—	—	3,490	—	5,205	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	224	—	—	—	113,810	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	297	224	2,960	3,490	—	125,945	—
Other financing uses:							
Fringe benefit cost assessment	—	—	287	—	—	5,055	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	50	157	—	—	3,067	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	50	444	—	—	8,122	—
Total expenditures and other financing uses	297	274	3,404	3,490	—	134,067	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(153)	25	1,712	(604)	203	29,057	—
Fund balances/(deficits) at beginning of year	957	152	2,487	6,874	803	221,777	2
Fund balances/(deficits) at end of year	\$ 804	\$ 177	\$ 4,199	\$ 6,270	\$ 1,006	\$ 250,834	\$ 2

See accountants' review report

Non-Budgeted Other Funds										
Special Projects Permitting and Oversight	Department of Energy Resources Credit Trust	School Modernization and Reconstruction Trust	Roche Community Rink	Health Care Workforce Transformation	Workforce Competitiveness Trust	Fire Prevention and Public Safety	Cigarette Fire Safety and Firefighter Protection Act Enforcement	Massachusetts Nursing and Allied Health Workforce Development Trust	Health Information Technology Trust	
\$ —	\$ —	\$ 1,188,905	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	39,628
101	—	—	31	—	—	—	138	—	—	596
—	—	—	—	—	—	—	26	—	—	—
101	—	1,188,905	31	—	—	—	164	—	—	40,224
—	—	—	—	—	69,880	—	—	350	—	14,178
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	69,880	—	—	350	—	14,178
101	—	1,188,905	31	—	69,880	—	164	350	—	54,402
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	1,188,905	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
401	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	335	—	49,713
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	10	215	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	8,383	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
401	—	1,188,905	—	—	8,383	10	215	335	—	49,713
132	—	—	—	—	—	—	46	44	—	1,844
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
60	—	—	—	—	—	2	30	—	—	358
—	—	—	—	—	—	—	—	—	—	—
192	—	—	—	—	—	2	76	44	—	2,202
593	—	1,188,905	—	—	8,383	12	291	379	—	51,915
(492)	—	—	31	—	61,497	(12)	(127)	(29)	—	2,487
4,098	43	—	621	55	20,138	15	2,099	613	—	5,327
\$ 3,606	\$ 43	\$ —	\$ 652	\$ 55	\$ 81,635	\$ 3	\$ 1,972	\$ 584	\$ —	\$ 7,814

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Build America Bonds Subsidy Trust	Housing Preservation and Stabilization Trust	Office of Refugees and Immigrants Trust	Veterans Independence Plus Initiative Trust	Massachusetts Environmental Police Trust	Domestic and Sexual Violence Prevention and Victim Assistance	Massachusetts Seafood Marketing Program
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	34,873	—	—	—	—	—	—
Departmental	—	—	—	—	507	8	250
Miscellaneous	—	1,430	—	—	—	—	—
Total revenues	34,873	1,430	—	—	507	8	250
Other financing sources:							
Operating transfers in	—	31,126	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	31,126	—	—	—	—	—
Total revenues and other financing sources	34,873	32,556	—	—	507	8	250
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	509	—	255
Health and Human Services	—	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Housing and Economic Development	—	15,799	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	27,402	—	—	—	—	—	—
Total expenditures	27,402	15,799	—	—	509	—	255
Other financing uses:							
Fringe benefit cost assessment	—	—	—	—	48	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	28	—	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	—	—	76	—	—
Total expenditures and other financing uses	27,402	15,799	—	—	585	—	255
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	7,471	16,757	—	—	(78)	8	(5)
Fund balances/(deficits) at beginning of year	8,806	18,753	140	58	529	63	401
Fund balances/(deficits) at end of year	\$ 16,277	\$ 35,510	\$ 140	\$ 58	\$ 451	\$ 71	\$ 396

See accountants' review report

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Department of Public Utilities Storm Trust	Homeless Animal Prevention and Care	Horseneck Beach Reservation Trust	Environmental Trust	Social Innovation Financing Trust	Children's Trust	Child Support Enforcement
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	833	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	21,006
Departmental	—	400	22	591	—	—	7,397
Miscellaneous	—	—	—	2	—	1	64
Total revenues	833	400	22	593	—	1	28,467
Other financing sources:							
Operating transfers in	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	—
Total revenues and other financing sources	833	400	22	593	—	1	28,467
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	8
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	3
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	3,383	—	25,808
Energy and Environmental Affairs	391	347	20	699	—	—	—
Health and Human Services	—	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	7	—
Public Safety and Security	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	391	347	20	699	3,383	7	25,819
Other financing uses:							
Fringe benefit cost assessment	129	36	—	105	—	—	34
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	14	—	—	40	—	1	12
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	143	36	—	145	—	1	46
Total expenditures and other financing uses	534	383	20	844	3,383	8	25,865
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	299	17	2	(251)	(3,383)	(7)	2,602
Fund balances/(deficits) at beginning of year	120	483	26	977	9,262	187	19,017
Fund balances/(deficits) at end of year	\$ 419	\$ 500	\$ 28	\$ 726	\$ 5,879	\$ 180	\$ 21,619

See accountants' review report

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Grant Anticipation Note Trust	Race Horse Development	Community Mitigation	Massachusetts Tourism Trust	Long-Term Care Facility Quality Improvement	Sexual Assault Nurse Examiner Trust	Transportation Infrastructure Enhancement Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ 10,000	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	7,950
Federal grants and reimbursements	628,414	—	—	—	—	—	—
Departmental	—	12,760	—	—	1,163	8	—
Miscellaneous	232	—	—	—	—	—	—
Total revenues	628,646	12,760	—	10,000	1,163	8	7,950
Other financing sources:							
Operating transfers in	28,461	6,077	15,800	14,431	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	28,461	6,077	15,800	14,431	—	—	—
Total revenues and other financing sources	657,107	18,837	15,800	24,431	1,163	8	7,950
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	55	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	45	—	—	—	—
Sheriffs' Departments	—	—	400	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	17,578	5,613	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	5,962
Health and Human Services	—	—	—	—	247	5	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	342	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	23,250	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	104,315	—	—	—	—	—	—
Interest and fiscal charges	28,697	—	—	—	—	—	—
Total expenditures	133,012	17,578	6,400	23,305	247	5	5,962
Other financing uses:							
Fringe benefit cost assessment	—	—	75	481	—	1	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	541,944	—	40	282	—	—	1,987
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	541,944	—	115	763	—	1	1,987
Total expenditures and other financing uses	674,956	17,578	6,515	24,068	247	6	7,949
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(17,849)	1,259	9,285	363	916	2	1
Fund balances/(deficits) at beginning of year	87,630	20,264	31,086	3,418	30	6	2
Fund balances/(deficits) at end of year	\$ 69,781	\$ 21,523	\$ 40,371	\$ 3,781	\$ 946	\$ 8	\$ 3

See accountants' review report

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Unified Carrier Registration Trust	Municipal Naloxone Bulk Purchase Trust	Debt and Long-Term Liability Reduction Trust	Public Health Grant Trust	Commonwealth Facility Trust For Energy Efficiency	Garden of Peace Trust	Community Behavioral Health Promotion and Prevention Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,898
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	1,964	766	—	1,085	—	8	—
Miscellaneous	—	—	—	—	—	2	—
Total revenues	1,964	766	—	1,085	—	10	4,898
Other financing sources:							
Operating transfers in	—	—	24,307	—	—	—	200
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	24,307	—	—	—	200
Total revenues and other financing sources	1,964	766	24,307	1,085	—	10	5,098
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	3	—
Energy and Environmental Affairs	1,502	—	—	—	—	—	—
Health and Human Services	—	435	—	611	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	1,502	435	—	611	—	3	—
Other financing uses:							
Fringe benefit cost assessment	473	—	—	116	—	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	52	—	—	40	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	525	—	—	156	—	—	—
Total expenditures and other financing uses	2,027	435	—	767	—	3	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(63)	331	24,307	318	—	7	5,098
Fund balances/(deficits) at beginning of year	2,186	747	42,153	333	509	690	4,391
Fund balances/(deficits) at end of year	\$ 2,123	\$ 1,078	\$ 66,460	\$ 651	\$ 509	\$ 697	\$ 9,489

See accountants' review report

continued

Non-Budgeted Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Non-Budgeted Other Funds						
	Opioid Recovery and Remediation	COVID-19 Massachusetts Emergency Paid Sick Leave	Offshore Wind Energy Career Training Trust	Criminal Justice and Community Support Trust	Special Contribution Unemployment Compensation Trust	COVID-19 Public Health Emergency Hospital Relief Trust	COVID-19 Essential Employee Premium Pay
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	67,499	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	13,060	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—
Total revenues	13,060	—	—	—	67,499	—	—
Other financing sources:							
Operating transfers in	—	83,799	13,000	5,000	—	250,000	500,000
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	83,799	13,000	5,000	—	250,000	500,000
Total revenues and other financing sources	13,060	83,799	13,000	5,000	67,499	250,000	500,000
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	49
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	158,799	—	—	—	—	387,296
Energy and Environmental Affairs	—	—	2,500	—	—	—	—
Health and Human Services	—	—	—	—	—	250,000	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	—	158,799	2,500	—	—	250,000	387,345
Other financing uses:							
Fringe benefit cost assessment	—	—	—	—	—	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	5
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	—	5
Total expenditures and other financing uses	—	158,799	2,500	—	—	250,000	387,350
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	13,060	(75,000)	10,500	5,000	67,499	—	112,650
Fund balances/(deficits) at beginning of year	11,530	75,000	—	—	—	—	—
Fund balances/(deficits) at end of year	\$ 24,590	\$ —	\$ 10,500	\$ 5,000	\$ 67,499	\$ —	\$ 112,650

See accountants' review report

MassDOT				Totals (Memorandum only)	
Massachusetts Transportation Trust	Central Artery/ Tunnel Project Repair and Maintenance Trust	Motor Vehicle Inspection Trust	Transportation Infrastructure and Development	2022	2021
\$ —	\$ —	\$ —	\$ —	\$ 3,217,407	\$ 2,877,080
—	—	—	—	1,072,888	898,752
22,982	—	—	—	6,536,894	5,806,155
488,192	—	66,440	—	7,254,781	7,086,221
8,994	(13,209)	20	10	1,066	32,956
520,168	(13,209)	66,460	10	18,083,036	16,701,162
833,917	—	—	—	2,191,247	1,132,630
—	—	—	—	751,458	505,250
833,917	—	—	—	2,942,705	1,637,880
1,354,085	(13,209)	66,460	10	21,025,741	18,339,042
—	—	—	—	3,159	3,343
—	—	—	—	104	103
117	—	—	—	172	189
—	—	—	—	3,827	4,938
516	—	—	—	7,499,746	7,313,402
—	—	—	—	47,525	52,609
—	—	—	—	4,336	4,654
338	—	—	—	13,343	11,423
—	—	—	—	1,347	1,203
—	—	—	—	6,769	3,274
—	—	—	—	56,032	45,589
—	—	—	—	1,527	1,508
—	—	—	—	1,069,480	977,139
554	—	1,546	—	103,961	104,432
—	—	—	—	3,332,372	2,653,770
—	—	—	—	10,327	7,642
1,064,786	19,307	9,683	—	1,096,058	1,016,379
—	—	—	—	2,451,785	1,467,556
676	—	—	—	595,617	300,104
—	—	—	—	1,405,567	1,604,815
—	—	—	—	206,633	233,101
—	—	—	—	132,338	107,905
—	—	—	—	83,595	110,595
1,066,987	19,307	11,229	—	18,125,620	16,025,672
99,539	—	1,701	—	348,171	217,254
—	—	—	—	122,189	105,986
—	—	—	—	1,079,306	1,090,040
3,386	—	53,474	—	1,054,643	1,140,066
—	—	—	—	24,308	17,457
102,925	—	55,175	—	2,628,617	2,570,802
1,169,912	19,307	66,404	—	20,754,237	18,596,474
184,173	(32,516)	56	10	271,504	(257,432)
1,158,739	328,776	2,106	3,223	4,249,034	4,506,466
\$ 1,342,912	\$ 296,260	\$ 2,162	\$ 3,233	\$ 4,520,538	\$ 4,249,034



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Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets of the Commonwealth and to finance local governmental capital projects.

General Capital Projects Fund - to account for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes.

Convention and Exhibition Center Projects Fund - to account for proceeds of bonds to finance the construction of a convention center in the City of Boston.

Capital Improvements and Investment Trust Fund - to account for the Commonwealth's reimbursement to cities and towns for expenses incurred for projects for construction and reconstruction of town and county ways.

Highway Capital Projects Fund - to account for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of Federally sponsored highway construction.

Federal Highway Construction Program - to account for federal highway construction grants which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

OTHER FUNDS:

Government Land Bank Capital Projects Fund - to account for proceeds of bonds used to finance the acquisition, holding, protection, maintenance, repair or use of lands and for personnel and the administrative costs of the Massachusetts Development Finance Agency.

Local Aid Capital Projects Fund - to account for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUND:

Central Artery Statewide Road and Bridge Infrastructure Fund - to account for bond proceeds, certain revenues from Registry of Motor Vehicle fees, (net of debt service expenditures) and payments from authorities. The purpose of expenditures from the fund is to meet the estimated additional costs associated with the Central Artery/Ted Williams Tunnel Project and for costs of the statewide road and bridge program.

The following funds have been enacted in legislation but were inactive in FY22 and are not presented in this report:

Capital Investment Trust Fund - to account for a transfer from the General Fund to finance appropriated items of a capital nature.

Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	General Capital Projects	Convention and Exhibition Center Projects	Capital Improvements and Investment Trust	Highway Capital Projects
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ 91,957	\$ —	\$ —	\$ —
Departmental	—	—	—	—
Miscellaneous	—	—	—	100
Total revenues	91,957	—	—	100
Other financing sources:				
Issuance of general obligation bonds	885,642	—	—	507,194
Bond premiums (discounts) on general obligation bonds	165,955	—	—	79,083
Issuance of special obligation bonds	—	—	—	350,000
Bond premiums (discounts) on special obligation bonds	—	—	—	29,088
Issuance of current refunding bonds	173,996	—	—	87,269
Bond premiums (discounts) on current refunding bonds	18,522	—	—	9,290
Issuance of advance refunding bonds	—	—	—	—
Bond premiums (discounts) on advance refunding bonds	—	—	—	—
Operating transfers in	—	—	—	—
State share of federal highway construction	—	—	—	—
Total other financing sources	1,244,115	—	—	1,061,924
Total revenues and other financing sources	1,336,072	—	—	1,062,024
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	12,926	—	—	—
Secretary of the Commonwealth	1,510	—	—	—
Treasurer and Receiver-General	39,523	—	—	5,265
Auditor of the Commonwealth	204	—	—	—
Attorney General	2	—	—	234
Ethics Commission	301	—	—	—
Sheriffs' Departments	10,164	—	—	—
Board of Library Commissioners	19,962	—	—	—
Comptroller	3,030	—	—	—
Administration and Finance	464,922	—	—	74
Energy and Environmental Affairs	291,303	—	—	89
Health and Human Services	81,434	—	—	—
Executive Office of Technology Services and Security	67,382	—	—	—
Massachusetts Department of Transportation	44,704	—	—	1,376,671
Executive Office of Education	100,328	—	—	—
Center for Health Information and Analysis	76	—	—	—
Public Safety and Security	31,992	—	—	—
Housing and Economic Development	490,482	—	—	250
Labor and Workforce Development	3,075	—	—	—
Total expenditures	1,663,320	—	—	1,382,583
Other financing uses:				
Payments to advance refunding bonds escrow	—	—	—	—
Principal on current refundings	192,518	—	—	96,558
Fringe benefit cost assessment	21,664	—	—	—
Operating transfers out	—	—	—	28,325
State share of federal highway construction	—	—	—	143,992
Total other financing uses	214,182	—	—	268,875
Total expenditures and other financing uses	1,877,502	—	—	1,651,458
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(541,430)	—	—	(589,434)
Fund balances/(deficits) at beginning of year	(685,776)	8,393	—	(388,241)
Fund balances/(deficits) at end of year	\$ (1,227,206)	\$ 8,393	\$ —	\$ (977,675)

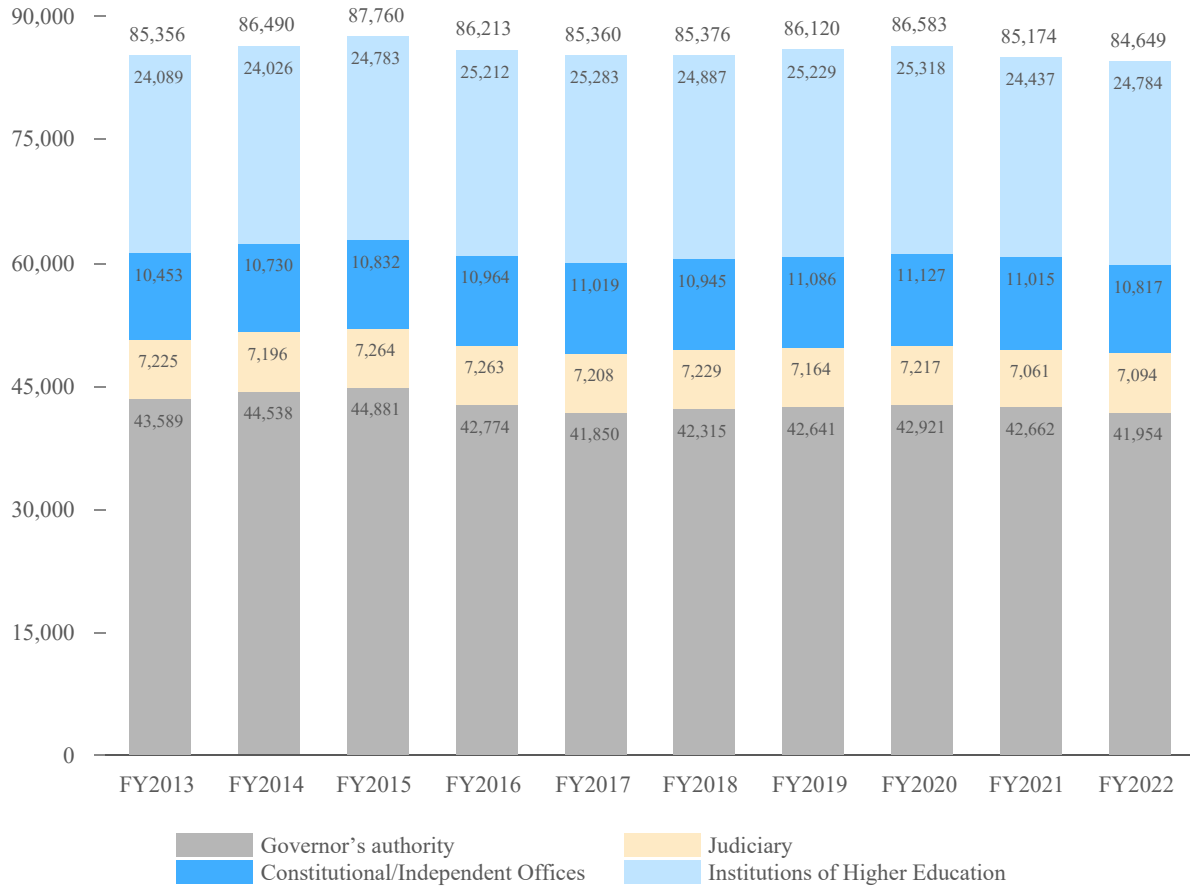
See accountant's review report

Federal Highway Construction Program	Government Land Bank Capital Projects	Local Aid Capital Projects	MassDOT		Totals (Memorandum only)	
			Central Artery Statewide Road and Bridge Infrastructure		2022	2021
\$ —	\$ —	\$ —	\$ —	\$	91,957	\$ 77,259
684	—	—	—		684	729
—	—	—	228		328	165
684	—	—	228		92,969	78,153
—	—	—	—		1,392,836	1,982,048
—	—	—	—		245,038	393,984
—	—	—	—		350,000	400,000
—	—	—	—		29,088	87,185
—	—	41,245	222,975		525,485	865,115
—	—	4,391	52,619		84,821	199,529
—	—	—	—		—	900,775
—	—	—	—		—	(2,416)
541,944	—	—	—		541,944	632,766
143,992	—	—	—		143,992	141,684
685,936	—	45,636	275,594		3,313,204	5,600,670
686,620	—	45,636	275,822		3,406,173	5,678,823
—	—	—	—		12,926	9,984
—	—	—	—		1,510	2,137
—	—	—	—		44,789	29,022
—	—	—	—		204	102
—	—	—	—		236	135
—	—	—	—		301	82
—	—	—	—		10,164	4,636
—	—	—	—		19,962	20,133
—	—	—	—		3,030	1,754
—	—	—	—		464,996	341,632
—	—	—	—		291,392	258,673
—	—	—	—		81,434	82,509
179	—	—	—		67,561	56,896
672,725	—	—	—		2,094,100	2,300,699
—	—	—	—		100,328	136,713
—	—	—	—		76	4,974
—	—	—	—		31,992	53,173
—	—	—	—		490,732	469,459
—	—	—	—		3,075	1,279
672,904	—	—	—		3,718,808	3,773,992
—	—	—	—		—	898,358
—	—	45,636	275,594		610,306	1,064,644
13,716	—	—	—		35,380	32,925
—	—	—	—		28,325	—
—	—	—	—		143,992	141,684
13,716	—	45,636	275,594		818,003	2,137,611
686,620	—	45,636	275,594		4,536,811	5,911,603
—	—	—	228		(1,130,638)	(232,780)
517	(500)	—	70,729		(994,878)	(762,098)
\$ 517	\$ (500)	\$ —	\$ 70,957	\$	(2,125,516)	\$ (994,878)

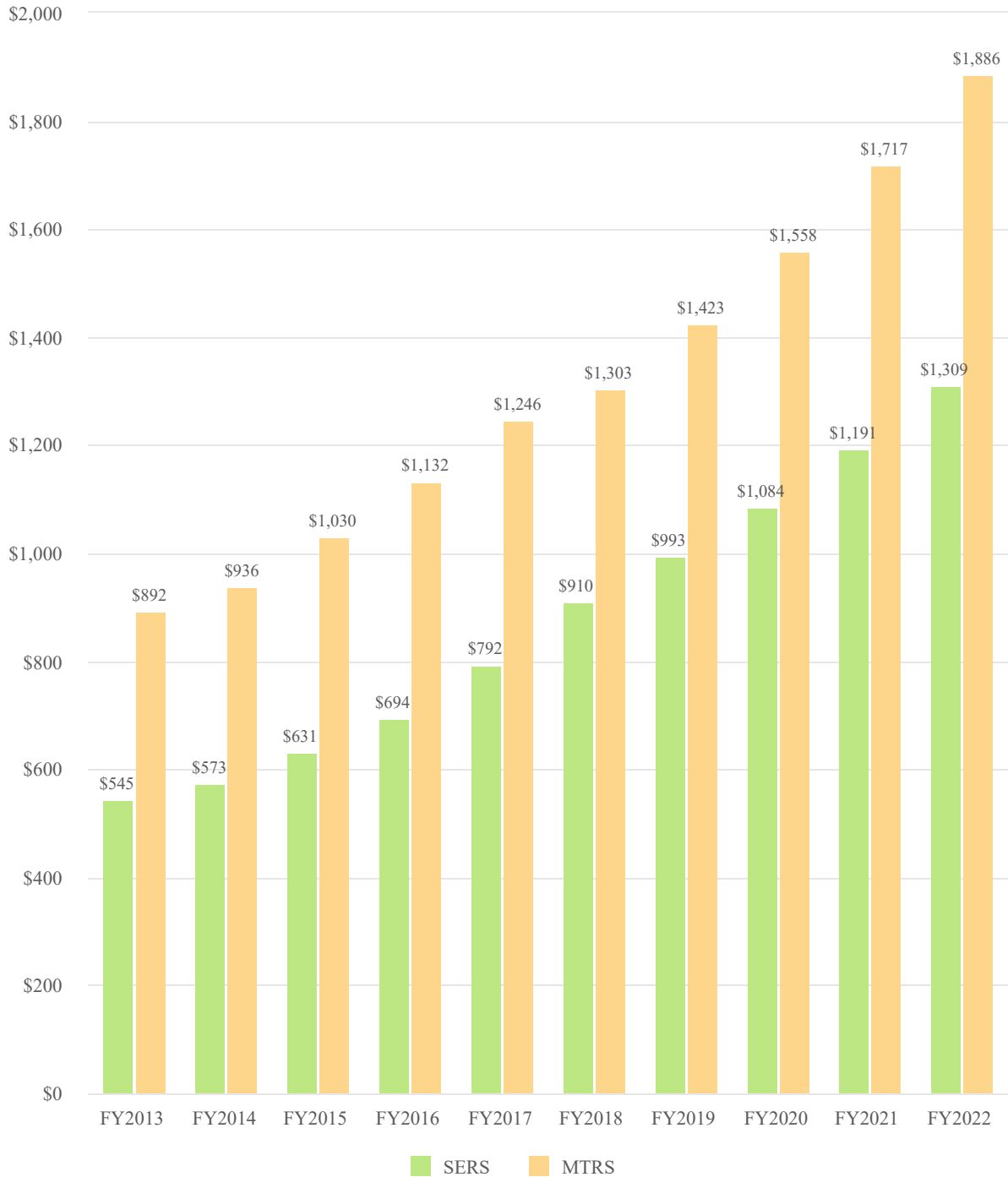


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THE BIG PICTURE: HISTORICAL CONTEXT
Full-Time Equivalent Workforce
Last Ten Fiscal Years
(As of 6/30)



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



Supplemental Information



Calculation of Transfers, Transitional Escrow Fund and Stabilization Fund Balance Reconciliation

Calculation of Transfers – Tax Reduction Fund

Schedule A – FY2022 Tax Revenues by Revenue Class

Schedule B – Calculation of Cap on Stabilization Fund

Schedule C – Detail of Elimination of Budgetary Inter Fund Activity

Non-Tax Revenue Initiatives

Schedule of Pension and Post Employment Health Benefits – Last Six Fiscal Years

Historical Chart - State Tax Revenue

See accountants' review report

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

Fiscal Year Ended June 30, 2022

(Amounts are in thousands)

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Behavioral Health Trust Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)*	\$ 4,586,800	\$ (8,384)	\$ 4,853	\$ 17,987	\$ 11,015	\$ 5,994	\$ 1,157	\$ 192,650	\$ 4,812,072
Fund Balance Deficit Elimination Transfers Per Section 259 of Ch. 268 of the Acts of 2022**:	(7,978)	8,384	(8)	(31)	(19)	(10)	(2)	(335)	—
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	<u>\$ 4,578,822</u>	<u>\$ —</u>	<u>\$ 4,845</u>	<u>\$ 17,956</u>	<u>\$ 10,996</u>	<u>\$ 5,984</u>	<u>\$ 1,155</u>	<u>\$ 192,315</u>	<u>4,812,072</u>
Year-end Transfers to the General Fund to Fund Statutory Allocations									—
<u>Disposition of Consolidated Net Surplus per Section 259 of Ch. 268 of the Acts of 2022**:</u>									
Transfer to the Massachusetts Transitional Escrow Fund	<u>\$ 4,578,822</u>	<u>\$ —</u>	<u>\$ 4,845</u>	<u>\$ 17,956</u>	<u>\$ 10,996</u>	<u>\$ 5,984</u>	<u>\$ 1,155</u>	<u>\$ 192,315</u>	<u>\$ 4,812,072</u>

Stabilization Fund Balance Reconciliation:

Balance as of July 1, 2021	\$ 4,626,419
Capital Gains Tax Revenue Transfers to Stabilization Fund during FY2022 per Chapter 29, Section 5G	2,272,593
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year	14,639
Certain tax revenues	260
Transfer of 10% of Casino Gaming Tax Revenue (MGM and Encore Casinos)	24,308
Stabilization Fund Interest Earnings	22,481
Accounting Adjustment for Change in Value of Short-Term Bond Fund	(22,836)
Stabilization Fund Balance as of June 30, 2022	<u>\$ 6,937,864</u>
Memo: Change in Stabilization Fund Balance, FY21-22	\$ 2,311,445

* Excludes funds not part of the consolidated net surplus or with no FY22 balances or activity

**Statute supersedes Section 5C of Chapter 29 of the Massachusetts General Laws, which determines transfers to the Commonwealth Stabilization Fund

Note: Details may not add to totals due to rounding

Calculation of Transfers: Tax Reduction Fund

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections [2H](#) and [2I](#) of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 6,937,864
Allowable Stabilization Fund balance (per Schedule B)	<u>9,312,616</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 6,937,864
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 6,937,864</u>

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	\$ —
Transfers from Stabilization Fund	<u>—</u>
Tax Reduction Fund balance after transfers	<u>\$ —</u>

Schedule A
FY2022 Tax Revenues by Revenue Class

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

Alcoholic beverages	\$ 97,022
Banks: financial institutions	22,625
Cigarette	310,053
Cigarette excise - Commonwealth Care	80,634
Corporations	4,576,811
Deeds	472,345
Estate and inheritance	868,444
Health care coverage penalty - Commonwealth Care	41,894
Income	24,336,643
Insurance	509,117
Motor and special fuels	722,788
Public utilities	1,572
Room occupancy	291,152
Sales and use	8,808,594
Club alcoholic beverages	621
Motor vehicle excise	1,115
Convention center surcharges	10,596
Community preservation	70,650
Satellite	6,081
Gaming revenue - Massachusetts Gaming Commission	300,057
State racing - Massachusetts Gaming Commission	1,080
Beano	557
Raffles and bazaars	815
Boxing	77
DOI excess and surplus lines	78,880
UI surcharge	21,365
Controlled substances	156,669
Electronic Nicotine Delivery System	16,326
 FY 2022 state tax revenue	 <u><u>\$ 41,804,583</u></u>

This schedule is prepared on the statutory basis of accounting. It presents tax revenues as reported in the governmental funds of the Commonwealth. It differs from the schedule of tax collections prepared by the Comptroller, Commissioner of Revenue and State Auditor for calculations in accordance with Chapter 62F of the General Laws, as amended. The differences are due to 2/5ths of Beano revenue and the health care coverage penalty in the Commonwealth Care Fund, both of which are recognized on the statutory basis of accounting but are not accounted for on the schedule of tax collections prepared by the Department of Revenue.

Schedule B
Calculation of Cap on Stabilization Fund

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

Total revenues and other financial resources pertaining to the budgeted funds	\$ 70,313,848
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C)	<u>(8,229,743)</u>
Adjusted revenues and other financial resources pertaining to the budgeted funds	<u>62,084,105</u>
Allowable Stabilization Fund balance, 15% of budgeted fund revenue	<u><u>\$ 9,312,616</u></u>

Calculation of Stabilization Fund Cap as defined by Massachusetts General Laws Chapter 29 Section 2H.

Schedule C
Detail of Elimination of Budgetary Inter Fund Activity

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund	\$ (480,098)
Adjustments to other financing sources and uses:	
Fringe benefit cost assessments	(20,007)
Transfer from the Intragovernmental Service Fund to the General Fund	(6,020)
RMV license plates	(2,700)
Capital Gains Tax Transfers from General Fund to the Commonwealth Stabilization Fund	(2,272,593)
Transfer from budgeted funds to the Transitional Escrow Fund	(4,812,071)
Other fund deficit support	(8,384)
Other	(627,870)
Elimination of budgetary interfund activity	<u>\$ (8,229,743)</u>

Non-Tax Revenue Initiatives

Fiscal Year Ended June 30, 2022
(Amounts in thousands)

Chapter 653 of the Acts of 1989, amended Chapter 29 of the Massachusetts General Laws by adding Sections 29D and 29E, which authorize certain non-tax revenue initiatives and require reporting thereon, as follows.

I. Debt Collection:

Pursuant to Massachusetts General Laws Chapter 29, Section D, Chapter 7A Section 8, allows private debt collection agencies to engage in debt collection for the Commonwealth. The fees paid are contingency-based from the proceeds collected. Collections and fees paid during FY22 were (amounts in thousands):

Department Collectors	Collections	Fees
Allen Daniels	\$ 595	\$ 86
F.H. Cann & Associates	910	166
Transworld Systems Inc (previously Premier Credit of North America, LLCs)	307	27
Linebarger, Goggan, Blair & Sampson, LLP	403	69
Financial Asset Management Systems, Inc	9	1
Reliant Capital Solutions, Inc.	2,002	220
Windham Professionals Inc	2,756	196
Total	<u>\$ 6,982</u>	<u>\$ 765</u>

Under the same program, the following amounts were collected and fees paid for the Institutions of Higher Education (these figures are as subset of the above) (amounts in thousands):

Department Collectors	Collections	Fees
Allen Daniels	\$ 447	\$ 65
Premier Credit of North America, LLC	910	166
F.H. Cann & Associates	1,577	153
Reliant Capital Solutions, Inc.	181	21
Windham Professionals Inc	2,672	186
Total	<u>\$ 5,787</u>	<u>\$ 591</u>

II. Cost Avoidance:

The Comptroller's appropriation authorizes contract arrangements engaged on a contingent fee basis for the purpose of identification and pursuit of cost saving/avoidance opportunities. During FY22, there are no net cost savings/ avoidance were generated.

III. Intercept:

Intercept is authorized by M.G.L. Chapter 7A Section 3 and 815 CMR 9:06. Intercept is an automated process that offsets Commonwealth payments to delinquent receivables that have been approved by the Office of the State Comptroller. FY22 activity (amounts in thousands):

Total Commonwealth intercepts	<u>\$ 20,089</u>
Amounts included above that were intercepted on behalf of the Institutions of Higher Education	<u>\$ 6,774</u>

Schedule of Pension and Other Post-Employment Health Benefits

(Amounts in thousands except for percentages)

Pension funding progress for the last six fiscal years*

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
State Employee's Retirement System						
Actuarial Valuation as of January 1, 2022	\$ 34,467,610	\$ 47,275,156	12,807,546	72.9 %	\$ 6,651,010	192.6 %
Actuarial Valuation as of January 1, 2021	30,370,096	45,704,298	15,334,202	66.5 %	6,544,575	234.3 %
Actuarial Valuation as of January 1, 2019	27,136,639	42,595,224	15,458,585	63.7 %	6,354,473	243.3 %
Actuarial Valuation as of January 1, 2018	26,248,250	40,456,611	14,208,361	64.9 %	6,155,194	230.8 %
Actuarial Valuation as of January 1, 2017	24,773,042	38,316,719	13,543,677	64.7 %	5,927,012	228.5 %
Actuarial Valuation as of January 1, 2016	23,465,963	36,966,278	13,500,315	63.5 %	5,792,288	233.1 %

Teachers' Retirement System

Actuarial Valuation as of January 1, 2022	\$ 35,569,967	\$ 60,308,295	24,738,328	59.0 %	\$ 7,704,176	321.1 %
Actuarial Valuation as of January 1, 2021	31,170,723	58,829,999	27,659,276	53.0 %	7,670,306	360.6 %
Actuarial Valuation as of January 1, 2019	27,854,444	53,864,141	26,009,697	51.7 %	7,074,960	367.6 %
Actuarial Valuation as of January 1, 2018	27,057,700	51,653,285	24,595,585	52.4 %	6,829,012	360.2 %
Actuarial Valuation as of January 1, 2017	25,638,136	49,193,503	23,555,367	52.1 %	6,583,871	357.8 %
Actuarial Valuation as of January 1, 2016	24,593,787	46,562,807	21,969,020	52.8 %	6,388,732	343.9 %

State Retiree Benefit Trust (SRBT) for the last six fiscal years**

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Other Post-Employment Benefit (OPEB) plan						
Actuarial Valuation as of June 30, 2022	1,988,383	15,340,605	13,352,222	13.0 %	5,772,086	231.3 %
Actuarial Valuation as of June 30, 2021	1,910,940	17,910,405	15,999,465	10.7 %	5,594,324	286.0 %
Actuarial Valuation as of June 30, 2020	1,414,312	22,105,511	20,691,199	6.4 %	5,625,684	367.8 %
Actuarial Valuation as of June 30, 2019	1,368,548	19,662,106	18,293,558	7.0 %	5,491,214	333.1 %
Actuarial Valuation as of June 30, 2018	1,187,569	19,761,333	18,573,764	6.0 %	5,296,859	350.7 %
Actuarial Valuation as of June 30, 2017	996,407	18,480,936	17,484,529	5.4 %	5,259,298	332.4 %

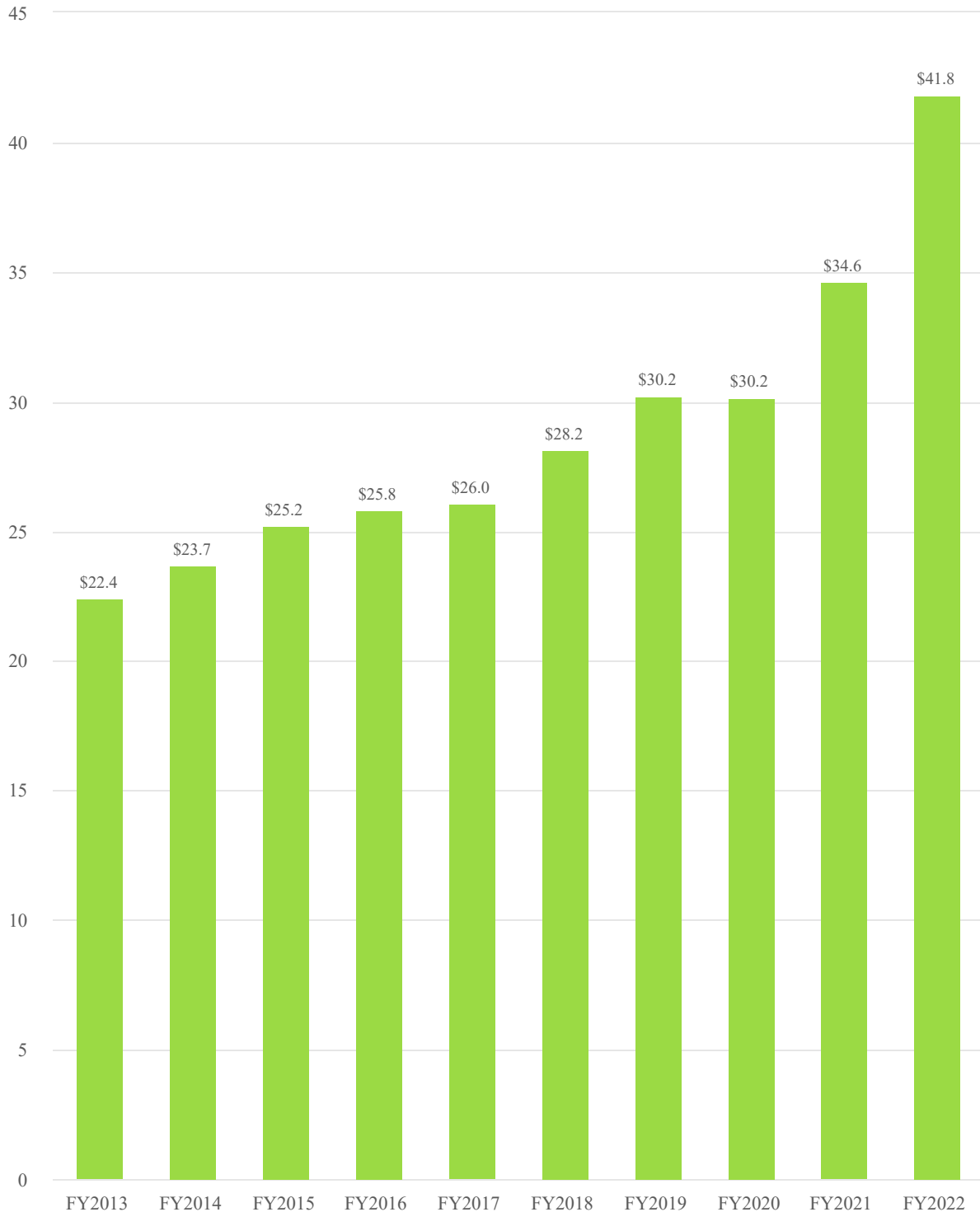
*A pension funding actuarial valuation as of January 1, 2020 was not performed for SERS and MTRS. GASB 67 compliant pension valuations will be presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

For a complete analysis of the Commonwealth's actuarial valuation report, please go to <http://www.mass.gov/perac>. Alternatively, copies of the Commonwealth's actuarial valuation may be obtained by contacting the Massachusetts Public Employee Retirement Administration Commission, 5 Middlesex Avenue, Suite 304, Somerville, MA 02145. Telephone number: (617) 666-4446.

** OPEB actuarial valuation report is based on the Commonwealth's SERS pension valuation report. GASB 74/75 valuation will be presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

The results of the January 1, 2022 Other Post-Employment Benefits (OPEB) Actuarial Valuation will be presented in the ACFR due to changes in accounting standards.

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





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Statistical Section



Ten-Year Schedules – Statutory Basis
Historical Chart - Higher Ed Revenues and Expenses
Historical Chart - Non-Appropriated Funds of Higher Education

Higher Education Non-appropriated Funds – Statutory Basis

See accountants' review report

Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2022

(Amounts in millions)

	2022	% Total	2021	% Total	2020	% Total	2019	% Total	2018	% Total
Taxes	\$ 41,805	44.3	\$ 34,649	41.3	\$ 30,156	42.7	\$ 30,200	44.4	\$ 28,177	44.0
Federal reimbursements	17,101	18.0	19,819	23.6	16,598	23.4	12,961	19.1	12,536	19.5
Federal grants	5,307	5.6	4,403	5.2	2,505	3.5	2,438	3.6	2,428	3.8
Lotteries.....	5,987	6.3	5,959	7.1	5,395	7.6	5,652	8.3	5,441	8.5
Assessments	1,503	1.6	1,322	1.6	1,267	1.8	1,328	2.0	1,246	1.9
Motor vehicle licenses and registrations	549	0.6	577	0.7	515	0.7	566	0.8	565	0.9
Fees, investment earnings, etc.....	6,184	6.5	5,378	6.4	5,679	8.0	5,650	8.3	5,525	8.6
Proceeds of general and special obligation bonds and related premiums.....	2,017	2.1	2,863	3.4	1,946	2.7	2,111	3.1	2,727	4.3
Proceeds of refunding bonds	610	0.6	1,963	2.3	2,074	2.9	1,443	2.1	1,311	2.0
Other interfund transfers	13,683	14.4	7,067	8.4	4,767	6.7	5,624	8.3	4,202	6.5
Total revenues and other financing sources	<u>\$ 94,746</u>	<u>100.0</u>	<u>\$ 84,000</u>	<u>100.0</u>	<u>\$ 70,902</u>	<u>100.0</u>	<u>\$ 67,973</u>	<u>100.0</u>	<u>\$ 64,158</u>	<u>100.0</u>

2017	% Total	2016	% Total	2015	% Total	2014	% Total	2013	% Total
\$ 26,042	42.1	\$ 25,800	42.7	\$ 25,239	44.4	\$ 23,665	43.6	\$ 22,396	43.8
11,801	19.1	11,528	19.1	10,287	18.1	9,265	17.1	9,078	17.8
2,370	3.8	2,363	3.9	2,269	4.0	2,328	4.3	2,396	4.7
5,257	8.5	5,407	8.9	5,194	9.1	5,050	9.3	5,043	9.9
1,209	2.0	1,058	1.7	1,033	1.8	1,079	2.0	1,018	2.0
546	0.9	546	0.9	546	1.0	495	0.9	487	1.0
4,963	8.0	5,016	8.3	4,409	7.8	4,252	7.9	3,858	7.5
3,136	5.1	3,003	5.0	3,404	6.0	2,262	4.2	1,512	3.0
2,269	3.7	1,674	2.8	707	1.2	722	1.3	231	0.5
4,233	6.8	4,067	6.7	3,748	6.6	5,093	9.4	4,982	9.8
<u>\$ 61,826</u>	<u>100.0</u>	<u>\$ 60,462</u>	<u>100.0</u>	<u>\$ 56,836</u>	<u>100.0</u>	<u>\$ 54,211</u>	<u>100.0</u>	<u>\$ 51,001</u>	<u>100.0</u>

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

Fiscal Year Ended June 30, 2022

(Amounts in millions)

	2022	% Total	2021	% Total	2020	% Total	2019	% Total	2018	% Total
Income	\$ 24,337	58.2	\$ 19,618	56.6	\$ 17,361	57.6	\$ 17,109	56.6	\$ 16,240	57.7
Sales and use	8,809	21.1	7,849	22.7	6,846	22.7	6,842	22.7	6,490	23.0
Corporations	4,602	11.0	3,673	10.6	2,532	8.4	2,947	9.8	2,409	8.5
Motor fuels	723	1.7	663	1.9	708	2.3	775	2.6	769	2.7
Cigarette and tobacco	391	0.9	398	1.1	524	1.7	553	1.8	594	2.1
Insurance	509	1.2	480	1.4	415	1.4	401	1.3	364	1.3
Estate and inheritance	868	2.1	788	2.3	700	2.3	601	2.0	473	1.7
Alcoholic beverages	97	0.2	93	0.3	88	0.3	86	0.3	85	0.3
Other	1,469	3.6	1,087	3.1	982	3.3	886	2.9	753	2.7
Total taxes	<u>\$ 41,805</u>	<u>100.0</u>	<u>\$ 34,649</u>	<u>100.0</u>	<u>\$ 30,156</u>	<u>100.0</u>	<u>\$ 30,200</u>	<u>100.0</u>	<u>\$ 28,177</u>	<u>100.0</u>

2017	% Total	2016	% Total	2015	% Total	2014	% Total	2013	% Total
\$ 14,684	56.3	\$ 14,394	55.9	\$ 14,449	57.2	\$ 13,202	55.8	\$ 12,831	57.3
6,241	24.0	6,090	23.6	5,804	23.0	5,519	23.3	5,184	23.1
2,196	8.4	2,333	9.0	2,227	8.8	2,195	9.3	1,888	8.4
769	3.0	767	3.0	756	3.0	732	3.1	651	2.9
619	2.4	641	2.5	647	2.6	661	2.8	558	2.6
358	1.4	369	1.4	333	1.3	316	1.3	373	1.7
337	1.3	399	1.5	341	1.4	402	1.7	313	1.4
84	0.3	83	0.3	80	0.3	79	0.3	77	0.3
754	2.9	724	2.8	602	2.4	559	2.4	521	2.3
<u>\$ 26,042</u>	<u>100.0</u>	<u>\$ 25,800</u>	<u>100.0</u>	<u>\$ 25,239</u>	<u>100.0</u>	<u>\$ 23,665</u>	<u>100.0</u>	<u>\$ 22,396</u>	<u>100.0</u>

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

Fiscal Year Ended June 30, 2022

(Amounts in millions)

	2022	% Total	2021	% Total	2020	% Total	2019	% Total	2018	% Total
Legislature.....	\$ 76	0.1	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1
Judiciary.....	1,107	1.2	1,031	1.3	1,037	1.5	997	1.5	933	1.5
Inspector General.....	7	—	6	—	6	—	5	—	4	—
Governor and Lieutenant Governor.....	8	—	9	—	7	—	7	—	7	—
Secretary of the Commonwealth.....	55	0.1	65	0.1	56	0.1	57	0.1	46	0.1
Treasurer and Receiver-General.....	7,766	8.7	7,564	9.9	6,741	9.8	6,849	10.3	6,631	10.5
Auditor of the Commonwealth.....	22	—	20	—	19	—	18	—	20	—
Attorney General.....	106	0.1	108	0.1	102	0.1	100	0.2	98	0.2
Ethics Commission.....	3	—	2	—	2	—	2	—	2	—
District Attorney.....	155	0.2	151	0.2	145	0.2	132	0.2	122	0.2
Office of Campaign and Political Finance.....	2	—	2	—	2	—	3	—	2	—
Sheriffs' Departments.....	687	0.8	703	0.9	723	1.0	674	1.0	637	1.0
Disabled Persons Protection Commission.....	10	—	6	—	6	—	5	—	4	—
Commission on Status of Women.....	1	—	—	—	—	—	—	—	—	—
Board of Library Commissioners.....	63	0.1	57	0.1	52	0.1	50	0.1	48	0.1
Massachusetts Gaming Commission.....	57	0.1	47	0.1	45	0.1	51	0.1	45	0.1
Comptroller.....	30	—	23	—	18	—	16	—	16	—
Administration and Finance.....	10,880	12.2	10,079	13.1	9,657	14.0	9,119	13.7	8,969	14.2
Energy and Environmental Affairs.....	826	0.9	669	0.9	585	0.8	598	0.9	565	0.9
Health and Human Services.....	31,617	35.3	27,842	36.3	26,391	38.5	25,325	38.1	24,438	38.2
Executive Office of Technology Services and Security.....	238	0.3	212	0.3	177	0.3	167	0.3	137	0.2
Massachusetts Department of Transportation.....	3,319	3.7	3,444	4.5	3,064	4.4	2,855	4.3	2,980	4.7
Office of the Child Advocate.....	3	—	2	—	2	—	1	—	1	—
Commission Against Discrimination.....	7	—	7	—	7	—	7	—	6	—
Cannabis Control Commission.....	14	—	11	—	13	—	10	—	2	—
Executive Office of Education.....	5,819	6.5	4,442	5.8	3,832	5.5	3,604	5.4	3,353	5.3
Center for Health Information and Analysis.....	31	—	28	—	25	—	23	—	21	—
Public Safety and Security.....	1,868	2.1	1,819	2.4	2,111	3.1	1,462	2.2	1,430	2.3
Massachusetts Peace Officer Standards and Training.....	2	—	—	—	—	—	—	—	—	—
Housing and Economic Development.....	2,751	3.1	2,891	3.8	1,544	2.2	1,585	2.4	1,500	2.4
Labor and Workforce Development.....	326	0.4	299	0.4	224	0.3	207	0.3	195	0.3
Post employment benefits.....	4,433	5.0	3,752	4.9	3,305	4.8	3,110	4.7	2,891	4.6
Debt service.....	2,639	2.9	2,508	3.3	2,618	3.8	2,533	3.8	2,519	4.0
Payments to advance refunding escrow agent/ Principal on current refunding.....	610	0.7	1,963	2.6	2,074	3.0	1,443	2.2	1,311	2.1
Other fund deficit support.....	8	—	30	—	305	0.4	—	—	—	—
Other interfund transfers.....	13,958	15.5	6,818	8.9	4,099	5.9	5,421	8.1	4,412	7.0
Total expenditures and other financing uses.....	<u>\$89,504</u>	<u>100.0</u>	<u>\$76,682</u>	<u>100.0</u>	<u>\$69,063</u>	<u>100.0</u>	<u>\$66,504</u>	<u>100.0</u>	<u>\$63,414</u>	<u>100.0</u>

Schedule reflects changes in accordance with Article 87 reorganizations of the Massachusetts Constitution at various times over the last ten years at point of implementation.

2017	% Total	2016	% Total	2015	% Total	2014	% Total	2013	% Total
\$ 67	0.1	\$ 61	0.1	\$ 60	0.1	\$ 56	0.1	\$ 57	0.1
929	1.5	896	1.5	852	1.5	831	1.5	802	1.5
4	—	4	—	5	—	6	—	6	—
7	—	7	—	7	—	5	—	6	—
52	0.1	45	0.1	52	0.1	53	0.1	50	0.1
6,314	10.3	6,485	10.7	6,224	11.1	5,893	10.9	5,867	11.3
21	—	20	—	21	—	19	—	19	—
71	0.1	63	0.1	56	0.1	53	0.1	50	0.1
2	—	3	—	2	—	2	—	2	—
123	0.2	116	0.2	111	0.2	108	0.2	108	0.2
2	—	2	—	2	—	1	—	1	—
624	1.0	616	1.0	595	1.1	571	1.0	543	1.0
3	—	3	—	3	—	2	—	2	—
—	—	—	—	—	—	—	—	—	—
40	0.1	48	0.1	49	0.1	45	0.1	41	0.1
38	0.1	35	0.1	21	—	23	—	14	—
16	—	17	—	20	—	18	—	14	—
9,010	14.6	8,817	14.8	8,827	15.9	8,857	16.3	8,660	16.8
543	0.9	627	1.0	628	1.1	561	1.0	490	0.9
23,037	37.6	22,579	37.3	20,398	36.0	18,649	34.1	17,447	34.1
—	—	—	—	—	—	—	—	—	—
3,129	5.1	3,287	5.4	3,248	5.8	2,914	5.4	2,439	4.7
1	—	1	—	—	—	—	—	—	—
6	—	6	—	5	—	5	—	5	—
—	—	—	—	—	—	—	—	—	—
3,280	5.3	3,320	5.5	3,218	5.7	3,130	5.8	2,952	5.7
23	—	27	—	28	—	25	—	9	—
1,406	2.3	1,396	2.3	1,350	2.4	1,313	2.4	1,324	2.6
—	—	—	—	—	—	—	—	—	—
1,359	2.2	1,320	2.2	1,281	2.3	1,251	2.3	1,214	2.3
214	0.3	214	0.4	223	0.4	237	0.4	300	0.6
2,660	4.3	2,503	4.1	2,287	3.9	2,109	3.7	1,990	3.8
2,479	4.0	2,470	4.1	2,507	4.5	2,410	4.4	2,351	4.5
2,269	3.7	1,674	2.8	707	1.3	722	1.3	230	0.4
145	0.2	71	0.1	89	0.2	168	0.3	—	—
3,677	6.0	3,685	6.1	3,409	6.2	4,673	8.6	4,752	9.2
<u>\$ 61,550</u>	<u>100.0</u>	<u>\$ 60,417</u>	<u>100.0</u>	<u>\$ 56,285</u>	<u>100.0</u>	<u>\$ 54,710</u>	<u>100.0</u>	<u>\$ 51,745</u>	<u>100.0</u>

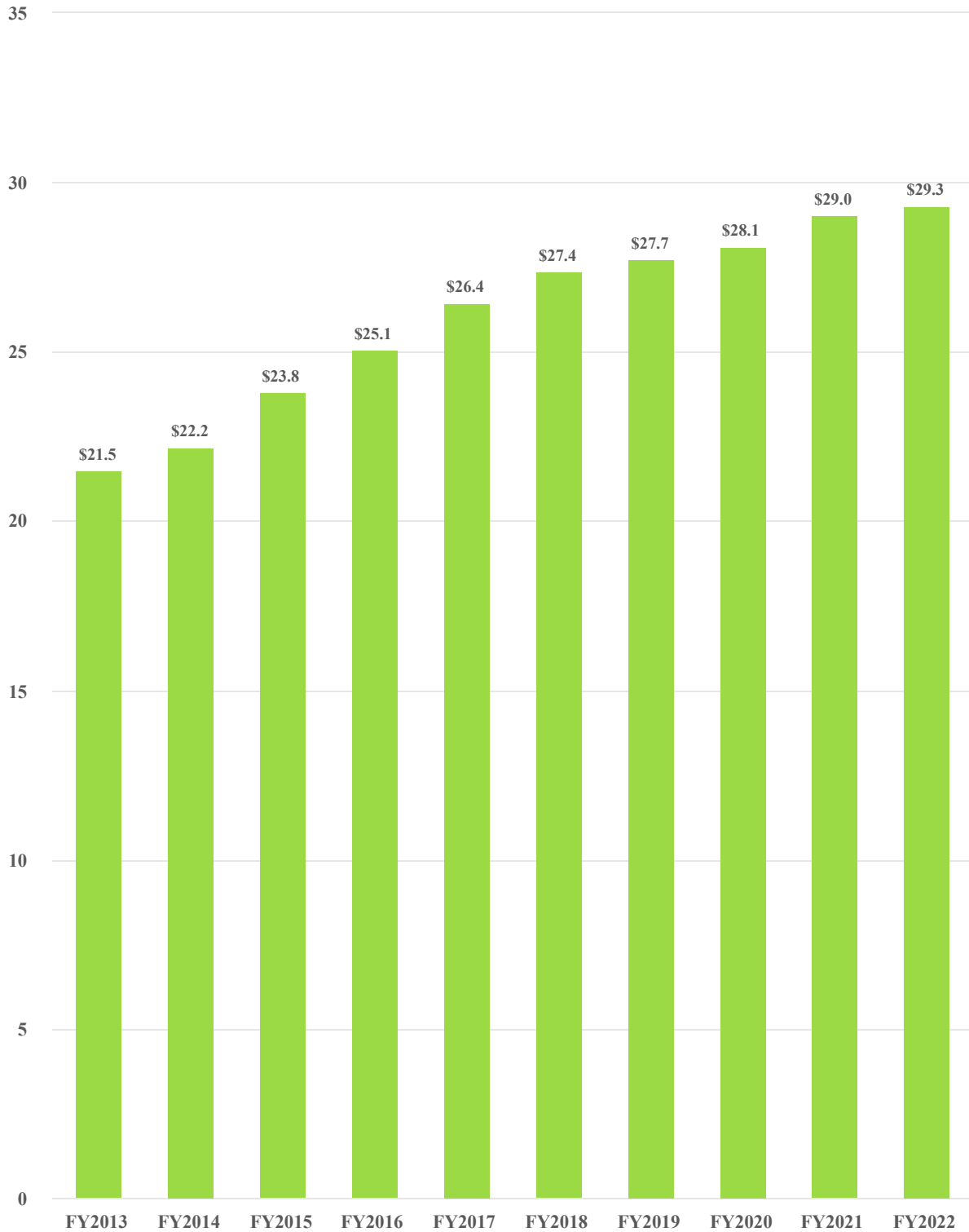
**Ten-Year Schedule of Budgeted Funds Expenditures and Other Financing Uses by
Major Program Category**

Fiscal Year Ended June 30, 2022

(Amounts in millions)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Direct local aid	\$ 6,743	\$ 6,482	\$ 6,376	\$ 6,075	\$ 5,886	\$ 5,703	\$ 5,568	\$ 5,420	\$ 5,292	\$ 5,116
Medicaid	19,846	18,122	17,023	16,521	15,745	15,252	14,851	13,655	11,901	10,800
Other Health and Human Services	8,015	6,800	6,625	6,210	5,931	5,600	5,433	5,301	4,980	4,769
Elementary and Secondary Education	818	717	665	605	552	523	539	515	515	489
Higher Education	1,462	1,337	1,317	1,284	1,173	1,168	1,194	1,162	1,092	991
Early Education and Care	987	785	712	607	564	540	548	538	510	483
Public Safety and Security	1,185	1,410	1,479	1,168	1,102	1,060	1,066	1,041	1,010	960
Energy and Environmental Affairs	329	303	283	255	230	222	221	225	215	202
Post employment benefits	4,433	3,752	3,305	3,110	2,900	2,660	2,503	2,287	2,109	1,990
Group health insurance	1,847	1,721	1,662	1,644	1,634	1,663	1,630	1,665	1,403	1,278
Debt service	2,423	2,289	2,410	2,327	2,323	2,285	2,174	2,190	2,133	2,117
Major programs	48,088	43,718	41,857	39,806	38,039	36,676	35,727	33,999	31,160	29,195
Other program expenditures	4,524	3,916	2,762	3,563	3,113	3,235	3,241	3,326	3,294	3,007
Interfund transfers and other financing uses	11,601	4,545	3,374	3,434	2,945	1,908	1,959	1,527	3,200	3,149
Total expenditures and other financing uses	<u>\$ 64,213</u>	<u>\$ 52,179</u>	<u>\$ 47,993</u>	<u>\$ 46,803</u>	<u>\$ 44,097</u>	<u>\$ 41,819</u>	<u>\$ 40,927</u>	<u>\$ 38,852</u>	<u>\$ 37,654</u>	<u>\$ 35,351</u>

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



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

As of June 30, 2022
(Amounts in millions)

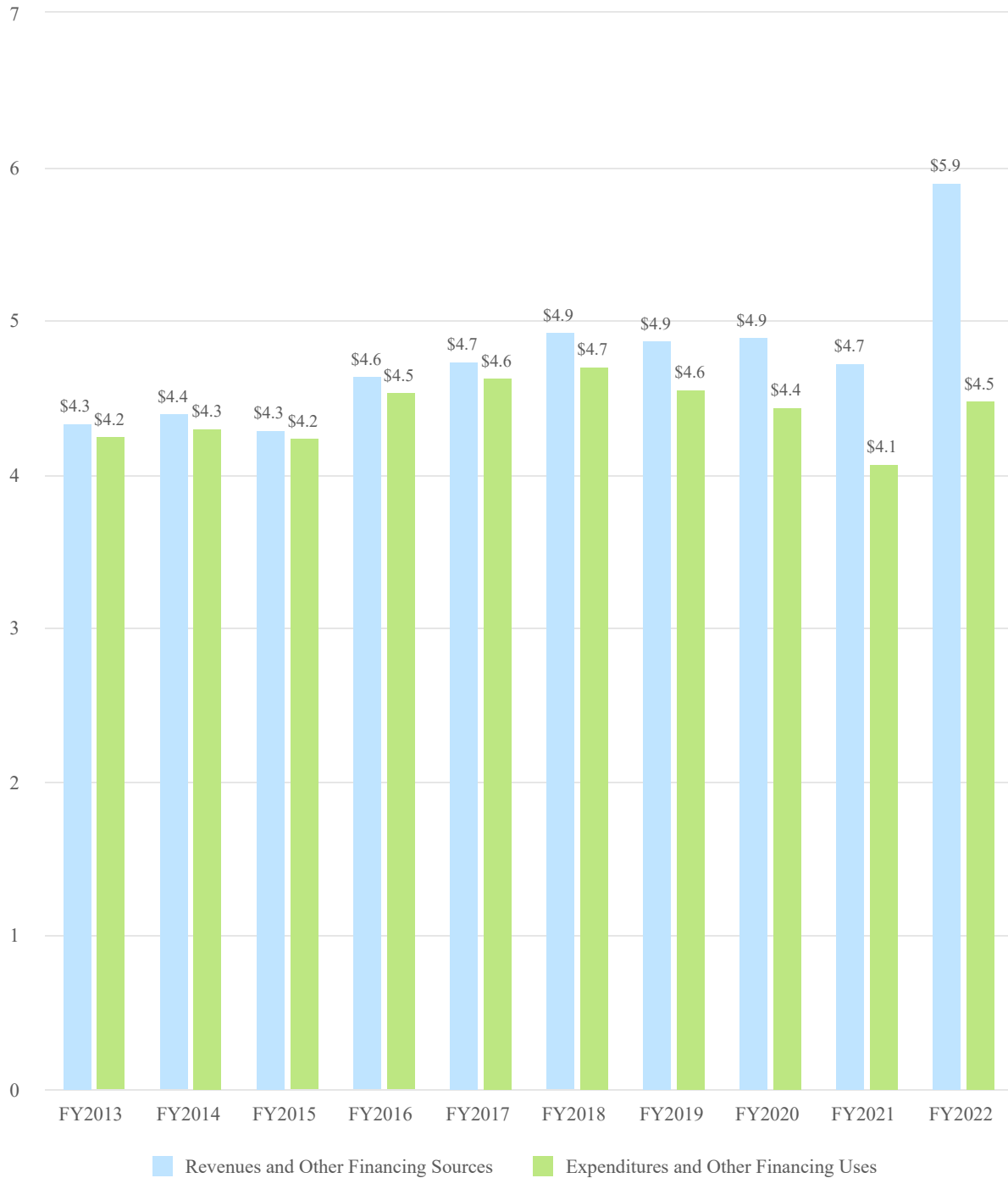
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General obligation bonds	\$ 24,907	\$ 24,765	\$ 23,953	\$ 23,676	\$ 23,144	\$ 22,717	\$ 21,668	\$ 20,802	\$ 19,387	\$ 19,140
Grant anticipation notes*	478	583	662	685	748	738	657	700	531	449
Special obligation bonds	3,950	3,700	3,483	3,378	3,469	2,991	2,754	2,324	2,292	1,924
Commonwealth long-term bonds...	<u>\$ 29,335</u>	<u>\$ 29,048</u>	<u>\$ 28,098</u>	<u>\$ 27,739</u>	<u>\$ 27,361</u>	<u>\$ 26,446</u>	<u>\$ 25,079</u>	<u>\$ 23,826</u>	<u>\$ 22,210</u>	<u>\$ 21,513</u>

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

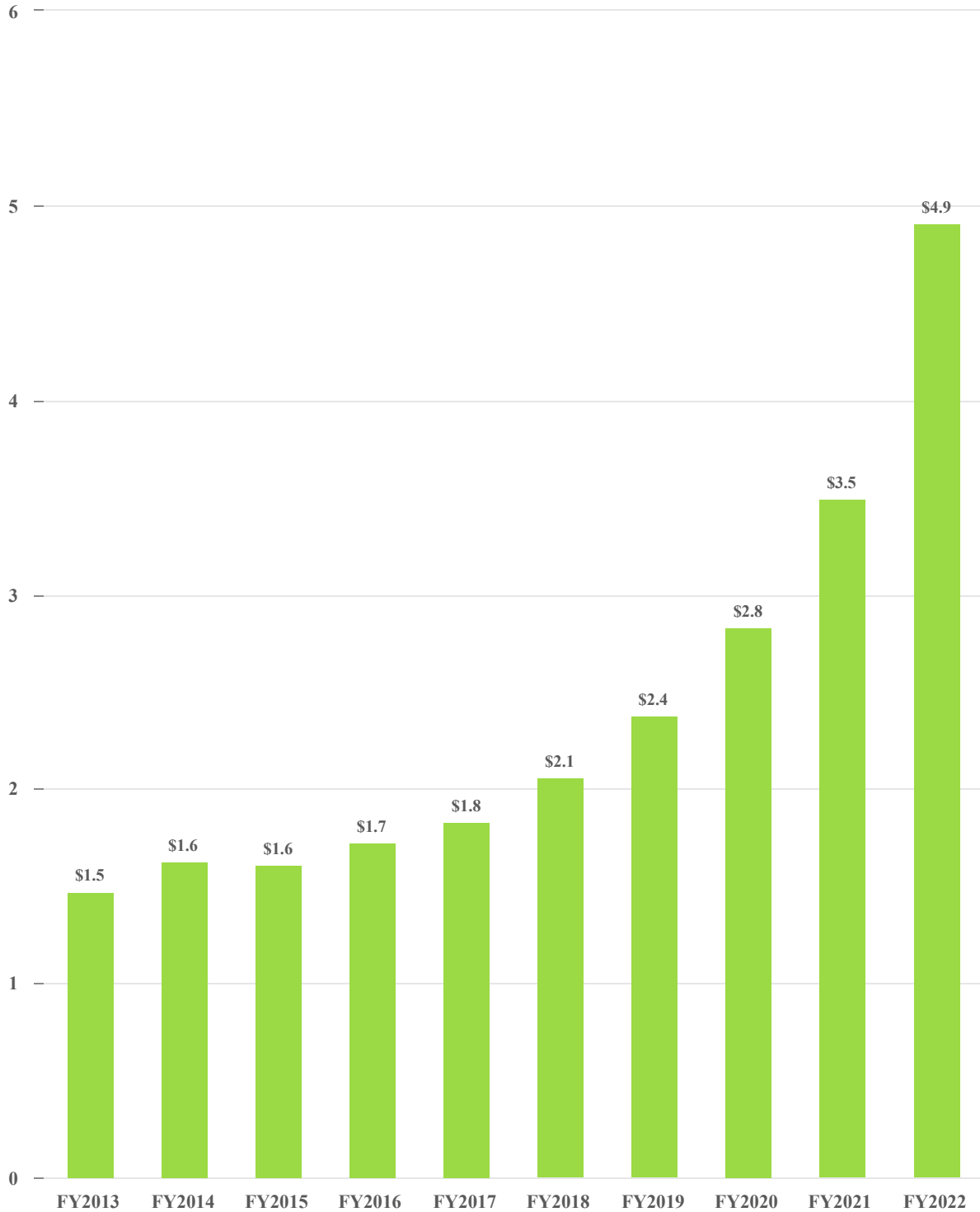


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THE BIG PICTURE: HISTORICAL CONTEXT
Revenues & Other Financing Sources vs.
Expenditures & Other Financing Uses
Combined Institutions of Higher Education
Last Ten Fiscal Years
(Amounts in \$ Billions)



THE BIG PICTURE: HISTORICAL CONTEXT
Non-Appropriated Funds of Higher Education
Ending Fund Balance
Last Ten Fiscal Years
(Amounts in \$ Billions)



HIGHER EDUCATION

NON-APPROPRIATED ACTIVITY

The Commonwealth's Public Institutions of Higher Education are allowed, by their enabling statutes, to collect, retain, and expend certain fees, rents, donations and other types of revenue. These financial resources are important elements in the overall financial operations of the respective institutions, and are in addition to amounts made available from appropriations. The Public Institutions of Higher Education include:

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

State University Systems - The State College and University Systems include the three state colleges, and six state universities, which provide four-year post-secondary education programs. These include:

- Bridgewater State University
- Framingham State University
- Fitchburg State University
- Massachusetts College of Art & Design
- Massachusetts Maritime Academy
- Massachusetts College of Liberal Arts
- Salem State University
- Worcester State University
- Westfield State University

Community College System - The Community College System includes the fifteen community colleges, which provide two-year post secondary education programs.

- Berkshire Community College
- Bunker Hill Community College
- Bristol Community College
- Cape Cod Community College
- Greenfield Community College
- Holyoke Community College
- Massasoit Community College
- Massachusetts Bay Community College
- Middlesex Community College
- Mount Wachusett Community College
- Northern Essex Community College
- North Shore Community College
- Quinsigamond Community College
- Roxbury Community College
- Springfield Technical Community College



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Higher Education System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

				Totals	
	University of Massachusetts	State Universities and Colleges	Community Colleges	2022	2021
Revenues and other financing sources:					
Federal grants and reimbursements	\$ 1,095,135	\$ 99,622	\$ 199,970	\$ 1,394,727	\$ 603,554
Departmental revenue	1,637,435	636,666	420,728	2,694,829	2,414,009
Miscellaneous revenue	1,278,636	307,097	223,319	1,809,052	1,712,901
Total revenues and other financing sources	4,011,206	1,043,385	844,017	5,898,608	4,730,464
Expenditures and other financing uses:					
(by MMARS subsidiary):					
AA Regular employee compensation	815,870	139,070	96,780	1,051,720	1,037,627
BB Regular employee related expenses	11,908	3,291	2,256	17,455	9,665
CC Special employees and contracted services	238,351	129,418	177,040	544,809	510,908
DD Pension and insurance	368,574	48,049	18,746	435,369	288,153
EE Administrative expenditures	108,052	73,156	30,496	211,704	313,941
FF Facility operational supplies	67,834	16,585	21,453	105,872	120,583
GG Energy costs and space rental	133,158	33,552	26,494	193,204	182,098
HH Consultant services	222,478	17,310	20,260	260,048	269,900
JJ Operational services	79,500	49,238	15,695	144,433	92,777
KK Equipment purchase	42,203	4,417	10,531	57,151	43,494
LL Equipment leases, maintenance and repair	31,491	7,708	8,766	47,965	42,877
MM Purchased client services and programs	1,521	3,199	3,997	8,717	42,665
NN Construction and improvements	121,980	33,670	26,718	182,368	184,852
PP Aid to local governments	—	141	1,780	1,921	1,549
RR Benefit programs	271,253	182,492	214,537	668,282	476,981
SS Debt payment	15,236	23,876	3,425	42,537	41,823
TT Loans and special payments	202,228	93,480	30,215	325,923	252,033
UU Information technology (IT) expenses	104,563	36,026	39,967	180,556	161,927
Total expenditures and other financing uses	2,836,200	894,678	749,156	4,480,034	4,073,853
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	1,175,006	148,707	94,861	1,418,574	656,611
Fund balance at beginning of year	1,878,853	969,382	641,669	3,489,904	2,833,293
Fund balance at end of year	<u>\$ 3,053,859</u>	<u>\$ 1,118,089</u>	<u>\$ 736,530</u>	<u>\$ 4,908,478</u>	<u>\$ 3,489,904</u>

Note: Details might not add up due to rounding

University of Massachusetts
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Totals	
	2022	2021
Revenues and other financing sources:		
Federal grants and reimbursements	\$ 1,095,135	\$ 380,070
Departmental revenue	1,637,435	1,363,651
Miscellaneous revenue	1,278,636	1,192,271
Total revenues and other financing sources	4,011,206	2,935,992
Expenditures and other financing uses:		
(by MMARS subsidiary):		
AA Regular employee compensation	815,870	757,651
BB Regular employee related expenses	11,908	6,082
CC Special employees and contracted services	238,351	235,695
DD Pension and insurance	368,574	212,770
EE Administrative expenditures	108,052	219,494
FF Facility operational supplies	67,834	90,667
GG Energy costs and space rental	133,158	118,020
HH Consultant services	222,478	230,553
JJ Operational services	79,500	46,596
KK Equipment purchase	42,203	27,686
LL Equipment leases, maintenance and repair	31,491	29,126
MM Purchased client services and programs	1,521	36,742
NN Construction and improvements	121,980	130,826
RR Benefit programs	271,253	144,589
SS Debt payment	15,236	30,283
TT Loans and special payments	202,228	160,866
UU Information technology (IT) expenses	104,563	89,236
Total expenditures and other financing uses	2,836,200	2,566,882
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	1,175,006	369,110
Fund balance at beginning of year	1,878,853	1,509,743
Fund balance at end of year	<u>\$ 3,053,859</u>	<u>\$ 1,878,853</u>

Note: Details might not add up due to rounding

State University and College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Bridgewater State University	Framingham State University	Fitchburg State University	Massachusetts College of Art
Revenues and other financing sources:				
Federal grants and reimbursements	\$ 48,469	\$ 5,918	\$ 13,752	\$ 2,489
Departmental revenue	144,960	53,418	59,758	31,441
Miscellaneous revenue	92,984	56,584	20,862	29,085
Total revenues and other financing sources	286,413	115,920	94,372	63,015
Expenditures and other financing uses:				
(by MMARS subsidiary):				
AA Regular employee compensation	63,836	7,327	13,849	9,743
BB Regular employee related expenses	590	191	235	138
CC Special employees and contracted services	46,622	10,571	16,956	6,478
DD Pension and insurance	24,676	1,958	4,944	1,042
EE Administrative expenditures	7,263	22,702	2,240	2,041
FF Facility operational supplies	1,908	1,339	1,238	929
GG Energy costs and space rental	5,616	3,932	5,056	1,976
HH Consultant services	2,110	1,591	1,885	1,816
JJ Operational services	12,238	7,635	6,340	2,315
KK Equipment purchase	1,502	578	319	497
LL Equipment leases, maintenance and repair	2,346	545	792	146
MM Purchased client services and programs	1,550	673	211	—
NN Construction and improvements	4,932	4,134	17	7,100
PP Aid to local governments	—	113	—	—
RR Benefit programs	65,584	15,548	15,059	10,827
SS Debt payment	1,090	363	364	412
TT Loans and special payments	12,616	11,088	11,732	8,175
UU Information technology (IT) expenses	7,987	4,686	5,198	2,510
Total expenditures and other financing uses	262,466	94,974	86,435	56,145
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	23,947	20,946	7,937	6,870
Fund balance at beginning of year	67,452	153,498	55,158	25,436
Fund balance at end of year	<u>\$ 91,399</u>	<u>\$ 174,444</u>	<u>\$ 63,095</u>	<u>\$ 32,306</u>

Note: Details might not add up due to rounding

Massachusetts Maritime Academy	Massachusetts College of Liberal Arts	Salem State University	Worcester State University	Westfield State University	Totals	
					2022	2021
\$ 1,269	\$ 2,199	\$ 10,947	\$ 7,006	\$ 7,573	\$ 99,622	\$ 79,441
42,195	15,035	125,148	77,122	87,589	636,666	596,965
9,259	10,211	35,414	16,396	36,302	307,097	316,404
52,723	27,445	171,509	100,524	131,464	1,043,385	992,810
3,711	2,146	17,527	4,524	16,407	139,070	155,450
954	121	92	549	421	3,291	1,995
7,597	4,856	16,331	10,027	9,980	129,418	114,704
1,045	353	6,250	1,405	6,376	48,049	51,551
1,621	1,407	31,354	2,758	1,770	73,156	68,179
2,003	215	2,428	2,578	3,947	16,585	17,489
1,617	1,788	3,826	5,154	4,587	33,552	40,068
1,213	800	1,494	3,606	2,795	17,310	19,380
8,601	1,724	6,903	2,840	642	49,238	35,484
512	146	464	181	218	4,417	5,795
1,459	80	393	898	1,049	7,708	7,084
—	—	421	—	344	3,199	2,111
4,931	559	4,569	4,872	2,556	33,670	38,005
—	—	27	—	1	141	—
1,357	6,553	30,340	17,287	19,937	182,492	155,114
—	914	543	10,370	9,820	23,876	7,946
6,236	2,374	5,827	413	35,019	93,480	68,571
2,814	904	5,744	2,505	3,678	36,026	38,228
45,671	24,940	134,533	69,967	119,547	894,678	827,154
7,052	2,505	36,976	30,557	11,917	148,707	165,656
14,359	14,960	238,952	303,550	96,017	969,382	803,726
<u>\$ 21,411</u>	<u>\$ 17,465</u>	<u>\$ 275,928</u>	<u>\$ 334,107</u>	<u>\$ 107,934</u>	<u>\$ 1,118,089</u>	<u>\$ 969,382</u>

Community College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Berkshire Community College	Bunker Hill Community College	Bristol Community College	Cape Cod Community College	Greenfield Community College	Holyoke Community College	Massasoit Community College
Revenues and other financing sources:							
Federal grants and reimbursements	\$ 8,003	\$ 15,896	\$ 30,391	\$ 9,790	\$ 5,997	\$ 17,028	\$ 20,057
Departmental revenue	7,748	69,282	30,225	11,163	10,974	12,471	29,775
Miscellaneous revenue	3,709	27,766	23,440	37,940	4,255	12,369	10,091
Total revenues and other financing sources	19,460	112,944	84,056	58,893	21,226	41,868	59,923
Expenditures and other financing uses:							
(by MMARS subsidiary):							
AA Regular employee compensation	1,375	28,134	8,014	3,116	2,477	2,325	5,067
BB Regular employee related expenses	184	153	335	77	120	75	43
CC Special employees and contracted services	4,701	16,324	23,339	12,713	5,513	7,918	17,945
DD Pension and insurance	648	3,115	1,197	1,377	871	838	1,568
EE Administrative expenditures	1,008	2,204	2,166	1,645	971	2,000	2,023
FF Facility operational supplies	507	759	920	515	353	794	726
GG Energy costs and space rental	536	6,114	2,562	1,873	321	1,437	1,055
HH Consultant services	745	2,188	2,231	459	326	2,822	609
JJ Operational services	403	2,621	772	437	463	1,461	639
KK Equipment purchase	568	217	1,000	507	503	1,106	713
LL Equipment leases, maintenance and repair	81	597	250	82	207	121	623
MM Purchased client services and programs	—	1,008	1,441	—	13	3	834
NN Construction and improvements	1,191	4,060	9,763	551	903	1,391	951
PP Aid to local governments	—	—	111	—	365	—	521
RR Benefit programs	5,877	18,641	22,745	8,567	5,371	17,390	16,098
SS Debt payment	9	245	—	—	—	469	892
TT Loans and special payments	39	—	278	13,057	634	5	4,005
UU Information technology (IT) expenses	1,617	4,631	2,267	1,491	1,139	4,214	2,796
Total expenditures and other financing uses	19,489	91,011	79,391	46,467	20,550	44,369	57,108
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(29)	21,933	4,665	12,426	676	(2,501)	2,815
Fund balance at beginning of year	3,317	34,491	31,173	32,499	8,714	23,421	63,065
Fund balance at end of year	\$ 3,288	\$ 56,424	\$ 35,838	\$ 44,925	\$ 9,390	\$ 20,920	\$ 65,880

Note: Details might not add up due to rounding

									Totals	
Massachusetts Bay Community College	Middlesex Community College	Mount Wachusett Community College	Northern Essex Community College	North Shore Community College	Quinsigamond Community College	Roxbury Community College	Springfield Technical Community College		2022	2021
\$ 19,742	\$ 20,949	\$ 778	\$ 6,595	\$ 22,572	\$ 11,397	\$ 3,041	\$ 7,734	\$	199,970	\$ 144,043
16,986	29,205	27,563	47,959	33,041	54,851	—	39,485		420,728	453,393
12,247	22,293	17,301	21,611	10,246	1,922	9,330	8,799		223,319	204,226
48,975	72,447	45,642	76,165	65,859	68,170	12,371	56,018		844,017	801,662
798	4,218	16,269	7,535	12,315	3,136	339	1,662		96,780	124,526
83	360	167	169	66	—	13	411		2,256	1,588
6,935	20,979	7,776	15,686	8,849	20,575	731	7,056		177,040	160,509
323	1,915	935	2,601	667	2,003	147	541		18,746	23,832
1,419	1,136	2,942	1,126	1,594	3,212	1,406	5,644		30,496	26,268
749	1,497	1,288	586	8,655	1,063	469	2,572		21,453	12,427
1,221	1,790	2,251	1,775	956	3,393	552	658		26,494	24,010
970	1,599	696	650	2,645	951	1,324	2,045		20,260	19,967
311	2,686	227	1,075	455	1,424	1,708	1,013		15,695	10,697
524	638	1,639	279	178	1,227	215	1,217		10,531	10,013
338	1,849	1,457	240	161	679	106	1,975		8,766	6,667
45	—	187	—	122	—	—	344		3,997	3,812
1,363	—	199	1,770	655	2,438	963	520		26,718	16,021
—	—	33	—	750	—	—	—		1,780	1,549
11,506	7,874	5,999	27,545	16,864	27,945	3,031	19,084		214,537	177,278
20	—	387	334	1,069	—	—	—		3,425	3,594
—	11,132	680	112	—	273	—	—		30,215	22,596
2,016	4,087	61	3,272	3,362	7,714	1,300	—		39,967	34,463
28,621	61,760	43,193	64,755	59,363	76,033	12,304	44,742		749,156	679,817
20,354	10,687	2,449	11,410	6,496	(7,863)	67	11,276		94,861	121,845
66,104	55,441	13,624	28,321	29,836	21,050	22,113	208,500		641,669	519,824
\$ 86,458	\$ 66,128	\$ 16,073	\$ 39,731	\$ 36,332	\$ 13,187	\$ 22,180	\$ 219,776	\$	736,530	\$ 641,669



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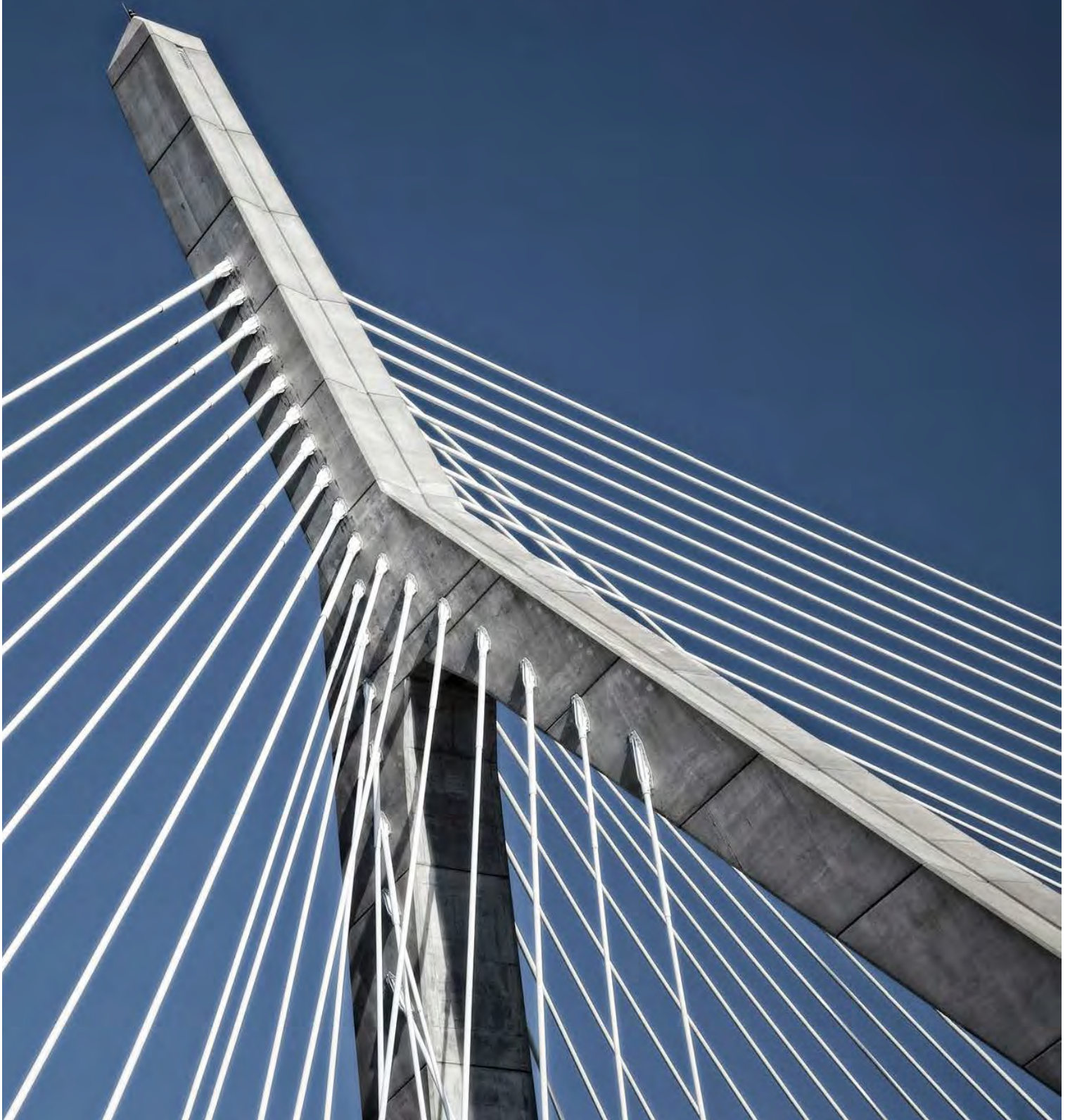
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Commonwealth of Massachusetts

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2022



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Commonwealth of Massachusetts



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022

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Introductory Section

(Unaudited)

Letter of Transmittal

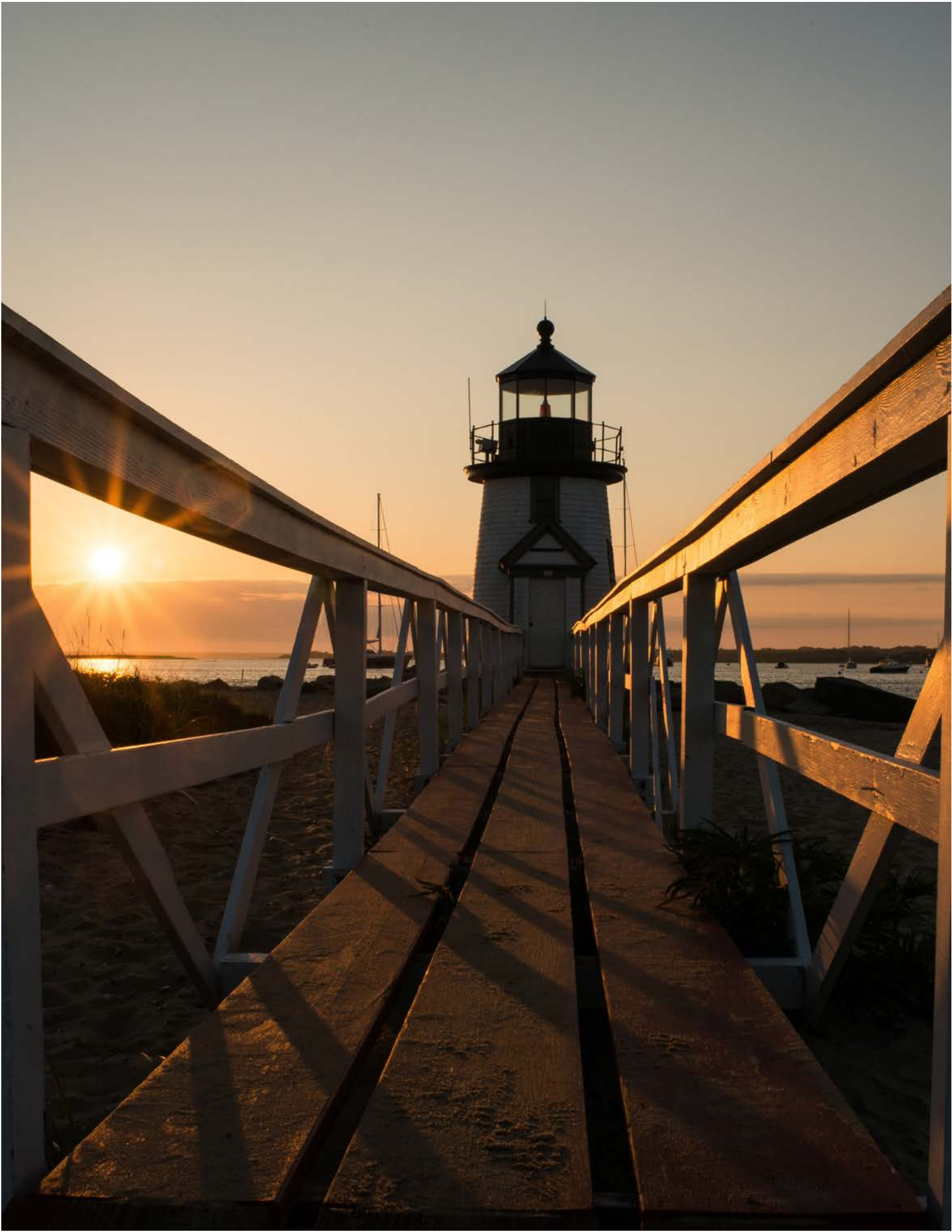
Constitutional Officers

Commonwealth Organizational Structure

Advisory Board to the Comptroller

Acknowledgments

Certificate of Achievement for Excellence in Financial Reporting





WILLIAM McNAMARA
COMPTROLLER

Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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May 31, 2023

To Her Excellency Governor Maura Healey and the Honorable Members of the General Court:

Please accept this Letter of Transmittal for the Commonwealth's fiscal year 2022 (FY22) Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The objective of this report is to provide a clear financial picture of our government as a single, unified entity.

This document presents the Commonwealth's financial information on three bases of accounting, each serving a different purpose. The report includes "required supplementary information" in the form of budgetary basis statements, which are prepared in accordance with the Commonwealth's budgetary or statutory basis of accounting and summarized by Commonwealth branch and agency. This information is aggregated from FY22 line item appropriations, the legal level of budgetary control -- i.e., the amount up to which state departments can spend without approval of additional appropriations (in a so-called "supplemental budget") by the Massachusetts Legislature. Line items specify a dollar amount that can be legally spent on specified programs or activities; for example, separate line items are authorized in the state's annual budget for general administrative expenses (including personnel expenses) and for benefit payments in the Commonwealth's Medicaid program. More detailed information on the statutory basis of accounting and the results of operations on that basis from FY22 are found in the Statutory Basis Financial Report (SBFR) issued separately on December 23, 2022. The SBFR documents compliance with the legislatively adopted budget at a fund level. Further documentation is found within the Commonwealth's accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Each state maintains different rules for budgetary reporting and therefore the SBFR should not be used for comparisons across states.

The ACFR "fund perspective" statements present the governmental operations on a modified accrual basis of accounting. The fund perspective is designed to measure inter-period equity, the extent to which current resources (available within one year) fully fund all current services provided by the government. Long-term liabilities are excluded with the implicit assumption that future tax revenues will fund these liabilities as they come due. This fund perspective provides results similar to the SBFR.

In addition to the fund perspective, this ACFR presents a "government-wide" perspective. This perspective combines all governmental and business-type activities in a statement of net position and a statement of activities, presenting all functions on a full accrual basis of accounting. All capital assets are added to the government-wide statements, as are most long-term liabilities. Funds that are shown as fiduciary under the fund perspective are not portrayed in the government-wide statements, as the assets do not belong to the Commonwealth.

In the government-wide statements, the balance sheet has been organized into a "net position format." This format classifies all assets and liabilities as either short-term or long-term and then subtracts liabilities and deferred inflows of resources from assets and deferred outflows of resources to arrive at net position.

The Commonwealth's government-wide revenues, expenses and activities are included in the statement of activities. The expenses of the Commonwealth, organized by function, are netted against fees, fines, grant revenues, and

assessments generated to fund each function in an attempt to derive the net cost to the taxpayer of each function. This format allows the reader of the financial statements to discern the net cost of a particular function of government funded by taxation and other general revenues.

This ACFR is presented in three sections: **Introductory**, **Financial**, and **Statistical**. The **Introductory Section** contains an overview of current initiatives and summary financial data. The **Financial Section** contains the Management's Discussion and Analysis (MD&A) and the Commonwealth's Basic Financial Statements. GAAP requires that management provide a narrative overview and analysis in the form of an MD&A to accompany the basic financial statements. This ACFR is prepared by the Office of the State Comptroller in conjunction with management of Commonwealth's departments, which is collectively responsible for its contents.

This letter of transmittal is designed to complement the MD&A, where the financial analysis is presented. The Commonwealth's MD&A can be found immediately following the Independent Auditors' Report. The **Statistical Section** contains selected financial and demographic information; it also contains background information on the Commonwealth.

PROFILE OF THE COMMONWEALTH

Massachusetts was among the thirteen original colonies and is considered the birthplace of the American Revolution, with the battles of Lexington-Concord and of Bunker Hill occurring in 1775. The original settlements of Plymouth and Massachusetts Bay were established in the 1620s, on the ancestral lands of the Wampanoag, Massachusetts, and other native peoples. Geographically, the Commonwealth of Massachusetts stretches from the Atlantic shoreline, through the uplands of Worcester County to the fertile Pioneer Valley surrounding the Connecticut River, west to the Berkshire Mountains. Massachusetts ranks 44th in area among the 50 states but 15th in population.

The Commonwealth is governed under the oldest written constitution in use today, drafted by John Adams and ratified in 1780 in the midst of the Revolutionary War. Its separation of government into Legislative, Executive, and Judicial branches was echoed in the United States Constitution nine years later. Known formally as "The Great and General Court," the state's legislature comprises a Senate of 40 members and a House of Representatives of 160 members, both elected every two years. Executive power resides with the Governor, elected every four years. Other elective statewide offices include the Secretary of State, the Attorney General, the Treasurer & Receiver-General, and the State Auditor.

The early Massachusetts economy focused on the productive cod fisheries and agriculture to support the growing population. During the 1800s, shipbuilding, whaling, and worldwide trade grew in importance. Massachusetts was among the birthplaces of the industrial revolution, particularly in textiles and shoes. Beginning with the establishment of Harvard as the first college in the United States, the Commonwealth developed educational leadership that served to promote the growth of the medical, financial, and high-tech industries that lead the economy today. The state's natural environment, history, and culture provide recreation for its residents and support a thriving tourist industry. While the state's economic conditions have fluctuated over time, Massachusetts has proven an attractive home for talented and hardworking people from around the country and the globe, helping it to secure a leading place in education, culture, productivity and wealth, and livability among the 50 states.

The table on page 3 reconciles the fund balances on three bases of accounting: the statutory basis presented in separately issued financial statements on December 23, 2022; the fund basis; and the entity-wide basis statements, the latter two of which are included in this report.

Governmental Funds - Statutory to GAAP - Fund Perspective and to Governmental Activities Net Position
(Amounts in millions)

Governmental Funds - Statutory Basis, June 30, 2022	
Budgeted fund balance	\$ 18,200.3
Non-budgeted special revenue fund balance	4,520.5
Capital projects fund balance	(2,125.5)
Governmental Fund Balance - Statutory Basis, June 30, 2022	\$ 20,595.3
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes	666.6
Less: Massachusetts Department of Transportation Funds	(1,715.6)
Adjusted Statutory Governmental fund balance	19,546.3
Reclassification of funds due to implementation of GASB Statement No. 84	30.0
Short-term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements	564.3
Tobacco settlement agreement receivable	135.5
Medicaid	(235.7)
Other short-term accruals:	
Assessments and other receivables	794.7
Amounts due to authorities and municipalities, net	(896.0)
Claims, judgments and other risks	(27.5)
Amounts due to health care providers and insurers	(13.1)
Workers' compensation and group insurance	(186.7)
Other accruals, net	(3,491.2)
Net increase/(decrease) to governmental fund balances	(3,325.7)
Massachusetts School Building Authority fund balance	1,912.5
Total changes to governmental funds	(1,413.2)
Governmental fund balance (fund perspective)	18,133.1
Plus: Capital assets including infrastructure, net of accumulated depreciation	6,090.8
Deferred revenue, net of other eliminations	923.2
Long-term accruals:	
Net pension liability	(34,372.0)
Net deferred (inflows)/outflows of resources related to pension	(2,531.7)
Net OPEB liability	(14,459.0)
Net deferred (inflows)/outflows of resources related to OPEB	(2,942.3)
Environmental remediation liability	(481.6)
Massachusetts School Building Authority debt and school construction payables	(6,438.7)
Long-term debt, unamortized premiums and net deferrals on debt refundings	(33,585.3)
Compensated absences	(760.6)
Leases liability	(946.0)
Accrued interest on bonds	(443.2)
Other long-term liabilities	(944.2)
Total governmental activities net position (entity wide perspective)	\$ (72,757.5)

The deficit of \$72.758 billion in governmental activities net position is largely attributable to several factors. First, the Commonwealth has made a policy decision to finance construction of assets owned by other government entities, particularly Commonwealth roads and bridges, school buildings, and assets of cities and towns and local authorities. As a result of transportation reform implemented during FY10, the Commonwealth shifted virtually all its road and bridge assets from its books to the newly created Massachusetts Department of Transportation (MassDOT), a

component unit of the Commonwealth. Second, starting in FY15, the Commonwealth's net (or unfunded) pension liability, was placed on the Commonwealth's books in accordance with [GASB Statement No. 68, Accounting and Financial Reporting for Pensions](#). Third, the Commonwealth's net (or unfunded) OPEB, or other post-employment benefits (mainly health insurance), liability, was placed on the Commonwealth's books starting in FY18 in accordance with [GASB Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions](#). These factors are described in detail on pages 17 and 21 of the MD&A.

Since MassDOT retains virtually all the Commonwealth's road and bridge assets using debt issued by the Commonwealth and MassDOT ended FY22 with a positive net position of \$24.849 billion, it is more informative to view the Commonwealth's financial statements in combination with MassDOT than to analyze the two separately, while also keeping in mind that significant assets owned by the Institutions of Higher Education and local governments and authorities were financed by liabilities still on the Commonwealth's books.

As of June 30, 2022, the net pension liability in governmental activities totaled \$34.372 billion, plus GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$2.532 billion; resulting in a reduction in governmental activities net position of \$36.904 billion. The governmental activities' net OPEB liability totaled \$14.459 billion, plus deferrals of \$2.942 billion, resulting in a reduction in net position of \$17.401 billion.

The net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance, the Family and Employment Security Trust and Higher Education) decreased by \$6.298 billion between June 30, 2021 and June 30, 2022. The most significant changes were as follows:

- The Commonwealth's current assets increased by \$6.501 billion, primarily as a result of increased cash on hand (some of which was deposited in the Commonwealth's Stabilization Fund) due to strong tax revenue growth in FY22 as the Massachusetts economy continued to recover from the COVID-19 pandemic.
- Commonwealth long-term debt (principal) outstanding increased by \$287 million from June 30, 2021 as debt issuance to fund FY22 capital spending exceeded the amount of debt retired.
- The Commonwealth's net pension liability, after taking into account deferrals of investment performance and other adjustments that will be recognized over the next several years, decreased by \$1.109 billion, primarily due to strong financial market performance in FY21, as in accordance with government accounting rules, the pension liability for one year is based on the valuation as of June 30 of the prior year.

The net deficit in the primary government which, in addition to governmental activities, includes the Commonwealth's business-type activities of the Unemployment Insurance system, Family and Employment Security Trust and Higher Education institutions, decreased by \$8.374 billion from FY21, due primarily to strong tax revenue growth in the governmental funds as the Massachusetts economy continued its recovery from the pandemic and an increase in net position of business-type activities of \$2.075 billion, primarily the result of net inflows in the Unemployment Insurance Trust Fund and Family and Employment Security Trust, and smaller surpluses in Higher Education. These changes are explained in more detail on pages [21- 27](#) of this report.

The Commonwealth engages in multi-year financial planning in several areas, including the adoption of a statutorily required triennial pension funding schedule (which is funded prior to the adoption of each year's annual budget), a five-year capital spending plan, and a multi-year debt issuance planning process via a Debt Affordability Committee established in statute, comprised of Massachusetts government and non-government financial experts. The Commonwealth's short and long-term goal is to achieve annual statutory structural budget balance, i.e., where annual revenues equal or exceed annual expenditures, thus minimizing the use of one-time resources. A related goal is to limit the growth in state expenditures to increases in budgeted revenues. The current Administration has also

committed to a policy of annual increases in unrestricted aid to cities and towns equal to the growth in projected budgetary fund tax revenues.

REPORTING ENTITY

The financial statements incorporate activity from over 157 departments. These departments include the various agencies, boards, and commissions, the 25 Institutions of Higher Education, the judicial and legislative branches of government, and constitutional offices. The departments record their daily financial operations in the state accounting system, MMARS, operated by the Office of the Comptroller.

In addition, the financial statements include 41 independent public authorities. These entities are defined as component units and meet the criteria for inclusion in the Commonwealth's reporting entity in accordance with GAAP. They are further described in [Note 14](#) to the basic financial statements. The Massachusetts School Building Authority (MSBA) is blended into the Commonwealth's operations.

INDEPENDENT AUDIT

The Commonwealth's independent auditors, CliftonLarsonAllen, LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2022. The [Independent Auditors' Report](#) is presented in the Financial Section.

The Office of the Comptroller prepares these financial statements and is responsible for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Office of the Comptroller, working in conjunction with the State Auditor, has established a comprehensive internal control framework that is designed to protect the Commonwealth's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commonwealth's financial statements in conformity with GAAP. Because of the cost, internal controls should not outweigh their benefits. The Commonwealth's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

The Annual Comprehensive Financial Report is the single most important financial statement that the Commonwealth, and every state, is required to produce annually. It requires a year-long focus on careful execution and accounting for financial transactions, which is a shared responsibility of financial professionals across state government and the Office of the Comptroller. The work culminates in an intensive process led by the Statewide Financial Reporting team, engaged with departments statewide and with the independent auditor. I thank especially Assistant Comptroller & Chief Financial Reporting Officer, Pauline Lieu and the Reporting team, Assistant Comptroller & Chief Accounting Officer, Kristin Lacroix and the Statewide Accounting Team, and Senior Advisor Howard Merkowitz. Every department within the Office of the Comptroller has a direct impact on our ability to produce accurate financial information, and I extend my sincere appreciation to every manager and employee for their professionalism and hard work.

Sincerely,



William McNamara
Comptroller of the Commonwealth

CONSTITUTIONAL OFFICERS

Maura Healey
Governor

Kim Driscoll
Lieutenant Governor

William F. Galvin
Secretary of State

Andrea Campbell
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Diana DiZoglio
Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka
Senate President

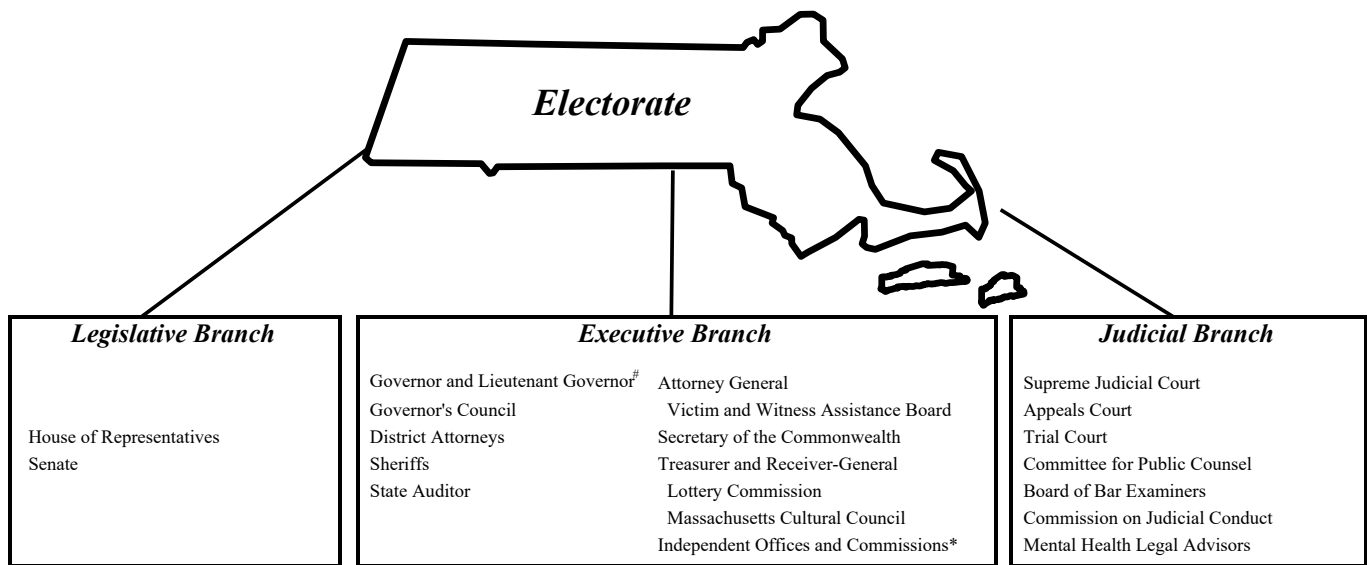
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

Thomas G. Ambrosino
Court Administrator, Trial Court



Executive Branch Independent Offices and Commissions*		
Board of Library Commissioners	Commission on the Status of Latinos and Latinas	Office of the Child Advocate
Campaign and Political Finance	Commission on the Social Status of Black Men and Boys	Office of the Comptroller
Cannabis Control Commission	Commission on the Status of Persons with Disabilities	Office of the Inspector General
Center for Health Information & Analysis	Commission on the Status of Women	State Ethics Commission
Commission Against Discrimination	Disabled Persons Protection Commission	State Retiree Benefits Trust Fund Board
Commission on the Status of African Americans	Massachusetts Gaming Commission	University of Massachusetts System
	Massachusetts Peace Officer Standards and Training Commission	

Executive Departments Under Gubernatorial Authority[#]		
<u>Administration and Finance</u> Executive Office for Administration and Finance Appellate Tax Board Bureau of the State House Civil Service Commission Department of Revenue Developmental Disabilities Council Division of Administrative Law Appeals Division of Capital Asset Management and Maintenance George Fingold Library Group Insurance Commission Health Policy Commission Human Resource Division Massachusetts Office on Disability Massachusetts Teachers' Retirement System Operational Services Division Public Employee Retirement Administration Commission	<u>Housing and Economic Development</u> Executive Office of Housing and Economic Development Department of Business Development Office of Consumer Affairs & Business Regulations Massachusetts Marketing Partnership Department of Housing & Community Development Department of Telecommunications and Cable Division of Banks Division of Insurance Division of Professional Licensure Division of Standards	<u>Executive Office of Labor and Workforce Development</u> <u>Health and Human Services</u> Executive Office of Health and Human Services Executive Office of Elder Affairs Department of Children and Families Department of Developmental Services Department of Mental Health Department of Public Health Department of Transitional Assistance Department of Veterans' Services Department of Youth Services Massachusetts Commission for the Blind Massachusetts Commission for the Deaf and Hard of Hearing Massachusetts Rehabilitation Commission Office for Refugees and Immigrants Soldiers' Home, Holyoke Soldiers' Home, Massachusetts
<u>Education</u> Executive Office of Education Department of Early Education and Care Department of Elementary and Secondary Education Department of Higher Education Community Colleges State Universities	<u>Energy and Environmental Affairs</u> Executive Office of Energy and Environmental Affairs Department of Agricultural Resources Department of Conservation and Recreation Department of Energy Resources Department of Environmental Protection Department of Fish and Game Department of Public Utilities State Reclamation Board	<u>Public Safety</u> Executive Office of Public Safety and Security Chief Medical Examiner Department of Criminal Justice Information Services Department of Correction Department of Fire Services Department of State Police Massachusetts Emergency Management Agency Military Division/ Massachusetts National Guard Municipal Police Training Committee Parole Board Sex Offender Registry
	<u>Technology and Security</u> Executive Office of Technology Services and Security	
	<u>Transportation and Public Works</u> Massachusetts Department of Transportation (MassDOT)	

ADVISORY BOARD TO THE COMPTROLLER

Matthew Gorzkowicz (Chair)
Secretary of Administration and Finance

Diana DiZoglio
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

Thomas G. Ambrosino
Chief Administrator, Trial Court

Andrea Campbell
Attorney General

Michael Esmond
Chief Financial Officer
Massachusetts Convention Center Authority
Gubernatorial Appointee

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

REPORT PREPARED BY:

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Accountant

Cathy Hunter
Program Coordinator



Government Finance Officers Association

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Commonwealth of Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information Other Than Management's Discussion and Analysis

Other Supplementary Information



INDEPENDENT AUDITORS' REPORT

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts
Boston, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (Commonwealth), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As more fully described in Note 14, we did not audit the financial statements of certain activities, funds, and component units of the Commonwealth, which represent the indicated percentages of total assets and total revenues of the opinion units as prescribed in the table below. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, funds and component units, is based solely on the reports of the other auditors.

Opinion Unit	Entities	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Lotteries Fund; Massachusetts School Building Authority Fund	5.03%	8.67%
Business-Type Activities	University of Massachusetts; State Universities; Community Colleges	73.03%	40.29%
Lotteries Fund	Lotteries Fund	8.02%	100.00%
Massachusetts School Building Authority Fund	Massachusetts School Building Authority Fund	100.00%	100.00%
University of Massachusetts	University of Massachusetts	100.00%	100.00%
State Universities	State Universities	100.00%	100.00%
Community Colleges	Community Colleges	100.00%	100.00%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Aggregate Remaining Fund Information	External Investment Trust Funds	26.47%	54.27%
Aggregate Discretely Presented Component Units	Massachusetts Department of Transportation; Massachusetts Bay Transportation Authority; Commonwealth Health Insurance Connector; Massachusetts Convention Center Authority; Massachusetts Development Finance Agency; Massachusetts Clean Energy Center; Massachusetts Technology Park Corporation; Massachusetts Housing Partnership; Economic Development Entities; Higher Education Foundations	89.96%	98.05%

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Massachusetts Municipal Depository Trust, the Massachusetts Housing Partnership Fund, and the Massachusetts Growth Capital Corporation were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the Commonwealth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in 1T to the financial statements, effective July 1, 2021, the Commonwealth adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. As a result, certain restatements to beginning net position were required. Our opinions are not modified with respect to this matter.

Correction of Errors

As discussed in Note 1T to the financial statements, the beginning net position of the unemployment compensation trust fund and business-type activities have been restated for the correction of an error related to the overdraw of federal pandemic funds. The beginning net position of the state universities, community colleges, business-type activities, Massachusetts Clean Water Trust, and the aggregate discretely presented component units have been restated for the correction of errors related to revenue and expense recognition. The beginning net position of the private-purpose trust funds and custodial funds have been restated for the correction of an error related to the classification of fiduciary funds. Our opinions are not modified with respect to these matters.

Other Auditors' Report on the Financial Statements of the Massachusetts Department of Transportation

The opinion of the other auditors on the June 30, 2022, financial statements of the Massachusetts Department of Transportation (MassDOT) was qualified because MassDOT did not obtain audited financial statements for two of its discretely presented component units representing 6% of the total assets and 4% of the total revenues of the aggregate discretely presented component units; however, in our opinion, the effects of not obtaining sufficient appropriate audit evidence related to these two entities is not material in relation to these financial statements. Accordingly, our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have

applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The combining statements as listed in the accompanying table of contents (the supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
May 31, 2023



Management's Discussion and Analysis (Unaudited)

Financial Highlights – Primary Commonwealth Government

Government-Wide Highlights

This analysis, prepared by the Office of the Comptroller, offers readers of the Commonwealth's financial statements a narrative overview of the activities of the Commonwealth for the fiscal year ended June 30, 2022 (FY22). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal and with the Commonwealth's financial statements, which follow. This analysis is required by the Governmental Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included in and excluded from this analysis.

Net Position – The liabilities and deferred inflows of resources of the primary government exceeded its assets and deferred outflows of resources at the end of FY22 by \$67.424 billion, a decrease in the net deficit of \$8.374 billion from FY21, with the decrease in the net deficit due primarily to strong tax revenue growth, which resulted in a positive operating balance during the fiscal year.

Of the \$67.424 billion deficit, "unrestricted net position" has a deficit of \$72.864 billion and there is a \$1.979 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth's negative unrestricted net position:

- In FY10, the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately \$15.521 billion, net of depreciation, as of the date of the transfer. These and subsequently constructed road and bridge assets were valued at \$26.138 billion as of June 30, 2022. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$14.020 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$4.519 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA).
- The Commonwealth, through debt issuances, also pays for non-transportation capital assets held by quasi-public entities, local governments, and housing authorities.
- With the implementation of Governmental Accounting Standards Board (GASB) [Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27](#), which was effective starting in FY15, the Commonwealth was required to place on its books the full amount of its unfunded (net) pension liability (known as the "net pension liability"), which totaled \$34.807 billion as of June 30, 2022 (based on a June 30, 2021 actuarial valuation, per GASB 68).
- The implementation of [GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions](#), which was effective starting in FY18, required the Commonwealth to record on its statement of net position its unfunded non-pension retiree benefits (or OPEB, mostly health insurance benefits), which totaled \$15.218 billion as of June 30, 2022 (based on a June 30, 2021 valuation, per GASB 75).

At the end of FY22, the Commonwealth also held \$3.461 billion in "restricted net position", which are assets restricted primarily for payment of debt service, unemployment insurance benefits, family and medical leave benefits, and the Institutions of Higher Education. Approximately \$871 million was restricted for debt retirement (of which \$832 million was restricted for MSBA debt retirement), \$337 million was restricted for Higher Education, and \$414 million was restricted for grants and gifts.

The Commonwealth's governmental activities (which exclude the "business-type activities" of the Institutions of Higher Education, Family and Employment Security Trust and Unemployment Insurance) net deficit decreased by \$6.298 billion, to \$72.758 billion, and its governmental activities unrestricted net deficit decreased by approximately \$6.458 billion, to \$72.260 billion, as of June 30, 2022.

Total revenues of the primary government decreased by \$692 million, or 0.7% in FY22, to \$91.731 billion, with strong revenue growth as the economy continued to recover from coronavirus pandemic being offset by a decline in federal unemployment insurance pandemic relief revenue. It also included restatement of business-type activities to reflect GASB 87 implementation. See further discussion of these adjustments in [Note 1T](#) on [page 81-82](#). Total expenses of the primary government decreased by \$11.853 billion, or approximately 12.4%, to \$83.358 billion, mainly as result of the decline in pandemic-related unemployment insurance benefits spending. Details on revenues and expenses for the primary government can be found on [pages 21–26](#).

The net position of business-type activities increased by \$2.075 billion, due to surpluses in the Unemployment Insurance program (as the economy recovered, unemployment insurance taxes increased, and unemployment benefits declined), \$242 million in the Family and Employment Security Trust Fund and \$368 million in Higher Education. The FY22 beginning balance of the Unemployment Compensation Trust Fund was restated and reduced by \$1.943 billion to reflect overdraws of federal pandemic unemployment assistance, as explained on [pages 26-27](#) and in [Note 1T](#) on [page 81-82](#). Business-type activities as a whole ended with a net position of positive \$5.334 billion, as positive balances in the Family and Employment Security Trust Fund and Higher Education offset a negative balance in the Unemployment Compensation Trust Fund.

On a "funds perspective" basis, at June 30, 2022, the Commonwealth's governmental funds reported a combined ending fund balance of \$18.133 billion, an increase of \$4.316 billion from June 30, 2021. Of the ending balances:

- There are \$616 million nonspendable balances, \$1.286 billion is restricted, \$10.341 billion is committed, \$3.796 billion is assigned, and \$2.094 billion is unassigned fund balance (a full discussion of these classifications is included in [Note 1](#) to the basic financial statements, on [pages 69-73](#)).
- The MSBA's fund balance of \$1.913 billion is blended with the Commonwealth. Within this fund balance is \$1.838 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY22 and previous fiscal years, less approximately \$51 million in liabilities. In FY22, \$1.190 billion was dedicated to the MSBA from Commonwealth sales taxes, and the MSBA issued \$342 million in long-term dedicated sales tax bonds.

Other highlights of FY22 financial operations include:

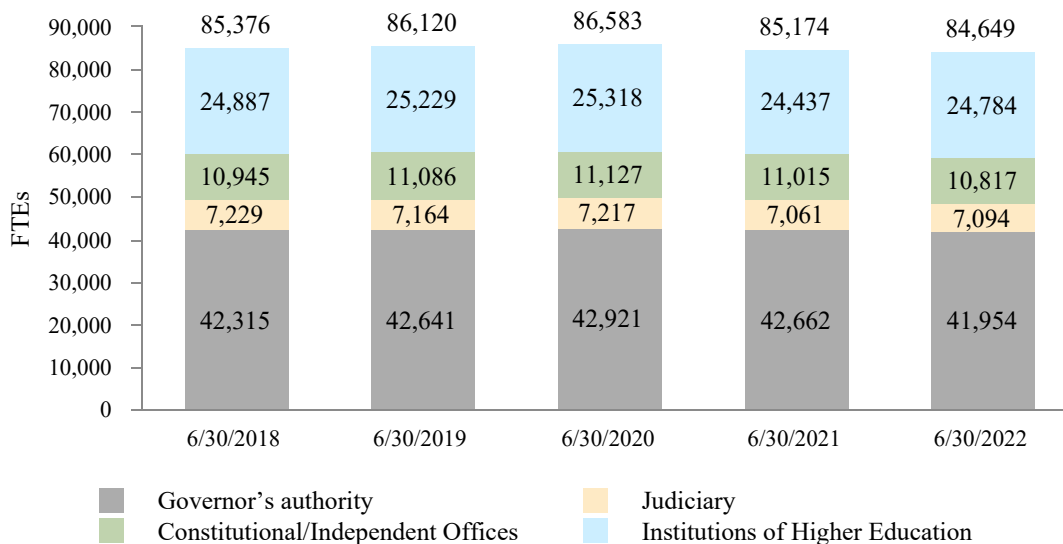
- Tobacco settlement proceeds for the year were approximately \$248 million on a GAAP basis, an increase of approximately \$23 million from FY21. Approximately \$108 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY23. In FY22 approximately \$25 million, or the equivalent of 10% of cash tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. Per statute, the proportion of tobacco settlement revenues transferred to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY22, although the requirement to transfer increasing percentages of tobacco settlement proceeds was modified for FY22 with the percentage reduced to 10%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$950 million in bond authorizations, of which \$275 million for Infrastructure bridges and roadways; \$600 million for Reconstruction of the Solders' Home in Holyoke and \$75 million of grants to municipalities. There were no bond de-authorizations of previously approved capital appropriations during the fiscal year. The Commonwealth determines the timing and extent of capital spending and bonding as part of its five-year capital plan.
- Lottery revenues for FY22 were \$5.864 billion, an increase of approximately \$36 million, or 0.6%, from FY21, as ticket sales continued to recover from the coronavirus-induced FY20 sales decline. Prizes were approximately \$4.790 billion. Lottery profits, after deducting administrative expenses and fringe benefit charges to reimburse the Commonwealth's General Fund for pension and employee health insurance

benefits, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gamblers appropriation as mandated in the FY22 budget, totaled \$1.101 billion a decrease of \$7 million, or 0.7%, from FY21. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.214 billion.

Full-Time Equivalent Employment

The following chart shows the Commonwealth's full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2022, the number of Commonwealth employees decreased by a net of 525 full-time equivalent employees (FTEs) from June 30, 2021, to a total of 84,649. The largest decreases in FTE counts were in the Executive Office of Health and Human Services (586 FTE's), the Executive Office of Public Safety (268 FTE's), and the Constitutional and other independent offices (198 FTEs), offset by increases in Institutions of Higher Education increased by 347 FTEs, including growth in FTE counts at the University of Massachusetts 284 FTEs and the Community Colleges 59 FTEs; and increase in Transportation and Construction 110 FTE's.

***Full Time Equivalent Workforce
Including Higher Education as of 6/30
June 2018 – June 2022***



OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Commonwealth's basic financial statements. The Commonwealth's basic financial statements comprise the following: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of budgetary schedules, which are prepared on the statutory basis of accounting, as well as pension and other post-employment benefits (OPEB) schedules. Other supplementary information is also provided to furnish additional detail to support the basic financial statements.

Government–Wide Financial Statements

The government-wide financial statements present the reader with a broad overview of the Commonwealth's finances in a manner similar to a private sector business. The statements include the [Statement of Net Position](#),

which presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position for the government as a whole. Also presented is the [Statement of Activities](#), which presents the functional expenses, offsetting revenues and changes in net position of the Commonwealth. The statements report the Commonwealth's net position and changes in net position. An increase or decrease in the Commonwealth's net position is one way to measure financial health as well as the trend of increases or decreases over time. Non-financial measures such as the types of capital investments, changes in taxation, population, employment and economic conditions are also indicators of the overall health of any government.

Both the statement of net position and the statement of activities have separate sections for three different categories of the Commonwealth's operations. These activities are Governmental Activities, Business-type Activities, and Discretely Presented Component Units. Governmental activities are where the Commonwealth's basic services are reported. Business-type activities are those for which fees are charged for particular services. For the Commonwealth, business-type activities comprise the unemployment insurance compensation system, the Family and Employment Security Trust and the Institutions of Higher Education. The component units are separate legal entities that are included in this report due to the nature of their governance and financial relationship with the Commonwealth.

The government-wide financial statements can be found on [pages 38-41](#) of this report.

Fund Financial Statements and Component Unit Financial Statements

Funds are groups of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the funds, budgetary compliance is demonstrated at the appropriation level for budgeted expenditures.

Only the major funds are shown separately in the fund financial statements, with the remaining funds aggregated and reported as nonmajor funds.

Fund financial statements focus on individual parts of the Commonwealth, reporting its operations in more detail than the government-wide statements. The Commonwealth's funds can be divided into three categories: [Governmental Funds](#), [Proprietary Funds](#), and [Fiduciary Funds](#). It is important to realize that these fund categories use different bases of accounting and should be interpreted differently. Further discussion of the funds can be found in the section "Financial Analysis of the Commonwealth's Funds" and in [Note 1](#) to the basic financial statements.

Component unit financial statements are presented for entities where the Commonwealth has financial accountability, but the entities are independent of the core Commonwealth operations. Most component units operate similarly to private-sector businesses.

Although the Massachusetts School Building Authority (MSBA) is a component unit of the Commonwealth, the MSBA's operations have been determined by management to operate in a similar fashion to a Commonwealth department due to the MSBA's service to the Commonwealth and because it relies on a pledged portion of the Commonwealth's sales tax revenue to fund its debt service. In FY05, legislation changed the funding of school construction from a direct appropriation of the Commonwealth to a dedicated portion of the sales tax allocated to the MSBA. Because of the nature of transactions between the Commonwealth and this authority, per GASB [Statement No. 39, *Determining Whether Certain Organizations Are Component Units*](#) as amended by [GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*](#), the authority's operations are blended with the primary government and reported as a governmental fund in the government-wide financial statements.

Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements as of the date provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on [pages 64-145](#).

The required supplementary information section includes a budgetary comparison schedule for the General Fund,

along with a reconciliation comparing the original General Appropriation Act and supplemental appropriations to actual budgetary spending. A variance column is also provided. A further reconciliation schedule of the budgeted revenues and expenses to governmental fund perspective revenues and expenditures for the General Fund is also provided. Required pension and OPEB schedules are also presented in this section.

Other supplementary information is not required, but is included to present combining schedules of various nonmajor funds, fiduciary funds, and component units.

GOVERNMENT-WIDE ANALYSIS

The primary government's combined net position (governmental and business-type activities) showed a net deficit of \$67.424 billion at the end of FY22, a decrease in the net deficit of \$8.374 billion from the end of FY21. Government-wide unrestricted net position is negative by \$72.864 billion. As explained previously, in addition to the \$34.807 billion government-wide net pension liability and the \$15.218 billion OPEB liabilities recorded on the Commonwealth's books, a substantial portion of this deficit is a result of programs where the Commonwealth has funded assets owned by political subdivisions of the Commonwealth (in particular the result of the transfer of assets to MassDOT during FY10), as well as continued borrowing by the Commonwealth that funds, through its capital budget and debt issuance, construction of new assets owned by MassDOT, local governments, and local authorities. MassDOT reports its capital assets on its financial statements, which are incorporated into the Commonwealth's financial statements similarly to other component units.

Major Long – Term Obligations for Assets of Political Subdivisions (amounts in thousands)

Massachusetts School Building Authority net deficit.....	\$	4,519,339
Outstanding bonds issued to fund the MBTA.....		207
Debt related to MassDOT assets.....		14,020,107
Effects on governmental unrestricted net position of items unique to the Commonwealth.....	\$	18,539,653

Of the Commonwealth's approximately \$3.148 billion in FY22 state funded capital spending, about \$2.523 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.590 billion in transportation spending (with \$399 million in grants and other financial assistance to cities and towns), \$204 million for Institutions of Higher Education (which are included in the Commonwealth's business-type activities) and approximately \$711 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY22 the Commonwealth's capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$32.174 billion. These include:

- Higher Education capital projects totaling approximately \$2.567 billion
- Capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$16.004 billion
- Transportation-related financial assistance to local governments totaling more than \$5.107 billion
- Grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget of almost \$7.853 billion, including \$1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority.

The Commonwealth also funds school construction through debt issued by the MSBA (beyond its initial \$1 billion capitalization), and includes the MSBA's debt on its statement of net position, but the assets paid for with that debt are owned by Massachusetts cities, towns, and school districts.

Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year of the financial statement date, respectively. As of June 30, 2022, the Commonwealth's government-wide current unrestricted cash and cash equivalents totaled \$27.655 billion, an increase of \$5.992 billion from June 30, 2021 due primarily to strong tax revenue growth during the fiscal year. Total current assets

were \$39.453 billion, an increase of \$7.644 billion from June 30, 2021. As of June 30, 2022, the Commonwealth's current liabilities were \$21.415 billion, an increase of \$821 million from June 30, 2021, primarily due to \$2.916 billion increase in tax refunds payable resulting from FY22 tax revenues that exceeded the statutory limit (and thus resulted in refunds paid in FY23), partially offset by a \$2.243 billion decrease in "unearned revenue" as federal coronavirus local fiscal recovery funds received in FY21 were expended in FY22.

As of June 30, 2022, the primary government's non-current assets increased by \$1.486 billion from June 30, 2021, to \$21.312 billion, due mainly to an increase of \$783 million in depreciable capital assets, most of which were in the form of long term leases newly classified as assets under implementation of GASB Statement Number 87 (and were offset by an increase in lease liabilities).

The Commonwealth holds \$15.344 billion in capital assets such as land, construction in process, buildings, infrastructure, and equipment, and right of use leases, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

The following table shows the Commonwealth's net position. Restricted net position represents resources that are subject to external constraints.

Net Position as of June 30, 2022 and 2021
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021*	June 30, 2022	June 30, 2021*
Current assets	\$ 31,533,415	\$ 25,032,305	\$ 7,919,433	\$ 6,790,515	\$ 39,452,848	\$ 31,822,820
Non-capital non-current assets	2,700,708	2,512,822	3,266,962	3,051,321	5,967,670	5,564,143
Capital assets	6,090,834	5,053,814	9,253,400	9,207,840	15,344,234	14,261,654
Total assets	40,324,957	32,598,941	20,439,795	19,049,676	60,764,752	51,648,617
Deferred outflows of resources	9,819,459	11,907,792	599,885	811,727	10,419,344	12,719,519
Total assets and deferred outflows	50,144,416	44,506,733	21,039,680	19,861,403	71,184,096	64,368,136
Current liabilities	18,113,863	15,946,066	3,300,966	4,647,359	21,414,829	20,593,425
Long term liabilities	88,650,727	103,645,738	9,875,596	10,029,513	98,526,323	113,675,251
Total liabilities	106,764,590	119,591,804	13,176,562	14,676,872	119,941,152	134,268,676
Deferred inflows of resources	16,137,369	3,970,829	2,529,401	1,926,090	18,666,770	5,896,919
Total liabilities and deferred inflows	122,901,959	123,562,633	15,705,963	16,602,962	138,607,922	140,165,595
Net Position:						
Net investment in capital assets	(1,783,097)	(1,658,414)	3,761,986	3,778,471	1,978,889	2,120,057
Restricted	1,285,776	1,320,793	2,175,161	1,908,425	3,460,937	3,229,218
Unrestricted	(72,260,222)	(78,718,279)	(603,430)	(2,428,455)	(72,863,652)	(81,146,734)
Total Net Position, as restated	\$ (72,757,543)	\$ (79,055,900)	\$ 5,333,717	\$ 3,258,441	\$ (67,423,826)	\$ (75,797,459)

* As restated, see note 1T on page 81-82 - Business - type activities

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit decreased by approximately \$8.374 billion between FY21 and FY22, to \$67.424 billion. The main reasons for the decrease in the net deficit were the \$6.298 billion gain in governmental activities primarily due to increases of \$4.856 billion in tax revenues, which outstripped increases in spending, a \$1.109 billion decrease in the Commonwealth's net pension liability (net of deferrals) due to the strong stock market in FY21 (since the pension valuation is recorded with a one-year lag under GASB rules) and a \$534 million decrease in the net OPEB liability (after deferrals, also lagged one year) due to changes in health insurance payments, medical actuarial assumptions, and increases in the discount rate as interest rates rose.

The following table shows the major categories of government-wide revenues and expenses for FY21 and FY22, as well as net position for the two fiscal years. In FY22, approximately 43.4% of the total revenue came from governmental activities taxes revenue, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the majority of which was federal aid. FY22 revenues totaled \$91.731 billion, a decrease of \$692 million, or 0.7% from FY21, with tax revenue totaling \$39.804 billion, an increase of \$4.856 billion, or 13.9%, from FY21. All major tax sources benefited from the economic recovery, with income tax increasing by \$1.917 billion, or 9.5%, sales tax revenue grew by \$1.208 billion, or 15.8%, and corporate excise tax increased by \$1.069 billion, or 29.3%.

Changes in Net Position during the Fiscal Years Ended June 30, 2022 and 2021 (in thousands of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021*	June 30, 2022	June 30, 2021*	June 30, 2022 Distribution	June 30, 2021* Distribution	22 to '21 % Change
Revenues									
Program Revenues:									
Charges for services	\$ 12,796,815	\$ 11,942,508	\$ 5,591,917	\$ 5,012,274	\$ 18,388,732	\$ 16,954,782	20.0 %	18.3 %	1.7 %
Operating grants and contributions	27,170,190	22,611,465	4,963,847	16,593,794	32,134,037	39,205,259	35.0 %	42.4 %	(7.4)%
Capital grants and contributions	114,296	77,259	195,238	174,851	309,534	252,110	0.3 %	0.3 %	— %
General Revenues:									
Taxes	39,803,816	34,947,335	—	—	39,803,816	34,947,335	43.4 %	37.8 %	5.6 %
Other	1,135,334	697,132	(40,269)	366,532	1,095,065	1,063,664	1.3 %	1.2 %	0.1 %
Total Revenues	81,020,451	70,275,699	10,710,733	22,147,451	91,731,184	92,423,150	100.0 %	100.0 %	
Expenses									
Medicaid	22,064,800	20,208,100	—	—	22,064,800	20,208,100	26.5 %	21.2 %	5.3 %
Direct local aid	6,758,880	6,499,305	—	—	6,758,880	6,499,305	8.1 %	6.8 %	1.3 %
Health and human services	13,785,541	11,658,328	—	—	13,785,541	11,658,328	16.5 %	12.2 %	4.3 %
Lottery	4,651,322	4,617,789	—	—	4,651,322	4,617,789	5.6 %	4.9 %	0.7 %
Higher education	—	—	5,773,025	5,399,004	5,773,025	5,399,004	6.9 %	5.7 %	1.2 %
Early elementary and secondary education	6,961,534	7,687,798	—	—	6,961,534	7,687,798	8.4 %	8.1 %	0.3 %
Unemployment compensation	—	—	3,904,080	19,438,890	3,904,080	19,438,890	4.7 %	20.4 %	(15.7)%
Family and employment security trust	—	—	686,343	236,361	686,343	236,361	0.8 %	0.2 %	0.6 %
Other	18,772,026	19,465,315	—	—	18,772,026	19,465,315	22.5 %	20.5 %	2.0 %
Total Expenses	72,994,103	70,136,635	10,363,448	25,074,255	83,357,551	95,210,890	100.0 %	100.0 %	
Excess/(Deficiency)									
before transfers	8,026,348	139,064	347,285	(2,926,804)	8,373,633	(2,787,740)			
Transfers	(1,727,991)	(1,517,599)	1,727,991	1,517,599	—	—			
Change in net position (deficits)	6,298,357	(1,378,535)	2,075,276	(1,409,205)	8,373,633	(2,787,740)			
Net position/(deficits) - beginning, as restated	(79,055,900)	(77,677,365)	3,258,441	4,667,646	(75,797,459)	(73,009,719)			
Net position/(deficits) - ending, as restated	<u>\$ (72,757,543)</u>	<u>\$ (79,055,900)</u>	<u>\$ 5,333,717</u>	<u>\$ 3,258,441</u>	<u>(\$67,423,826)</u>	<u>(\$75,797,459)</u>			

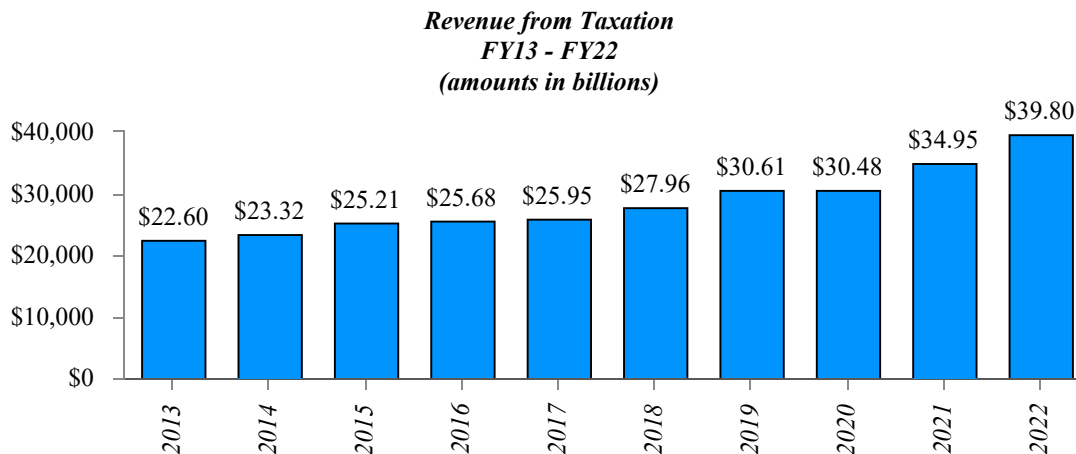
* As restated, see note 1T on pages 81-82 - Business - type activities

Operating grants and contributions (including federal revenue for Medicaid, coronavirus relief, and Unemployment Insurance) totaled \$32.134 billion, a decrease of \$7.071 billion, or 18.0%, in FY22, with federal revenue for the Unemployment Compensation program dropping from \$15.257 billion in FY21 to \$3.411 billion in FY22, as federal supplementary aid for expanded and extended unemployment insurance benefits wound down.

Charges for services totaled \$18.389 billion, increasing by \$1.434 billion, or 8.5% from FY21, with the increase resulting primarily from growth in Health and Human Services \$1.339 billion, Lottery charges \$34 million, and Labor and Workforce Development \$136 million, with offsetting decreases in General Government \$186 million, and Medicaid \$630 million.

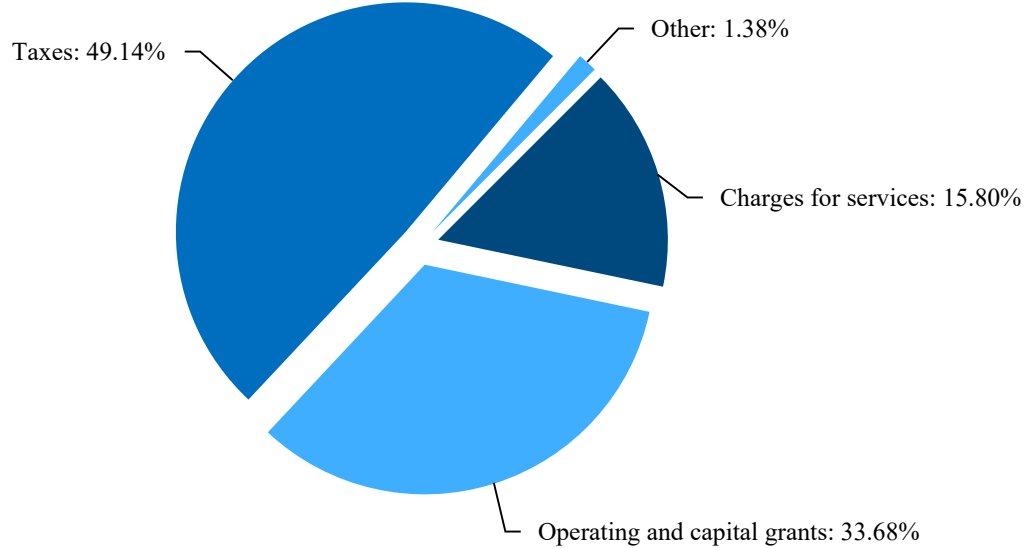
As of June 30, 2022, government-wide restricted net position totaled \$3.461 billion, an increase of \$232 million, with the majority of the increase due to assets restricted for the Paid Family Leave program.

Primary government spending totaled \$83.358 billion, a decrease of \$11.853 billion, or 12.4%, from FY21, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$72.994 billion, an increase of \$2.857 billion, or 4.1%, and business-type activities spending totaling \$10.363 billion, a decrease of \$14.711 billion, or 58.7%. Medicaid expenses totaled \$22.065 billion, an increase of \$1.857 billion, or 9.2%, from FY21, with the increase due to higher spending on responses to the coronavirus pandemic. Health and Human services spending totaled \$13.786 billion, an increase of \$2.127 billion or 18.2%, transportation and public works spending totaled \$3.122 billion, a decrease of \$161 million, or 4.9%, early and secondary education spending totaled \$6.962 billion, a decrease of \$726 million, or 9.4%, public safety and homeland security spending totaled \$3.126 billion, a decrease of \$590 million, or 15.9%, as FY21 federally-funded education and public safety spending in response to the pandemic was not repeated in FY22, and general government expenses totaled \$3.903 billion, an increase of \$380 million, or 10.8%. In addition, direct local aid spending totaled \$6.759 billion, an increase of \$260 million, or 4.0% as the Commonwealth continued its commitment to allocating a proportionate increase in projected budgetary tax revenues to local assistance. These increases were offset by a decline of \$1.643 billion due to lower pension and OPEB liabilities in FY22 compared to FY21 resulting from increases in investment income for pensions and decreases in medical costs for OPEB. In business-type activities, unemployment insurance compensation expenditures totaled \$3.904 billion, a decrease of \$15.535 billion, or 79.9%, as expanded benefits mandated by the federal government due to increased unemployment caused by the pandemic wound down in FY22.



Income taxes comprise the majority of tax revenue. Of the \$39.804 billion in FY22 tax revenue within governmental activities, \$22.038 billion, or approximately 55.4%, of total taxes, was from income taxes, \$8.835 billion, or 22.2%, was from sales taxes, \$4.721 billion, or 11.9%, was from corporate taxes, \$721 million, or 1.8%, was from motor fuels taxes and \$3.489 billion, or 8.8%, was from other forms of taxation. Lottery revenues of \$5.861 billion made up 45.8% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$13.831 billion, or approximately 50.9%, of all grants, other health and human services grants of \$6.337 billion, or 23.3% of all grants, and education grants of \$2.858 billion, or 10.5% of all grants. Most of the state's capital grants are for highway construction, and those federal grants are recorded not in the Commonwealth's financial statements but in the financial statements of the Massachusetts Department of Transportation.

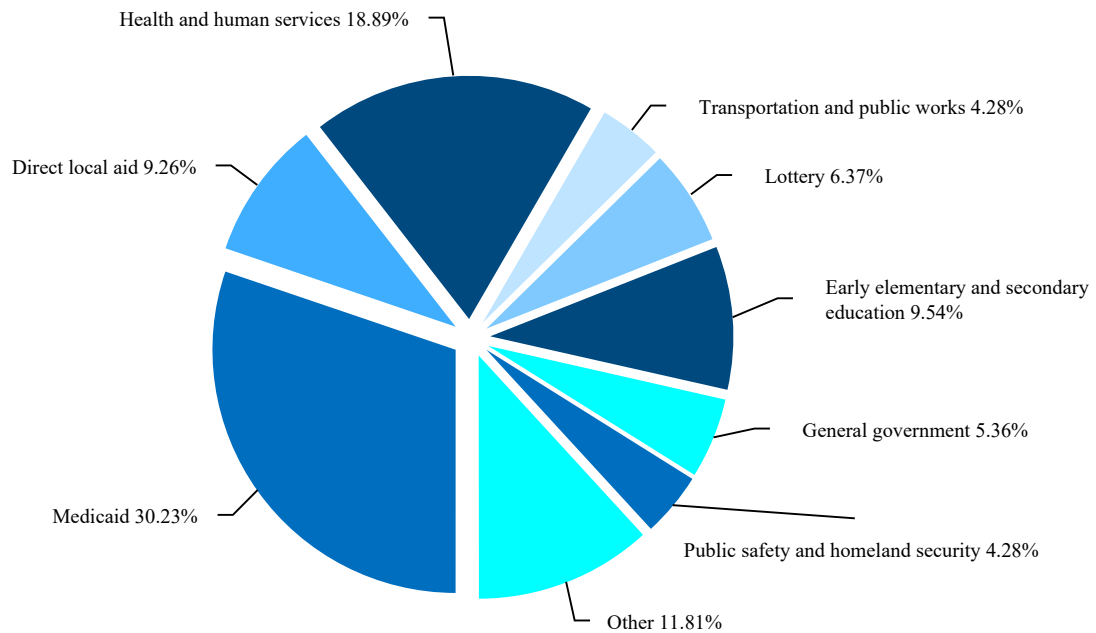
***Revenue—Governmental Activities
Fiscal Year Ending June 30, 2022***



Medicaid expenses of \$22.065 billion accounted for 30.2% of the Commonwealth's governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth of approximately \$6.759 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$13.786 billion, accounting for 18.9% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$6.962 billion, accounting for 9.5% of governmental expenses and public safety and homeland security costs of approximately \$3.126 billion, accounting for 4.3% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$676 million.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2022**



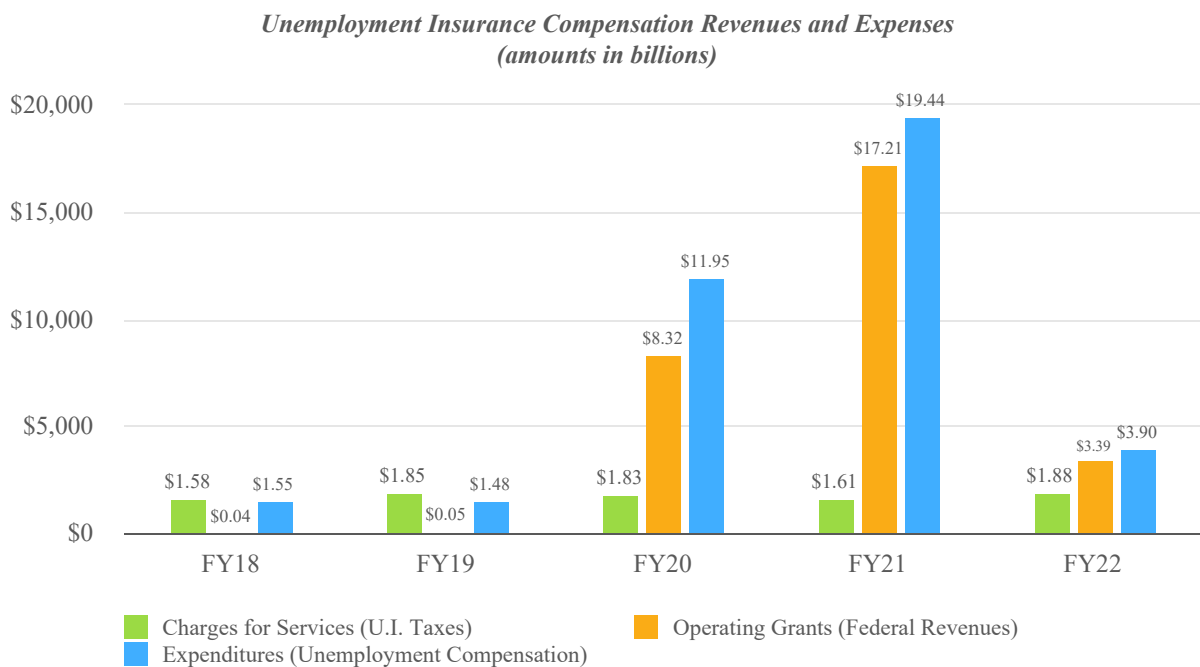
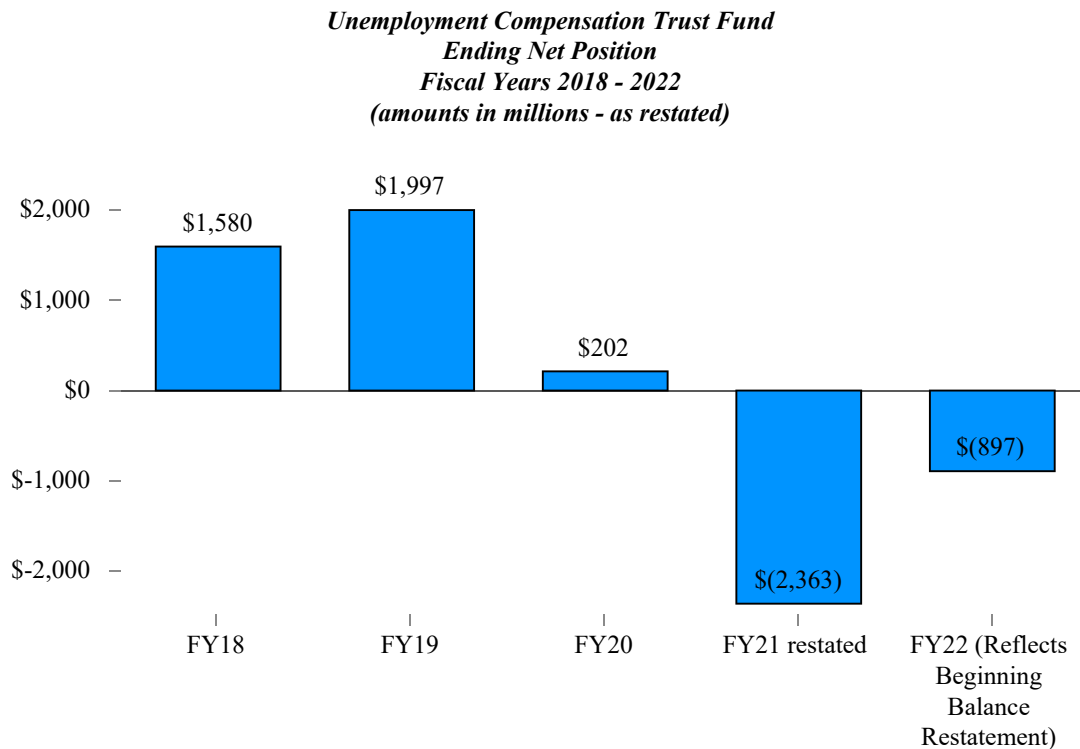
Business-Type Activities

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

As of June 30, 2022, business-type activities' net position totaled \$5.334 billion, an increase of \$2.075 billion, with gains in all components, including \$1.466 billion in the Unemployment Compensation Trust Fund (as the economy recovered, unemployment insurance taxes increased, and unemployment insurance benefits declined), \$242 million in the Paid Family and Medical Leave (PFML) program, and \$368 million in the Institutions of Higher Education. Program revenues of business-type activities totaled \$10.751 billion a decrease of \$11.030 billion, or 50.6%, resulting entirely from reduced federal operating grants and contributions, which totaled \$4.964 billion, a decrease of \$11.630 billion, or 70.1%, with the decline a result of a drop in federal aid for pandemic-related supplemental unemployment insurance benefits, which totaled \$3.411 billion a decrease of \$11.868 billion, or 77.8%, from FY21. Program expenditures totaled \$10.363 billion, a decline of \$14.711 billion, or 58.7%, from FY21, entirely due to a drop in pandemic-related unemployment insurance benefit spending, which dropped by \$15.535 billion, or 79.9%.

As a result of a detailed reconciliation of prior year revenue and spending in the Unemployment Compensation Trust Fund conducted during the FY22 financial statement audit, the FY22 beginning balance of the Trust Fund was restated and reduced by \$1.943 billion to account for overdraws of pandemic-related unemployment insurance revenues from the federal government by the Department of Unemployment Assistance (DUA) in FY20 and FY21, leaving the Trust Fund with a beginning net position of negative \$2.363 billion. Those prior fiscal year overdraws, as well as \$548 million in similar FY22 overdraws, are accounted for as a \$2.491 billion liability in the Unemployment Compensation Trust Fund's statement of net position. The Executive Office of Labor and Workforce Development is engaged in discussion with the U.S. Department of Labor on the resolution of the overdraw. Including those adjustments, the FY22 ending net position of the Unemployment Compensation Trust Fund was negative \$897 million. See further discussion of these adjustments in [Note 1T](#) on [page 81-82](#).

The two charts below show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years.



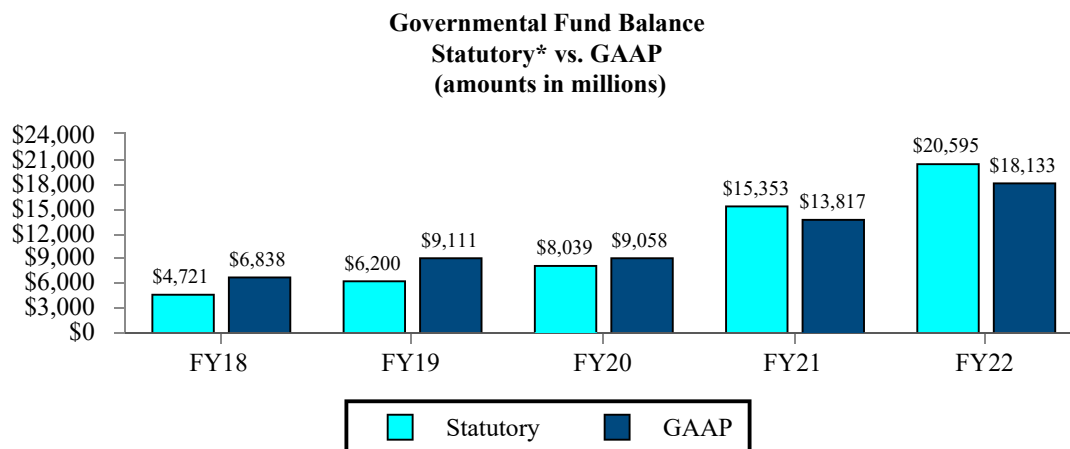
FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

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

Governmental Funds

Governmental funds account for the near term inflows, outflows, and balances of expendable resources of the Commonwealth's core functions and services. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The General Fund is the primary operating fund of the Commonwealth. At the end of FY22, the fund balance of the General Fund was \$13.932 billion. Of this amount, \$6.938 billion represents the balance in the Commonwealth's Stabilization Fund, \$2.542 billion was classified as assigned for continuing appropriations from FY22 into FY23 and \$4.452 billion was unassigned, with the unassigned balance almost entirely in the Transitional Escrow Funds, which holds revenue that while unappropriated, is intended to be expended in FY23 and future years.



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

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

	FY22	FY21*	FY20*	FY19	FY18
Beginning fund balances	\$ 13,817,345	\$ 9,912,839	\$ 9,165,887	\$ 6,838,444	\$ 5,597,382
Revenues and other financing sources	91,840,963	84,720,267	72,506,995	69,775,850	68,990,424
Expenditures and other financing uses	87,525,183	80,815,761	72,615,366	67,502,959	67,749,362
Excess/(deficiency)	4,315,780	3,904,506	(108,371)	2,272,891	1,241,062
Ending fund balances	<u>\$ 18,133,125</u>	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>

* - Beginning balance restated due to early implementation of new accounting standards in FY20; reclassification of custodial fund activity presented in error in FY20.

FY22 governmental fund revenues and other financing sources totaled \$91.841 billion, an increase of \$7.121 billion, or 8.4%, from FY21, with an increase of \$8.622 billion, or 10.6%, in non-Massachusetts School Building Authority (MSBA) revenues and other financing sources, partially offset by a decrease of \$1.585 billion in MSBA long term debt and commercial paper issuance. Tax revenues totaled \$39.816 billion, an increase of \$4.862 billion, or 13.9%, as the Massachusetts economy continued to recover from the coronavirus-induced recession. Federal grants and reimbursements totaled \$27.214 billion, an increase of \$4.261 billion, mainly due to growth in revenue from Medicaid spending reimbursements and a net increase in Federal Grants Fund pandemic relief funds, partially offset by a decline in CARES Act revenue that was recognized as received in FY21 but not repeated in FY22.

Assessments, fees, and investment earnings totaled \$14.163 billion, an increase of \$690 million, or 5.1%. Revenues from other financing sources totaled \$10.648 billion, a decrease of \$2.691 billion, or 20.2% due almost entirely to the net decline of \$3.789 billion in new and refunding bond issuance by the Commonwealth and the MSBA.

FY22 governmental fund expenditures and other financing uses totaled \$87.525 billion, an increase of \$6.709 billion, or 8.3% from FY21, with \$7.522 billion of growth in programmatic spending (as opposed to "other financing uses"). Medicaid expenditures totaled \$22.065 billion, an increase of \$1.857 billion, or 9.2% from FY21. Other changes in programmatic expenditures include increases of \$2.744 billion, or 25.6%, in Health and Human Services expenditures, an increase of \$1.154 billion, or 45.1% in food stamp expenditures in response to the pandemic, as well as an increase of \$1.530 billion, or 30.3%, in Executive Office of Education spending, and \$159 million, or 2.4% Treasury and Receivable General Spending, due primarily to increases in Lottery prize payments. Other financing uses totaled \$9.743 billion, a decrease of \$812 million, or 7.7%, with \$1.931 billion of that amount due to a decrease in debt service-related expenditures, all of which was the result of reduced payments to an escrow agent in support of an advanced bond refunding. Factoring out that refunding payments, FY22 debt service expenditures increased by \$152 million, or 6.2%, compared to FY21.

As of June 30, 2022 the Commonwealth's governmental funds reported combined ending fund balance of \$18.133 billion, an increase of \$4.316 billion, or 31.2%, from the previous year.

Governmental Funds - Fund Balance Classification
(amounts in thousands)

	2022	2021	Change	% Change
<u>Nonspendable/Restricted:</u>				
Nonspendable	\$ 615,882	\$ 755,378	\$ (139,496)	(18.5)%
Restricted	1,285,777	1,320,793	(35,016)	(2.7)%
Total Nonspendable/Restricted	1,901,659	2,076,171	(174,512)	(8.4)%
<u>Unrestricted:</u>				
Committed	10,341,466	6,805,570	3,535,896	52.0%
Assigned	3,796,399	2,046,997	1,749,402	85.5%
Unassigned	2,093,601	2,888,607	(795,006)	(27.5)%
Total Unrestricted	16,231,466	11,741,174	4,490,292	38.2%
Total fund balances	\$ 18,133,125	\$ 13,817,345	\$ 4,315,780	31.2%

GAAP requires that fund balances be classified by the degree of restriction placed upon their use by constitutional, statutory, or contractual requirements, and these classifications are shown in the table above. Restricted fund balances represent amounts restricted for Commonwealth and MSBA debt service or restricted by bond covenants, funds that are restricted in capital projects and special revenue funds, balances in the federal grants funds, and some balances held in expendable trusts. Unrestricted amounts include fund balances classified as committed, including those generated by revenue sources directed to specific purposes but with a lower level of constraint on their use than restricted balances, as well the fund balance of the Stabilization Fund. Unrestricted amounts also included prior appropriations continued, and residual balances in the General Fund, both of which are classified as unassigned. The \$3.536 billion, or 52.0%, increase in committed balances results primarily from a \$2.311 billion growth in the Stabilization Fund balance, as well as in numerous non-budgetary funds which Legislature has designated for specific purposes. Assigned fund balance increased by \$1.749 billion or 85.5%, due primarily to \$1.472 billion

growth in budgetary fund "prior appropriations continued", or PACs, where the Legislature allocated FY22 funding for expenditure in FY23, as well as an increase in funds the MSBA reserved for grants and loans to local cities and towns for school construction projects, and the \$795 million, or 27.5%, decrease in unassigned balances is due mainly to an increase in unassigned balances in the Transitional Escrow Fund (due to the FY22 budget surplus) offset by an increase in deficits in the capital projects funds as FY22 capital expenditures were not bonded until FY23. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 and a table of fund balances by program type can be found in [Note 1](#) to the basic financial statements, on pages [68-73](#).

Proprietary Funds

Proprietary Funds report activities of the Commonwealth that are structured similar to for-profit businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in greater detail.

As discussed on pages [26-27](#), the business-type activities increased the Commonwealth's net position by approximately \$2.075 billion.

BUDGETARY HIGHLIGHTS

The FY22 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY22 tax revenue estimate of \$34.400 billion prior to tax initiatives (and including \$50 million in tax settlements), an increase of \$4.230 billion from the FY22 consensus estimate of \$30.120 billion, with the increase due to impact on tax revenues of that faster than anticipated economic and financial market recovery from the COVID-19 pandemic.

The GAA estimate was further increased to \$34.541 billion as a result of enacted and proposed tax law changes and other tax-generating initiatives included in the budget. \$30.941 billion of that revenue was to be deposited in the budgeted funds and be available for use, with \$2.336 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority \$1.236 billion and the Massachusetts School Building Authority \$1.076 billion, capital gains tax revenues transferred to the Stabilization Fund \$1.263 billion, and revenue allocated to the non-budgeted Workforce Training Fund \$25 million.

In January 2022, the Secretary of Administration and Finance revised the FY22 state tax revenue estimate upward by \$598 million, to a gross total of \$34.998 billion (including \$50 million in judgment and settlement revenue), to reflect stronger than projected growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

FY22 tax revenues ended the year at \$41.146 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$38.587 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds increased by \$6.815 billion, or 21.5%, from FY21, \$6.383 billion above the original FY22 tax estimate and \$5.925 billion above the final FY22 estimate. [Chapter 62F Massachusetts General Laws](#) requires that at the end of each fiscal year the Massachusetts State Auditor calculate whether state tax revenues have for the preceding fiscal year exceeded an allowable limit and the amount above that limit reduce each taxpayers's current year's (in this case, tax year 2022) tax liability in an amount proportional to their prior year's (in this case, tax year 2021) tax liability, in the form of tax credits. On September 15, 2022 the Auditor [issued a report](#) indicating that FY22 tax revenues exceeded that year's limit by \$2.941 billion. As a result, individual income tax refunds were issued to taxpayers by the Department of Revenue in November and December 2022 and charged to the General Fund in FY23.

The FY22 General Appropriation Act (GAA) authorized approximately \$50.162 billion in spending, exclusive of approximately \$3.415 billion in required pension contributions and \$1.084 billion in FY21 spending authorized to be continued into FY22 as part of the FY21 and FY22 general appropriation acts and various FY21 supplemental budgets.

Approximately \$9.042 billion in supplemental appropriations were authorized during FY22, \$5.508 billion of which were enacted by June 30, 2022. Subsequent to year end, a supplemental budget was enacted totaling approximately \$3.534 billion in new appropriations. Many of the supplemental appropriations were for the purpose of allocating

the \$1.460 billion FY21 surplus balance in the Transitional Escrow Fund and the \$4.892 billion balance in the Federal COVID-19 Relief Fund. The year's significant supplemental appropriations (many of which were carried forward an reappropriated to be expended in FY23):

- \$900 million for a COVID-19 response reserve;
- \$500 million to pay debt incurred by the Unemployment Insurance Trust Fund to fund unemployment insurance benefits in response to COVID-19;
- \$472 million to fund MassHealth (Medicaid) services;
- \$424 million to fund behavioral health and addiction services;
- \$350 million to fund relief payments for Massachusetts Hospitals;
- \$346 million to fund a Home and Community Based Services Reserve;
- \$305 million to fund increased housing production;
- \$260 million for a COVID-related program providing relief to fiscally strained hospitals;
- \$248 million for Medical Assistance Trust Fund payments to hospitals that treat low-income patients;
- \$225 million to fund Chapter 257 supplemental payments;
- \$200 million for local and regional public health systems;
- \$195 million for nursing facilities and rest homes;
- \$176 million to fund collective bargaining costs of state employees;
- \$153 million to support, through the Massachusetts Growth Capital Corporation, businesses adversely affected by COVID-19;
- \$150 million to fund housing programs for senior citizens and veterans;
- \$150 million to rehabilitate and modernize state-aided public housing developments;
- \$150 million to fund clean energy initiatives;

FY22 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$62.084 billion, an increase of \$5.202 billion, or 9.1%, from FY21, although an estimated \$1.629 billion of that increase was due to the net impact of [implementation of a "pass-through entity excise tax"](#), which was enacted by the Legislature in response to the recently imposed federal limitation on the deductibility of state personal income taxes. Under this provision, businesses whose income is subject to the Massachusetts personal income tax (such as partnerships, sole proprietorships, and S-corporations) may elect to pay an additional 5% tax on that income and receive 90% of those payments back in the form of tax credits. Even excluding the additional revenue from this change, tax revenue growth picked up significantly in FY22 as the Massachusetts economy continued to recover from the coronavirus pandemic, with total tax receipts (after subtracting sales tax transfers of \$1.349 billion to the Massachusetts Bay Transportation Authority and \$1.189 billion to the Massachusetts School Building Authority) totaling \$38.587 billion, an increase of \$6.815 billion, or 21.5% from FY21, (or \$5.184 billion and 16.3%, adjusting for revenues from the pass-through entity excise). All major tax types grew strongly in FY22. Total personal income tax collections totaled \$24.336 billion, an increase of \$4.718 billion, or 24.1% (or \$3.089 billion and 15.7% adjusting for the pass-through excise), with personal income tax withholding growing by \$1.196 billion, or 8.1%, non-withheld personal income tax (excluding the pass-through entity tax) increasing by \$1.144 billion, or 24.7%, the

latter driven entirely by growth in capital gains tax revenue, which totaled \$3.877 billion an increase of \$1.293 billion, or 50.1%, from FY21. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) totaled \$5.110 billion, an increase of \$957 million, or 23.0% and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax and the revenues allocated to the MBTA and MSBA) increased by \$741 million, or 13.7%, including a \$388 million, or 41.0% increase in meals taxes as restaurant dining continued to recover from pandemic-related declines. Other notable tax revenue growth included deeds excise revenues, which increased by \$75 million, or 18.9%, as the real estate market staged a strong recovery, cannabis sales and excise taxes, which increased by \$63 million, or 40.7%, as the number of cannabis dispensaries continued to increase, and estate and inheritance taxes, which grew by \$81 million, or 10.2%.

Budgetary fund federal reimbursements totaled \$15.779 billion, a decrease of \$2.560 billion, or 14.0%, with the decline resulting from non-recurring revenue of \$4.892 billion received under the American Rescue Plan Act (ARPA) in FY21. This decrease was partially offset by growth in federal reimbursements for the Commonwealth's Medicaid program, which totaled \$13.895 billion, an increase of \$1.557 billion, or 12.6%, due to increases in reimbursable spending associated with the declared coronavirus Public Health Emergency (PHE), additional reimbursements under the Families First Coronavirus Response Act (FFCRA), which allowed the Commonwealth to claim an additional 6.2% in federal reimbursements during the PHE and extra Home and Community Based Services revenue from the American Rescue Plan Act (ARPA), which totaled approximately \$646 million in FY22.

Departmental revenue totaled \$5.413 billion, an increase of \$638 million, or 13.4%, from FY21. The most significant sources of departmental revenue are assessments and fees for state licenses (particularly for Motor Vehicles, which totaled \$608 million in FY22), reimbursements from cities and towns for health insurance provided by the Group Insurance Commission (which totaled \$620 million in FY22) and rebates received from drug manufacturers, which accounted for most of departmental revenue growth, totaling \$1.592 billion, up \$472 million, or 42.1% from FY21 (after a significant drop in those revenues between FY20 and FY21).

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$2.305 billion, an increase of \$309 million, or 15.5%, from FY21, including a \$160 million, or 35.4% increase in fringe benefit assessments resulting mainly from increased non-budgeted personnel spending in coronavirus-related accounts upon from which fringe benefits are recovered. Gaming revenues transferred to the budgetary funds totaled \$174 million, up \$40 million, or 30.3% from FY21. Lottery Fund transfers to the General Fund totaled \$1.079 billion, a decrease of \$11 million, or 1.0%.

The Commonwealth continues to receive revenues, as it will in perpetuity, from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses. In FY22, the Commonwealth received \$247 million in tobacco settlement funds, an increase of \$1 million compared to FY21. Statute requires that a portion of tobacco settlement proceeds be transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds is deposited in the SRBTF in FY22 and after. For FY22, the statutorily required transfer was 100% of tobacco settlement revenues; however, FY22 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 100% to 10%. That action reduced the FY22 transfer to approximately \$25 million, compared to the statutorily required amount of \$247 million.

FY22 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$55.983 billion, an increase of \$6.905 billion, or 14.1%, from FY21, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$45.755 billion, an increase of \$4.163 billion, or 10.0%, from FY21. Medicaid expenditures totaled \$19.846 billion, an increase of \$1.723 billion, or 9.5%, from FY21, due to caseload increases, and the extension of the Federal Public Health emergency, during which disenrollment of beneficiaries was suspended. Spending for other Executive Office of Human Services programs totaled \$8.287 billion, spending for direct local aid (both education aid and unrestricted aid) at \$6.743 billion, was up \$260 million, or 4.0%, from FY21, subsidies paid to Massachusetts Higher Education Institutions totaled \$1.262 billion, an increase of \$97 million, or 8.3%, from FY21. Spending on state employee health benefits paid through the Group Insurance

Commission increased by \$126 million, or 7.3%, from \$1.713 billion to \$1.838 billion, as patient visits and overall spending rebounded from pandemic-delayed medical treatment lows in FY21. Other significant spending increases included a \$165 million increase, to \$506 million, in spending from a COVID Response Reserve, for various COVID-related costs.

Spending on post employment benefits (primarily pensions but also state retiree health insurance) totaled \$4.433 billion, an increase of \$682 million, or 18.2%, from FY21. That increase was mainly driven by transfers to the state pension fund of \$3.415 billion in accordance with the Commonwealth's actuarially-determined pension funding schedule, an increase of \$300 million, or 9.6%, from FY21, and additional pension contributions funded by \$250 million appropriation from general revenues and a \$126 million transfer of capital gains tax taxes, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold. As a result, FY22 contributions to the pension fund totaled \$3.791 billion an increase of \$615 million, or 19.4% from FY21. Budgeted fund debt service totaled \$2.423 billion, up \$133 million, or 5.8%, from FY21.

Interfund transfers from budgeted to non-budgeted funds totaled \$3.372 billion, an increase of \$1.927 billion or 133.4%, from FY21, primarily due to \$600 million in ARPA revenue transfers to the Unemployment Insurance Compensation Trust Fund, including \$500 million for repayment of loans taken out from the federal government to pay unemployment insurance benefits during the pandemic, \$460 million in new transfers of ARPA revenues to fund a COVID-related program providing assistance to low-income front line workers, a \$246 million, or 48.7% increase in transfers to the Medical Assistance Trust Fund for payments to hospitals that treat large populations of lower income patients, \$255 million in new funding for a COVID-related program providing relief to fiscally strained hospitals, \$350 million to create a Student Opportunity Act Investment Fund, and \$100 million for targeted funding to help municipalities repair roads from winter damage, modeled after the 2015 Winter Recovery Assistance Program.

CAPITAL ASSETS

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to approximately \$27.817 billion, with accumulated depreciation and amortization of approximately \$12.473 billion, leaving a net book value of \$15.344 billion. Infrastructure includes assets that are normally immovable and of value only to the Commonwealth, such as roads, bridges, piers and dams (the investments in capital assets noted above do not include capital assets owned by MassDOT). The total increase in the Commonwealth's net investment in capital assets from FY21 to FY22 was approximately \$1.083 billion, with a \$1.037 billion increase in governmental activities and a \$46 million increase in business-type activities. The major increase in the net value of capital assets was in construction in process and machinery and equipment.

The following table details the capital assets for the Commonwealth.

Capital Assets at Year - End						
(net of depreciation)						
(amounts in thousands)						
	Governmental Activities		Business - Type Activities		Total	
	2022	2021	2022	2021*	2022	2021*
Land	\$ 972,506	\$ 957,406	\$ 249,435	\$ 230,570	\$ 1,221,941	\$ 1,187,976
Historical treasures	—	—	3,073	2,136	3,073	2,136
Construction in process	975,386	892,334	617,141	435,655	1,592,527	1,327,989
Buildings	2,648,983	2,573,982	6,986,100	7,083,502	9,635,083	9,657,484
Machinery and equipment	429,582	468,765	208,214	206,758	637,796	675,523
Right-to-use assets	911,142	—	1,166,989	1,219,300	2,078,131	1,219,300
Infrastructure, excluding central artery	153,235	161,327	—	—	153,235	161,327
Library collections	—	—	22,448	29,919	22,448	29,919
Total	\$ 6,090,834	\$ 5,053,814	\$ 9,253,400	\$ 9,207,840	\$ 15,344,234	\$ 14,261,654

* As restated, see note 1T on page 81-82 - Business - type activities

Additional detail on the Commonwealth's FY22 capital asset activity can be found in [Note 5](#) to the basic financial statements ("Capital Assets") on pages [98–99](#).

DEBT ADMINISTRATION

The Commonwealth issues short-term and long-term debt. Debt that is general obligation in nature is backed by the full faith and credit of the Commonwealth and paid from governmental funds. Additionally, short-term notes are issued and redeemed annually.

To fund the FY22 capital budget, the Commonwealth borrowed by issuing \$1.393 billion in long-term bonds, which was new money general obligation debt and \$350 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued \$525 million in debt to refund already existing debt, taking advantage of continued low interest rates in FY22. In order to manage cash flows through the COVID-19 pandemic, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.75 billion from a syndicate of banks. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. The line of credit was scheduled to expire May 10, 2021 and was renegotiated with the same syndicate of banks in the amount of \$500 million for a term of three years, expiring on March 30, 2024.

Approximately 3.9% of the Commonwealth's \$24.907 billion in general obligation debt outstanding as of June 30, 2022 was issued as variable rate bonds. During fiscal 2022 there were no changes to credit ratings on any of the Commonwealth's outstanding debt.

The following table details the Commonwealth's debt by type for the fiscal year compared to the prior fiscal year, excluding premiums and discounts.

Outstanding Long - Term Debt Obligations (amounts in thousands)						
	Governmental Activities		Business - Type Activities		Total	
	2022	2021	2022	2021*	2022	2021*
General obligation bonds	\$ 24,907,431	\$ 24,765,437	\$ —	\$ —	\$ 24,907,431	\$ 24,765,437
Special obligation bonds (excluding GANs)....	3,949,740	3,700,470	—	—	3,949,740	3,700,470
Revenue obligation bonds	—	—	4,991,863	4,576,545	4,991,863	4,576,545
Federal unemployment insurance borrowing...	—	—	1,768,015	2,268,015	1,768,015	2,268,015
Grant anticipation notes	478,235	582,550	—	—	478,235	582,550
Subtotal	29,335,406	29,048,457	6,759,878	6,844,560	36,095,284	35,893,017
Massachusetts School Building Authority	5,991,695	6,104,240	—	—	5,991,695	6,104,240
Total	\$ 35,327,101	\$ 35,152,697	\$ 6,759,878	\$ 6,844,560	\$ 42,086,979	\$ 41,997,257

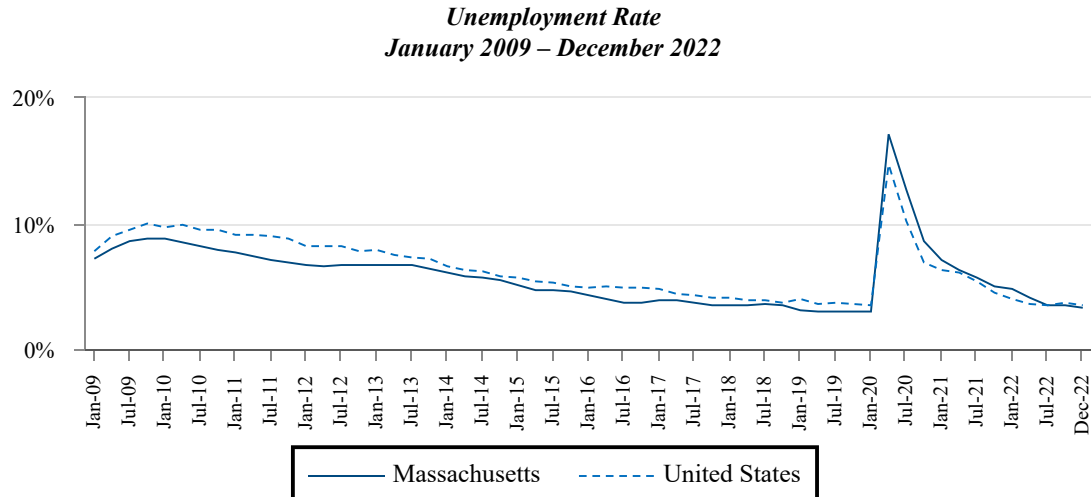
* As restated, see note 1T on page 81-82 - Business - type activities

Additional detail on the Commonwealth's short-term debt can be found in [Note 6](#) ("Short-Term Financing and Credit Arrangements") on [pages 99–100](#) and [Note 7](#) ("Long-Term Obligations") on [pages 100–114](#).

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2023 BUDGET

The Commonwealth, with an international reputation for medical, cultural, historical and educational institutions remains the economic and educational hub of New England. The Commonwealth's economy remains diversified, but its strongest component is its knowledge-based technology and service industries and consequently the State relies heavily on a highly educated workforce. The Commonwealth is home to sixteen S&P 500 companies, among them thirteen Fortune 500 headquarters.

The Massachusetts economy, along with the rest of the nation, was adversely affected by the recession caused by the coronavirus pandemic, after many years performing better than the U.S. economy as a whole. In January 2021 the Massachusetts unemployment rate was 7.1%, compared to the national rate of 6.3%, but by July 2022, the two rates had converged, with both at 3.5%. As of December 2022, the Massachusetts rate had fallen below the national rate, with Massachusetts at 3.3% and the national rate at 3.5%.



The FY23 General Appropriation Act (GAA) is based on an FY23 tax revenue estimate of approximately \$39.718 billion, and a decrease of \$2.087 billion, or 5.3%, from FY22 actual tax collections. Of that amount, \$33.383 billion represents taxes available for budget after adjusting for \$6.335 billion in tax revenue, which is allocated to state pension contributions of \$3.744 billion, sales tax revenue dedicated to the Massachusetts Bay Transportation Authority of \$1.363 billion and the Massachusetts School Building Authority of \$1.203 billion, and revenue allocated to the non-budgetary Workforce Training Fund \$25 million.

With tax revenues through December 2022 \$1.087 billion above the year-to-date tax revenue benchmark, on January 15, 2022, the Secretary of Administration and Finance raised the FY23 tax revenue estimate by \$192 million. Through January 31, 2022, FY23 year-to-date tax collections totaled \$21.643 billion, down \$229 million, or 1.0%, from the same period in FY21, \$922 million above the upwardly revised year-to-date benchmark.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commonwealth's finances and accountability for all of the Commonwealth's citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to comptroller.info@state.ma.us or mail to: Commonwealth of Massachusetts, Office of the Comptroller, 1 Ashburton Place, 9th Floor, Boston, MA 02108. This report may also be downloaded at: <https://www.macomptroller.org/annual-comprehensive-financial-reports>.



Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

Statement of Activities

Statement of Net Position

June 30, 2022

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash and cash equivalents	\$ 21,831,400	\$ 5,823,470	\$ 27,654,870	\$ 5,846,023
Restricted cash with fiscal agent	303,519	—	303,519	—
Short-term investments	290,250	923,147	1,213,397	—
Assets held in trust	—	—	—	60,718
Receivables, net of allowance for uncollectibles:				
Taxes	5,477,987	—	5,477,987	—
Federal grants and reimbursements receivable	2,314,768	94,781	2,409,549	158,233
Loans	6,329	5,971	12,300	766,398
Lease receivables	1,301	56,176	57,477	64,192
Other receivables	1,284,212	953,080	2,237,292	380,868
Due from cities and towns	23,031	—	23,031	—
Due from component units	618	783	1,401	—
Due from primary government	—	—	—	764,307
Other current assets	—	62,025	62,025	104,100
Total current assets	31,533,415	7,919,433	39,452,848	8,144,839
Noncurrent assets:				
Cash and cash equivalents - restricted	—	573,900	573,900	706,520
Long-term investments	—	1,336,688	1,336,688	1,572,805
Investments, restricted investments and annuity contracts	1,629,596	943	1,630,539	35,773
Receivables, net of allowance for uncollectibles:				
Taxes	422,945	—	422,945	—
Federal grants and reimbursements receivable	71,124	—	71,124	—
Loans	67,018	21,991	89,009	3,930,929
Lease receivables	68,443	1,276,641	1,345,084	573,770
Other receivables	429,128	29,602	458,730	51,882
Due from component units	10,439	—	10,439	—
Due from primary government	—	—	—	7,684
Non-depreciable capital assets	1,947,892	869,649	2,817,541	15,261,746
Depreciable capital and right-to-use assets, net	4,142,942	8,383,751	12,526,693	26,961,225
Other noncurrent assets	—	27,197	27,197	18,507
Other noncurrent assets - restricted	2,015	—	2,015	—
Total noncurrent assets	8,791,542	12,520,362	21,311,904	49,120,841
Total assets	40,324,957	20,439,795	60,764,752	57,265,680
Deferred outflows of resources:				
Derivatives - interest rate swaps	32,062	515	32,577	34,442
Loss on refunding	90,268	151,183	241,451	193,764
Pension and OPEB	9,697,129	401,158	10,098,287	780,734
Other	—	47,029	47,029	—
Total deferred outflows of resources	9,819,459	599,885	10,419,344	1,008,940
Total assets and deferred outflows	50,144,416	21,039,680	71,184,096	58,274,620
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	4,631,293	389,459	5,020,752	1,316,055
Accrued payroll	234,133	229,294	463,427	73,171
Compensated absences	531,539	176,309	707,848	36,815
Accrued interest payable	443,193	54,460	497,653	180,202
Tax refunds and abatements payable	4,855,836	206,392	5,062,228	—
Due to component units	818,735	—	818,735	—
Due to primary government	—	—	—	1,401
Due to federal government	538,514	—	538,514	—
Claims and judgments	67,518	—	67,518	—
Unearned revenue	3,909,569	20,380	3,929,949	400,862
Prizes payable	116,542	—	116,542	—

(continued)

Statement of Net Position

June 30, 2022

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	162,628	162,628	—
School construction grants payable	134,480	—	134,480	—
Lease liability	181,112	66,175	247,287	18,540
Massachusetts School Building Authority bonds and unamortized premiums	196,023	—	196,023	—
Bonds payable and unamortized premiums	1,448,408	1,994,302	3,442,710	721,402
Environmental remediation liability	6,968	1,567	8,535	—
Total current liabilities	18,113,863	3,300,966	21,414,829	2,748,448
Noncurrent liabilities:				
Compensated absences	229,041	64,687	293,728	19,491
Accrued interest payable	513	—	513	156,549
Due to component units	7,684	—	7,684	—
Due to primary government	—	—	—	10,439
Due to federal government	9,567	2,958	12,525	—
Overdraws of federal pandemic-related unemployment insurance benefits	—	2,490,802	2,490,802	—
Claims and judgments	200	—	200	—
Unearned revenue	—	—	—	49,724
Prizes payable	499,340	—	499,340	—
Lease liability	764,932	1,191,469	1,956,401	173,282
Bonds payable and unamortized premiums	31,325,921	4,765,576	36,091,497	10,230,492
Massachusetts School Building Authority bonds and unamortized premiums	6,127,665	—	6,127,665	—
School construction grants payable	17,933	—	17,933	—
Environmental remediation liability	474,645	—	474,645	—
Liability for derivative instruments	32,062	515	32,577	57,030
Net pension liability	34,372,032	434,613	34,806,645	1,832,944
Net OPEB liability	14,459,035	758,787	15,217,822	3,266,430
Other noncurrent liabilities	330,157	166,189	496,346	308,469
Total noncurrent liabilities	88,650,727	9,875,596	98,526,323	16,104,850
Total liabilities	106,764,590	13,176,562	119,941,152	18,853,298
Deferred inflows of resources:				
Service concession arrangements	—	15,817	15,817	267
Gain on refunding	901,284	8,662	909,946	3,388
Pension and OPEB	15,171,124	1,323,093	16,494,217	1,204,144
Leases	64,961	1,131,278	1,196,239	607,915
Other	—	50,551	50,551	—
Total deferred inflows of resources	16,137,369	2,529,401	18,666,770	1,815,714
Total liabilities and deferred inflows	122,901,959	15,705,963	138,607,922	20,669,012
NET POSITION				
Net investment in capital assets	(1,783,097)	3,761,986	1,978,889	36,185,765
Restricted for:				
Family and employment security	—	1,837,989	1,837,989	—
Retirement of indebtedness	871,333	—	871,333	—
Higher education endowment funds	—	22,977	22,977	—
Higher education academic support and programs	—	5,771	5,771	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,061	3,061	—
Expendable	—	13,260	13,260	—
Higher education capital projects - expendable purposes	—	5,596	5,596	—
Grants and gifts	414,443	286,507	700,950	—
Other purposes	—	—	—	5,122,966
Unrestricted (deficits)	(72,260,222)	(603,430)	(72,863,652)	(3,703,123)
Total net position	\$ (72,757,543)	\$ 5,333,717	\$ (67,423,826)	\$ 37,605,608

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

(concluded)

Statement of Activities
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

(Amounts in thousands)					Net (Expenses) Revenues and Changes in Net Position				Discretely Presented Component Units
Functions/Programs	Expenses	Program Revenues			Primary Government				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Primary government:									
Governmental Activities:									
General government.....	\$ 3,902,680	\$ 561,303	\$ 2,094,770	\$ 68,972	\$ (1,177,635)	\$ —	\$ (1,177,635)	\$ —	
Judiciary.....	1,243,650	65,958	3,763	—	(1,173,929)	—	(1,173,929)	—	
Direct local aid.....	6,758,880	—	—	—	(6,758,880)	—	(6,758,880)	—	
Medicaid.....	22,064,800	642,125	13,830,537	—	(7,592,138)	—	(7,592,138)	—	
Group health insurance.....	1,863,586	898,761	—	—	(964,825)	—	(964,825)	—	
Energy and environmental affairs.....	822,053	386,816	65,793	—	(369,444)	—	(369,444)	—	
Housing and economic development.....	2,806,068	257,188	1,334,461	—	(1,214,419)	—	(1,214,419)	—	
Health and human services.....	13,785,541	2,915,732	6,336,526	45,324	(4,487,959)	—	(4,487,959)	—	
Transportation and public works.....	3,122,013	602,857	1,288	—	(2,517,868)	—	(2,517,868)	—	
Early elementary and secondary education.....	6,961,534	6,366	2,857,872	—	(4,097,296)	—	(4,097,296)	—	
Public safety and homeland security.....	3,126,435	405,960	469,890	—	(2,250,585)	—	(2,250,585)	—	
Labor and workforce development.....	440,198	192,356	175,290	—	(72,552)	—	(72,552)	—	
Lottery.....	4,651,322	5,861,393	—	—	1,210,071	—	1,210,071	—	
Interest (unallocated).....	1,445,343	—	—	—	(1,445,343)	—	(1,445,343)	—	
Total governmental activities.....	72,994,103	12,796,815	27,170,190	114,296	(32,912,802)	—	(32,912,802)	—	
Business-Type Activities:									
Unemployment Compensation.....	3,904,080	1,881,248	3,388,840	—	—	1,366,008	1,366,008	—	
Family and Employment Security Trust.....	686,343	925,337	5,051	—	—	244,045	244,045	—	
Higher Education:									
University of Massachusetts.....	3,669,599	2,001,814	946,695	87,062	—	(634,028)	(634,028)	—	
State Universities.....	1,135,987	607,506	219,065	45,306	—	(264,110)	(264,110)	—	
Community Colleges.....	967,439	176,012	404,196	62,870	—	(324,361)	(324,361)	—	
Total business-type activities.....	10,363,448	5,591,917	4,963,847	195,238	—	387,554	387,554	—	
Total primary government.....	\$ 83,357,551	\$ 18,388,732	\$ 32,134,037	\$ 309,534	(32,912,802)	387,554	(32,525,248)	—	
Discretely Presented Component Units:									
Massachusetts Department of Transportation.....	\$ 3,671,552	\$ 882,601	\$ 1,049,310	\$ 2,272,430	—	—	—	532,789	
Massachusetts Bay Transportation Authority.....	2,275,419	1,801,247	909,182	1,084,334	—	—	—	1,519,344	
Commonwealth Health Insurance Connector.....	761,932	685,391	74,643	—	—	—	—	(1,898)	
Massachusetts Clean Water Trust.....	141,889	138,510	—	95,603	—	—	—	92,224	
Other nonmajor component units.....	627,415	615,236	217,080	43,639	—	—	—	248,540	
Total discretely presented component units.....	\$ 7,478,207	\$ 4,122,985	\$ 2,250,215	\$ 3,496,006	—	—	—	2,390,999	

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income	22,038,160	—	22,038,160	—
Sales taxes	8,834,915	—	8,834,915	—
Corporate taxes	4,720,902	—	4,720,902	—
Motor and special fuel taxes	720,505	—	720,505	—
Other taxes	3,489,334	—	3,489,334	—
Miscellaneous:				
Investment earnings/(loss)	49,630	(342,294)	(292,664)	(204,047)
Tobacco settlement	248,497	—	248,497	—
Contribution from municipalities	67,227	—	67,227	—
Other revenue (expense)	769,980	302,025	1,072,005	—
Transfers	(1,727,991)	1,727,991	—	—
Total general revenues and transfers	39,211,159	1,687,722	40,898,881	(204,047)
Change in net position	6,298,357	2,075,276	8,373,633	2,186,952
Net position/(deficits) - beginning, as restated *	(79,055,900)	3,258,441	(75,797,459)	35,418,656
Net position/(deficits) - ending	\$ (72,757,543)	\$ 5,333,717	\$ (67,423,826)	\$ 37,605,608

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

(concluded)

* As restated, see note 1T on page 81-82 - Business - type activities



Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2022
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Federal COVID-19 Response	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 13,098,197	\$ 50,260	\$ 824,449	\$ 309,397	\$ 3,496,192	\$ 4,052,905	\$ 21,831,400
Restricted cash with fiscal agent	—	—	—	—	—	303,519	303,519
Investments, restricted investments and annuity contracts	290,250	615,882	1,013,714	—	—	—	1,919,846
Receivables, net of allowance for uncollectibles:							
Taxes	5,692,609	—	58,389	—	—	149,934	5,900,932
Due from federal government	1,616,268	—	—	621,801	—	147,823	2,385,892
Loan receivable	—	—	61,796	—	—	11,551	73,347
Other receivables	1,289,687	3,463	5,057	—	—	477,478	1,775,685
Due from cities and towns	23,031	—	—	—	—	—	23,031
Due from other funds	1,569,346	—	—	—	—	73,159	1,642,505
Due from component units	618	—	—	—	—	—	618
Total assets	\$ 23,580,006	\$ 669,605	\$ 1,963,405	\$ 931,198	\$ 3,496,192	\$ 5,216,369	\$ 35,856,775
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,240,143	\$ 48,804	\$ 12,883	\$ 558,857	\$ 706	\$ 756,138	\$ 4,617,531
Accrued payroll	216,147	—	—	11,186	—	6,800	234,133
Tax refunds and abatements payable	4,854,407	—	585	—	—	844	4,855,836
Due to other funds	—	—	—	—	—	1,642,505	1,642,505
Due to component units	79,475	—	—	—	—	739,260	818,735
Due to federal government	538,514	—	—	—	—	—	538,514
Unearned revenue	—	—	—	254,863	3,495,486	159,220	3,909,569
Claims and judgments	67,518	—	—	—	—	—	67,518
School construction grants payable	—	—	37,390	—	—	—	37,390
Other accrued liabilities	624	—	—	—	—	13,137	13,761
Total liabilities	8,996,828	48,804	50,858	824,906	3,496,192	3,317,904	16,735,492
Deferred inflows of resources - unavailable revenue	651,528	4,372	—	—	—	332,258	988,158
Total liabilities and deferred inflows of resources	9,648,356	53,176	50,858	824,906	3,496,192	3,650,162	17,723,650
Fund balances:							
Nonspendable	—	615,882	—	—	—	—	615,882
Restricted	—	—	833,878	106,292	—	345,607	1,285,777
Committed	6,937,864	—	—	—	—	3,403,602	10,341,466
Assigned	2,542,037	547	1,078,669	—	—	175,146	3,796,399
Unassigned (deficits)	4,451,749	—	—	—	—	(2,358,148)	2,093,601
Fund balances	13,931,650	616,429	1,912,547	106,292	—	1,566,207	18,133,125
Total liabilities, deferred inflows of resources and fund balances	\$ 23,580,006	\$ 669,605	\$ 1,963,405	\$ 931,198	\$ 3,496,192	\$ 5,216,369	\$ 35,856,775

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

Reconciliation of Governmental Fund Balances to the Statement of Net Position

June 30, 2022

(Amounts in thousands)

Total fund balances - governmental funds		\$ 18,133,125
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Capital assets not being depreciated	1,947,892	
Capital assets being depreciated, net	3,231,800	
Right-to-use assets, net	907,744	
Right-to-use assets, net (Massachusetts School Building Authority)	3,398	
Capital assets, net of accumulated depreciation and amortization		6,090,834
Revenues are not available soon enough after year end to pay for the current period's expenditures and therefore are unavailable deferred inflows of resources in the governmental funds		
		923,196
Deferred inflows of resources are not reported in the governmental funds:		
Gain on refunding	(901,284)	
Pension and OPEB related	(15,171,124)	
Total deferred inflow of resources		(16,072,408)
Deferred outflows of resources are not reported in the governmental funds:		
Change in fair value of interest rate swaps	32,062	
Loss on refunding	90,268	
Pension and OPEB related	9,697,129	
Total deferred outflow of resources		9,819,459
Massachusetts School Building Authority assets (excluding capital assets)		9,416
Due from component units		10,439
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:		
Retirement systems' net pension liability	(34,372,032)	
Net OPEB liability	(14,459,035)	
Commonwealth bonded debt	(29,335,406)	
Unamortized bond premiums	(3,438,923)	
Accrued interest on bonds	(443,193)	
Massachusetts School Building Authority bonded debt	(6,323,688)	
Massachusetts School Building Authority grants to municipalities	(115,023)	
Prizes payable	(615,882)	
Lease liability	(946,044)	
Environmental remediation liability	(481,613)	
Claims and judgments	(200)	
Liability for derivative instruments	(32,062)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	(1,108,503)	
Long-term liabilities (including current portions)		(91,671,604)
Total net (deficit) - governmental activities		\$ (72,757,543)

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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Federal COVID-19 Response	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 34,949,426	\$ 224	\$ 1,189,633	\$ —	\$ —	\$ 3,677,130	\$ 39,816,413
Assessments	402,909	—	—	—	—	1,181,800	1,584,709
Federal grants and reimbursements	15,267,254	—	—	9,412,563	15,203	2,518,720	27,213,740
Departmental	4,123,505	5,862,734	—	—	—	1,518,107	11,504,346
Miscellaneous	640,475	1,281	(26,609)	32	—	458,822	1,074,002
Total revenues	55,383,569	5,864,239	1,163,024	9,412,595	15,203	9,354,579	81,193,210
EXPENDITURES							
Current:							
Legislature	76,093	—	—	—	—	—	76,093
Judiciary	1,091,131	—	—	3,159	—	286	1,094,576
Inspector General	6,387	—	—	—	—	15	6,402
Governor and Lieutenant Governor	7,344	—	—	—	—	55	7,399
Secretary of the Commonwealth	49,992	—	—	867	—	8,583	59,442
Treasurer and Receiver-General	215,003	4,790,280	14,130	3,148	—	1,720,012	6,742,573
Auditor of the Commonwealth	21,366	—	—	—	—	—	21,366
Attorney General	112,792	—	—	45,685	—	6,353	164,830
Ethics Commission	2,691	—	—	—	—	—	2,691
District Attorney	150,329	—	—	4,191	—	6,094	160,614
Office of Campaign and Political Finance	1,786	—	—	—	—	—	1,786
Sheriff's Departments	662,825	—	—	5,813	—	10,722	679,360
Disabled Persons Protection Commission	8,660	—	—	1,347	—	—	10,007
Commission on Status of Women	501	—	—	—	—	—	501
Board of Library Commissioners	36,366	—	—	6,769	—	—	43,135
Massachusetts Gaming Commission	—	—	—	—	—	56,032	56,032
Comptroller	25,457	—	—	—	—	1,995	27,452
Administration and Finance	2,427,963	—	—	79,893	—	1,104,928	3,612,784
Energy and Environmental Affairs	413,244	—	—	40,021	—	138,477	591,742
Health and Human Services	8,114,832	—	—	4,806,850	—	524,624	13,446,306
Executive Office of Technology Services	161,711	—	—	1,459	—	10,010	173,180
Massachusetts Department of Transportation	1,970	—	—	91	—	2,999,863	3,001,924
Office of the Child Advocate	2,930	—	—	—	—	—	2,930
Commission Against Discrimination	6,870	—	—	—	—	—	6,870
Cannabis Control Commission	—	—	—	—	—	13,816	13,816
Executive Office of Education	4,025,367	—	—	2,483,322	10,000	59,870	6,578,559
Center for Health and Information Analysis	29,077	—	—	—	—	14	29,091
Massachusetts School Building Assistance	—	—	628,351	—	—	—	628,351
Public Safety and Homeland Security	1,235,106	—	—	268,161	—	335,664	1,838,931
Massachusetts Peace Officer Standards and Training	1,740	—	—	—	—	—	1,740
Housing and Economic Development	817,521	—	—	1,348,160	—	128,734	2,294,415
Labor and Workforce Development	134,671	—	—	160,888	5,203	109,936	410,698
Medicaid	20,082,581	—	—	—	—	1,982,219	22,064,800
Post employment benefits	2,104,009	—	749	—	—	11,953	2,116,711
Direct local aid	6,658,064	—	—	—	—	100,816	6,758,880
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	1,420,368	1,420,368
Debt service/commercial paper repayments	—	—	386,806	—	—	2,638,616	3,025,422
Principal on current refundings	—	—	—	—	—	610,306	610,306
Total expenditures	48,686,379	4,790,280	1,030,036	9,259,823	15,203	14,000,361	77,782,083
Excess/(deficiency) of revenues over/(under) expenditures ..	6,697,190	1,073,959	132,988	152,772	—	(4,645,782)	3,411,127
OTHER FINANCING SOURCES							
Bonds premium	—	—	648	—	—	368,473	369,121
Issuance of general and special obligation bonds	—	—	342,152	—	—	1,742,836	2,084,988
Issuance of current refunding bonds	—	—	—	—	—	525,485	525,485
Transfers in for debt service	—	—	—	—	—	2,611,214	2,611,214
Transfers in	2,240,093	—	—	4,054	—	2,812,798	5,056,945
Total other financing sources	2,240,093	—	342,800	4,054	—	8,060,806	10,647,753
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	346,950	—	—	—	346,950
Transfers out	1,837,221	1,214,230	—	171,488	—	1,690,473	4,913,412
Transfers of appropriations	1,656,754	—	—	244	—	7,643	1,664,641
Transfers of bond proceeds	—	—	—	—	—	206,883	206,883
Transfers out for debt service	1,253,971	—	—	—	—	1,357,243	2,611,214
Total other financing uses	4,747,946	1,214,230	346,950	171,732	—	3,262,242	9,743,100
Total other financing sources and (uses)	(2,507,853)	(1,214,230)	(4,150)	(167,678)	—	4,798,564	904,653
Net change in fund balances	4,189,337	(140,271)	128,838	(14,906)	—	152,782	4,315,780
Fund balances at beginning of year	9,742,313	756,700	1,783,709	121,198	—	1,413,425	13,817,345
Fund balances at end of year	\$ 13,931,650	\$ 616,429	\$ 1,912,547	\$ 106,292	\$ —	\$ 1,566,207	\$ 18,133,125

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the fiscal year ended June 30, 2022

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ 4,315,780
--	--------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays including increases to construction in process, net of reductions and dispositions	1,585,901
---	-----------

Current year depreciation and amortization expense	(548,881)
--	-----------

Amounts presented in the statement of activities, but not in the change in fund balances due to differences in revenue and expense recognition under different bases of accounting	353,020
--	---------

Long-term receivables	(28,000)
-----------------------------	----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized as part of the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	(363,471)
--	-----------

Change in lease liabilities	(931,784)
-----------------------------------	-----------

Massachusetts School Building Authority (excluding lease related assets and liabilities)	208,397
--	---------

Net pension costs	1,026,913
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Net OPEB costs	424,494
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued interest, lottery prizes, claims and benefits that are reported in the statement of activities, but not in funds	255,988
--	---------

Change in net position of governmental activities	<u><u>\$ 6,298,357</u></u>
---	----------------------------

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



Proprietary Fund Financial Statements

Statement of Net Position

Proprietary Funds

June 30, 2022

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
ASSETS AND DEFERRED OUTFLOWS:						
Current assets:						
Cash and cash equivalents	\$ 3,281,894	\$ 1,628,357	\$ 211,442	\$ 424,523	\$ 277,254	\$ 5,823,470
Short-term investments	—	—	733,347	120,516	69,284	923,147
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	—	—	78,749	4,621	11,411	94,781
Loans receivable	—	—	4,798	1,173	—	5,971
Lease receivable	—	—	16,464	39,712	—	56,176
Other receivables	327,166	275,586	243,251	23,449	73,695	943,147
Due from affiliates	—	—	9,791	—	142	9,933
Due from foundation	—	—	—	444	339	783
Other current assets	—	—	49,371	6,814	5,840	62,025
Total current assets	3,609,060	1,903,943	1,347,213	621,252	437,965	7,919,433
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	538,617	35,249	34	573,900
Long-term investments	—	—	1,052,299	193,892	90,497	1,336,688
Restricted investments	—	—	—	943	—	943
Receivables, net of allowance for uncollectibles:						
Loans receivable	—	—	19,365	2,626	—	21,991
Lease receivable	—	—	317,654	958,987	—	1,276,641
Other receivables	—	—	29,602	—	—	29,602
Non-depreciable capital assets	—	—	599,091	127,330	143,228	869,649
Depreciable capital and right-to-use assets, net	—	—	4,927,971	2,673,167	782,613	8,383,751
Other noncurrent assets	—	—	17,463	9,732	2	27,197
Total noncurrent assets	—	—	7,502,062	4,001,926	1,016,374	12,520,362
Total assets	3,609,060	1,903,943	8,849,275	4,623,178	1,454,339	20,439,795
Deferred outflows of resources:						
Derivatives - interest rate swaps	—	—	—	—	515	515
Pensions and OPEB	—	—	271,885	84,198	45,075	401,158
Loss on refunding	—	—	115,519	35,664	—	151,183
Other	—	—	46,594	435	—	47,029
Total deferred outflows of resources	—	—	433,998	120,297	45,590	599,885
Total assets and deferred outflows	3,609,060	1,903,943	9,283,273	4,743,475	1,499,929	21,039,680
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	25,709	52,248	224,923	41,208	45,371	389,459
Accrued payroll	—	216	151,430	48,654	28,994	229,294
Compensated absences	—	—	104,113	37,460	34,736	176,309
Accrued interest payable	28,799	—	25,433	100	128	54,460
Tax refunds and abatements payable	192,902	13,490	—	—	—	206,392
Unearned revenue	—	—	—	15,240	5,140	20,380
Student deposits and unearned revenues	—	—	120,833	12,862	28,933	162,628
Lease liability	—	—	15,047	42,267	8,861	66,175
Environmental remediation liability	—	—	—	—	1,567	1,567
Bonds, notes payable and other obligations	1,768,015	—	161,804	60,533	3,950	1,994,302
Total current liabilities	2,015,425	65,954	803,583	258,324	157,680	3,300,966
Noncurrent liabilities:						
Compensated absences	—	—	25,039	21,939	17,709	64,687
Due to federal government	—	—	—	2,958	—	2,958
Overdraws of federal pandemic-related unemployment insurance benefits	2,490,802	—	—	—	—	2,490,802
Lease liability	—	—	185,609	980,011	25,849	1,191,469
Bonds, notes payable and other obligations	—	—	3,525,569	1,199,473	40,534	4,765,576
Liability for derivative instruments	—	—	—	—	515	515
Net pension liability	—	—	276,313	110,553	47,747	434,613
Net OPEB liability	—	—	485,141	189,812	83,834	758,787
Other noncurrent liabilities	—	—	148,411	11,142	6,636	166,189
Total noncurrent liabilities	2,490,802	—	4,646,082	2,515,888	222,824	9,875,596
Total liabilities	4,506,227	65,954	5,449,665	2,774,212	380,504	13,176,562

(continued)

Statement of Net Position

Proprietary Funds

June 30, 2022

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Deferred inflows of resources:						
Service concession arrangements	—	—	—	15,698	119	15,817
Pensions and OPEB	—	—	808,934	327,681	186,478	1,323,093
Gain on refunding	—	—	—	8,662	—	8,662
Leases	—	—	232,271	899,007	—	1,131,278
Other	—	—	44,451	4,784	1,316	50,551
Total deferred inflows of resources	—	—	1,085,656	1,255,832	187,913	2,529,401
Total liabilities and deferred inflows	4,506,227	65,954	6,535,321	4,030,044	568,417	15,705,963
NET POSITION:						
Net investment in capital assets	—	—	2,281,471	633,819	846,696	3,761,986
Restricted for:						
Family and employment benefits	—	1,837,989	—	—	—	1,837,989
Higher education endowment funds	—	—	22,515	33	429	22,977
Higher education academic support and programs	—	—	—	1,209	4,562	5,771
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	3,061	—	3,061
Expendable	—	—	—	6,150	7,110	13,260
Higher education capital projects - expendable purposes	—	—	—	5,596	—	5,596
Higher education grants, gifts, and other	—	—	262,669	22,572	1,266	286,507
Unrestricted	(897,167)	—	181,297	40,991	71,449	(603,430)
Total net position	\$ (897,167)	\$ 1,837,989	\$ 2,747,952	\$ 713,431	\$ 931,512	\$ 5,333,717

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

(concluded)

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:						
Unemployment compensation contribution	\$ 1,867,087	\$ —	\$ —	\$ —	\$ —	\$ 1,867,087
Family and employment security contribution	—	925,337	—	—	—	925,337
Net tuition and fees	—	—	1,007,124	355,977	160,764	1,523,865
Grants and reimbursements	—	—	719,479	118,063	226,091	1,063,633
Auxiliary enterprises	—	—	434,129	125,579	2,903	562,611
Sales & services	—	—	429,790	113,846	321	543,957
Miscellaneous	14,161	—	130,771	12,104	12,024	169,060
Total operating revenues	1,881,248	925,337	2,721,293	725,569	402,103	6,655,550
Operating expenses:						
Unemployment compensation	3,904,080	—	—	—	—	3,904,080
Family and employment security	—	617,023	—	—	—	617,023
Instruction	—	—	930,362	333,930	303,844	1,568,136
Research	—	—	551,367	179	7	551,553
Academic support	—	—	194,153	101,314	104,390	399,857
Student services	—	—	211,088	119,705	137,436	468,229
Scholarships and fellowships	—	—	121,334	85,850	120,257	327,441
Public service	—	—	71,649	4,725	5,461	81,835
Operation and maintenance of plant	—	—	242,749	105,061	79,065	426,875
Institutional support	—	—	315,810	117,203	145,269	578,282
Other operating expenses	—	69,320	312,002	3,164	—	384,486
Depreciation	—	—	300,240	106,961	50,640	457,841
Amortization	—	—	30,475	57,892	9,692	98,059
Auxiliary operations	—	—	320,535	98,317	2,739	421,591
Total operating expenses	3,904,080	686,343	3,601,764	1,134,301	958,800	10,285,288
Operating income/(loss)	(2,022,832)	238,994	(880,471)	(408,732)	(556,697)	(3,629,738)
Nonoperating revenues/(expenses):						
Other federal revenues	3,410,616	—	227,216	101,002	178,105	3,916,939
Other revenues	—	—	277,428	24,597	—	302,025
Other expenses	—	—	(67,835)	(1,686)	(8,639)	(78,160)
Investment income/(loss)	(21,776)	5,051	(206,097)	(110,873)	(25,324)	(359,019)
Total nonoperating revenues/(expenses)	3,388,840	5,051	230,712	13,040	144,142	3,781,785
Income/(loss) before capital grants and contributions and transfers	1,366,008	244,045	(649,759)	(395,692)	(412,555)	152,047
Capital grants and contributions	—	—	87,062	45,306	62,870	195,238
Transfers, net	100,000	(2,423)	723,487	435,296	471,631	1,727,991
Total capital grants and contributions and transfers	100,000	(2,423)	810,549	480,602	534,501	1,923,229
Change in net position	1,466,008	241,622	160,790	84,910	121,946	2,075,276
Total net position - beginning, as restated *	(2,363,175)	1,596,367	2,587,162	628,521	809,566	3,258,441
Total net position - ending	\$ (897,167)	\$ 1,837,989	\$ 2,747,952	\$ 713,431	\$ 931,512	\$ 5,333,717

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

* As restated, see note 1T on pages 81-82

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Collection of unemployment contributions	\$ 1,395,690	\$ —	\$ —	\$ —	\$ —	\$ 1,395,690
Collection of family and employment security contributions	—	949,690	—	—	—	949,690
Tuition, residence, dining and other student fees	—	—	1,106,745	357,673	153,021	1,617,439
Research grants and contracts	—	—	724,415	190,369	219,724	1,134,508
Payments to suppliers	—	(59,556)	(1,055,007)	(222,614)	(169,907)	(1,507,084)
Payments to employees	—	(5,250)	(2,327,857)	(569,692)	(525,597)	(3,428,396)
Payments to students	—	—	(122,685)	(63,129)	(120,180)	(305,994)
Payments for unemployment benefits	(4,251,836)	—	—	—	—	(4,251,836)
Payments for family and employment security benefits	—	(601,742)	—	—	—	(601,742)
Collection of loans to students and employees	—	—	7,873	780	—	8,653
Income from contract services	—	—	420,296	1,160	502	421,958
Maintenance costs	—	—	—	(1,069)	—	(1,069)
Auxiliary enterprise charges	—	—	434,311	86,730	80	521,121
Other receipts/(payments)	10,331	—	(589,762)	(418,774)	(447,725)	(1,445,930)
Net cash provided by/(used in) operating activities	(2,845,815)	283,142	(1,401,671)	(638,566)	(890,082)	(5,492,992)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	—	—	880,003	334,047	334,295	1,548,345
Grants and contracts	3,962,143	—	300,484	109,908	167,136	4,539,671
Due to federal government refund	(156,022)	—	—	—	—	(156,022)
Principal paid on loan payable	(500,000)	—	—	—	—	(500,000)
Interest paid on loan payable	(3,397)	—	—	—	—	(3,397)
Net transfers in/(out)	100,000	(2,423)	723,487	435,296	471,631	1,727,991
Assignment of Perkins loans	—	—	—	(259)	—	(259)
Net cash provided by/(used in) non-capital financing activities	3,402,724	(2,423)	1,903,974	878,992	973,062	7,156,329
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital appropriations	—	—	87,062	37,805	10,884	135,751
Purchases of capital assets	—	—	(378,227)	(62,575)	(41,571)	(482,373)
Proceeds/(loss) from sales of capital assets	—	—	47,586	987	—	48,573
Proceeds from debt issuance	—	—	512,947	40,251	—	553,198
Other capital asset activity	—	—	26,905	188	1,371	28,464
Advance payment related to service concession arrangement	—	—	—	4,288	—	4,288
Investments held by bond trustee, net	—	—	—	249	—	249
Principal paid on capital debt and leases	—	—	(210,816)	(65,417)	(13,472)	(289,705)
Payment of debt issuance costs and mortgage insurance premium	—	—	(2,423)	(202)	—	(2,625)
Interest paid on capital debt and leases	—	—	(135,125)	(88,009)	(3,182)	(226,316)
Net cash provided by/(used in) capital financing activities	—	—	(52,091)	(132,435)	(45,970)	(230,496)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	—	—	1,317,831	93,787	32,256	1,443,874
Purchases of investments	—	—	(1,397,908)	(157,553)	(74,807)	(1,630,268)
Investment earnings	10,420	5,051	25,990	12,394	316	54,171
Net cash provided by/(used in) investing activities	10,420	5,051	(54,087)	(51,372)	(42,235)	(132,223)
Net increase/(decrease) in cash and cash equivalents	567,329	285,770	396,125	56,619	(5,225)	1,300,618
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	2,714,565	1,342,587	353,934	403,153	282,513	5,096,752
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 3,281,894	\$ 1,628,357	\$ 750,059	\$ 459,772	\$ 277,288	\$ 6,397,370
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss)	\$ (2,022,832)	\$ 238,994	\$ (880,471)	\$ (408,732)	\$ (556,697)	\$ (3,629,738)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense	—	—	300,240	106,961	50,640	457,841
Amortization expense	—	—	30,475	57,892	9,692	98,059
Fringe benefits paid by the Commonwealth	—	—	—	108,763	116,460	225,223
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets	9,047	18,362	(719,385)	(422,799)	(469,638)	(1,584,413)
Accounts payable, accrued liabilities and benefits	(832,030)	25,786	(17,623)	738	4,120	(819,009)
Student deposits and other unearned and deferred revenues	—	—	668	16,791	(12,292)	5,167
Other noncurrent assets - restricted and liabilities	—	—	(115,575)	(98,180)	(32,367)	(246,122)
Net cash provided by/(used in) operating activities	\$ (2,845,815)	\$ 283,142	\$ (1,401,671)	\$ (638,566)	\$ (890,082)	\$ (5,492,992)

Non-cash investing, capital and financing activities:
The University System, the State Universities and Community Colleges had \$31.6 million, \$165.0 million and \$160.7 million, respectively, of non-cash activities.

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



Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 490,837	\$ 6,570,352	\$ 1,238	\$ 871,825
Short-term investments	—	28,743	—	—
Net investment in PRIT at fair value	70,832,274	21,590,148	—	—
Investments, restricted investments	—	—	—	494,369
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	41,038
Other receivables	218,545	3,786	—	159,368
Due from federal government	—	—	—	3,172
Other assets	487	—	—	—
Total assets	71,542,143	28,193,029	1,238	1,569,772
LIABILITIES				
Accounts payable and other accrued liabilities	37,772	3,757	—	212,061
Due to cities and towns	—	—	—	95,185
Other liabilities	—	—	—	7,528
Total liabilities	37,772	3,757	—	314,774
NET POSITION				
Restricted for:				
Employees' pension	69,515,988	—	—	—
Employees' post-employment benefits	1,988,383	—	—	—
External investment trust fund participants	—	28,189,272	—	—
Individuals, organizations, and other governments	—	—	1,238	1,254,998
Total net position	\$ 71,504,371	\$ 28,189,272	\$ 1,238	\$ 1,254,998

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth.....	\$ 1,971,396	\$ —	\$ —	\$ —
Non-employer contributions - Commonwealth.....	2,161,592	—	—	—
Employer contributions - other employers.....	11,454	—	—	—
Employee contributions.....	1,585,976	—	—	—
ERIP funding contribution - Commonwealth.....	28,449	—	—	—
Boston teachers' contribution from Commonwealth.....	179,369	—	—	—
Proceeds from sale of units.....	—	18,011,354	—	—
Sales tax collections for other governments.....	—	—	—	498,889
Child support collections.....	—	—	—	605,065
Local school aid collections.....	—	—	—	928,489
Municipal health insurance deposit collections.....	—	—	—	802,331
Court escrow account collections.....	—	—	—	123,679
ARPA local pass-through collections.....	—	—	—	664,565
Other additions.....	236,521	2,338,505	—	347,619
Total contributions.....	6,174,757	20,349,859	—	3,970,637
Net investment gain/(loss):				
Investment gain/(loss).....	(2,331,385)	(116,785)	2	(32,472)
Less: investment expense.....	(392,752)	(364,798)	—	—
Net investment gain/(loss).....	(2,724,137)	(481,583)	2	(32,472)
Total additions.....	3,450,620	19,868,276	2	3,938,165
DEDUCTIONS				
Administration.....	33,897	—	—	—
Retirement benefits and refunds.....	6,677,849	1,355,788	—	—
Payments to State Boston Retirement System.....	179,369	—	—	—
Cost of units redeemed.....	—	17,158,950	—	—
Distribution to unit holders.....	—	20,020	—	—
Sales tax payments to other governments.....	—	—	—	498,889
Child support payments to individuals.....	—	—	—	623,816
Local school aid payments.....	—	—	—	928,489
Municipal health insurance deposit payments.....	—	—	—	729,235
Court escrow account payments.....	—	—	—	121,245
ARPA local pass-through payments.....	—	—	—	664,565
Other deductions.....	93,669	—	—	296,818
Total deductions.....	6,984,784	18,534,758	—	3,863,057
Change in net position.....	(3,534,164)	1,333,518	2	75,108
Net position - beginning, as restated *	75,038,535	26,855,754	1,236	1,179,890
Net position - ending.....	\$ 71,504,371	\$ 28,189,272	\$ 1,238	\$ 1,254,998

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

* As restated, see note 1T on pages 81-82



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

Statement of Net Position
Discretely Presented Component Units
June 30, 2022

(Amounts in thousands)

	Massachusetts Department of Transportation	Massachusetts Bay Transportation Authority	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and cash equivalents	\$ 253,942	\$ 561,070	\$ 98,093	\$ 968,958	\$ 373,569	\$ 2,255,632
Short-term investments	—	163,518	—	197,748	274,718	635,984
Restricted cash and investments	1,603,118	930,222	—	—	421,067	2,954,407
Assets held in trust	—	—	—	19,246	41,472	60,718
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursement receivable	54,121	28,754	—	40,965	34,393	158,233
Loans	—	—	—	690,204	76,194	766,398
Lease receivables	50,651	7,746	—	—	5,795	64,192
Other receivables	235,717	57,687	8,682	33,621	45,161	380,868
Due from primary government	423,559	248,277	12,996	—	79,475	764,307
Inventory	—	62,125	—	—	136	62,261
Other current assets	11,277	12,573	477	—	17,512	41,839
Total current assets	2,632,385	2,071,972	120,248	1,950,742	1,369,492	8,144,839
Noncurrent assets:						
Cash and cash equivalents - restricted	—	666,087	—	—	40,433	706,520
Long-term investments	—	—	—	444,259	1,128,546	1,572,805
Restricted investments and annuity contracts	—	—	—	—	35,773	35,773
Lease receivables	375,134	145,711	—	—	52,925	573,770
Other receivables, net	26,064	—	—	—	25,818	51,882
Loans receivables, net	—	—	—	3,347,650	583,279	3,930,929
Due from primary government	3,307	—	—	—	4,377	7,684
Non-depreciable capital assets	11,494,367	3,515,120	—	—	252,259	15,261,746
Depreciable capital and right-to-use assets, net	15,234,425	10,938,747	19,493	—	768,560	26,961,225
Other noncurrent assets	1,010	—	—	4,339	13,158	18,507
Total noncurrent assets	27,134,307	15,265,665	19,493	3,796,248	2,905,128	49,120,841
Total assets	29,766,692	17,337,637	139,741	5,746,990	4,274,620	57,265,680
Deferred outflows of resources:						
Change in fair value of interest rate swaps	17,571	1,952	—	—	14,919	34,442
Loss on refunding	57,236	109,769	—	26,759	—	193,764
Pension and OPEB	330,601	438,352	4,034	—	7,747	780,734
Total deferred outflows of resources	405,408	550,073	4,034	26,759	22,666	1,008,940
Total assets and deferred outflows	30,172,100	17,887,710	143,775	5,773,749	4,297,286	58,274,620
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts payable and other liabilities	569,907	512,722	15,430	23,778	194,218	1,316,055
Accrued payroll	—	70,132	293	—	2,746	73,171
Compensated absences	32,168	—	899	—	3,748	36,815
Accrued interest payable	30,313	98,586	—	48,903	2,400	180,202
Due to primary government	—	—	—	—	1,401	1,401
Unearned revenue	205,564	—	50,954	30,552	113,792	400,862
Lease liability	6,564	6,839	903	—	4,234	18,540
Bonds, notes payable and other obligations	129,591	316,797	—	219,785	55,229	721,402
Total current liabilities	974,107	1,005,076	68,479	323,018	377,768	2,748,448
Noncurrent liabilities:						
Compensated absences	18,256	—	—	—	1,235	19,491
Accrued interest payable	156,549	—	—	—	—	156,549
Due to primary government	—	—	—	—	10,439	10,439
Unearned revenue	3,778	45,649	—	—	297	49,724
Lease liability	46,926	74,864	2,696	—	48,796	173,282
Bonds, notes payable and other obligations	1,672,679	5,553,756	—	2,469,263	534,794	10,230,492
Net pension liability	516,751	1,286,620	—	—	29,573	1,832,944
Net OPEB liability	838,489	2,411,715	11,408	—	4,818	3,266,430
Liability for derivative instruments	54,829	2,201	—	—	—	57,030
Other noncurrent liabilities	39,406	102,035	—	—	167,028	308,469
Total noncurrent liabilities	3,347,663	9,476,840	14,104	2,469,263	796,980	16,104,850
Total liabilities	4,321,770	10,481,916	82,583	2,792,281	1,174,748	18,853,298
Deferred inflows of resources:						
Gain on refundings	—	—	—	3,388	—	3,388
Service concession arrangements	—	—	—	—	267	267
Pension and OPEB	581,847	602,090	4,684	—	15,523	1,204,144
Leases	419,075	121,010	—	—	67,830	607,915
Total deferred inflows of resources	1,000,922	723,100	4,684	3,388	83,620	1,815,714
Total liabilities and deferred inflows	5,322,692	11,205,016	87,267	2,795,669	1,258,368	20,669,012
NET POSITION						
Net investment in capital assets	25,172,000	10,037,135	19,493	—	957,137	36,185,765
Restricted for:						
Other purposes	1,078,215	132,897	—	2,375,750	1,536,104	5,122,966
Unrestricted	(1,400,807)	(3,487,338)	37,015	602,330	545,677	(3,703,123)
Total net position	\$ 24,849,408	\$ 6,682,694	\$ 56,508	\$ 2,978,080	\$ 3,038,918	\$ 37,605,608

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

Statement of Revenues, Expenses and Changes in Net Position

Discretely Presented Component Units

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Massachusetts Department of Transportation	Massachusetts Bay Transportation Authority	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:						
Charges for services	\$ 882,601	\$ 322,292	\$ 685,306	\$ 5,473	\$ 373,320	\$ 2,268,992
Other	—	64,565	85	133,037	76,619	274,306
Total operating revenues	882,601	386,857	685,391	138,510	449,939	2,543,298
Operating expenses:						
Cost of services	2,957,720	858,544	643,088	140,013	273,677	4,873,042
Administration costs	—	890,099	75,913	1,876	180,142	1,148,030
Depreciation & Amortization	713,832	526,776	5,207	—	64,942	1,310,757
Total operating expenses	3,671,552	2,275,419	724,208	141,889	518,761	7,331,829
Operating income/(loss)	(2,788,951)	(1,888,562)	(38,817)	(3,379)	(68,822)	(4,788,531)
Nonoperating revenues/(expenses):						
Operating grants	1,049,310	909,182	74,643	—	217,080	2,250,215
Capital grants	—	1,084,334	—	—	—	1,084,334
Interest income/(loss)	(1,026)	16,546	174	—	(219,741)	(204,047)
Other nonoperating revenue/(expense)	—	1,414,390	(37,724)	—	56,643	1,433,309
Nonoperating revenues/(expenses), net	1,048,284	3,424,452	37,093	—	53,982	4,563,811
Income/(loss) before contributions	(1,740,667)	1,535,890	(1,724)	(3,379)	(14,840)	(224,720)
Capital contributions	2,272,430	—	—	95,603	43,639	2,411,672
Change in net position	531,763	1,535,890	(1,724)	92,224	28,799	2,186,952
Net position - beginning, as restated *	24,317,645	5,146,804	58,232	2,885,856	3,010,119	35,418,656
Net position - ending	\$ 24,849,408	\$ 6,682,694	\$ 56,508	\$ 2,978,080	\$ 3,038,918	\$ 37,605,608

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

* As restated, see note 1T on page 81-82



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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The accompanying financial statements of the Commonwealth of Massachusetts (the Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The Commonwealth's significant accounting policies are described below.

The Commonwealth is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 160 members; and the Judicial Branch, made up of the Supreme Judicial Court, the Appeals Court, and the Trial Court. In addition, the Legislature has established 57 independent authorities and agencies. Below the level of state government are 351 cities and towns exercising the functions of local governments. The cities and towns of the Commonwealth are also organized into 14 counties.

For financial reporting purposes, the Commonwealth has included all funds, organizations, agencies, boards, commissions, and institutions. The Commonwealth has also considered all potential component units for which it is financially accountable, as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth (the primary government) and its component units. The Commonwealth has included 41 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Additional information related to the component units is found in [Note 14](#) to the basic financial statements.

Blended Component Units – Blended component units are entities that are legally separate from the Commonwealth but are so closely related to the Commonwealth, that they are, in substance, the same as the Commonwealth or entities providing services entirely or almost entirely to the Commonwealth. The net position and results of operations of the following legally separate entities are presented as part of the Commonwealth's operations:

The Massachusetts School Building Authority (MSBA) is charged with administering the Commonwealth's school construction and renovation program. The MSBA's revenues are derived almost entirely from dedicated sales taxes from the Commonwealth which is 1% of applicable sales tax in the Commonwealth. The MSBA's bonded debt is secured by these sales tax revenues. Expenditures by the MSBA are made on behalf of the Commonwealth as a successor to a long-standing Commonwealth program of school construction. The MSBA's operations and results thereon are blended with the Commonwealth and as such are reported as a major governmental fund.

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately \$21.590 billion relate to holdings on behalf of cities and towns that participate in the Pool and are reported as an external investment trust within the fiduciary fund type.

The Massachusetts Municipal Depository Trust (MMDT) is an investment pool of the Commonwealth and its political subdivisions. The various local governments and other political subdivisions share of net position is approximately \$6.599 billion at June 30, 2022, and is reported as an external investment trust within the fiduciary fund type.

Departments Audited Separately from the Commonwealth but not legally separate from the Commonwealth - the following entities are audited separately from the Commonwealth but are not legally separate from the Commonwealth:

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver-General, operates the Commonwealth's lottery. The net position of the Commission and results thereon are presented as a major governmental fund.

The Institutions of Higher Education of the Commonwealth are also not legally separate from the Commonwealth and have operations and net position that are presented as part of the Commonwealth's business-type activities. These systems include:

The University of Massachusetts System including the University of Massachusetts Building Authority, and the Worcester City Campus Corporation. The Worcester City Campus Corporation includes a not-for-profit subsidiary, the Worcester Foundation for Biomedical Research, Inc.

The State University and Community College Systems including the 9 state universities and 15 community colleges located throughout the Commonwealth and the Massachusetts State College Building Authority.

Other Discretely Presented Component Units that are Separately Audited – Discrete component units are entities that are legally separate (often called Authorities) but financially accountable to the Commonwealth, or whose relationships with the Commonwealth are such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. The discretely presented component units column of the government-wide financial statements includes the financial data of the following entities:

Major component units:

The Massachusetts Department of Transportation (MassDOT) incorporates the former Massachusetts Turnpike Authority and the Regional Transit Authorities. MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance law and is reported as part of the Commonwealth for compliance with federal and state tax law. In this unique relationship all road and bridge assets of the Commonwealth (including the former Turnpike Authority (MTA)) have been transferred to MassDOT, while the Commonwealth will continue to hold current and future debt for the construction repair, improvement, and replacement of these assets.

The Massachusetts Bay Transportation Authority (MBTA) finances and operates mass transportation facilities within, and, to a limited extent, outside of its territorial area within the Greater Boston Area of 176 cities and towns and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads. Effective July 29, 2021, the Authority is a component unit of the Commonwealth of Massachusetts. Previously, the Authority was a component unit of MassDOT.

The Massachusetts Clean Water Trust provides a combination of federal and Commonwealth funds for water and sewer projects around the Commonwealth as operator of the Commonwealth's State Revolving Fund. The Trust's three member Board is comprised of Commonwealth Officials and the Commonwealth provides annual contract assistance and matching grants to fund the operations of the Trust.

Commonwealth Health Insurance Connector Authority administers the Commonwealth health insurance programs to facilitate subsidized health insurance for individuals without access to employer-sponsored health insurance as well as offer an affordable commercial health insurance product named Commonwealth Care for small businesses that are eligible for the program. The Authority's 11 member governing board has four members who are Commonwealth Officials, four who are appointed by the Governor with the final three appointed by the Attorney General and is legally accountable to the Commonwealth.

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

State Employees' Retirement System (SERS) – is a public employee retirement system (PERS), that administers a cost-sharing multiple employer defined benefit pension plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of SERS upon the creation of MassDOT. Other employees who transferred to MassDOT have been, and remain, members of SERS. The assets and liabilities of the former MTA have been transferred to SERS.

Management of the SERS is vested in the SRB, which consists of five members—two elected by current and active SERS members, one by the remaining members of the SRB, one who is appointed by the State Treasurer, and the State Treasurer, who serves as ex-officio and is the Chairman of the SRB.

Massachusetts Teachers' Retirement System (MTRS) – is a PERS that administers a cost-sharing multiple employer defined benefit pension plan managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributing entity and is legally responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts and Quincy College.

Management of the MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves as ex-officio and is the Chairman of the MTRB.

State Retirees' Benefit Trust (SRBT) – is a single employer defined benefit Other Post-Employment Benefit (OPEB) plan administered by the Commonwealth. Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by PRIM. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust (SRBT).

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is administered by the board of trustees and is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report.

Management of the SRBT is vested with a board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. The members elect one person to serve as chair of the board.

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

Related Organizations

The following are “related organizations” under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*: Massachusetts Port Authority, Massachusetts Housing Finance Agency, MassVentures, and Massachusetts Educational Finance Authority. The Commonwealth is responsible for appointing a voting majority of the members of each entity’s board, but the Commonwealth’s authority does not

extend beyond the appointments. These entities do not meet the criteria for inclusion as component units of the Commonwealth and therefore are not part of these financial statements.

Availability of Financial Statements

The separately audited financial statements of the Commonwealth's component units and funds may be obtained from the various entities, or by contacting the Statewide Financial Reporting Team in the Office of the Comptroller at (617) 973-2660 for component unit contact information.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are defined as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The **Statement of Net Position** presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- **Restricted net position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- **Unrestricted net position** consists of net position which does not meet the definition of the two preceding categories.

Resources from restricted net position are used prior to those from unrestricted net position.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue and offset or supplant the net operating deficit or surplus from governmental or business-type operations.

Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and discretely presented component units. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with non-major funds being combined into a single column.

The Commonwealth reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Governmental Activities – Government-wide financial statements are reported using the economic resources management focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental Funds – Fund financial statements account for the general governmental activities of the Commonwealth. Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual and are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include income, sales and use, corporation, and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services which are recognized in the year the materials are received, the grants are expended, or services are provided. The measurement period for accrual for taxes earned is generally one year for income, corporate and other taxes and within thirty days for sales and use taxes. For federal and other reimbursements, the measurement period for accrual is generally sixty days if the related expenditures being reimbursed occurred prior to year-end. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due. Compensated absences, claims and judgments, termination benefits and similar activities are recognized to the extent that they are normally expected to be liquidated with expendable available financial resources. Amounts incurred but not reported for Medicaid are reported to the extent that services are rendered before June 30th.

Business-Type Activities – Government-wide financial statements account for activities for which a fee is charged to external users for goods or services. In these services, debt may be issued backed solely by these fees and charges.

There may be also a legal requirement or a policy decision to recover costs. As such, these funds account for operations similarly to a for-profit business. The operations of the Commonwealth's Institutions of Higher Education are reported as systems within the proprietary funds. Proprietary fund types are described in more detail below.

Proprietary and Fiduciary Funds – Fund financial statements are presented on the same basis of accounting as the business-type activities in the government-wide financial statements. For fiduciary funds, post-employment benefits and refunds are recognized when due and payable.

The Commonwealth reports the following fund types:

Governmental Fund Types:

General Fund, a governmental fund, is the primary operating fund of the Commonwealth. It is used to account for all governmental transactions except those required to be accounted for in another fund.

Special Revenue Funds account for specific revenue sources that have been aggregated according to Commonwealth general laws to support specific governmental activities.

Debt Service Funds account for the accumulation of resources for and the payment of debt.

Capital Projects Funds account for the acquisition or construction of major Commonwealth capital facilities financed primarily from bonds and federal reimbursements.

Within the governmental fund types, the Commonwealth has established the following major funds, in addition to the General Fund:

Lottery Funds are governmental funds and account for the operations of the State and Arts Lotteries, which primarily reimburse the General Fund for local aid to cities and towns.

The Massachusetts School Building Authority is presented as a governmental fund, reflecting the activity of the blended component unit, the Massachusetts School Building Authority, accounting for grants to cities, towns and regional school districts for school construction and renovation projects.

Federal Grants Fund is a special revenue fund to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

The Federal COVID-19 Response Fund is a special revenue fund to account for federal funds authorized under the federal legislation enacted after December 4, 2020 and in response to the COVID-19 outbreak or related economic recovery.

Proprietary Fund Types:

Business-Type Activities account for programs financed in whole or in part by fees charged to external parties for goods and services.

The proprietary funds include the following:

Unemployment Compensation Fund reports the taxes collected from employers and held by the United States Treasury in the Federal Unemployment Trust Fund, from which funds are drawn for the payment of benefits to the unemployed.

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

College and University Information, is presented here, aggregated by the University's activity, the State Universities' activity and the Community Colleges' activity.

Fiduciary Fund Types:

Post-Employment Benefit and OPEB Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's post-employment and OPEB benefit plans. These funds recognize employer contributions when legally due and employee contributions in the period when due. Further information on the significant accounting policies for post-employment and OPEB benefit trust funds may be found in [Notes 9 and 10](#) to the basic financial statements on [pages 115-133](#).

Investment Trust Funds account for the portion of pooled cash and pension assets held under the custodianship of the Commonwealth for the benefit of entities outside the Commonwealth's financial reporting entity, including cities, towns and other political subdivisions of the Commonwealth.

Private Purpose Trust Funds account for various gifts and bequests held in trust by the Commonwealth of which only the income is expendable for purposes specified by the donor. The majority of the individual accounts are for perpetual cemetery care endowments on behalf of deceased individuals.

Custodial Funds account for assets held by the Commonwealth on behalf of other governmental entities, other organizations or individuals. These funds include, but are not limited to, fines, forfeitures, tax collections, and payroll withholding taxes.

Fund Balances:

Governmental fund balances are considered nonspendable, restricted, committed, assigned, and unassigned, based on the relative strength of spending constraints.

Nonspendable fund balances are those that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact, such as balances in the form of inventories, permanent funds, and notes receivable. As of June 30, 2022, there were nonspendable fund balances related to Lottery annuities.

Restricted fund balances are those where constraints on their use are: a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by constitutional provisions or enabling legislation such that there is a legally enforceable requirement that those resources be used only for the specific purposes stipulated. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the stipulated purposes.

Committed fund balances are those that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which in the case of the Commonwealth is the Legislature and Governor. Committed amounts cannot be used for other than the specified purposes unless the Governor and Legislature remove or change the specified use through legislation. The authorization specifying the purposes for which amounts can be used must have the consent of both the legislative and executive branches of the government prior to the end of the reporting period.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by: (a) the governing body itself; or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Massachusetts Legislature has the authority to assign or modify previously assigned fund balance. In distinction to restricted and committed balances, the authority for making an assignment is not required to be the government's highest level of decision-making authority, i.e., the Legislature and Governor, and the action to assign fund balance can occur after the end of the year. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with committed fund balances—constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Per [GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions](#), (GASB 54) assigned balances include those funds remaining at the end of the fiscal year that are reappropriated for the following fiscal year. Assigned balances also include administratively established accounts whose purpose is defined by the Secretary of Administration and Finance and other cabinet secretaries.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes in the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In addition, in accordance with GASB No. 54, negative balances in other governmental funds are classified as unassigned.

While the Commonwealth has not announced a formal policy governing the priority of spending fund balances, in conformance with GASB 54 requirements, when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, restricted resources are spent first, followed by committed resources, assigned resources, and unassigned resources.

Details of FY22 governmental fund balances are shown below (amounts in thousands);

	Nonexpendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	\$ —	\$ —	\$ —	\$ —	\$ (180,019)	\$ (180,019)
Stabilization Fund	—	—	6,937,864	—	—	6,937,864
FY22 Authorizations Reappropriated in FY23	—	—	—	2,542,037	—	2,542,037
Transitional Escrow Fund	—	—	—	—	4,631,768	4,631,768
Subtotals, General Fund	—	—	6,937,864	2,542,037	4,451,749	13,931,650
Lottery Funds						
Investments, Restricted Investments, Annuity Contracts and Lottery Operations	615,882	—	—	547	—	616,429
Massachusetts School Building Authority (MSBA)						
Debt Service	—	831,862	—	—	—	831,862
OPEB	—	2,016	—	—	—	2,016
Grants to Cities, Towns and Local School Districts	—	—	—	1,078,669	—	1,078,669
Subtotals, MSBA	—	833,878	—	1,078,669	—	1,912,547
Federal Grants						
Restricted by Federal Grantors	—	106,292	—	—	—	106,292
Other Governmental Funds						
Environmental	—	—	19,241	—	—	19,241
Regional Greenhouse Gas Auction and Mitigation	—	—	184,656	—	—	184,656
Dam and Seawall Repair	—	—	20,823	—	—	20,823
Public Safety - Enhanced 911 Services	—	—	250,833	—	—	250,833
Public Safety - Other	—	—	28,232	—	—	28,232
Health Care	—	—	1,013,751	—	—	1,013,751
Vaccine Purchase	—	—	84,856	—	—	89,644
Opioid Recovery and Remediation	—	—	89,644	—	—	84,856
Marijuana Regulation	—	—	34,438	—	—	34,438
Social Innovation Financing	—	—	5,879	—	—	5,879
Workforce Training	—	—	67,891	—	—	67,891
Department of Industrial Accidents	—	—	34,153	—	—	34,153
Convention Centers	—	8,393	299,992	—	—	308,385
General Government Capital Projects Fund	—	—	—	—	(1,204,930)	(1,204,930)
Highway Capital Projects Fund	—	—	—	—	(1,027,752)	(1,027,752)
General Government Debt Service	—	22,814	66,460	—	—	89,274
Transportation (GANS*/Commonwealth Transportation Fund)	—	16,657	56,863	—	—	73,520
Debt Service for Unemployment Compensation Special Obligation Bonds	—	96,809	—	—	—	96,809
Gaming Administration	—	—	1,436	—	—	1,436
Gaming -- Community Mitigation	—	—	40,371	—	—	40,371
Race Horse Development	—	—	21,523	—	—	21,523
Housing Preservation	—	—	35,510	—	—	35,510
Expendable Trusts	—	200,934	350,137	146,917	—	697,988
Student Opportunity Act Investment Fund	—	—	350,000	—	—	350,000
Other	—	—	346,913	28,229	(125,466)	249,676
Subtotals, Other Governmental Funds	—	345,607	3,403,602	175,146	(2,358,148)	1,566,207
Totals	\$ 615,882	\$ 1,285,777	\$ 10,341,466	\$ 3,796,399	\$ 2,093,601	\$ 18,133,125

*Federal Grant Anticipation Notes

The Commonwealth does not have a formally adopted minimum fund balance policy. However, most governmental funds cannot end a fiscal year in deficit. Those funds that are authorized to end a fiscal year in deficit are discussed in [Note 8](#) to the basic financial statements, “Individual Fund Deficits” on page [115](#).

Stabilization Fund Arrangements:

In accordance with Section 2H of Chapter 29 of the Massachusetts General Laws, the Commonwealth maintains a Stabilization (“Rainy Day”) Fund. Per Chapter 29, balances in the Stabilization Fund can be expended only when non-routine budget shortfalls occur and upon appropriation by the Legislature and approval by the Governor. Chapter 29 requires that after calculating the Commonwealth’s “consolidated net surplus” (the sum of the “undesignated” balances in certain specific state budgeted funds, equal to balances that are neither restricted nor reappropriated for the following fiscal year) any remaining surplus be transferred to the Stabilization Fund. In addition, withholding taxes on certain Lottery transfers are required to be transferred to the Stabilization Fund.

Starting in FY10, statute requires the Comptroller, after certification by the Commissioner of Revenue, to transfer any capital gains tax revenues in excess of \$1 billion (adjusted annually for economic growth) during a fiscal year to the Stabilization Fund. Starting in FY12, statute requires the Comptroller, after certification by the Commissioner of Revenue and the Attorney General, to transfer to the Stabilization Fund all revenue from individual settlements and judgments greater than \$10 million each that exceeds the five year rolling annual average of such settlements and judgments. During FY22, the settlements and judgments revenue did not reach the five year average threshold and all such revenue was retained in the General Fund.

Historically, balances in the Stabilization Fund have been used almost exclusively during recessionary periods to offset budget shortfalls after other budgetary measures have been taken. Per Chapter 29, the Commonwealth is required to maintain a balanced budget, and if a revenue shortfall is projected, the Secretary of Administration and Finance is required to reduce state agencies' spending authorizations in an amount equal to any projected shortfall.

The Stabilization Fund ended FY22 with a balance of \$6.938 billion. For the fiscal year ending June 30, 2022, the Stabilization Fund's balance decreased by \$354 thousand from investment income, due to a mark-to-market loss in the value of the Fund's short-term bond fund, increased by approximately \$260 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, and increased \$24 million from gaming tax revenue. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Per Legislature enacted at the end of FY22, the surplus of \$4.812 billion was deposited into a newly created budgeted Transitional Escrow Fund which was created in FY2021, whose balance of \$5.654 billion (included prior year appropriation \$1.023 billion) was carried forward for use in FY23.

Fiscal Year-End

All funds and component units are reported using fiscal years, which end on June 30.

Program Revenue

Program revenue is defined by the Commonwealth to be the revenue from fees and assessments collected by departments that are directly applicable to that department's operations.

Operating and non-operating revenues and expenses

Revenues and expenses of proprietary funds are classified as operating or non-operating and are sub-classified by object. Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

D. CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND INVESTMENTS

The Commonwealth follows the practice of pooling cash and cash equivalents. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other Governmental Funds.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT), which is comprised of two portfolios: a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost. As of June 30, 2022, the MMDT's entire cash fund is included as cash equivalents in the accompanying financial statements. The Short Term Bond Portfolio investments are carried at fair value. As of June 30, 2022, the MMDT's entire bond fund is included as short-term investments in the accompanying financial statements.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued

financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333 or download the statements from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. Massachusetts General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

The post-employment and OPEB benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, a diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and are reported at fair value in the accompanying financial statements. The State Employees', Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 36.6%, 38.0% and 2.0% respectively, of the net position of the PRIT Fund. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.

Other Commonwealth investments are comprised of equities (marketable securities) and fixed income securities, as well as interests in alternative investment funds such as private equity, debt and real estate. Marketable securities are reported at fair value based upon quoted market prices. Investments in fixed income securities, including U.S. government agency obligations, are reported at fair value using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and ratings, supplemented by deal quotations. Alternative investments are generally reported at net asset values (NAV) reported by the investment manager for the respective securities, which are used as a practical expedient to estimate the fair value of the Commonwealth's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2022, the Commonwealth had no plans or intentions to sell investments at amounts different from NAV.

Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

Investments also include pooled investment funds with Commonfund which are valued at fair value based upon estimated net asset values provided by the management of Commonfund. These pooled investment funds are invested in marketable debt and equity securities.

Certificates of deposit and guaranteed investment/annuity contracts are carried at amortized cost.

E. RECEIVABLES AND UNEARNED REVENUE

In general, tax revenue is recognized on the government-wide statements when assessed or levied and on the governmental financial statements to the extent that it is both measurable and available, based upon collection experience. If revenue is not received within the availability period, receivables are deferred. Receivables are stated net of estimated allowances for uncollectible accounts.

Reimbursements due to the Commonwealth for its expenditures on federally-funded-reimbursement and grant programs are reported as "Federal grants and reimbursements" or "Due from federal government" in the statement of net position.

"Other Receivables" represent amounts due to the Commonwealth including Lottery revenues and Higher Education receivables from students, amounts due to the University of Massachusetts from related organizations and other items. Also included in other receivables for FY22 are amounts due to the Commonwealth under provisions of the Master Settlement Agreement among five tobacco companies and 46 states, including the Commonwealth. Pursuant to provisions of GASB Technical Bulletin No. 2004-1 "Tobacco Settlement Recognition and Financial Reporting Entity Issues", a receivable has been recorded in the general fund for approximately \$108 million, representing 50% of the amounts expected to be received during FY22. Also, included as a receivable is approximately \$28 million representing the Commonwealth's share of the Nonparticipating Manufacturer (NPM) adjustment for 2004 tobacco sales which were not contested by the manufacturers. As of June 30, 2022, the Commonwealth has recognized a receivable for opioid settlements entered into to date totaling \$337 million. This amount may increase due to

finalization of additional proposed settlements and/or pending certification of incentives.

“Loans Receivables” - The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist a limited number of school districts with unanticipated inflationary construction costs over the district’s original project budget. The loans outstanding as of June 30, 2022 were \$62 million, of which \$6 million is due in FY23. During FY22, the MSBA collected \$6 million of scheduled principal payments.

"Lease Receivables" - The Commonwealth and certain business-type entities act as lessors of various buildings, office space, ground leases, and similar infrastructure. Leases with maximum terms of more than twelve months are recognized as lease receivables and deferred inflow of resources in the applicable columns of the government-wide financial statements. Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, net of any estimated uncollectible amounts.

F. DUE FROM CITIES AND TOWNS

“Due from Cities and Towns” represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

G. CAPITAL AND INTANGIBLE ASSETS

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements.

Methods used to value capital assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

Capitalization policies

All land, non-depreciable land improvements and donated historical treasures or works of art are capitalized. Single pieces of equipment, vehicles, computer equipment and software that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets of the component units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method. Unless unallocable, depreciation expense is charged to the function of the capital asset being depreciated. Estimated useful lives are as follows:

<i>Type of Asset</i>	Estimated Useful Life (in years)
Buildings	40
Infrastructure	20 to 50
Library collections that are not historical treasures	15
Equipment, office equipment and furniture, and life safety equipment	10
Computer hardware and software	3 to 7
Vehicles.....	5

Construction in process

Construction in process includes all associated cumulative costs of a constructed capital asset. Construction in process is relieved at the point at which an asset is placed in service for its intended use.

Intangible right of use assets

Right-to-use (RTU) assets are recognized at the lease commencement date and represent the Commonwealth's right to use an underlying asset for the lease term. RTU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Options to renew or terminate the lease are recognized as part of RTU assets and lease liabilities when it is reasonable certain the options will be exercised.

H. INTERFUND / INTRAFUND TRANSACTIONS

As a general rule, the effect of interfund activity has been eliminated in the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

The Commonwealth has elected not to present its cost allocation and recovery separately on the Statement of Activities. Certain costs of nine “central service” agencies of the Commonwealth are recovered from the remaining agencies in a federally approved statewide cost allocation plan. These costs that are allocated are based upon benefits received by the user agency that benefit from these services. The Commonwealth also appropriates and pays the fringe benefit costs of its employees and retirees, as well as MassDOT employees and retirees, through the General Fund. These fringe benefits include the costs of employees’ group health insurance, pensions, unemployment compensation, and other costs necessary to support the workforce. As directed by Massachusetts General Laws, these costs are assessed to other funds based on payroll costs, net of credits for direct payments. Since fringe benefit costs are not separately appropriated or otherwise provided for in these funds, the required assessment creates an unfavorable budget variance in the budgeted funds. The employees’ group health insurance and workers’ compensation activity is accounted for in the governmental funds.

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

Under the former school building assistance program (prior to the creation of the MSBA) the Commonwealth reimbursed 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation to municipalities and regional school districts for 728 previously approved projects noted by MSBA as Prior Grant projects. The MSBA has assumed responsibility for these projects under its enabling statute.

The MSBA records a liability for its share of total eligible project costs differently depending on the type of project. However, for all projects, the MSBA recognizes a liability for its estimated share of total eligible project costs when the applicable eligibility requirements have been met.

Prior Grants - All of the 728 Prior Grant projects had been receiving an annual payment under the former program. The liability for these projects will be reduced over time through annual payments, and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. As of June 30, 2022, the liability for prior grant projects is approximately \$7 million.

Waiting List - The MSBA funds Waiting List projects using two different methods, lump sum and progress payments. Each funding method has different eligibility requirements.

Waiting List projects that are under the lump sum method were recognized as a liability once construction started. The liability for these projects will be reduced over time through annual payments and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. These projects operate similar to Prior Grant projects. As of June 30, 2022, the liability outstanding for Waiting List projects under the lump sum method is \$16 million.

Under the progress payment method, the MSBA's shares of costs incurred are generally recognized as a liability once a grantee requests reimbursement from the MSBA. As of June 30, 2022, there is no remaining liability related to the progress payment method.

New Program - The MSBA funds New Program projects on a progress payment basis. Under this process, communities may submit reimbursement requests no more frequently than once per month. Upon review, audit, and approval, the MSBA processes payment for its share of eligible costs incurred. The MSBA's share of costs incurred for New Program projects are recognized as a liability once a grantee's request for reimbursement is reviewed, audited, and approved by the MSBA. The MSBA has recorded a liability of \$37 million in the governmental funds for reimbursements received, reviewed, and approved for payment by June 30, 2022. Additionally, a liability of \$92 million was recorded for the reimbursements not reviewed or approved for payment prior to June 30, 2022, as well as final project hold back payments subject to final audit and Board approval after year end. The long-term portion of this liability is estimated at \$13 million. New Program projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2022, the amount of commitments outstanding for the New Program projects is \$2 billion, and will be funded under the progress payment method.

For all projects, regardless of the funding mechanism, costs incurred by the grantees are subject to audit by the MSBA. Completion of these audits will allow the MSBA to determine the final approved cost of these projects, and the MSBA will adjust the payments it makes for these projects, as necessary, in accordance with the results of those audits.

As of June 30, 2022, MSBA had an outstanding liability of \$129 million, and \$2 billion of commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The Massachusetts Clean Water Trust (the Trust) loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds, direct loans. Additionally, contract assistance is provided to

the Trust by the Commonwealth on behalf of certain loan financing agreements. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the duration of the loan financing agreements. The Commonwealth and the Trust have entered into a contract pursuant to which the Commonwealth has committed to provide contract assistance payments to the Trust to reduce the borrowers' debt service obligations to the Trust in the amount of \$173 million over 30 years. This obligation of the Commonwealth to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Annual appropriations are made each year by the Commonwealth to fund the current year's obligation.

Accounts payable includes amounts due to vendors of the Commonwealth for goods and services delivered before June 30th but paid for after year-end, the largest of which is Medicaid for \$636 million.

Lease liabilities represent the Commonwealth's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted on a borrowing rate determined by the Commonwealth.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the Statement of Net Position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2022 but paid after the fiscal year ends are also reported in the funds.

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay.

Compensated absences in the governmental funds are liquidated from the same sources that fund the personnel expenses of the employees who are compensated for unused vacation and sick leave pay. In most cases, this is the General Fund, but also includes non-General Fund sources to the extent that personnel expenses are charged to those funding sources.

In the business-type activity and the discretely presented component units, employees' accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue.

L. DEDICATED REVENUES AND PLEDGES

The Commonwealth has a number of pledges of revenue streams for its own bonds and various other bond issues of other authorities. Commonwealth debt supported by dedicated revenue streams include special obligation bonds for road and bridge construction secured by motor fuels taxes and federal grant anticipation notes (GANS) secured by federal grants for highway construction. Detailed information on pledges for the Commonwealth's own debt is included in sections [B](#) and [C](#) of [Note 7](#), on [pages 104-105](#).

The Commonwealth dedicates receipts from the sales tax (other than the tax on meals) to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). Each entity receives 1.0% of the sales tax. The MBTA's portion is subject to an inflation-adjusted floor.

The amount dedicated to the MBTA is accounted for in a nonbudgeted special revenue fund and is subject to adjustment equal to the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0.0% and a ceiling of 3.0%. Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by \$160 million annually, starting in fiscal 2015. The \$160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor was intended to replace the \$160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014.

In FY22, approximately \$1.353 billion and \$1.190 billion of the dedicated sales tax revenue stream was directed to the MBTA and the MSBA, respectively.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2022, taxes within the Convention Center districts support approximately \$454 million of outstanding principal and approximately \$178 million of interest on debts related to these Convention Centers. Taxes collected in FY22 were approximately \$154 million, while debt service on the bonds was approximately \$52 million.

Under additional transportation finance reform effective July 1, 2013, motor vehicle sales tax collections were shifted from the General Fund to the Commonwealth Transportation Fund (CTF), while also eliminating a 0.385% pledge of regular and meals sales tax to the CTF. During FY22, approximately \$549 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$94 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

M. LOTTERY REVENUE AND PRIZES

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Lottery Commission purchases annuities and principal-only and interest-only Treasury strips, which are recorded as restricted annuity contracts investments and are included as nonspendable balance in the governmental funds. Prize payable is reported as liability accrual in the Statement of Net Position. Though the annuities are in the Lottery Commission's name in the case of a default, they are solely for the benefit of the prize winner. The Lottery Commission retains the risk related to such annuities.

N. RISK FINANCING

The Commonwealth self-insures for employees' workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees.

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

P. NET POSITION

The Commonwealth reports net position as restricted where legally segregated for a specific future use by enabling legislation. Otherwise, these balances are considered unrestricted. Net position has been restricted as follows:

"Restricted for family and employment security" – identifies amounts solely for the payment of family and medical leave program benefits to covered individuals eligible to receive benefits and to pay the administrative costs of the department under Section 7 of Chapter 175M of the Massachusetts General Laws.

“Restricted for retirement of indebtedness” – identifies amounts held by fiscal agents to fund future debt service obligations pertaining to Special Obligation Revenue Bonds authorized under Section 2O of Chapter 29 of the Massachusetts General Laws and Chapter 33 of the Acts of 1991. It also includes amounts held for Grant Anticipation Notes authorized by Chapter 11 of the Acts of 1997 and Chapter 121 of the Acts of 1998.

"Higher education" – identifies amounts solely for expendable and nonexpendable endowment, scholarships, research, academic support, loans, and capital projects purposes for resources whose use is subject to externally imposed constraints that can be satisfied by specific actions or by the passage of time.

“Restricted for grants and gifts” – identifies amounts held for restrictions either by federal or state grants.

“Restricted for other purposes” – identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments.

The net position of the Post-Employment Benefit and OPEB Trust Funds and the Pension Reserves Investment Trust portion of the External Investment Trust Funds are restricted for post-employment benefits. These restrictions identify resources held in trust for the members and beneficiaries of the Commonwealth’s post-employment benefit plans. The Pension Reserves Investment Trust portion of the External Investment Trust Funds also includes pooled cash and pension assets held under the custodianship of the Commonwealth for the benefits of cities, towns and other political subdivisions of the Commonwealth.

Q. SERVICE CONCESSION AGREEMENTS

The higher education institutions of the Commonwealth (State Universities and Colleges) enter in to services concession agreements for campus dining facilities and bookstores. In exchange for these agreements the vendors provide contributions to the institutions to improve the facilities as well as revenue sharing arrangements. All improvements and equipment purchased with the payments remain the property of institutions. The contracts range from five to eighteen years in duration. These agreements generate deferred inflows of resources, and liability for the unamortized portion of assets transferred. Per terms of the agreements, either party can terminate the agreement at any time, without cause, by providing a written notice. In the event of termination, the unamortized portion is to be returned. Following is a summary of amounts of the arrangements as of June 30, 2022 (amounts in thousands):

State Universities	\$ 15,698
Community Colleges	119
Total	<u>\$ 15,817</u>

Approximately \$10 million in the carrying value of capital assets associated with these service concession agreements are reported in the business-type activities in these financial statements.

R. ESTIMATES

The preparation of the Annual Comprehensive Financial Report requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report.

Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

S. PENSIONS AND OPEB

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Employees' Retirement System (SERS) and the Massachusetts Teachers' Retirement System (MTRS) and additions to/deductions from the SERS and the MTRS fiduciary net position have been determined on the same basis as they are reported by SERS and MTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the Commonwealth's requirement to contribute to the Boston Retirement System (BRS) for Boston teachers, information about BRS's fiduciary net position and additions to/deductions from BRS's fiduciary net position have been determined on the same basis as they are reported by BRS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retiree Benefit Trust (SRBT) and additions to/deductions from the SRBT fiduciary net position have been determined on the same basis as they are reported by the SRBT. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS/PRIOR PERIOD ADJUSTMENTS

In connection with the Commonwealth's fiscal year 2022 audit, extensive testing and reconciliation was conducted of federal funding received during fiscal years 2020 through 2023 with respect to expanded and enhanced unemployment insurance provided by the federal government for individuals impacted by the COVID-19 pandemic. This program was administered by the Commonwealth through the Executive Office of Labor and Workforce Development (EOLWD). Such reconciliation identified overdraws of federal pandemic-related unemployment insurance benefits by the Commonwealth. The Executive Office of Labor and Workforce Development is engaged in discussion with the U.S. Department of Labor on the resolution of the overdraw.

GASB Statement No. 87, *Leases*, effective in fiscal year 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the earliest period presented.

The Commonwealth adopted the requirements of GASB 87 effective July 1, 2021, and has applied the provisions of this standard in these financial statements, including footnote disclosure, see Note 5. The implementation of this standard has no impact on the previously reported net position for governmental activities, and an impact on the previously reported net position for business-type activities and discretely presented component units.

The following details the cumulative effect of the change in accounting principle and the correction of errors related to overdraws of federal pandemic related unemployment insurance benefits and revenue and expense recognition (amounts in thousands):

	Business-type activities				
	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Business-type activities
Net position as of June 30, 2021 as previously reported.....	\$ (420,104)	\$ 2,589,068	\$ 622,550	\$ 809,772	\$ 5,197,653
Correction of an error for overdraws of federal pandemic-related unemployment insurance benefits	(1,943,071)	—	—	—	(1,943,071)
Correction of errors related to revenue and expense recognition	—	—	(2,610)	(3)	(2,613)
Prior period adjustment due to GASB 87 implementation	—	(1,906)	8,581	(203)	6,472
Net position as of July 1, 2021, as adjusted	<u>\$ (2,363,175)</u>	<u>\$ 2,587,162</u>	<u>\$ 628,521</u>	<u>\$ 809,566</u>	<u>\$ 3,258,441</u>

	Discretely presented component units			Fiduciary funds	
	Massachusetts Clean Water Trust	Nonmajor Component Units	Aggregate Discretely Presented Component Units	Private- Purpose Trust Funds	Custodial Funds
Net position as of June 30, 2021 as previously reported.....	\$ 2,830,398	\$ 3,008,068	\$ 35,361,147	\$ 1,216	\$ 1,179,910
Correction of an error related to revenue recognition	55,458	—	55,458	—	—
Correction of an error related to GASB 84 classification within Fiduciary Funds	—	—	—	20	(20)
Prior period adjustment due to GASB 87 implementation	—	2,051	2,051	—	—
Net position as of July 1, 2021, as adjusted	<u>\$ 2,885,856</u>	<u>\$ 3,010,119</u>	<u>\$ 35,418,656</u>	<u>\$ 1,236</u>	<u>\$ 1,179,890</u>

The following GASB Statements, or paragraphs of GASB Statements, became effective for fiscal year ended June 30, 2022 and had no impact on the governmental activities' net position:

GASB Statement No. 89, *Accounting for Interest Cost incurred before the End of a Construction Period*, effective in FY 2022, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 92, *Omnibus 2020*, effective in FY 2022, addresses practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 456 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* is effective in FY 2022. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund

financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

The Commonwealth is evaluating the potential impact of the recent issues of GASB statements as follows:

GASB Statement No. 91, *Conduit Debt Obligations*, effective in FY 2023, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 93, *Replacement of Interbank Offering Rates*, effective FY2023 as amended, addresses accounting and financial reporting implications that result from the replacement of an IBOR.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective in FY 2023, provides accounting and financial reporting requirements for PPPs and availability payment arrangements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective in FY 2023, provides guidance on the accounting and financial reporting for SBITAs for government end users. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

GASB Statement No. 99, *Omnibus 2022*, addresses the implementation of certain requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective upon issuance..

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective in FY 2024, enhances accounting and financial reporting requirements for accounting changes and error corrections.

GASB Statement No. 101, *Compensated Absences*, effective in FY 2025, updates the recognition and measurement guidance for compensated absences.

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS

Primary Government

The Commonwealth's cash and cash equivalents and restricted cash is comprised of the following (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government Wide Total	Fiduciary Funds
Cash.....	\$ 595,991	\$ 3,970,130 (1)	\$ 4,566,121	\$ 372,620
MMDT - cash fund	21,235,409	2,427,240 (1)	23,662,649	7,561,632
Restricted cash with fiscal agent.....	303,519	—	303,519	—
Total	<u>\$ 22,134,919</u>	<u>\$ 6,397,370</u>	<u>\$ 28,532,289</u>	<u>\$ 7,934,252</u>

(1) of which \$573,900 (in thousands) is presented as restricted cash in the accompanying financial statements.

Lottery Annuity Contracts and U.S. Treasury Strips

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver-General, purchases annuity contracts from insurance companies and United States treasury strips to fund the Commonwealth's liability for future installment prize obligations. These annuities and treasury strips represent obligations of the insurance companies and the custodial banks, respectively, to provide a fixed series of payments over a specified period. Only the annuity investments are subject to credit risk. For the annuity contracts, risk is controlled by purchasing these investments only from insurance companies with the top two ratings issued by a national recognized ratings organization. However, due to the nature of these annuity contracts, the credit quality of the insurance company issuer is subject to change. As of June 30, 2022, the amortized cost of annuities was approximately \$88 million. At June 30, 2022, the U.S Treasury Strips have a fair value of approximately \$528 million. Approximately 85.7% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 6.6% of the overall portfolio.

MSBA Deposits and Investments

The MSBA is authorized to invest in obligations of the US Treasury, its agencies and instrumentalities, bonds or notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and repurchase agreements. These investments are recorded at fair value. The MSBA has an investment policy that establishes the minimum credit quality for certain instruments, outlines investment procedures and provides for periodic reporting. The MSBA's investment policy does not specifically limit the amount the MSBA may invest in any one issuer.

As of June 30, 2022, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	\$ 824,449
Restricted investments	1,013,714
Total	<u>\$ 1,838,163</u>

Custodial Credit Risk – Pooled Cash

Custodial credit risk is the risk that in the event of a bank failure, deposits and investments may not be returned to the Commonwealth. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk.

The Commonwealth requires all bank deposits in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) to be collateralized with a perfected pledge of eligible collateral or a letter of credit. For programs created by the Treasury, such as the Small Business Banking Program, eligible collateral must be pledged in an amount equal to 102% of the amount of the deposits that exceed FDIC insurance. Sufficient collateral to cover total Commonwealth deposits in excess of the FDIC insured amount must be pledged and held in safekeeping by a custodian that is approved by and under the control of the Treasurer and Receiver General.

Membership by a financial institution in the Depositors Insurance Fund (DIF) or the Share Insurance Fund (SIF) will be accepted by the Treasurer and Receiver General's Office as alternative security, provided that the financial institution submits proof of membership in the DIF or the SIF. Membership in the DIF is limited to Massachusetts chartered savings banks while membership in the SIF is limited to Massachusetts cooperative banks.

Custodial Credit Risk – Higher Education

The Institutions of Higher Education have investment policies that may vary by institution for custodial credit risk. Each institution carries deposits that are fully insured by the FDIC, as well as uninsured deposits. As of June 30, 2022, the bank balances of uninsured and uncollateralized deposits exposed to custodial credit risk totaled \$164 million.

Custodial Credit Risk – MSBA

The MSBA does not have a formal investment policy for custodial credit risk. The MSBA carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance, as well as deposits that are fully collateralized. As of June 30, 2022, all MSBA bank balances were fully protected against loss.

Interest Rate Risk – MMDT

Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. These investments include certain short-term cash equivalents, various long-term items and restricted assets by maturity in years. The Treasury cash portfolio minimizes the risk of the fair value of securities falling due to changes in interest rates by maintaining a dollar-weighted average portfolio maturity of 60 days or less. The Treasury cash portfolio's assets are managed to maintain a dollar-weighted average life to maturity of 120 days or less. The Cash Portfolio is operated in compliance with Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*.

At June 30, 2022, the Cash Portfolio's securities had a weighted average maturity of 27 days and a weighted average life of 61 days.

Investments in the MMDT Short Term Bond Portfolio are made in investment-grade securities as defined by national statistical rating agencies. The Commonwealth assesses risk for the Short Term Bond Portfolio by using duration. Duration is the weighted maturity of the security's cash flows, where the present values of the cash flows serve as weights.

For the MMDT Short Term Bond Portfolio, the June 30, 2022 duration was 2.47 years. At June 30, 2022, investments in the MMDT Short Term Bond Portfolio had a total net position of \$780 million with investment maturities ranging from less than one year to ten years. At June 30, 2022, the Short Term Bond Portfolio's effective maturity schedule was as follows:

Securities with an Effective Maturity of	Percentage of Total Net Position
Less than one year	19.5 %
One to five years	66.4 %
Six to ten years	5.1 %
Cash Equivalents	8.6 %
Total*	99.6 %

*The remaining 0.4% consists of other assets and liabilities - net.

Interest Rate Risk – Higher Education

As of June 30, 2022, the Institutions of Higher Education had debt investments stated at fair value of approximately \$599 million and had investment maturities ranging from less than one year to more than ten years, with 14.1% of the investment's fair values maturing in less than 1 year, 66.2% maturing in one to five years, 13.8% maturing in six to ten years, and 5.9% maturing in more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. MSBA intends to hold its fixed income investments to maturity.

As of June 30, 2022, the MSBA had approximately \$200 million invested in a collateralized guaranteed investment contract and approximately \$412 million invested in U.S. Treasury Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on July 25, 2022 while the U. S. Treasury Bonds mature from May 2027 to February 2045. These investments represent approximately 73% of the MSBA's total investments in debt service funds and debt service reserve funds.

Interest Rate Risk – Custodial Funds

The custodial funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 2022, these investments had a fair value of approximately \$494 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 30.8% has maturities of less than one year, 47.5% from one to five years, 13.2% from six to ten years and 8.5% greater than ten years.

Credit Risk – MMDT

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth, exclusive of Pension Trust Funds, minimizes concentration of credit risk, the risk attributed to the magnitude of the investment in a single issuer. The Commonwealth's investment policy prohibits the Treasury from investing more than 5% of the total investment portfolio in any single financial institution or issuer, excluding various public entity securities and repurchase agreements. However, there are no restrictions on the amount that can be invested in public entity securities and the portfolio may be invested in U.S. Treasury and other Government Sponsored Enterprises (GSE's) obligations and repurchase agreements.

The Treasury cash portfolio is invested only in First Tier Securities as defined by the Securities and Exchange Commission's Rule 2A-7 of the [Investment Company Act of 1940](#). The Treasury does have additional policies regarding credit ratings of investments as detailed in the Investment Circulars which can be found in the documents tab at <https://www.mymmdt.com/mmdt/pools.do>. At June 30, 2022, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2022, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA	65.8 %
AA	3.6 %
A	8.1 %
BBB	13.4 %
BB	0.1 %
Cash Equivalents	8.6 %
Total*	99.6 %

* The remaining 0.4% consists of other assets and liabilities - net.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were \$260 million at AAA, \$109 million from AA+ to A- and \$229 million either unrated, BBB+ or less.

Credit Risk – MSBA

The MSBA's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The MSBA's policy requires issuers of investment contracts to be rated AA or above by at least two of the nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance. As of June 30, 2022, the guaranteed investment contracts were not rated; however, the issuer was rated AA+ by Standard & Poor's and Aa3 by Moody's.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$494 million, of which \$318 million were in U.S. Government securities, \$77 million were in money market securities, \$66 million were in state and local government securities, and \$33 million were in corporate debt securities.

Interest Rate Risk – PRIT Funds

As pension and OPEB trust funds have a longer investment horizon than many of the Commonwealth's other investments, the PRIM Board manages PRIT's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. The guidelines with each individual manager require that the effective duration of the domestic fixed income investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have a duration with a band ranging from three to eight years. Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments and other factors.

The PRIM Board compares the effective duration of a manager's portfolio to their relevant benchmark including Bloomberg Barclays Capital Aggregate index, US Treasury STRIPS 20+ Year index, Bloomberg Barclays Capital Treasury 1-3 Year index, Bloomberg Barclays Capital US TIPS index, Bloomberg Barclays Capital Inflation Linked Bonds index, S&P LSTA Leveraged Loan index, JP Morgan Global Emerging Markets Bond index, and the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML) High Yield index. The PRIT Fund had fixed income and short-term investments totaling approximately \$25.8 billion at fair value with an effective weighted average duration range from 1.98 to 14.64 years at June 30, 2022.

Credit Risk – PRIT Funds

The PRIM Board establishes credit investment guidelines with each of its fixed income securities investment managers in establishing a diversified portfolio. These guidelines vary depending on the manager's strategy and the role of its portfolio to the overall diversification of the PRIT fund. The guidelines for the PRIT Fund's core fixed income portfolio establish the minimum credit rating for any security in the portfolio and the overall weighted average credit rating of the portfolio. The guidelines for the PRIT Fund's high yield, fixed income portfolio establish a fair value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by the PRIT results from counterparty risk. The PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. The weighted average quality rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was BBB and BBB- at June 30, 2022 and June 30, 2021 respectively.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately \$3.091 billion, BBB+ to B- investments with a fair value of approximately \$3.354 billion, CCC+ to D investments with a fair value of approximately \$696 million, nonrated investments with a fair value of approximately \$9.998 billion, and the remaining \$8.823 billion are investments that are explicitly backed by the U. S. Government.

Foreign Currency Risk – PRIT Funds

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The Treasury does not have a policy regarding foreign currency risk for the Pension Trust. The PRIM Board manages PRIT's exposure to foreign currencies by hedging a percentage of PRIT's non-U.S. dollar denominated investments through forward foreign currency contracts. The PRIT Fund's investments in foreign currency

denominated investments as of June 30, 2022 were approximately \$194 million in cash and short-term investments, \$13.256 billion in equities, \$649 million in fixed income investments, \$732 million in portfolio completion strategies, \$1.887 billion in private equity investments and \$396 million in timberland investments. An additional \$3.291 billion is invested in international investments denominated in U. S. dollars.

Concentration of Credit Risk – PRIT

The PRIM Board manages PRIT's exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percent of investment in any single issue or issuer. PRIT has no investments, at fair value, that exceed 5% of PRIT's net position held in trust for pool participants as of June 30, 2022.

A. DERIVATIVE INSTRUMENTS

PRIT may invest in derivative instruments. In accordance with GASB Statement No 53, *Accounting and Financial Reporting for Derivative Instruments*, PRIT's derivatives are accounted for as investment derivatives and are reported at fair value.

Forward Currency Contracts

PRIT enters into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The fair value of the contracts will fluctuate with changes in currency exchange rates. Risks may arise from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

The contracts are marked-to-market daily and the change in fair value is recorded as an unrealized gain or loss by PRIT.

When a contract is closed, PRIT records a realized gain or loss equal to the difference between the cost of the contract at the time it was opened and the value at the time it was closed.

As of June 30, 2022, PRIT had open foreign exchange contracts with combined net unrealized gain of approximately \$53 million with various delivery dates.

Further information on derivative instruments can be found in the notes to PRIT's basic financial statements.

Futures Contracts

PRIT may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owns or expects to purchase.

Upon entering such contracts, they must pledge to the broker an amount of cash or securities equal to a percentage of the contract amount.

The potential risk is that the change in the value of futures contracts may not correspond to the change in the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that PRIT may not be able to close out its future positions due to a non-liquid secondary market. Risks may also arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

PRIT may also invest in financial futures contracts for non-hedging purposes.

PRIT held contracts outstanding at June 30, 2022 with various expirations from FY23 to FY25. These contracts are for cash and cash equivalents, fixed income, equities and commodities. A portion of the contracts were short contracts. The aggregated notional exposure amount as of June 30, 2022 was approximately \$640 million with a fair

value of \$630 million, yielding an unrealized net loss of approximately \$10 million.

Payments are made or received by PRIT each day, depending on the daily fluctuations in the value of the underlying security and are recorded as unrealized gains or losses. When the contracts are closed, the PRIT Fund recognizes a realized gain or loss.

Swaps – PRIT

PRIT has entered into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risk. The swap contracts are reported at fair value, which represents their estimated liquidation values on costs. PRIT either receives cash from the swap counterparties or pays the swap counterparties monthly depending on whether the fixed-rate interest is lower or higher than the variable-rate interest. Changes in fair value are included as part of investment income.

As of June 30, 2022, PRIT had contracts in effect with an aggregated notional amount of approximately \$31.551 billion to various investment banks that had maturity dates from FY23 to FY73. The contracts have an aggregate fair value loss of approximately \$91 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRIT's counterparty exposure was with various major investment companies with ratings ranging from AA- to A- and various other banks with other ratings. Open swap contracts as of June 30, 2022 were as follows (amounts in thousands):

Counterparty	Credit Ratings	Interest Rate Swaps		Credit Default Swaps		Total Return and Other Swaps	
		Gross Notional	Fair Value	Gross Notional	Fair Value	Gross Notional	Fair Value
Barclays Bank PLC	A	\$ 65,406	\$ 331	\$ 616,832	\$ 2,285	\$ —	\$ —
BNP Paribas SA	A+	—	—	40,963	(23,534)	—	—
CME Group	AA-	148,902	(6,094)	—	—	—	—
Goldman Sachs & Co	A+	686,689	46,530	2,634,224	(10,925)	—	—
Goldman Sachs International	A+	—	—	97,459	(17,951)	25,524	375
Intercontinental Exchange	A-	—	—	112,104	(3,654)	—	—
JMP Securities LLC	A+	—	—	49,527	(17,979)	—	—
JPMorgan Chase Bank NA	A+	317,506	18,490	54,557	(13,579)	269,137	(18,298)
JPMorgan Securities LLC	A+	24,461,829	(8,060)	62,239	4,951	1,531	(39)
LCH Ltd	AA-	198,982	(2,448)	—	—	90,425	(644)
Morgan Stanley & Co Intl PLC	A+	20,011	451	91,580	(22,181)	415	(29)
Morgan Stanley Capital Services ..	A+	—	—	203,155	(24,796)	12,500	178
SMBC Capital Markets Inc.	A+	250,000	6,640	—	—	—	—
All others	Various	969,555	1,797	55,537	424	14,328	(3,001)
Totals		<u>\$ 27,118,880</u>	<u>\$ 57,637</u>	<u>\$ 4,018,177</u>	<u>\$ (126,939)</u>	<u>\$ 413,860</u>	<u>\$ (21,458)</u>

B. DISCRETELY PRESENTED COMPONENT UNIT INVESTMENTS

Component units invest in derivative transactions. Detailed information on those transactions is found in the notes to the basic financial statements of those component units.

C. FAIR VALUE MEASUREMENTS OF INVESTMENTS

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the Commonwealth categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 - Inputs are quoted prices for identical investments in active markets.
- Level 2 - Observable inputs other than quoted market prices.
- Level 3 - Unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement.

Level 2 investments are categorized using various inputs that include, but are not limited to, pricing models, independent third party evaluated services, benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities among others.

The following tables present a summary of the fair value hierarchy of investments at June 30, 2022 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 1,156,823	\$ 1,113,883	\$ 42,940	\$ —
Municipal securities	33,487	26,666	6,821	—
Institutional money market funds	750,619	745,032	5,587	—
Corporate debt/bonds	171,503	13,712	157,749	42
Corporate stock	—	—	—	—
Asset backed securities	29,869	—	29,869	—
Registered investment companies	63,136	63,136	—	—
Mortgage backed securities	46,311	—	46,311	—
Other fixed income	123,893	123,371	522	—
Total debt securities	2,375,641	2,085,800	289,799	42
Equity securities	269,528	267,893	—	1,635
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	468,253			
Private equity	87,506			
Private debt	23,983			
Private real estate	11,178			
Other	3			
Total investments measured at the NAV	590,923			
Other investments at fair value:				
MMDT - bond fund	371,078			
Total other investments at fair value	371,078			
Subtotal investments at fair value	3,607,170	\$ 2,353,693	\$ 289,799	\$ 1,677
Other investments:				
MMDT	295,878			
Annuity contracts	88,190			
Guaranteed investment contracts	200,099			
Certificates of deposit	4,979			
Total other investments	589,146			
Total investments - primary government	\$ 4,196,316			
Derivative instruments:				
Interest rate swaps (liabilities)	\$ 32,577	\$ 515	\$ 32,062	\$ —

Included in the preceding schedule is approximately \$16 million of various money market mutual fund investments related to the business type activities which are classified as cash equivalents in the accompanying financial statements.

Lottery annuity contracts and U.S. Treasury Strips of approximately \$616 million as of June 30, 2022 are presented in governmental fund and governmental activities on the Statement of Net Position.

<i>Fiduciary funds:</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury securities	\$ 318,723	\$ 318,723	\$ —	\$ —
Bonds	98,610	32,530	66,080	—
Total debt securities	417,333	351,253	66,080	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	77,036			
Other investments at fair value:				
MMDT - bond fund	28,743			
Net investment in PRIT	92,423,108			
Total other investments at fair value	92,451,851			
Total investments - fiduciary funds	<u>\$ 92,946,220</u>	<u>\$ 351,253</u>	<u>\$ 66,080</u>	<u>\$ —</u>

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

Taxes, federal reimbursements, loans, leases and other receivables are presented in the statement of net position, exclusive of amounts due from cities and towns and component units as follows (amounts in thousands):

<i>Primary Government</i>	Taxes Receivable	Federal Grants and Reimbursements	Loans	Leases	Other Receivables	Total
<u>Governmental Activities:</u>						
Gross receivables	\$ 7,400,621	\$ 2,505,648	\$ 73,347	\$ 69,744	\$ 2,207,503	\$ 12,256,863
Less: allowance for uncollectibles	(1,499,689)	(119,756)	—	—	(494,163)	(2,113,608)
Receivables, net allowance for uncollectibles ..	5,900,932	2,385,892	73,347	69,744	1,713,340	10,143,255
Less: current portion	(5,477,987)	(2,314,768)	(6,329)	(1,301)	(1,284,212)	(9,084,597)
Noncurrent receivables	<u>\$ 422,945</u>	<u>\$ 71,124</u>	<u>\$ 67,018</u>	<u>\$ 68,443</u>	<u>\$ 429,128</u>	<u>\$ 1,058,658</u>
<u>Business-Type activities:</u>						
Gross receivables	\$ —	\$ 95,086	\$ 30,582	\$ 1,332,817	\$ 2,586,847	\$ 4,045,332
Less: allowance for uncollectibles	—	(305)	(2,620)	—	(1,604,165)	(1,607,090)
Receivables, net allowance for uncollectibles ..	—	94,781	27,962	1,332,817	982,682	2,438,242
Less: current portion	—	(94,781)	(5,971)	(56,176)	(953,080)	(1,110,008)
Noncurrent receivables	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 21,991</u>	<u>\$ 1,276,641</u>	<u>\$ 29,602</u>	<u>\$ 1,328,234</u>

B. TAX ABATEMENTS

As of June 30, 2022, the Commonwealth provided tax abatements through the following three programs: the Massachusetts Economic Development Incentive Program Credit (EDIP), Life Sciences Tax Incentive Program and the Film Tax Credit.

Economic Development Incentive Program

Under the Economic Development Incentive Program (EDIP), companies receive state and local tax incentives in exchange for job creation, manufacturing job retention and private investment commitments. On or after January 1, 2010 and before January 1, 2017, the Economic Assistance Coordination Council (EACC) may award to taxpayers up to 40% of the cost of qualifying properties as credits to certain certified projects ("expansion project", "enhanced expansion project", or a "manufacturing retention project"). The EACC may also award EDIP credits of up to \$1,000 per job (\$5,000 per job in gateway municipalities) to certified job creation projects. The total award for a project may not exceed \$1 million. On or after January 1, 2017, the credit is instead determined by the EACC based on factors set out in M.G.L. c. 23A, § 3D.

For tax years beginning on or after January 1, 2019, the EACC is authorized to establish a program to incentivize businesses to occupy vacant storefronts in downtown areas. Pursuant to this program, the EACC may award up to \$500,000 of available EDIP tax credits annually to businesses that occupy previously vacant storefronts. The businesses must commit to occupying the previously vacant storefront for a period of not less than one year.

The total dollar amount of the EDIP credit that may be used in a calendar year is \$30 million.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

For projects certified before January 1, 2017, if a project's certification is revoked, or if property upon which a certification is based is sold prior to the end of its useful life, the difference between the credit taken and the credit allowed for actual use must be added back as additional taxes due in the year of disposition, except if the property had been in qualified use for more than twelve consecutive years. For an expansion project where the actual number of permanent full-time employees employed by the controlling business at the project is less than 50% of the number of such permanent full-time employees projected in the project proposal, this shall be deemed a material variance for the purpose of a revocation determination. Upon such a revocation, all tax credits available to the controlling business as a result of project certification shall be revoked and forfeited for the year in which revocation occurred and all subsequent years, and the Commonwealth, in the case of a certified expansion project, shall recover the value of any tax credits received by the controlling business prior to or subsequent to such revocation.

For projects certified on or after January 1, 2017, recapture is required only if the EACC revokes certification. The amount of credit subject to recapture shall be proportionate to the corporation's job creation requirements applicable to the certified project. The corporation's proportion of compliance will be determined by the EACC as part of the revocation process and reported to DOR and the taxpayer at time of revocation.

Life Sciences Tax Incentive Program**Credits**

The Massachusetts Life Sciences Center (MLSC) certifies and awards five types of tax credits to life sciences companies, with the purpose of creating and retaining jobs in the Massachusetts life sciences sector. Unless stated otherwise, if one of these tax credits is claimed by a taxpayer and exceeds the tax otherwise due, 90% of the balance of such credit may, at the option of the taxpayer and to the extent authorized by the MLSC, be refundable to the taxpayer. These tax credits, together with other life sciences tax incentives, are subject to an aggregate \$30 million annual cap.

Unless stated otherwise, the taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, and insurance premiums excise under M.G.L. chapter 63, and the personal income tax under M.G.L. chapter 62, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

- The Life Sciences Investment Tax Credit is equal to 10% of the cost of qualifying property acquired, constructed, reconstructed or erected during the taxable year and used exclusively in Massachusetts.
- The Life Sciences User Fees Tax Credit is equal to 100% of the user fees paid to the U.S. Food and Drug Administration (USFDA) upon submission of an application to manufacture a human drug in Massachusetts, and may be claimed in the taxable year in which the application for licensure of an establishment to manufacture the drug is approved by the USFDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts.
- The Life Sciences Refundable Jobs Tax Credit is available to life sciences companies that commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. The amount of the credit is determined by the MLSC.
- The Life Sciences Research Tax Credit is equal to 10% of excess qualified research expenses, including expenditures for legally mandated clinical trial activities performed both inside and outside of Massachusetts, and 15% of basic research payments. The Life Sciences Research Tax Credit is not refundable. This credit is only available to taxpayers subject to M.G.L. chapter 63.

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

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

A life sciences company that has received tax incentives from the MLSC and subsequently fails to achieve the minimum net new headcount thresholds as specified in the MLSC's Annual Tax report and Multiple Awards policy will have the award terminated and must return the amount of the tax credit claimed to the Commonwealth, although the company may be given an additional year to achieve the employment goals if the MLSC determines that it has the potential to meet those goals. The MLSC is required by statute to de-certify any life sciences company that fails to achieve at least 70% of its job target for two consecutive years. The MLSC has decided through administrative action that any life sciences company failing to achieve at least 80% of its job target by the end of any extension period and, in the case of the Life Sciences Refundable Jobs Tax Credit, failing to create at least 50 net new jobs, will be de-certified. More information on these job creation and recapture requirements is available on the MLSC's website, <http://www.masslifesciences.com/programs/tax/>.

The MLSC also administers the Angel Investor Tax Credit. The credit is equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in M.G.L. c. 23A, § 3A. A taxpayer cannot claim more than \$50,000 of the credit for a single calendar year. The Angel Investor Tax Credit is not refundable and is only available to taxpayers subject to M.G.L. chapter 62. If a taxpayer investor is allowed a credit for an investment in a qualifying business that ceases to have its principal place of business in the Commonwealth within the three taxable years following the taxable year for which the credit was allowed, the taxpayer investor must repay the total credit amount to the Commonwealth. The credit is subject to the aggregate \$30 million annual cap to which other credits in the Life Sciences Tax Incentive Program are subject.

Other Tax Incentives

The MLSC may authorize sales and use tax exemptions and deductions as part of the Life Sciences Tax Incentive Program:

- A certified life sciences company may be deemed a research and development corporation for purposes of

sales and use tax exemptions under M.G.L. chapters 64H and 64I.

- Sales of tangible personal property may be exempt from the Massachusetts sales or use tax under M.G.L. chapters 64H and 64I when that property is purchased for a certified life sciences company for use in connection with the construction, alteration, remodeling, repair, or remediation of research, development, or manufacturing facilities and utility support systems.
- A certified life sciences company may be allowed to deduct from Massachusetts gross income the amount allowed as a credit for federal purposes under Internal Revenue Code (IRC) § 45C (and disallowed as a federal deduction under IRC § 280C(b)): 25% of qualified clinical testing expenses for certain drugs for rare diseases or conditions, sometimes referred to as “orphan drug expenses” that are paid or incurred for the taxable year. This deduction is only available to taxpayers subject to M.G.L. chapter 63.

Film Tax Incentive

M.G.L. c. 62, § 6(l) and M.G.L. c. 63, § 38X provide tax credits to encourage the production in Massachusetts of films, television shows, commercials, and other motion pictures. Entities that fund such productions (known under the statute as “motion picture production companies”) may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with the filming and production of a motion picture and (2) a credit equal to 25% of their Massachusetts production expenses (not including the qualifying aggregate payroll expenses). Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The production companies must incur a minimum of \$50,000 in total Massachusetts production expenses during a consecutive twelve-month period to be eligible for the credits. For taxable years beginning on or after January 1, 2022, in addition to meeting other requirements, for a motion picture to qualify for the credit for production expenses, a taxpayer must incur at least 75% of its production expenses in Massachusetts. A 50% threshold applies to prior taxable years. The credits are either transferable or 90% refundable to the motion picture production companies to the extent that the credits exceed the companies’ Massachusetts tax liability. Transferees do not qualify for the 90% refundability option.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

There are no provisions in the statutes to recapture the film tax credits.

In addition to the tax credit, M.G.L. c. 64H, § 6(ww) provides that sales of tangible personal property to a qualifying motion picture production company or to an accredited film school student for the production expenses related to a school film project are exempt from the sales tax. In order to qualify for the sales tax exemption, a motion picture production company must incur at least \$50,000 in total production costs in Massachusetts during a consecutive twelve-month period and must be conditionally pre-approved as a qualifying company by the Commissioner of Revenue. Any taxpayer that has been conditionally pre-approved for the sales tax exemption that then fails to expend the requisite \$50,000 within a consecutive twelve-month period shall be liable for the sales taxes that would have been due had the conditional pre-approval not been granted.

The following is the total revenue estimated to be reduced under these programs for fiscal year 2022 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by
Economic Development Incentive Program (EDIP)	\$ 4,497 ⁽¹⁾
Life Sciences Tax Incentive Program	24,205 ⁽²⁾
Film Tax Incentive Program:	
Film Tax Credit	70,716 ⁽³⁾
Sales Tax Exemption	320 ⁽⁴⁾
Total	<u>\$ 99,738</u>

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2022.

(2) [https://www.masslifesciences.com/baker-polito-administration-announces-24-2-million-job-creation-incentives-for-36-massachusetts-life-sciences-companies/#;~:text=Today%2C%20the%20Baker-Polito%20Administration%20and%20Massachusetts%20Life%20Sciences,new%20life%20sciences%20industry%20jobs%20in%20the%20Commonwealth,](https://www.masslifesciences.com/baker-polito-administration-announces-24-2-million-job-creation-incentives-for-36-massachusetts-life-sciences-companies/#;~:text=Today%2C%20the%20Baker-Polito%20Administration%20and%20Massachusetts%20Life%20Sciences,new%20life%20sciences%20industry%20jobs%20in%20the%20Commonwealth,incentives awarded in FY2022.) incentives awarded in FY2022.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2022.

(4) Massachusetts Department of Revenue, FY2023 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2022 (<https://budget.digital.mass.gov/govbudget/fy23/tax-expenditure-budget/>).

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

The purposes of interfund receivables, payables and transfers between funds vary by legislative authority. Transfers include the following: intergovernmental services, fringe benefit cost assessments, the Transitional Escrow transfer, certain license fees collected by the Registry of Motor Vehicles that fund various highway project initiatives, fund closure transfers, and various other transfers for operations, largely for Institutions of Higher Education.

Activity between funds reflected as due to/from primary government in the various statements is summarized as follows (amounts in thousands):

Governmental funds:	General	Lotteries	Federal Grants	Other Governmental Funds	Total	
Transfers in:						
Debt service.....	\$ —	\$ —	\$ —	\$ 2,611,214	\$ 2,611,214	
Transfers in.....	2,240,093	—	4,054	2,812,798	5,056,945	
Subtotal.....	2,240,093	—	4,054	5,424,012	7,668,159	
Transfers out:						
Appropriations.....	(1,656,754)	—	(244)	(7,643)	(1,664,641)	
Transfer of bond proceeds.....	—	—	—	(206,883)	(206,883)	
Debt service.....	(1,253,971)	—	—	(1,357,243)	(2,611,214)	
Transfers out.....	(1,837,221)	(1,214,230)	(171,488)	(1,690,473)	(4,913,412)	
Subtotal.....	(4,747,946)	(1,214,230)	(171,732)	(3,262,242)	(9,396,150)	
Total governmental funds.....	\$ (2,507,852)	\$ (1,214,230)	\$ (167,678)	\$ 2,161,770	\$ (1,727,991)	
Proprietary funds:	Unemployment Compensation Trust	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges	Total
Transfers in:						
Transfers in from governmental funds	\$ 100,000	\$ —	\$ 812,733	\$ 463,402	\$ 495,389	\$ 1,871,524
Transfers out:						
Transfers out to governmental funds...	—	(2,423)	(89,246)	(28,106)	(23,758)	(143,533)
Total proprietary funds.....	\$ 100,000	\$ (2,423)	\$ 723,487	\$ 435,296	\$ 471,631	\$ 1,727,991
Net transfers in/(out) between funds.....						\$ —

Due to/from component units on the Statement of Net Position reflects a timing difference for payments of approximately \$54 million at year end.

Remaining receivables and payables between funds as of June 30, 2022 largely occur due to the timing of accruals and the funding of escrows. The University of Massachusetts also reported unremitted benefits costs as of June 30, 2022. The amount due to the General Fund largely represents deficits funded by the General Fund. The following is a summary of receivables and payables between funds remaining as of June 30, 2022 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds.....	\$ 1,569,346
Non-major Governmental Funds	Non-major Governmental Funds.....	73,159
Total Governmental Funds.....		\$ 1,642,505

5. CAPITAL ASSETS

Capital asset activities for both governmental and business-type activities were as follows (amounts in thousands):

<i>Governmental Activities</i>	Beginning Balance July 1, 2021 *	Increases	Decreases and Reclassifications	Ending Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 957,406	\$ 15,100	\$ —	\$ 972,506
Construction in process	892,334	326,921	(243,869)	975,386
Total capital assets not being depreciated	1,849,740	342,021	(243,869)	1,947,892
Capital assets being depreciated and amortized:				
Buildings	6,244,379	215,693	(34,651)	6,425,421
Machinery and equipment	1,819,596	68,431	(63,779)	1,824,248
Right-to-use assets	—	1,254,689	—	1,254,689
Infrastructure non - central artery/tunnel project	456,544	—	—	456,544
Total capital assets being depreciated and amortized	8,520,519	1,538,813	(98,430)	9,960,902
Less, accumulated depreciation:				
Buildings	(3,670,397)	(110,050)	4,009	(3,776,438)
Machinery and equipment	(1,350,831)	(87,192)	43,357	(1,394,666)
Infrastructure non - central artery/tunnel project	(295,217)	(8,092)	—	(303,309)
Total accumulated depreciation	(5,316,445)	(205,334)	47,366	(5,474,413)
Less accumulated amortization:				
Right-to-use assets	—	(343,547)	—	(343,547)
Total accumulated amortization	—	(343,547)	—	(343,547)
Total accumulated depreciation and amortization	(5,316,445)	(548,881)	47,366	(5,817,960)
Governmental activities capital assets, net	5,053,814	1,331,953	(294,933)	6,090,834
<i>Business - Type Activities</i>				
Capital assets not being depreciated or amortized:				
Land	230,569	19,962	(1,096)	249,435
Construction in process	435,656	437,180	(255,695)	617,141
Historical treasures	2,136	937	—	3,073
Total capital assets not being depreciated or amortized	668,361	458,079	(256,791)	869,649
Capital assets being depreciated and amortized:				
Buildings	12,145,241	303,865	(30,015)	12,419,091
Machinery and equipment	1,199,910	84,982	(49,086)	1,235,806
Right-to-use assets	1,298,497	54,682	(12,185)	1,340,994
Library collections, not including historical treasures	49,407	87	(7,093)	42,401
Total capital assets being depreciated and amortized	14,693,055	443,616	(98,379)	15,038,292
Less, accumulated depreciation:				
Buildings	(5,061,739)	(419,248)	47,996	(5,432,991)
Machinery and equipment	(993,152)	(38,018)	3,578	(1,027,592)
Library collections, not including historical treasures	(19,488)	(575)	110	(19,953)
Total accumulated depreciation	(6,074,379)	(457,841)	51,684	(6,480,536)
Less, accumulated amortization				
Right-to-use assets	(79,197)	(98,059)	3,251	(174,005)
Total accumulated amortization	(79,197)	(98,059)	3,251	(174,005)
Total accumulated depreciation and amortization	(6,153,576)	(555,900)	54,935	(6,654,541)
Business - type activities capital assets, net	9,207,840	345,795	(300,235)	9,253,400
Total Primary Government capital assets, net	\$ 14,261,654	\$ 1,677,748	\$ (595,168)	\$ 15,344,234

* As restated, see note 1T on page 81-82 - Business - type activities

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

Function	Depreciation	Amortization
General government.....	\$ 91,229	\$ 43,062
Judiciary.....	24,426	69,265
Energy and environmental affairs.....	—	17,745
Health and human services.....	21,839	135,052
Early elementary and secondary education.....	2,700	13,095
Public safety and homeland security.....	62,357	39,330
Housing and economic development.....	799	18,358
Labor and workforce development.....	1,984	7,640
Total, governmental activities.....	<u>\$ 205,334</u>	<u>\$ 343,547</u>
University of Massachusetts.....	\$ 300,240	\$ 30,475
State universities.....	106,961	57,892
Community colleges.....	50,640	9,692
Total, business-type activities.....	<u>\$ 457,841</u>	<u>\$ 98,059</u>

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. Short-term borrowing may be issued as fixed rate notes, floating rate notes or through a commercial paper program supported by bank liquidity facilities maintained by the Commonwealth. Per the State Constitution, revenue anticipation notes (RANs) issued for cash flow purposes are required to be paid within the same fiscal year. Temporary financings for capital needs, such as bond anticipation notes, may be outstanding for up to three years, per statute.

A. GENERAL FUND

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.750 billion from a syndicate of banks. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. The line of credit was scheduled to expire May 10, 2021, and was renegotiated with the same syndicate of banks in the amount of \$500 million for a term of three years, expiring on March 30, 2024. As of June 30, 2022, the Commonwealth did not draw on the line of credit.

B. CREDIT FACILITIES

The Commonwealth has the capacity under a note purchase agreement to issue general obligation tax exempt bonds or revenue anticipation notes up to \$200 million with RBC Capital Markets, LLC, which will expire on February 8, 2024. Effective July 28, 2022, the Commonwealth executed \$200 million of directly placed bond anticipation notes with RBC under this agreement to refund the Series 2014D-2 Bonds, which had a mandatory tender date of August 1, 2022.

7. LONG-TERM OBLIGATIONS

Section 1 of Article 62 of the Massachusetts Constitution empowers the State Legislature to borrow money on the credit of the Commonwealth for various public purposes. Under the State Constitution, the Commonwealth may pledge its credit to borrow money only by a vote of two-thirds of each house of the Legislature. Borrowed funds may be used for defense of the State or of the United States, and in anticipation of receipts from taxes or other sources, “any such loan to be paid out of the revenue of the year in which the loan is made.” The Legislature may not in any manner allow the Commonwealth’s credit to be given or loaned to or in aid of any individual, or of any private association, or of any corporation, which is privately owned or managed. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan.

Statutorily, the authority to borrow is delegated to the Massachusetts State Treasurer & Receiver General pursuant to Chapter 29 of the Massachusetts General Laws. Section 49 of Chapter 29 of the Massachusetts General Laws is the primary statute governing the issuance of Commonwealth debt and contains a number of provisions spelling out the process for the issuance of bonds.

The issuance of bonds to fund the Commonwealth’s capital needs must be authorized by the Legislature. Pursuant to legislative authorizations to borrow, the Governor determines the amount and timing of any authorized borrowing to fund capital investments. At the request of the Governor, the State Treasurer & Receiver General borrows by issuing bonds to the public or through direct placement. The Governor approves the use of the bond proceeds by agencies to pay for authorized and budgeted capital projects.

Massachusetts General Law provides for the allocation of bond proceeds to bond authorizations and capital spending in arrears (as needed), as expenditures are made, or at the time of issuance of the bonds. In general, bond proceeds are primarily allocated to capital spending that has already occurred. When allocating in arrears, the allocation of segregated bond proceeds is a reimbursement to the General Fund.

Bond proceeds that are awaiting allocation are typically invested by the State Treasurer in the Commonwealth’s primary investment vehicle, the Massachusetts Municipal Depository Trust (MMDT) (for more information please see the notes on the Commonwealth’s short-term investments). Bond proceeds are segregated from other funds until they are allocated to capital expenditures, a process that requires review by the Commonwealth’s bond counsel.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including bonds and notes issued by it and all claims with respect hereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for the payment of principal or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, enacted to extend the time for payment or impose other constraints upon enforcement. The Commonwealth cannot file for bankruptcy under the United States Bankruptcy Code.

As of June 30, 2022, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For this type of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

The following is a summary of the Commonwealth's outstanding debt, exclusive of leases, (amounts in thousands):

Type of Bond	Amount Outstanding
General obligation bonds - public offering, net proceeds.....	\$ 27,426,823
General obligation bonds - direct placement, net proceeds.....	300,000
Special obligation bonds (including GANs) - public offering, net proceeds	5,047,506
Outstanding Commonwealth bonds, net proceeds	32,774,329
MSBA bonds, - public offering, net proceeds	6,323,688
Total governmental activities, net proceeds	39,098,017
Less:	
Unamortized premiums on general obligation bonds - public offering*	(2,819,392)
Unamortized premiums on special obligation bonds	(619,531)
Unamortized premiums on MSBA bonds	(331,992)
Total governmental activities, principal	\$ 35,327,102

* - As of June 30, 2022 there were no unamortized premiums on direct placement GO bonds.

The general obligation (GO) bonds listed in the table above include outstanding tax-exempt bonds, taxable bonds including Build America Bonds, College Opportunity Bonds, and debt assumed from former counties. The special obligation (SO) bonds listed above include outstanding tax-exempt and taxable bonds (including Build America Bonds and Recovery Zone Economic Development Bonds) secured by indentures that legally define the specific revenues pledged to bondholders, as defined in the trust agreement. This includes outstanding bonds or notes secured by Federal Highway funds to be received by the Commonwealth, certain portions of the Commonwealth's motor fuel excise taxes and Registry of Motor Vehicle fees, and dedicated taxes and fees levied in certain geographic areas of the state to support the Commonwealth's convention center facilities. As of June 30, 2022, there were three different special obligation bond programs with bonds outstanding.

The following is a table of GO bonds principal outstanding as of June 30, 2022, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds.....	\$ 23,941,174	96.1 %
Variable rate bonds	966,257	3.9 %
Total	<u>\$ 24,907,431</u>	<u>100.0 %</u>

The following is a table of the different types of outstanding variable rate GO bonds, (amounts in thousands):

Variable Rate GO Bonds	Principal Outstanding	Percent of Total GO
LIBOR index bonds	\$ 132,395	0.5 %
Direct purchase bonds.....	300,000	1.2 %
Multi-Modal.....	377,180	1.6 %
College opportunity bonds.....	156,682	0.6 %
Total	<u>\$ 966,257</u>	<u>3.9 %</u>

The following is a table of hedged and unhedged variable rate GO bonds, (amounts in thousands):

	Principal Outstanding	Percent of Total GO
Hedged variable rate GO bonds	\$ 224,635	0.9 %
Unhedged variable rate GO bonds	741,622	3.0 %
Total variable rate GO bonds	<u>\$ 966,257</u>	<u>3.9 %</u>

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2022, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds	\$ 4,427,975	100.0 %
Total	<u>\$ 4,427,975</u>	<u>100.0 %</u>

All of the variable rate special obligation bonds are hedged as of June 30, 2022.

The following is a table of the different types of outstanding Special Obligation bonds (amounts in thousands):

Special Obligation Bonds	Amount Outstanding
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds	\$ 453,675
Special obligation revenue bonds, net proceeds:	
CTF Accelerated bridge program	1,739,217
CTF Rail enhancement program	2,251,865
Total revenue bonds, net proceeds	<u>3,991,082</u>
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program	602,749
Total special obligation bonds, net proceeds	<u>5,047,506</u>
Less: unamortized premiums	<u>(619,531)</u>
Outstanding special obligation principal	<u>\$ 4,427,975</u>

Chapter 9 of the Acts of 2021, as amended authorized the Commonwealth to issue special obligation bonds secured by special assessments on private contributory employers for the purposes of repaying the federal advances made to the Commonwealth's account within the unemployment insurance trust fund (UITF) for fiscal years 2020 to 2025 and reducing the amount of or avoiding the need to obtain additional federal advances. On August 30, 2022, the Commonwealth issued \$2.681 billion of special obligation bonds, the proceeds of which were used to repay the outstanding federal advances, including interest thereon, make a deposit into the Commonwealth's account within the UITF, and pay costs of issuance.

A. GENERAL OBLIGATION BONDS

General obligation bonds are authorized and issued primarily to provide funds for the Commonwealth's five-year capital improvement program (CIP), including capital infrastructure projects throughout the state as well as Commonwealth-supported local government capital improvements. The five-year plan is developed by the Executive Office for Administration and Finance (A&F) and updated annually. The CIP is primarily funded through the issuance of bonds that are sold by the State Treasurer and Receiver General. The Commonwealth borrows from the capital markets by selling GO bonds and notes pursuant to Chapter 29 of the Massachusetts General Laws. GO bonds are backed by the full faith and credit of the Commonwealth and are paid from the Governmental Funds, to which debt service principal and interest payments are appropriated in the state's operating budget.

In addition to GO bonds issued to fund the state's capital needs, certain bonds are approved by the Legislature to be issued for a specific program. These bonds, known as College Opportunity Bonds, are issued pursuant to statute directly to the Massachusetts Educational Financing Authority for its pre-paid tuition program called the "U.Plan". As of June 30, 2022, the Commonwealth had approximately \$157 million in "U.Plan" bonds (at accreted value) outstanding. Pursuant to statute, all of the outstanding bonds are variable rate bonds. Interest on the bonds is based on the percentage change in the consumer price index plus 2.0% together with current interest at the rate of 0.5%.

In terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2022, approximately 96.1% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 3.9% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rate modes, and multi-modal bonds currently in the Term Mode.

A portion of the Commonwealth's outstanding bonds have been directly purchased by banks (or "direct purchase bonds"). These variable rate, direct purchase bonds bear interest at an index rate and are payable on the first business day of each month until maturity. As of June 30, 2022, the Commonwealth had \$300 million direct purchase bonds outstanding.

The following table details the general obligation direct purchase bonds (amounts in thousands):

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2016 Series C	\$ 200,000	4/1/2046 ⁽¹⁾	1 Month LIBOR/ Monthly Pay	TD Bank	4/1/2021	4/1/2024 ⁽²⁾
2016 Series B	100,000	4/1/2036 ⁽¹⁾	1 Month SIFMA/ Monthly Pay	RBC	4/1/2021	4/1/2026 ⁽²⁾
Total	<u>\$ 300,000</u>					

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

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

Effective July 28, 2022, the Commonwealth executed \$200 million of directly placed bond anticipation notes with RBC under its note purchase agreement to refund the Series 2014D-2 Bonds, which had a mandatory tender date of August 1, 2022.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2022, the Commonwealth had \$132 million of bonds that pay interest based on the three-month London Interbank Offered Rate (LIBOR), and \$377 million in Multi-Modal bonds. These bonds make up approximately 0.5%, and 1.6% of total outstanding general obligation indebtedness, respectively.

To fund the FY22 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$1.743 billion in new money long-term bonds; \$1.393 billion of which was general obligation debt and \$350 million of which was

special obligation debt secured by federal highway reimbursements and/or motor fuels taxes and motor vehicle license and registration fees. In addition, \$525 million in refunding bonds were issued in two separate transactions, which were executed as current refundings; all of which were executed for savings. The cash and present value savings of the refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2022, the MSBA had outstanding approximately \$6.324 billion of Dedicated Sales Tax bonds, which includes approximately \$332 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 0.290% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY51. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$5.992 billion of debt outstanding as of June 30, 2022, \$450 million is taxable Build America Bonds for which the MSBA is eligible to receive a 35% interest subsidy directly from the United States Treasury. In addition, \$293 million of the Subordinated Dedicated Sales Tax Bonds was issued as "Qualified School Construction Bonds" for which the MSBA is eligible to receive a 100% interest subsidy payment directly from the United States Treasury. During FY22, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. The sequestration rate for FY22 was 5.7%. Subsidy payments were reduced by approximately \$1 million due to sequestration during FY2022.

B. SPECIAL OBLIGATION BONDS

Commonwealth Transportation Fund (CTF)

The largest amount of special obligation bonds outstanding (by par) are bonds secured by certain revenues of the Commonwealth Transportation Fund. During FY22, the Commonwealth issued approximately \$350 million under the Rail Enhancement Program (REP). These bonds mature from FY23 to FY52 and are secured by the 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. As of June 30, 2022, approximately \$1.538 billion and \$1.958 billion in principal was outstanding on the Accelerated Bridge Program (ABP) and REP bonds, respectively, and approximately \$899 million and \$1.909 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

Motor Fuels Tax Bonds

Other special obligation bonds for highway construction purposes are secured by a senior lien on 6.86 cents of the 24 cent per gallon gasoline tax. As of June 30, 2022 bonds secured by these pledged funds has been paid off. Principal and interest paid during FY22 amounted to approximately \$28 million and \$1 million, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorized \$694 million of special obligation bonds to be issued for the purpose of building a new convention center in Boston (\$609 million), the Springfield Civic Center (\$66 million) and the Worcester Convention Center (\$19 million). The bonds are payable from monies credited to the Convention Center Fund created by that legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston, and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge, and Springfield. The trust agreement requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of June 30, 2022, the balance of the capital reserve fund was \$53 million which is equal to the maximum annual debt service. As of June 30, 2022, taxes within the Convention Center districts support approximately \$454 million of outstanding principal and approximately \$178 million of

interest on debts related to these Convention Centers. Taxes collected in FY22 were approximately \$154 million, while debt service on the bonds was approximately \$52 million. The balance of the trustee-held Convention Center revenue fund available for debt service was \$171 million as of June 30, 2022.

C. FEDERAL GRANT ANTICIPATION NOTES

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal 2011, 2014, 2015, 2017, 2018 and 2020 with no new bonds issued in FY22. As of June 30, 2022, total principal remaining to be paid is approximately \$478 million. Maturities are from FY23 through FY27. Debt service paid during FY22 was approximately \$135 million.

The legislation authorizing such notes contains a statutory covenant that as long as any such GANs remain outstanding, the Commonwealth will deposit all federal highway reimbursements into the Grant Anticipation Note Trust Fund, to be released to the Commonwealth once all the debt service and reserve funding obligations of the trust agreement securing the GANs have been met. Principal amortization of the notes will continue through FY27. Such notes and the interest thereon are secured by the pledge of federal highway construction reimbursement payments and by a contingent pledge of certain motor fuels excises. In practice, the interest on such notes has been paid from Commonwealth appropriations.

D. THE BUILD AMERICA BOND PROGRAM

As part of the federal America Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program issuers, including the Commonwealth, issued taxable bonds in calendar years 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% of the interest costs on the bonds, depending on whether the proceeds were used for projects in economically distressed areas. Between the GO bond program and the special obligation bond programs, the Commonwealth issued a total of \$2.791 billion in Build America Bonds and Recovery Zone Economic Development Bonds in six separate financings over the two-year period of the program. All of the bonds were issued as “direct pay to issuer”, meaning that the interest rate subsidies would be paid to the Commonwealth from the U.S. Treasury and not pledged to bondholders. As of June 30, 2022, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$468 million. The Commonwealth’s repayment obligation to bondholders is based on the gross interest rate. From a budgetary perspective, the bonds’ debt service is net of the interest-rate subsidy.

Given the interest rate subsidy from the U.S. Treasury and given market conditions at the time of the Commonwealth’s BABs sales, this program resulted in borrowings whose net interest costs will be significantly lower than the interest on traditional tax-exempt bonds. The BABs program expired on December 31, 2010.

E. INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS

Prior to 2008, the Commonwealth had periodically entered into interest rate swap agreements for the sole purpose of hedging interest-rate risk on a portion of its outstanding variable rate bonds. By synthetically fixing the interest rates via the swap agreement this generally resulted in lower interest costs than traditional fixed rate bonds. Of the Commonwealth’s variable-rate debt (including special obligation bonds) outstanding of approximately \$966 million, approximately \$225 million was hedged via floating-to-fixed interest rate swap agreement.

In connection with the issuance of variable rate GO refunding bonds in 1998, 2001, 2003, 2005, 2006, and 2007, the Commonwealth entered into interest rate swap hedge agreements with certain counterparties to hedge against the volatility of the interest rates on certain bonds whose interest costs were floating and not fixed. Additional swap agreements were entered into to hedge this same volatility on certain special obligation bonds, including the Commonwealth’s Series 2005 Special Obligation Tax Revenue (Gas Tax) Bonds. Since 2008, the Commonwealth has not entered into any new swap agreements and has restructured its swap portfolio to novate or transfer several

outstanding swap agreements to new counterparties with stronger credit ratings following the financial crisis of 2008. In many cases, the original bonds that were hedged by the swap agreements have been refinanced with new variable rate bonds. In all cases, the new bonds that were issued are effective hedges pursuant to GASB Statement No. 53.

In addition, a floating-to-fixed rate swap agreement was novated or transferred to the Commonwealth from the Route 3 North Transportation Improvements Association (secured by Commonwealth Contract Assistance) in November 2008 after the lease revenue bonds associated with that swap experienced remarketing failure. The swap was assigned to a portion of the Commonwealth's previously unhedged variable rate bonds that were outstanding.

Under the terms of these floating-to-fixed rate hedge agreements, counterparties to the hedge agreements are obligated to pay the Commonwealth an amount equal to or approximately equal to the variable-rate interest payment to bondholders of the related bonds or an interest payment based on a market index. In return, the Commonwealth is obligated to pay counterparties a stipulated fixed rate. The floating rate payments received by the Commonwealth from its swap counterparties are used to offset the variable rate payments paid to bondholders. Only the net difference in interest payments is actually exchanged with the swap counterparty. The net payments made or received on these hedge agreements are reported as part of interest expense recorded in the Commonwealth's basic financial statements. In all cases, the Commonwealth remains responsible for making interest payments to the variable rate bondholders.

Objective of the Interest Rate Swap Agreements

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. But in both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. As of June 30, 2022, the Commonwealth's interest rate swap was floating-to-fixed rate agreement and was deemed an effective hedge pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements mature in 2033. The swaps' total notional value of approximately \$225 million effectively matches the par amount of the related variable-rate bonds.

Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates 4.515% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds which are generally based on a market index. For the outstanding swap agreement, the Commonwealth receives an interest rate based on changes to LIBOR. The variable rate payment to bondholders is slightly different. The payments received from the swap counterparty as a result of the refinancing of variable rate bonds.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2022, the Commonwealth is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the Commonwealth would be exposed to credit risk in the amount of the swaps fair value. All of the Commonwealth's counterparties are required to post collateral in certain circumstances, including credit rating downgrades. The Commonwealth is not required to post collateral in any of its existing swap agreements.

The chart below details the Commonwealth's outstanding swaps and related bond issuances (amounts in thousands except for percentages).

Associated Bond Issue	Notional Amounts Outstanding	Effective Date	Replacement Agreement Effective Date	Terms		Fair value at June 30			Final Termination Date	Counterparty	Counterparty Credit Rating Moody's/ S&P/Fitch
				Fixed Rate Paid (Range)	Variable Rate Received	2022	2021	Change in Fair Value			
<u>General Obligation Bonds:</u>											
Series 2016C, portion of Series 2016B	224,635	4/2/2009	4/2/2009	4.515%	67% 3-Month LIBOR	\$ (32,062)	\$ (59,137)	\$ 27,075	6/15/2033	Barclays Bank PLC	A/A1/A+
Subtotal	224,635					(32,062)	(59,137)	27,075			
Total	\$ 224,635					\$ (32,062)	\$ (59,137)	\$ 27,075			

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2022 was negative \$32 million and is reflected on the statement of net position as a liability for derivative instruments which is offset by deferred outflows from derivative instruments. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2022 were recognized as deferred outflows resulting in no impact on the Statement of Activities.

If all the Commonwealth's swap agreements had been terminated as of the end of FY22, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated above if certain termination events occurred, as described below. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swap agreements due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

Basis and Market-Access Risk of the Interest Rate Swap Agreements

Because the terms on most of the interest rate swap hedge agreements require the Commonwealth's counterparties to make variable rate payments equal or approximately equal to those the Commonwealth makes on the related variable rate bonds, the Commonwealth is not subject to significant basis risk as a result of the terms of these agreements. Under certain circumstances, such as a downgrade of the credit rating of the bonds being hedged or the enactment of tax-related legislation which causes the related bonds to trade differently, certain of the swap agreements provide that the Commonwealth's counterparties, may, at their option, pay a variable rate that is based on one or more market indices such as LIBOR or the SIFMA swap index. Under these circumstances, the Commonwealth would be subject to basis risk if these indices varied from the basis for the variable rates that were paid to bondholders that were determined for the Commonwealth's variable-rate demand bonds through the associated remarketing process. For certain other interest rate swap agreements, the variable rate on the swap is based on a market index that differs from the variable rate on the hedged bonds, which is generally remarketed or auction rate. The Commonwealth is subject to basis risk on these agreements.

For the outstanding swap agreement, the underlying bonds have mandatory tender dates that come due before the termination date of the associated swaps. This applies to the 2016B and 2016C bonds being hedged by the \$225 million notional swap with Barclays Bank. The Commonwealth's stated debt plan is to either identify other variable

rate bonds the swap may hedge upon the mandatory tender date or to re-market or issue bonds in the same variable rate index mode as the swap agreement to ensure hedge effectiveness pursuant to GASB Statement No. 53. If the Commonwealth is unable to identify other variable rate bonds the swaps may hedge, the Commonwealth would be required to make net settlement payments on the swaps without the offsetting effects of changes in variable rate bond settlement payments.

Termination Risk of the Interest Rate Swap Agreements

The swap agreements are based on the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap agreements include termination events additional to those in the standard ISDA master agreement based on credit ratings. The swap agreements are not otherwise subject to termination except at the Commonwealth's option. The swap agreements require that the Commonwealth's counterparties maintain certain ratings levels. If they fail to maintain such ratings, the Commonwealth would have the option to terminate the related swap agreement and receive or pay a termination payment depending on the interest rates at the time. Similarly, the Commonwealth is required to maintain certain credit ratings under the agreements, generally 'BBB-' or above, well above the current credit rating of 'AA-' (based on long-term ratings assigned by Standard & Poor's). If the Commonwealth's rating fell below the defined threshold levels, the Commonwealth's counterparties would have the option to terminate the related swap agreements or for certain agreements choose to make variable rate payments based on a market index (instead of the actual bond rate) which would subject the Commonwealth to basis risk, as previously described. If one or more of the swap agreements were terminated, then the related variable rate bonds would no longer be hedged and the Commonwealth would no longer be paying a synthetic fixed rate with respect to the bonds. In addition, if at the time of termination, the swap had a negative fair value, the Commonwealth would incur a loss and would be required to settle with the related counterparty or counterparties at the swaps' fair market values. However, to avoid a termination payment and to maintain the interest rate hedge, when the terminating event is an event of the counterparty, the Commonwealth would likely seek to replace counterparties to the swap agreement. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swaps due to an event of the Commonwealth is remote.

The federal Adjustable Interest Rate (LIBOR) Act (LIBOR Act) was signed into law on March 15, 2022 and provides a means for transitioning legacy LIBOR contracts (such as swaps) that lack insufficient fallback provisions for the permanent cessation of LIBOR. The LIBOR Act provides a safe harbor from litigation for calculation agents to transition these contracts to a new replacement rate. The LIBOR Act directs the Federal Reserve Board to promulgate regulations to carry out the LIBOR Act's mandate. The Federal Reserve Board released proposed LIBOR transition regulations for public comment on July 19, 2022. The Federal Reserve Board is recommending the same transition mechanics on interest rate swaps that were previously recommended by International Swaps and Derivatives Association (ISDA) and the Alternative Reference Rates Committee (ARRC).

At the time that LIBOR is deemed non-representative or permanently discontinued (currently expected to be after June 30, 2023), LIBOR would automatically convert to a daily compounded SOFR rate plus a spread depending on the term of the existing LIBOR agreement. For the Commonwealth's existing swap agreement with Barclays Bank, 3-month LIBOR would automatically convert to SOFR plus 26.161 basis points. Therefore, for the current swap agreement which is based on 67% of 3-month LIBOR, the swap rate would convert to SOFR plus 17.528 basis points. The spread adjustment of 26.161 basis points was determined by ISDA, in consultation with various market participants, based on the 5-year median difference between 3-month LIBOR and SOFR. Since the beginning of calendar 2021, all new LIBOR-based swaps now incorporate the SOFR-based fallback for LIBOR, although different LIBOR tenors have different applicable spreads.

F. OUTSTANDING SWAPPED DEBT

Security for Interest Rate Swap Agreements

Under legislation approved by the then Governor on August 11, 2008, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date shall constitute general obligations of the Commonwealth for which its full faith and credit is pledged.

Future bond interest payments are calculated using rates applicable to the scheduled payment nearest to June 30, 2022 for variable rate bonds. The net swap payments are calculated by subtracting the projected future variable rate interest payment per the swap agreement from the projected future fixed rate payment per the swap agreement. Projected future variable rate payments on the swap agreements are based on variable rates applicable to the scheduled payment nearest to June 30, 2022. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indices. Changes in the amounts paid to bondholders versus amounts paid to counterparties are largely offsetting.

Debt service requirements to maturity for the outstanding Route 3 Swap 3M LIBOR with a variable-rate of 0.7% bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2022 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2023	\$ 15,985,000	\$ 1,034,923	\$ 8,746,486	\$ 25,766,409
2024	16,750,000	956,734	8,085,683	25,792,417
2025	17,555,000	874,794	7,393,186	25,822,980
2026	18,400,000	788,914	6,667,383	25,856,297
2027	19,275,000	698,926	5,906,858	25,880,784
2028-2033	136,670,000	2,047,561	17,304,632	156,022,193
Total	<u>\$ 224,635,000</u>	<u>\$ 6,401,852</u>	<u>\$ 54,104,228</u>	<u>\$ 285,141,080</u>

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2022, the fair value liability of the outstanding interest rate swaps was \$1 million.

Component Unit – Swapped Debt

At June 30, 2022, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$55 million. For complete details, see separate MassDOT financial statements.

G. OUTSTANDING LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT

The amount of long-term debt authorized but unissued is measured in accordance with the statutory basis of accounting.

Long-term debt principal outstanding and debt authorized and unissued at June 30, 2022 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs.....	\$ 478,235	2023 - 2027	\$ —
Capital projects:			
General	14,376,649	2023 - 2052	17,554,640
Highway	13,547,444	2023 - 2052	20,635,679
Local aid	479,403	2023 - 2042	11,105
Other	453,675	2023 - 2034	—
Subtotal.....	28,857,171		38,201,424
Subtotal - governmental activities debt (exclusive of MSBA).....	29,335,406		<u>\$ 38,201,424</u>
MSBA debt.....	5,991,695		
Governmental activities debt.....	<u>\$ 35,327,101</u>		

Interest rates on the Commonwealth's outstanding debt at the end of FY22 ranged from 0.5% to 6.6%.

Changes in long-term debt outstanding (excluding discount and premium) and bonds authorized - unissued for the year ended June 30, 2022 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2021.....	\$ 29,048,457	\$ 6,104,240	\$ 35,152,697	\$ 38,964,564
Plus: Increases in bonds authorized	—	—	—	950,000
Less: Authorizations deauthorized	—	—	—	—
General and special obligation bonds:				
Proceeds, defined as principal, plus premium,				
less discount	2,642,198	341,535	2,983,733	(1,713,140)
Less: Premium/discount.....	(368,472)	(15)	(368,487)	—
Less: Principal on refunded bonds	(592,655)	(297,335)	(889,990)	—
Less: Bonds retired	(1,394,122)	(156,730)	(1,550,852)	—
Outstanding principal June 30, 2022	<u>\$ 29,335,406</u>	<u>\$ 5,991,695</u>	<u>\$ 35,327,101</u>	<u>\$ 38,201,424</u>

Business - Type Activities – Colleges and University Debt

Building authorities related to the University of Massachusetts and the state universities have issued bonds for construction of higher education facilities and equipment. Such bonds are guaranteed by the Commonwealth in an aggregate amount not to exceed \$200 million. The bond agreements generally provide that revenues from student fees are pledged as collateral on the bonds and establish bond reserve funds, bond funds, and maintenance reserve funds. The University of Massachusetts and state universities have also entered into various loan agreements as

participants in the MassDevelopment's ongoing capital asset program to finance construction projects and equipment.

At June 30, 2022, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities									Business - Type Activities	
	Excluding MSBA Debt						MSBA Debt			Revenue Obligation	
	Public Offering Debt		Direct Placement Debt		Total Non MSBA Debt				Interest subsidies (1)		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		Principal	Interest
2023	\$ 1,310,761	\$ 1,244,816	\$ —	\$ 9,000	\$ 1,310,761	\$ 1,253,816	\$ 168,995	\$ 222,115	\$ (22,833)	\$ 1,994,302	\$ 229,714
2024	1,282,921	1,177,980	—	9,000	1,282,921	1,186,980	285,065	215,678	(22,833)	220,142	189,308
2025	1,302,900	1,116,822	—	9,000	1,302,900	1,125,822	266,305	208,222	(22,833)	225,260	181,822
2026	1,272,691	1,057,023	—	9,000	1,272,691	1,066,023	183,865	201,981	(22,833)	225,431	173,664
2027	1,183,251	998,233	20,000	8,900	1,203,251	1,007,133	346,225	197,566	(22,833)	228,491	165,628
2028 - 2032	5,800,625	4,185,796	100,000	35,500	5,900,625	4,221,296	1,135,225	845,724	(51,874)	1,181,036	678,174
2033 - 2037	4,611,820	2,994,637	90,000	20,550	4,701,820	3,015,187	1,317,500	626,634	(27,408)	1,028,231	452,234
2038 - 2042	4,953,217	1,997,462	60,000	10,200	5,013,217	2,007,662	1,355,240	329,310	(4,803)	918,047	241,036
2043 - 2047	4,694,715	1,028,469	30,000	2,550	4,724,715	1,031,019	725,910	127,206	—	493,567	97,084
2048 - 2052	2,622,505	246,472	—	—	2,622,505	246,472	207,365	14,527	—	221,702	28,198
2053 - 2057	—	—	—	—	—	—	—	—	—	23,669	592
Total long - term debt	29,035,406	16,047,710	300,000	113,700	29,335,406	16,161,410	5,991,695	2,988,963	(198,250)	6,759,878	2,437,454
Less: current portion	(1,310,761)	(1,244,816)	—	(9,000)	(1,310,761)	(1,253,816)	(168,995)	(222,115)	22,833	(1,994,302)	(229,714)
Long - term debt	<u>\$ 27,724,645</u>	<u>\$ 14,802,894</u>	<u>\$ 300,000</u>	<u>\$104,700</u>	<u>\$ 28,024,645</u>	<u>\$ 14,907,594</u>	<u>\$ 5,822,700</u>	<u>\$ 2,766,848</u>	<u>\$ (175,417)</u>	<u>\$ 4,765,576</u>	<u>\$ 2,207,740</u>

(1) FY21 interest subsidies reflect announced sequestration reductions. There may be sequestration reductions in future years as well.

H. PRIOR DEFEASANCE

The Commonwealth defeased certain general and special obligation bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus operating funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust account assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2022, approximately \$539 million of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2022, approximately \$332 million of bonds outstanding from advanced refunding transactions are considered defeased for MSCBA.

I. STATUTORY DEBT LIMIT

The Massachusetts General Laws, as recently amended, establishes limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, a control is established on annual capital spending. The direct debt limit for FY22 was approximately \$27.805 billion. Outstanding debt subject to the limit at June 30, 2022 was approximately \$23.878 billion.

For purposes of determining compliance with the limit, outstanding direct debt is defined by statute, as amended on June 10, 2013 (effective January 1, 2013), as principal outstanding. It excludes BANs and associated discount or premium, if any, special obligation bonds, GANs, refunded bonds, certain refunding bonds, debt issued by counties, debt issued in conjunction with the MBTA Forward Funding, certain Central Artery/Tunnel debt, debt issued for the SMART program and effective August 10, 2016 bonds issued under the Rail Enhancement Program. The amounts excluded from the debt limit are as follows (amounts in thousands):

	Principal Outstanding
Statutory debt June 30, 2022	\$ 29,335,406
Less amounts excluded:	
Central artery project bonds	(691,378)
Accelerated bridge program	(2,015,839)
MBTA forward funding	(207)
SMART bonds	(337,411)
Convention center bonds	(453,675)
Rail enhancement program bonds	(1,958,461)
Outstanding direct debt June 30, 2022	<u>\$ 23,878,435</u>

J. ADMINISTRATION DEBT LIMIT

During FY09, the Administration announced a policy that sets the annual borrowing limit at a level designed to keep debt service at a maximum of 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations, and budgetary contract assistance payment obligations on certain financed purchases. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2022. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

The current Administration intends to treat all debt and debt-like obligations of the Commonwealth as subject to the bond cap for purposes of developing the annual capital budget, except in limited circumstances when there is a sound policy justification for not including a particular debt issue. Debt may be excluded from the bond cap, for example, where there is a new, dedicated source of project-related revenues supporting the payment of debt service on such debt. In such cases, the dedicated revenue would also be excluded from projected budgeted revenues for purposes of determining the bond cap as described above.

The following table shows the annual bond cap, the resulting total annual debt service payment obligations and debt service as a percentage of statutory basis budgeted revenues, (amounts in thousands):

	Fiscal 2022
Bond cap as approved by the Governor	\$ 2,654,999
Total annual debt service obligations	3,248,922
Statutory basis budgeted fund revenues	70,313,848
Debt service as % of budgeted revenues	4.6%

K. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for both governmental activities and business-type activities (amounts in thousands):

Changes in Long Term Liabilities - Governmental Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 754,147	\$ 760,580	\$ (754,147)	\$ 760,580	\$ 531,539
Claims and judgments	33,271	48,539	(14,092)	67,718	67,518
Prizes payable	755,378	6,172	(145,668)	615,882	116,542
School construction grants payable	179,299	618,233	(645,119)	152,413	134,480
Environmental remediation liability	595,275	20,693	(134,355)	481,613	6,968
Workers' compensation	260,504	70,227	(58,840)	271,891	36,651
Arbitrage rebate - MSBA	3,682	—	(2,125)	1,557	—
Group insurance claims	136,525	1,863,413	(1,846,554)	153,384	150,023
Cost of living adjustment	105,000	—	(15,000)	90,000	—
Net pension liability	46,159,763	2,523,668	(14,311,399)	34,372,032	—
Net OPEB liability	18,434,733	178,725	(4,154,423)	14,459,035	—
Total other long-term obligations	67,417,577	6,090,250	(22,081,722)	51,426,105	1,043,721
Liability for derivative instruments	88,793	32,062	(88,793)	32,062	—
Bonded debt:					
Bonds and notes payable - non MSBA ⁽¹⁾	29,048,457	2,273,726	(1,986,777)	29,335,406	1,310,761
Unamortized bond and note premiums - non MSBA	3,180,856	368,473	(110,406)	3,438,923	137,647
MSBA bonds and notes payable excluding premiums	6,104,240	342,152	(454,696)	5,991,696	168,995
Unamortized bond and note premiums - MSBA	404,145	648	(72,801)	331,992	27,028
MSBA other liabilities	1,062	—	(1,062)	—	—
Other financing arrangements:					
Lease liability	14,260	1,122,521	(190,737)	946,044	181,112
Total bonded debt and other financing arrangements	38,753,020	4,107,520	(2,816,479)	40,044,061	1,825,543
Long-term liabilities, governmental activities	\$ 106,259,390	\$ 10,229,832	\$ (24,986,994)	\$ 91,502,228	\$ 2,869,264

(1) \$5,405 of accreted interest on college opportunity bonds that are included in the total principal outstanding as of June 30, 2022.

Governmental long-term liabilities, other than debt, are typically liquidated by general fund resources.

Changes in Major Long Term Liabilities - Business-Type Activities:

Description	Beginning Balance *	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	\$ 230,788	\$ 115,948	\$ (105,740)	\$ 240,996	\$ 176,309
Workers' compensation	36,695	6,218	(4,204)	38,709	5,872
Environmental remediation liability	—	1,567	—	1,567	1,567
Net pension liability	982,015	2,340	(549,742)	434,613	—
Net OPEB liability	1,259,744	7,104	(508,061)	758,787	—
Total other long-term obligations	2,509,242	133,177	(1,167,747)	1,474,672	183,748
Liability for derivative instruments	1,204	—	(689)	515	—
Bonded Debt:					
Bonds and notes payable, including MSCBA	4,576,515	826,902	(411,554)	4,991,863	226,287
Federal unemployment insurance borrowing	2,268,015	—	(500,000)	1,768,015	1,768,015
Overdraws of federal pandemic-related unemployment insurance benefits	1,943,071	547,731	—	2,490,802	—
Other financing arrangements:					
Lease liability	1,273,431	51,610	(67,397)	1,257,644	66,175
Total bonded debt and other financing arrangements	10,061,032	1,426,243	(978,951)	10,508,324	2,060,477
Long-term liabilities, business - type activities	\$ 12,571,478	\$ 1,559,420	\$ (2,147,387)	\$ 11,983,511	\$ 2,244,225

* As restated, see note 1T on page 81-82

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2022, net of unamortized discounts and premiums, compensated absences, net pension and net OPEB liabilities are as follows (amounts in thousands):

	Interest Rates	Maturities	Beginning Balance *	Increases	Decreases	Ending Balance	Due Within One Year
Major component units:							
MassDOT	2.87 - 5.50%	2023 - 2039	\$ 1,866,018	\$ 5,909	\$ (69,657)	\$ 1,802,270	\$ 129,591
MBTA	0.00 - 5.87%	2023 - 2053	5,834,867	1,087,564	(1,051,878)	5,870,553	316,797
MCWT	2.00 - 5.75%	2023 - 2047	2,931,745	—	(242,697)	2,689,048	219,785
Nonmajor component units	1.00 - 6.20%	2023 - 2052	628,405	94,460	(132,842)	590,023	55,229
Total bonds and notes payable			11,261,035	1,187,933	(1,497,074)	10,951,894	721,402
Compensated absences, net			59,880	710	(4,284)	56,306	36,815
Lease liability			51,058	98,261	42,503	191,822	18,540
Net pension liability			2,299,007	330,700	(796,763)	1,832,944	—
Net OPEB liability			3,200,799	381,742	(316,111)	3,266,430	—
Total long term liabilities			<u>\$ 16,871,779</u>	<u>\$ 1,999,346</u>	<u>\$ (2,571,729)</u>	<u>\$ 16,299,396</u>	<u>\$ 776,757</u>

* As restated, see note 1T on page 81-82

The net pension liability of the discretely presented component units of \$1.833 billion includes \$1.287 billion related to the MBTA, \$24 million related to the RTAs and \$522 million related to entities that participate in SERS. See the MBTA and MassDOT financial statements for further information regarding the MBTA and RTA pension plans respectively and see pages [114-125](#) of this report for the SERS pension disclosures.

Further information on debt is found in the notes to the basic financial statements for the various component units.

8. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type had fund deficits at June 30, 2022. None of these funds were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Other Special Revenue Funds:	
Public Safety Training Fund.....	\$ (270)
Community Preservation Trust Fund.....	(8,662)
Government Land Bank Fund	(35,033)
Massachusetts Coronavirus Relief Fund	(64,505)
General Capital Projects Fund	(1,204,930)
Highway Capital Projects Fund	(1,027,752)
Government Land Bank Capital Projects Fund	(500)
Federal Highway Construction Program Capital Projects Fund	(16,496)
	<u>\$ (2,358,148)</u>

9. PENSIONS

The Commonwealth is statutorily responsible for the pension benefits for Commonwealth employees (members of the State Employees' Retirement System) and for teachers of the cities, towns, regional school districts throughout the Commonwealth and Quincy College (members of the Teachers' Retirement System). The members of the retirement systems do not participate in the Social Security System.

A. PLAN DESCRIPTIONS

Plan administration

The Massachusetts *State Employees' Retirement System* (SERS) is a public employee retirement system (PERS), that administers a cost-sharing multiple employer defined benefit pension plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of SERS upon the creation of MassDOT. Other employees who transferred to MassDOT have been, and remain, members of SERS. The assets and liabilities of the former MTA have been transferred to SERS. SERS is administered by the Massachusetts State Retirement Board (the SRB) and is part of the reporting entity as a fiduciary component unit and does not issue a stand-alone audited financial report.

Management of the SERS is vested in the SRB, which consists of five members—two elected by current and active SERS members, one by the remaining members of the SRB, one who is appointed by the State Treasurer, and the State Treasurer, who serves as ex-officio and is the Chairman of the SRB.

The Massachusetts *Teachers' Retirement System* (MTRS) is a PERS that administers a cost-sharing multiple employer defined benefit pension plan managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributing entity and is legally responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts and Quincy College. The MTRS is administered by the Massachusetts Teachers' Retirement Board (the MTRB) and is part of the reporting entity as a fiduciary component unit and does not issue a stand-alone audited financial report.

Management of the MTRS is vested in the MTRB, which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves as ex-officio and is the Chairman of the MTRB.

The *Boston Retirement System* (BRS) is a PERS that administers a cost-sharing multiple employer defined benefit pension plan managed by the City of Boston Retirement Board covering all City of Boston departments and agencies as well as the School Department, the Boston Planning and Development Agency, the Boston Housing Authority, the Public Health Commission and the Boston Water and Sewer Commission. The BRS is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth.

Chapter 112 of the Acts of 2010, signed on May 22, 2010, changed the methodology for the Commonwealth funding of Boston teachers in the BRS (hereafter referred to as BRS-Teachers) and created a special funding situation for the Commonwealth. The cost of pension benefits of the other participants of the BRS is the responsibility of the City of Boston. Chapter 112 clarified that the Commonwealth is legally responsible for all contributions and future benefit requirements for BRS-Teachers. The net pension liability related to the BRS-Teachers is included in the Commonwealth's net pension liability in this report.

Management of the BRS is vested with in a Board of Trustees, which consists of five members—two elected by the active and retired members of the system, the City Auditor as ex-officio, one member appointed by the Mayor of Boston, and one member who is elected by the other four members. The BRS issues a stand-alone audited financial report. For a complete copy of BRS's separately issued financial statements, please contact the City of Boston Retirement Board at (617) 635-4305, or you may download this report at <https://www.boston.gov/departments/retirement>.

Plan membership. As of January 1, 2022, for SERS and MTRS, the dates of the most recent valuations, plan membership consisted of the following:

	SERS	MTRS
Retirees and beneficiaries currently receiving benefits.....	68,280	69,727
Vested terminated employees entitled to benefits but not yet receiving them.....	4,909	—
Non-Vested terminated entitled only to a refund of their accumulated total deductions.....	26,149	—
Subtotal.....	99,338	69,727
Current members.....	85,999	98,926
Total.....	<u>185,337</u>	<u>168,653</u>

Benefits provided. SERS, MTRS and BRS provide retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire and receive benefits prior to age 60.

The policy for post-retirement benefit increases for all retirees of the SERS, MTRS and for those participants who serve in the City of Boston's School Department in a teaching capacity is subject to legislative approval.

Contributions. The retirement systems' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS and MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Chapter 32, section 22C of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current schedule adopted in January 2020 and was based on the results of the January 1, 2019 Commonwealth Actuarial Valuation, the amortization payments increases 9.63% per year until FY35 with a final amortization payment in FY36 (four years before the statutory deadline of FY40). The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

Member contributions for SERS, MTRS and BRS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police, which is 12% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000 except for teachers subject to Chapter 114 of the Acts of 2000.

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

- SERS:
 - Members of Group 1 will have their withholding rate reduced to 6%.
- MTRS:
 - Members of Group 1 will have their withholding rate reduced by 3%.

B. INVESTMENTS

Investment Policy. SERS and MTRS are required to invest in the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation.

The following was the PRIT Fund asset allocation as of June 30, 2022:

Asset Class	Target Allocation
Global Equity	38.0 %
Core Fixed Income	15.0 %
Private Equity	15.0 %
Portfolio Completion Strategies	10.0 %
Real Estate	10.0 %
Value Added Fixed Income	8.0 %
Timber/Natural Resources	4.0 %
Total	<u>100.0 %</u>

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses for FY2022 were (3.65)% and (3.69)% for SERS and MTRS, respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

C. NET PENSION LIABILITY OF THE SYSTEMS REQUIRED BY GASB 67

The components of the net pension liability for SERS and MTRS at June 30, 2022 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 48,041,000	\$ 61,273,000
Plan fiduciary net position	(34,131,126)	(35,384,862)
Net pension liability	<u>\$ 13,909,874</u>	<u>\$ 25,888,138</u>
Fiduciary net position as a percentage of the total pension liability	71.0%	57.7%

Additional information regarding changes in the net pension liability can be found in the Required Supplementary Information section of these financial statements.

Actuarial assumptions. The total pension liability, for both SERS and MTRS, was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022, using the following actuarial assumptions:

- The actuarial assumptions included: (a) 2.5% inflation rate (b) 7.00% investment rate of return; (c) 3.5% interest rate credited to the annuity savings fund; and (d) 3.0% cost of living increase on the first \$13,000 of allowance per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 9.0% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
- Experience studies were performed as follows:
 - SERS:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.
 - MTRS:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

4. Mortality rates were as follows:

a SERS:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

b MTRS:

- Pre-retirement mortality reflects SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement mortality reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- For disabled members, the mortality rate is assumed to be in accordance with the SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation, then combined by weighting them by the target asset allocation percentages. Finally, the arithmetic portfolio expected return is converted into a geometric expected return using assumed asset class standard deviations and correlations. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy in [Note 9\(B\)](#)) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Private Equity	7.3%
Global Equity	4.2%
Value Added Fixed Income	3.7%
Timberland/Natural Resources	3.9%
Real Estate	3.3%
Portfolio Completion Strategies	2.7%
Core Fixed Income	0.5%

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS is 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the SERS and MTRS net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for SERS and MTRS.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of SERS and MTRS, calculated using the discount rate of 7.00%, as well as what the SERS and MTRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% or 1-percentage-point higher 8.00% than the current rate (amounts in thousands):

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
SERS net pension liability	\$ 19,184,883	\$ 13,909,874	\$ 9,446,450
MTRS net pension liability	32,734,080	25,888,138	20,094,302

D. NET PENSION LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 68

Proportionate Share of Net Pension Liability

As of the respective measurement dates below, the net pension liability for SERS, MTRS and BRS were \$10.437 billion, \$22.707 billion, and \$3.461 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2021 and rolled forward to June 30, 2021. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2021. The SERS, MTRS and BRS actuarial valuations were rolled forward to their respective measurement dates using generally accepted actuarial procedures.

The Commonwealth (the primary government) reported the following net pension liabilities for its proportionate share of the SERS, MTRS and BRS-Teachers net pension liabilities (amounts in thousands):

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System	June 30, 2021	94.2%	\$ 9,834,175
Massachusetts Teachers' Retirement System	June 30, 2021	100.0%	22,706,876
Boston Retirement System - Teachers	December 31, 2021	65.5%	2,265,594
Total net pension liability			<u>\$ 34,806,645</u>

Certain of the Commonwealth's discretely presented component units (the Massachusetts Convention Center Authority (MCCA) and the Massachusetts Department of Transportation [MassDOT]) participate in SERS. As of the measurement date the proportionate share of the SERS net pension liability for the discretely presented component units was as follows (amounts in thousands):

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System	June 30, 2021	5.0%	<u>\$ 522,353</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension

As of the measurement dates, the Commonwealth (primary government) recognized pension expense of approximately \$2.500 billion and the discretely presented component units recognized approximately \$154 million of pension expense. The following details the components of deferred outflows of resources and deferred inflows of resources related to pensions (amounts in thousands):

	Primary Government						Discretely Presented Component Units	
	SERS		MTRS		BRS-Teachers			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 670,436	\$ —	\$ 1,877,366	\$ —	\$ 133,066	\$ —	\$ 58,160	\$ 8,221
Changes in proportion	276,881	309,588	—	—	—	—	40,399	9,919
Net difference between projected and actual earnings on pension plan investments ...	—	3,855,567	—	4,201,387	—	249,862	—	388,242
Differences between expected and actual experience	339,338	711,987	399,866	466,673	—	117,279	33,391	57,571
Payments made after the measurement date	1,319,050	—	2,104,604	—	—	—	119,715	—
Totals	\$ 2,605,705	\$ 4,877,142	\$ 4,381,836	\$ 4,668,060	\$ 133,066	\$ 367,141	\$ 251,665	\$ 463,953

The \$1.319 billion for SERS, the \$2.105 billion for MTRS and \$120 million for the discretely presented component unit reported as deferred outflows of resources are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resource related to pensions will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30	Primary Government				Discretely Presented Component Units
	SERS	MTRS	BRS-Teachers		
2023	\$ (699,274)	\$ (342,073)	\$ (37,392)	\$	(53,429)
2024	(671,929)	(377,863)	(95,998)		(111,835)
2025	(900,402)	(646,546)	(53,819)		(86,462)
2026	(1,312,342)	(1,051,724)	(58,230)		(79,003)
2027	(6,540)	26,909	11,364		(1,274)
Thereafter.....	—	469	—		—
Totals	<u>\$ (3,590,487)</u>	<u>\$ (2,390,828)</u>	<u>\$ (234,075)</u>	<u>\$</u>	<u>(332,003)</u>

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021, using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.00% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 of allowance per year.
2. Salary increases are based on analyses of past experience but range from 4.00% to 9.00% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
3. Experience studies were performed as follows:

SERS:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

MTRS:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

4. Mortality rates were as follows:

SERS:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020, set forward 1 year for females.
- Disability - the mortality rate reflects the post-retirement mortality described above, set forward 1 year.

MTRS:

- Pre-retirement - reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Disability - assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2021 using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.00% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$15,000 of allowance per year.
2. Salary increases range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Healthy - reflects Pub-2010 Teacher Employee, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2021.
 - Disabled - reflects Pub-2010 Teacher, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2021.

Investments

The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010, which requires the SBRS to invest all assets, current and future, related to BRS-Teachers in the PRIT pooled fund.

The following was the PRIT Fund target asset allocation and best estimates of geometric rates of return for each major asset class as of June 30, 2021:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity	39.00%	4.80%
Core Fixed Income	15.00%	0.30%
Private Equity	13.00%	7.80%
Portfolio Completion Strategies	11.00%	2.90%
Real Estate	10.00%	3.70%
Value Added Fixed Income	8.00%	3.90%
Timberland/Natural Resources	4.00%	4.30%
Total	100.00%	

* - BRS does not separately provide the long-term expected real rate of return for BRS-Teachers assets invested in the PRIT Fund as of the BRS measurement date.

Because SERS, MTRS and BRS-Teachers are all required to invest in the PRIT Fund, the long-term expected real rate of return was determined on that same basis as described in [Note 9C](#).

The discount rate used to measure the pension liabilities was 7.00% for SERS and MTRS as of the June 30, 2021 measurement date and 7.00% for BRS-Teachers as of the December 31, 2021 measurement date.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commonwealth calculated using the discount rate of 7.00% for SERS and MTRS and 7.00% for BRS-Teachers, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% for SERS and MTRS and 6.00% for BRS-Teachers) or 1-percentage-point higher 8.00% for SERS and MTRS and 8.00% for BRS-Teachers) than the current rate (amounts in thousands):

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
SERS net pension liability	\$ 15,052,659	\$ 9,834,175	\$ 5,544,990
MTRS net pension liability	29,687,706	22,706,876	16,882,184
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
BRS-Teachers net pension liability	\$ 2,809,713	\$ 2,265,594	\$ 1,815,799

E. STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and the Statement of Changes in Net Position for the SERS, and the MTRS as of June 30, 2022 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 168,024	\$ 171,271	\$ 339,295
Net investment in PRIT at fair value	33,874,443	35,120,964	68,995,407
Other receivables	118,699	99,846	218,545
Other assets	11	476	487
Total assets	34,161,177	35,392,557	69,553,734
LIABILITIES			
Accounts payable	30,051	7,695	37,746
Net position available for pension	\$ 34,131,126	\$ 35,384,862	\$ 69,515,988
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,310,596	\$ —	\$ 1,310,596
Non-employer contributions - Commonwealth	56,988	2,104,604	2,161,592
Employer and non-employer contributions - other	11,454	—	11,454
Employee contributions	693,853	892,123	1,585,976
ERIP funding contribution - Commonwealth	28,449	—	28,449
Boston teachers' contributions from Commonwealth	—	179,369	179,369
Other additions	138,957	97,389	236,346
Total contributions	2,240,297	3,273,485	5,513,782
Net investment gain/(loss):			
Investment gain/(loss)	(1,109,355)	(1,159,269)	(2,268,624)
Less: investment expense	(188,109)	(194,278)	(382,387)
Net investment gain/(loss)	(1,297,464)	(1,353,547)	(2,651,011)
Total additions	942,833	1,919,938	2,862,771
DEDUCTIONS			
Administration	14,461	19,196	33,657
Retirement benefits and refunds	2,801,900	3,365,783	6,167,683
Payments to State Boston Retirement System	—	179,369	179,369
Other deductions	34,817	58,852	93,669
Total deductions	2,851,178	3,623,200	6,474,378
Change in net position	(1,908,345)	(1,703,262)	(3,611,607)
Net position available for pension at beginning of year	36,039,471	37,088,124	73,127,595
Net position available for pension at end of year	\$ 34,131,126	\$ 35,384,862	\$ 69,515,988

F. RESERVES

Chapter 32 of the MGL establishes certain legally required reserve accounts for both SERS and MTRS. These reserves are used to account for the accumulation of resources according to purpose for which they are received, acquired or held. The reserve accounts can only be modified or changed by legislation.

The balances of legally required reserves at June 30, 2022 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 7,180,641	\$ 9,759,465	Active members' contribution balance
Annuity Reserve Fund.....	1,933,592	1,230,046	Retired members' contribution account
Special Military Service Fund ...	34	344	Members' contribution account while on military leave
Pension Reserve Fund.....	25,016,859	24,395,007	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 34,131,126</u>	<u>\$ 35,384,862</u>	

10. OTHER POST EMPLOYMENT BENEFITS**A. PLAN DESCRIPTIONS****Plan administration**

The Commonwealth administers a single employer defined benefit Other Post-Employment Benefit (OPEB) plan. Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by PRIM. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust (SRBT).

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is administered by the board of trustees and is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report.

Management of the SRBT is vested with a board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. The members elect one person to serve as chair of the board.

Plan membership. As of January 1, 2022 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments.....	86,318
Inactive plan members entitled to but not yet receiving benefit payments.....	4,266
Active plan members	68,318
Total	<u>158,902</u>

Benefits provided. Under Chapter 32A of the Massachusetts General Laws (MGL) the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for

the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs, which are comparable to contributions required from employees.

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2022 and as of the valuation date (January 1, 2022), Commonwealth participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status. As part of the FY10 General Appropriation Act, all active employees pay an additional 5% of premium costs. Normal costs paid for OPEB to retirees during FY22 totaled approximately \$510 million.

Effective beginning FY14, the Commonwealth by statute is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in FY14 to 100% by FY23. In FY22, 10% of tobacco settlement proceeds or approximately \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in FY22 was set at 10%, overriding existing statute.

B. INVESTMENTS

Investment Policy. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2022, are the same as discussed in [Notes 9 \(B\)](#) and [\(C\)](#).

The annual money-weighted return on OPEB plan investments calculated as the internal rate of return on OPEB plan investments net of OPEB plan expenses for fiscal 2022 was (3.85)%. A money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

C. NET OPEB LIABILITY OF THE OPEB PLAN REQUIRED BY GASB 74

The components of the net OPEB liability at June 30, 2022 are as follows (amounts in thousands);

	SRBT
Total OPEB liability	\$ 15,340,605
Plan fiduciary net position	(1,988,383)
Net OPEB liability	<u>\$ 13,352,222</u>
Fiduciary net position as a percentage of the total OPEB liability	13.0%

Additional information regarding changes in the net OPEB liability can be found in the Required Supplementary Information Section of these financial statements.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022, using the following actuarial assumptions:

1. The annual healthcare cost trend rates were developed based on the most recently published SOA-Getzen trend rate model, version 2022_f4. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2021-2022, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SOA-Getzen model was then used to determine the trend rates beginning in 2023 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Year	Medicare Benefits	Non-Medicare Benefits
2022	5.00%	7.60%
2023	6.80%	9.11%
2024	6.79%	8.82%
2025	4.99%	6.72%
2026	4.99%	6.43%
2031		4.97%
2041		4.78%
2051		4.62%
2061		4.53%
2071		4.15%
2075+		3.94%

Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.4%
 - Excess Medical Growth: 1.0%
2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2020, with females set forward one year.
 3. Participation rates:
 - a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity/POS/PPO/HMO).

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

	Retirement Age	
	Under 65	Age 65+
Indemnity	28.0%	96.0%
POS/PPO	62.0%	—%
HMO	10.0%	4.0%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Commonwealth and those non-Commonwealth governments that participate in the GIC) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs on a premium basis between the Commonwealth and those non-Commonwealth governments that participate in the GIC to that

point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Discount rate. The discount rate used to measure the OPEB liability was 4.30%. This rate was based on a blend of the Bond Buyer Index rate 3.54% as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on SRBT investments was applied to projected benefit payments through year 2042 and the municipal bond rate was applied to all remaining future years to determine the Total OPEB Liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the OPEB plan's net OPEB liability calculated using the discount rate of 4.30%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.30% or 1-percentage-point higher 5.30% than the current rate (amounts in thousands):

	1% Decrease 3.30%	Current Discount Rate 4.30%	1% Increase 5.30%
Net OPEB liability	<u>\$ 15,576,808</u>	<u>\$ 13,352,222</u>	<u>\$ 11,524,887</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the OPEB plan's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate disclosed above (amounts in thousands):

	1% Decrease 4.0%-6.6%	Current Healthcare Cost Trend Rate 5.0%-7.6%	1% Increase 6.0%-8.6%
Net OPEB liability	<u>\$ 11,192,984</u>	<u>\$ 13,352,222</u>	<u>\$ 16,085,558</u>

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

The Commonwealth's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

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

	Net OPEB Liability	
Primary government	<u>\$ 15,217,822</u>	(A)
Discretely presented component unit	<u>3,266,430</u>	(B)
Total net OPEB liability	<u>\$ 18,484,252</u>	

(A) - Of this amount \$260 (thousand) relates to business-type activities not participating in the Commonwealth's OPEB plan.

(B) - Of this amount \$2,484,526 (thousand) relates to discretely presented component units not participating in the Commonwealth's OPEB plan.

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

As of June 30, 2021, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$101 million and \$100 million, respectively. The following details the components of deferred outflows of resources and deferred inflows of resources related to OPEB (amounts in thousands):

	Primary Government		Discretely Presented Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 672,964	\$ 718,618	\$ 64,457	\$ 18,802
Differences between expected and actual experience	388,611	2,679,201	32,273	480,251
Change of assumptions	1,278,916	2,999,224	352,500	232,599
Net difference between projected and actual earnings on OPEB plan investments	—	184,831	—	8,539
Payments made after the measurement date	637,189	—	79,839	—
Totals	<u>\$ 2,977,680</u>	<u>\$ 6,581,874</u>	<u>\$ 529,069</u>	<u>\$ 740,191</u>

The \$637 million and \$80 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts in thousands):

	Primary Government	Discretely Presented Component Unit
2023	\$ (1,155,438)	\$ (101,411)
2024	(843,642)	(81,207)
2025	(824,374)	(51,361)
2026	(750,889)	(40,213)
2027	(665,444)	(16,810)
Thereafter	(1,597)	42
Total	<u>\$ (4,241,384)</u>	<u>\$ (290,960)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021 used the following actuarial assumptions:

1. The annual healthcare cost trend rates were developed based on the most recent published SOA-Getzen trend rate model, version 2021_b. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2020 and 2021, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SOA-Getzen model was then used to determine the trend rates beginning in 2022 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Year	Medicare Benefits	Non-Medicare Benefits
2021	4.40%	7.30%
2022	4.49%	7.06%
2023	4.57%	6.83%
2024	4.66%	6.59%
2025	4.75%	6.36%
2030	5.18%	
2040	5.18%	
2050	5.18%	
2060	4.83%	
2070	4.38%	
2075+	4.04%	

Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.5%
 - Excess Medical Growth: 1.1%
2. The mortality rate was in accordance with RP2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year.
 3. Participation rates:
 - a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity/POS/PPO/HMO).

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

Discount Rate

The discount rate used to measure the OPEB liability as of June 30, 2021 was 2.77%. This rate was based on a blend of the Bond Buyer Index rate of 2.16% as of the measurement date and the long-term expected rate of return on plan investments of 7.00%. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2041. Therefore, the long-term expected rate of return on plan investments was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Investments

The long-term expected rate of return as of June 30, 2021 was 7.00%. Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0 %	4.8 %
Core Fixed Income	15.0 %	0.3 %
Private Equity	13.0 %	7.8 %
Portfolio Completion Strategies	11.0 %	2.9 %
Real Estate	10.0 %	3.7 %
Value Added Fixed Income	8.0 %	3.9 %
Timber/Natural Resources	4.0 %	4.3 %
Total	<u>100.0 %</u>	

Changes in Net OPEB liability

The following presents the changes in the net OPEB liability of entities participating in the Commonwealth's OPEB plan (including MassDOT, a discretely presented component unit) as of June 30, 2021 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2020	\$ 22,105,511	\$ 1,414,312	\$ 20,691,199
Changes for the year:			
Service cost	992,669	—	992,669
Interest	521,143	—	521,143
Differences between expected and actual experience	(2,926,517)	—	(2,926,517)
Changes of assumptions	(2,297,649)	—	(2,297,649)
Contributions-employer	—	569,989	(569,989)
Net investment income	—	411,438	(411,438)
Benefit payments	(484,752)	(484,752)	—
Administrative expense	—	(247)	247
Other additions	—	200	(200)
Net changes	(4,195,106)	496,628	(4,691,734)
Balances at June 30, 2021	<u>\$ 17,910,405</u>	<u>\$ 1,910,940</u>	<u>\$ 15,999,465</u>

Sensitivity Analysis of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT) calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in thousands):

	1% Decrease 1.77%	Current Discount Rate 2.77%	1% Increase 3.77%
Commonwealth Net OPEB liability	<u>\$ 18,078,343</u>	<u>\$ 15,217,561</u>	<u>\$ 12,913,258</u>

Sensitivity Analysis of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT), as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate, as disclosed on page 129 of this report (amounts in thousands):

	1% Decrease 3.4%-6.3%	Current Rate 4.4%-7.3%	1% Increase 5.4%-8.3%
Commonwealth Net OPEB liability	<u>\$ 12,460,053</u>	<u>\$ 15,217,561</u>	<u>\$ 18,811,519</u>

E. STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the State Retirees' Benefit Trust as of June 30, 2022 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents.....	\$ 151,542
Net investment in PRIT at fair value.....	1,836,867
Total assets	1,988,409
LIABILITIES	
Accounts payable	26
Net position available for other post-employment benefits	\$ 1,988,383
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth	\$ 660,800
Other additions	175
Total contributions	660,975
Net investment gain/(loss):	
Investment gain/(loss)	(62,761)
Less: investment expense	(10,365)
Net investment gain/(loss)	(73,126)
Total additions	587,849
DEDUCTIONS	
Administration	240
Retirement benefits and refunds	510,166
Total deductions	510,406
Change in net position	77,443
Net position available for other post-employment benefits at beginning of year	1,910,940
Net position available for other post-employment benefits at end of year	\$ 1,988,383

11. LEASES**Primary Government - as Lessee**

The Commonwealth has entered into various right to use leases for land, buildings, and equipment, infrastructure, facilities, and improvements. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. One of the lease agreements calls for both fixed and variable (based on changes in index rates) payments; the latter of which are not included in the initial measurement of the lease liability. These variable payments totaled \$2,963,553 and were recognized as expense during the year ended June 30, 2022.

The Institutions of Higher Education lease real property and equipment under numerous right to use lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2022 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities				Business - Type Activities			
	Principal	Interest	MSBA Principal	MSBA Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2023	\$ 180,025	\$ 7,025	\$ 1,087	\$ 104	\$ 188,241	\$ 66,175	\$ 48,905	\$ 115,080
2024	153,237	6,327	1,151	64	160,779	63,107	46,082	109,189
2025	124,811	5,563	1,216	24	131,614	62,658	43,666	106,324
2026	91,101	4,902	—	—	96,003	63,035	41,072	104,107
2027	79,259	4,293	—	—	83,552	63,805	38,246	102,051
2028 - 2032	189,706	15,085	—	—	204,791	328,314	139,272	467,586
2033 - 2037	27,801	11,142	—	—	38,943	311,458	80,460	391,918
2038 - 2042	29,750	8,232	—	—	37,982	229,887	30,495	260,382
2043 - 2047	31,312	5,192	—	—	36,504	56,482	5,622	62,104
2048 - 2052	33,393	1,886	—	—	35,279	12,723	615	13,338
2053 - 2057	443	186	—	—	629	—	—	—
2058 - 2062	487	143	—	—	630	—	—	—
2063 - 2067	535	94	—	—	629	—	—	—
2068 - 2072	589	41	—	—	630	—	—	—
2073 - 2077	141	1	—	—	142	—	—	—
Total lease obligations	942,590	70,112	3,454	192	1,016,348	1,257,644	474,435	1,732,079
Less: current portion	(180,025)	(7,025)	(1,087)	(104)	(188,241)	(66,175)	(48,905)	(115,080)
Long-term lease obligations	<u>\$ 762,565</u>	<u>\$ 63,087</u>	<u>\$ 2,367</u>	<u>\$ 88</u>	<u>\$ 828,107</u>	<u>\$ 1,191,469</u>	<u>\$ 425,530</u>	<u>\$ 1,616,999</u>

Right-to-use assets as of June 30, 2022 (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	\$ 1,212,230	\$ 1,326,046
Machinery and equipment	42,459	14,948
Total assets	1,254,689	1,340,994
Less: accumulated depreciation	(343,547)	(174,005)
Total	<u>\$ 911,142</u>	<u>\$ 1,166,989</u>

Primary Government - as Lessor

The Commonwealth acts as Lessor on a ground lease associated with re-development of the Saltonstall Building in Boston. For the year ended June 30, 2022, the Commonwealth recognized lease revenue of \$4 million and interest revenue of \$1 million.

The Institutions of Higher Education acts as lessor of real property and equipment under numerous agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2022 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities			Business - Type Activities		
	Principal	Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2023	\$ 1,301	\$ 1,404	\$ 2,705	\$ 56,176	\$ 48,051	\$ 104,227
2024	1,325	1,386	2,711	53,940	45,560	99,500
2025	2,212	1,341	3,553	59,315	43,939	103,254
2026	1,382	1,298	2,680	61,151	42,144	103,295
2027	1,410	1,274	2,684	64,091	40,337	104,428
2028 - 2032	9,301	5,856	15,157	348,704	147,324	496,028
2033 - 2037	10,895	4,837	15,732	350,601	83,945	434,546
2038 - 2042	12,728	3,615	16,343	244,740	32,807	277,547
2043 - 2047	14,075	2,255	16,330	61,060	8,337	69,397
2048 - 2052	15,115	752	15,867	33,039	3,766	36,805
Total lease receivable	69,744	24,018	93,762	1,332,817	496,210	1,829,027
Less: current portion	(1,301)	(1,404)	(2,705)	(56,176)	(48,051)	(104,227)
Long-term lease receivable	<u>\$ 68,443</u>	<u>\$ 22,614</u>	<u>\$ 91,057</u>	<u>\$ 1,276,641</u>	<u>\$ 448,159</u>	<u>\$ 1,724,800</u>

12. OTHER LONG-TERM LIABILITIES

A. WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES

Workers' Compensation is managed as part of the course of the Commonwealth's general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws (MGL). Claims for compensation are not separately insured and are funded by the Commonwealth only when incurred. Such losses, including estimates of amounts incurred, but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. The Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury, MGL limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

Workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2022 is estimated to be \$272 million of which approximately \$37 million is expected to be paid during FY23.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY22 and FY21 were (amounts in thousands):

	FY22	FY21
Claims liability, beginning of year	\$ 260,504	\$ 264,870
Increase in liability estimate	70,227	53,742
Payments and decreases in liability estimate	(58,840)	(58,108)
Claims liability, end of year	<u>\$ 271,891</u>	<u>\$ 260,504</u>

The Group Insurance Commission (GIC), a department of the Commonwealth, manages health insurance claims of the Commonwealth's active and retired employees. The Commonwealth is self-insured and various health insurance providers provide health care services to the employees. The accrued liability is estimated based on data provided to the GIC by the insurance companies who participate in the self-insured plans.

Changes in the Commonwealth's liability relating to group insurance claims in FY22 and FY21 were (amounts in thousands):

	FY22	FY21
Claims liability, beginning of year	\$ 136,525	\$ 140,627
Increase in liability estimate	1,863,413	1,716,620
Payments and decreases in liability estimate	(1,846,554)	(1,720,722)
Claims liability, end of year	<u>\$ 153,384</u>	<u>\$ 136,525</u>

B. OTHER CLAIMS & JUDGMENTS

A number of lawsuits are pending or threatened against the Commonwealth, which arise from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Commonwealth records a liability for those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid.

The following amounts were recognized for claims and judgments in FY22 and FY21 (amounts in thousands):

	FY22	FY21
Unpaid claims, beginning of year	\$ 33,271	\$ 34,117
Incurred claims	48,539	12,567
Claim payments and reductions	(14,092)	(13,413)
Unpaid claims end of year	<u>\$ 67,718</u>	<u>\$ 33,271</u>

C. ENVIRONMENTAL REMEDIATION

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) provides guidance in estimating and reporting the potential costs of pollution remediation. While GASB 49 does not require the Commonwealth to search for pollution, it does require the Commonwealth to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the Commonwealth is compelled to take action;
- The Commonwealth is found in violation of a pollution-related permit or license;
- The Commonwealth is named, or has evidence that it will be named, as a responsible party by a regulator;
- The Commonwealth is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup;
- The Commonwealth commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the Commonwealth. Several Commonwealth agencies have dedicated programs, rules and regulations that routinely deal with remediation related issues; others become aware of pollution conditions in the fulfillment of their missions. The Commonwealth has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities.

The standard requires the Commonwealth to calculate pollution remediation liabilities using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. Where the Commonwealth cannot reasonably estimate a pollution remediation obligation it does not report a liability. Several state departments perform continual monitoring of polluted sites. Since the monitoring for such sites is perpetual, undiscounted multi-year costs for such sites have not been estimated. Because of a lack of information about the type and extent of the remediation effort that could be required, no range of outlays for the overall remediation effort for such sites could be developed at this time.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the Commonwealth's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During FY22, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government-Wide Total
Environmental remediation liability, beginning of year	\$ 595,275	\$ —	\$ 595,275
Expected additional future outlays, changes in liability estimates	(106,510)	1,567	(104,943)
FY22 outlays for environmental remediation	(7,152)	—	(7,152)
Environmental remediation liability, end of year	<u>\$ 481,613</u>	<u>\$ 1,567</u>	<u>\$ 483,180</u>

Massachusetts Military Reservation. The Commonwealth, through the Executive Office of Energy and Environmental Affairs, the Department of Environmental Protection and the Attorney General's office, were engaged in discussions with federal Natural Resource Trustees, including the United States Army and Air Force, the Department of the Interior and the National Oceanic and Atmospheric Administration and private contractors regarding natural resource damages at the Massachusetts Military Reservation on Cape Cod. Federal Trustees and private contractors claim that the Commonwealth and others are liable for natural resource damages due to widespread contamination primarily from past military activities at the Reservation and are responsible for response actions and related clean-up activities. The assessment process for natural resource damages is set out in federal regulations and has not been completed. While no recent comprehensive estimate of natural resource damages and response actions is available, it is expected that the damages and response actions may cost at least tens of millions of dollars. In 2013, the state and federal trustees reopened preliminary discussions per a Trustee Council resolution on a potential settlement framework.

Closed State Facilities. The Commonwealth has 17 facilities that contain a total of 235 buildings, mainly in closed state hospitals that may have varying degrees of asbestos, polychlorinated biphenyl (PCB's) and other compounds that are currently in a dormant state. The Commonwealth typically sells these facilities at minimal cost to private developers who assume full responsibility for all cleanup activity. Cost estimates are only performed during the sale process. At this time, the Commonwealth has no estimate of any potential asset that would be developed from these activities that would ready these sites for sale.

D. COST OF LIVING ADJUSTMENTS

The Commonwealth is financially responsible for the cost of living adjustment (COLA) granted to participants in various retirement systems of cities, towns and counties in fiscal years 1981 to 1997. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to their respective systems. Any future COLA granted by the Legislature to employees of these plans will be the responsibility of the individual system, assuming approval by the local board. The individual employer governments are also responsible for the basic pension benefits.

During fiscal year 2022, there was a decrease of approximately \$15 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2022, the Commonwealth's liability for COLA was approximately \$90 million.

13. CONTINGENCIES/COMMITMENTS

The Commonwealth receives significant financial assistance from the federal government. Entitlement to these resources is generally contingent upon compliance with terms and conditions of the grant or reimbursement agreements and with applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits.

[Section 9 of Chapter 200A of the Massachusetts General Laws](#), part of the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY22 totaled approximately \$103 million. A portion of accumulated claims since the law's enactment represent a contingency, because claims for refunds can be made by the owners of the property.

Tatum et al. v. Commonwealth of Massachusetts (Human Resources Division), Suffolk Superior Court. A class of Black and Hispanic police officers sued the Commonwealth, alleging that the Human Resource Division's police promotional exam is discriminatory towards minorities. Specifically, plaintiffs allege that the exams had a disparate racial impact in violation of G.L. c. 151B. Plaintiffs first sued the Human Resources Division ("HRD") in federal court, but HRD was dismissed as a party. The plaintiffs initiated this action in state Superior Court in 2009. The state-court lawsuit was originally dismissed, but plaintiffs appealed, and the Supreme Judicial Court held, in a case of first impression, that the Commonwealth does not have sovereign immunity from disparate-impact claims asserted under the interference provision of G.L. c. 151B, § 4(4A). The Supreme Judicial Court also set forth the elements that establish a prima facie case of interference under G.L. c. 151B. On remand, the Superior Court certified a class, and the issue of class certification, as well as issue preclusion based on the decision in the parallel federal lawsuit, were appealed, but HRD did not prevail on appeal.

The parties participated in a bifurcated trial. The liability phase was tried in Superior Court during two weeks in June and July 2022. On October 27, 2022, the Court (Wilkins, J.) issued a decision as to liability and concluded that the Commonwealth is liable for interference under G.L. c. 151B, § 4(4A) with respect to statewide exams that the HRD administered in 2005, 2006, 2007, 2008, 2010, and 2012, as well as exams that were administered in Boston in 2005 and 2008. The parties agreed to settle the case before they tried the issue of damages. While the parties are still negotiating specific language for the settlement, they have agreed to settle the case for \$40,000,000. HRD has also agreed to make changes to the sergeant's police promotional exam going forward. The Court approved the preliminary settlement on March 31, 2023, and a hearing for final approval will take place on May 10, 2023. The settlement payment is subject to appropriation from the Legislature. \$40 million is recorded as accrued liability under the General Fund.

Drug Testing Laboratory disputes. On August 28, 2012, a chemist formerly employed at the Department of Public Health's drug testing laboratory in Boston admitted to several types of misconduct involving her handling of laboratory samples, which were used in criminal cases. The Governor was informed and ordered the immediate closure of the laboratory. The Governor established a central office to identify individuals who may have been affected by the chemist's alleged malfeasance, which the office has estimated as possibly tens of thousands of criminal drug cases. The Governor also announced that the Inspector General is conducting an independent assessment of the laboratory's operations. In addition, the Attorney General's Office is conducting a criminal investigation. On December 17, 2012, the former chemist was indicted by a Statewide Grand Jury on 27 charges in connection with altering drug evidence during the testing process and obstructing justice. She was arraigned on December 20, 2012 in Suffolk Superior Court and pled guilty in 2013. There likely will be significant, but as yet undetermined, state costs required to investigate and respond to the chemist's alleged malfeasance. Supplemental appropriations totaling \$30 million were approved during fiscal 2013 to create a fund to reimburse agencies and cities for costs associated with investigating and responding to misconduct at the state drug testing laboratory. In addition, there may be substantial costs to defend civil complaints alleging state liability in both state and federal court and for potential judgments. As the number of specific cases affected by the chemist's misconduct has not

been definitively determined, there is not sufficient information to fully estimate these additional state costs.

A. PRIMARY GOVERNMENT

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2022, totaling approximately \$110 million.

The MBTA's Forward Funding legislation of 1999 provides for the MBTA to issue general obligation, revenue or other debt secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the MBTA. Accordingly, all MBTA debt issued after this legislation is not backed by the full faith and credit of the Commonwealth.

The University of Massachusetts Building Authority is authorized by its enabling act to issue bonds with the unconditional guarantee of the Commonwealth. The full faith and credit of the Commonwealth are pledged for the performance of its guarantee. The enabling act, as amended, currently limits to \$200 million total principal amounts of notes and bonds of the University of Massachusetts Building Authority. During FY 2021, the University retired its remaining Commonwealth guaranteed debt. As of June 30, 2022, the University of Massachusetts Building Authority does not have any outstanding Commonwealth guaranteed debt.

B. TOBACCO SETTLEMENT

A Master Settlement Agreement (MSA) was executed in November of 1998 between five tobacco companies and 46 states, including the Commonwealth. Several additional tobacco companies have joined the MSA and are bound by its terms.

The MSA called for, among other things, annual payments to the states in perpetuity. These payments have been estimated to total more than \$200 billion over the first 25 years, subject to various offsets, reductions and adjustments.

In FY22, the Commonwealth received approximately \$247 million, or 67.9% of the estimated amounts shown in the MSA. Amounts received in FY22 continued to be less than had previously been projected as payments under the MSA, primarily because the payment amounts are related to national tobacco sales volumes, which have continued to decline since the settlement. The Commonwealth's allocable share of the base amounts payable under the MSA is approximately 4.04% or approximately \$8.962 billion through 2025, which is subject to adjustments, reductions and offsets. However, in pending litigation, tobacco manufacturers are claiming that because of certain developments, they are entitled to reduce future payments under the MSA and, from FY06 to the present, certain manufacturers have withheld portions of the payments due to the states. The Commonwealth continues to pursue legal action to compel the payment of these additional funds and to obtain a legal determination that the Commonwealth is immune from any downward adjustment to its settlement payments.

In FY04, a Suffolk Superior Court jury rejected the claims of the Commonwealth's private tobacco attorneys that they should be paid a fee amounting to 25% of the Commonwealth's tobacco settlement money. The jury awarded the plaintiffs 10.5% of the amount the Commonwealth receives under the MSA through 2025, minus an offset for amounts received by the attorneys from the tobacco companies pursuant to an arbitration award. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2022, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

C. OPIOID SETTLEMENT

In 2022, the Commonwealth, along with 50 other states and territories, signed on to opioid legal agreements with certain manufacturers and distributors to resolve legal claims for their role in the opioid crisis. As a result of these agreements, the Commonwealth has recognized a receivable for \$337 million as of June 30, 2022, of which \$272 million is considered long-term and remaining \$65 million as short-term receivable. As of June 30, 2022, \$25 million has been received in the Opioid Recovery and Remediation Trust Fund established pursuant to [Massachusetts General Law Chapter 10, Section 35000](#).

Other opioid related ongoing litigation will be subject to federal, state, and local government approval.

D. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2022, the Commonwealth had commitments of approximately \$785 million related to ongoing construction projects.

E. CONTRACTUAL ASSISTANCE TO AUTHORITIES

The Commonwealth is also authorized to pledge its credit in aid of and provide contractual support for certain independent authorities and political subdivisions within the Commonwealth. These Commonwealth liabilities are classified as: (a) general obligation contract assistance; (b) budgetary contractual assistance liabilities; or (c) contingent liabilities. In addition, the Commonwealth is authorized to pledge its credit in support of scheduled, periodic payments to be made by the Commonwealth under interest rate swaps and other hedging agreements related to bonds or notes of the Commonwealth.

General obligation contract assistance obligations arise from statutory requirements for payments by the Commonwealth to the Massachusetts Clean Water Trust, the Massachusetts Department of Transportation and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds. Such assistance constitutes a pledge of the Commonwealth's credit for which a two-thirds vote of the Legislature is required.

Budgetary contract assistance liabilities do not constitute a pledge of the Commonwealth's credit. Contingent liabilities relate to debt obligations of independent authorities and agencies of the Commonwealth, or payment obligations of such entities on hedging transactions related to such debt, that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These contingent liabilities consist of guarantees and similar obligations with respect to which the Commonwealth's credit has been or may be pledged. Under legislation approved by the Governor during FY09, the Commonwealth may pledge its credit to guarantee payment obligations of the Massachusetts Turnpike Authority (succeeded by MassDOT in FY10) with respect to certain hedging transactions or provide financial support subject to annual appropriation and without a pledge of the Commonwealth's credit. The same legislation authorizes the Commonwealth to provide credit support to the Turnpike Authority (succeeded by MassDOT) in connection with the issuance of certain refunding bonds, subject to annual appropriation and without a pledge of the Commonwealth's credit. In addition, the Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to replenish the capital reserve funds securing certain debt obligations of the Massachusetts Housing Finance Agency and the Commonwealth's obligation to fund debt service, solely from monies otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

F. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2022 to be \$2.0 billion.

G SOCIAL IMPACT BONDS

In January 2014 (and amended in November 2016 and April 2020), the Commonwealth entered into a “pay for success contract” (Social Impact Bonds) with a nonprofit intermediary organization and a nonprofit social service agency to reduce the recidivism rate of young men in the juvenile justice system or on probation avoid re-offending. The Commonwealth is obligated to make success payments totaling \$28 million, in the aggregate, through fiscal year 2024 and the Commonwealth’s obligation to make such payments is a general obligation for which the Commonwealth’s full faith and credit are pledged. Payments are only made based upon successful achievement of specified outcomes based on defined performance targets contained in the contract. The Commonwealth entered into a second such contract in December 2014 to address chronic individual homelessness. The contract obligates the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal year 2021. In June, 2016 the Commonwealth entered into a third contract to assist individuals in Adult Basic Education (ABE) or English for Speakers of Other Languages (ESOL) programs to transition to employment, higher wage jobs, and higher education. The contract obligates the Commonwealth to make up to \$15 million in success payments, in the aggregate, through fiscal year 2023. The Commonwealth entered into a fourth contract in July 2018 (and amended in October 2021 and August 2022) to support unemployed or underemployed veterans with post-traumatic stress disorder in attaining competitive and compatible employment. The contract obligates the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal year 2024. As the amount required to be paid as of June 30, 2022 cannot be determined until performance targets have been achieved as determined by independent evaluators, no liability has been accrued in these financial statements for these contracts.

H. PENSIONS

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) (collectively referred to as the Retirement Systems), in conjunction with the Commonwealth, have evaluated whether certain of the statutes or practices governing the systems may have been in conflict with the exclusive benefit rule of Section 401(a)(2) of the Internal Revenue Code or other federal tax law requirements relating to the operation of tax-exempt pension plans.

The activities being reviewed include (i) the statutorily directed funding of the budget for the Public Employees' Retirement Administration Commission (PERAC) solely from the investment income accounts of MSERS and MTRS, (ii) the statutorily directed contributions made from the MSERS account in the PRIT Fund to a separate optional retirement plan available to certain employees of the Commonwealth’s higher education system, (iii) the statutorily mandated reimbursements paid by the MSERS to local retirement systems for local cost-of-living allowances for certain participants of those systems, (iv) the deposit of reimbursement revenues received from local retirement systems to the Commonwealth’s General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund, and (v) the deposit of federal grant fringe payments to the General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund.

The Commonwealth, PERAC, MSERS and the MTRS each engaged outside tax counsel to review these activities.

On March 28, 2017, the Governor approved legislation to address prospectively certain aspects of the issues described above. Additional corrective legislation was approved as part of the Commonwealth’s General Appropriations Act for Fiscal Year 2018, approved on July 17, 2017. The Executive Office for Administration and Finance submitted to the Internal Revenue Service for its consideration a request for a closing agreement which describes the activities listed above, explains the corrective actions already taken by legislation, and requests an affirmation that these activities do not adversely affect the tax qualification of the MSERS and MTRS in light of the corrections already made.

The Internal Revenue Service issued an initial request for additional information on April 28, 2020 and a further request for additional information on June 23, 2020. The Commonwealth, the MSERS and MTRS submitted responses to such requests on June 3, 2020 and July 31, 2020, respectively. After further discussions with the IRS,

on August 20, 2020, the Commonwealth withdrew its prior request for a closing agreement. This matter remains pending.

14. COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED

The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 41 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Details of those entities' operations can be found in those entities' basic financial statements and notes to those entities' basic financial statements.

The following entities are presented in the basic financial statements (all having a June 30, 2022 fiscal year end) (entities marked with an * are not legally separate from the Commonwealth but have separately audited financial statements). Entities that are marked with a § also were not audited in accordance with *Governmental Auditing Standards* as promulgated by the Comptroller General of the United States.

Entities Audited by CliftonLarsonAllen (CLA):

The Massachusetts Clean Water Trust

Entities Audited by Other Auditors:

The Pension Reserves Investment Trust Fund (PRIT)

*The Massachusetts State Lottery Commission

The Massachusetts Department of Transportation (MassDOT)

Massachusetts Bay Transportation Authority (MBTA)

Commonwealth Health Insurance Connector Authority

*§The Massachusetts Municipal Depository Trust (MMDT)

*The University of Massachusetts System

University of Massachusetts Foundation, Inc.

The Massachusetts School Building Authority (MSBA)

*State Universities:

Bridgewater State University

Fitchburg State University

Framingham State University

Massachusetts College of Art

Massachusetts Maritime Academy

Massachusetts College of Liberal Arts

Salem State University

Westfield State University

Worcester State University

The Massachusetts State College Building Authority

*Community Colleges:

Berkshire Community College

Bristol Community College

Bunker Hill Community College

Cape Cod Community College

Greenfield Community College

Holyoke Community College

Massasoit Community College

Massachusetts Bay Community College

Middlesex Community College
Mount Wachusett Community College
Northern Essex Community College
North Shore Community College
Quinsigamond Community College
Roxbury Community College
Springfield Technical Community College

Nonmajor Discretely Presented Component Units:

Massachusetts Convention Center Authority (MCCA)
Massachusetts Development Finance Agency (MassDevelopment)
Massachusetts Technology Park Corporation (MTPC)
Massachusetts Clean Energy Center (CEC)
Massachusetts Housing Partnership (MHP)

Economic Development Entities (5 separate entities):

§Massachusetts Growth Capital Corporation (MGCC)
Commonwealth Corporation
Community Economic Development Assistance Corporation (CEDAC)
Massachusetts Life Sciences Center
Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (25 separate entities):

Bridgewater State University Foundation:
 The Bridgewater State University Foundation
 The Bridgewater Alumni Association of Bridgewater State University
Fitchburg State University Foundation, Inc.
Framingham State University Foundation, Inc.
Massachusetts College of Art Foundation, Inc.
Massachusetts College of Liberal Arts Foundation, Inc.
The Massachusetts Maritime Academy Foundation, Inc.
Salem State University Foundation:
 The Salem State University Foundation, Inc.
 Salem State University Assistance Corporation
Westfield State University Foundation, Inc.
Worcester State Foundation

Berkshire Community College Foundation
Bristol Community College Foundation
Bunker Hill Community College Foundation
Cape Cod Community College Educational Foundation, Inc.
Greenfield Community College Foundation, Inc.
Holyoke Community College Foundation
Massachusetts Bay Community College Foundation, Inc.
Massasoit Community College Foundation
Middlesex Community College Foundation, Inc.
North Shore Community College Foundation
Springfield Technical Community College Foundation
Springfield Technical Community College Assistance Corporation
The Mount Wachusett Community College Foundation, Inc.
The Northern Essex Community College Foundation, Inc.
The Quinsigamond Community College Foundation, Inc.
The Roxbury Community College Foundation, Inc.

15. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On August 15, 2022, the MSBA called the remaining principal on the 2012 A and 2012 B Refunding bonds. The principal reductions of \$198.3 million (2012 A) and \$4.0 million (2012 B) were funded by the proceeds, including interest, of the matured guaranteed investment contract. The guaranteed investment contract matured on July 25, 2022. By calling the bonds, the MSBA has eliminated scheduled future interest payments by \$15.5 million.

On September 30, 2022, the Commonwealth issued approximately \$7 million in General Obligation (GO) Bonds, Consolidated Loan of 2022 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2027 with final maturity on August 1, 2042.

On October 27, 2022, the Commonwealth issued approximately \$435 million in GO Refunding Bonds 2022, Series A. The bonds were issued to refund, on a current basis, approximately \$480 million of various GO bonds and carries interest rates of 5.00% with final maturity on October 1, 2031. The refunding resulted in reduced debt service of approximately \$16 million and a present value savings of approximately \$13 million over the life of the bonds.

On October 27, 2022, the Commonwealth issued \$902 million in GO Bonds, Consolidated Loan of 2022, Series C. These bonds carry interest rate of 5.00% to 5.25%. The first principal payment is due on October 1, 2032 with final maturity on October 1, 2052.

On December 8, 2022, the Commonwealth issued \$200 million in GO Bonds, Consolidated Loan of 2022, Series D. These bonds carry a 5.00% interest rate. The first principal payment is due on November 1, 2028 with final maturity on November 1, 2033.

On December 8, 2022, the Commonwealth issued \$500 million in GO Bonds, Consolidated Loan of 2022, Series E. These bonds carry a 5.00% interest rate. The first principal payment is due on November 1, 2042 with final maturity on November 1, 2052.

On November 9, 2022, MassDOT refunded \$371,380 of the Metropolitan Highway System (MHS) 2019 Subordinated Series A Bonds and issued \$371,380 in MHS Revenue Refunding Bonds, Variable Rate Demand Obligations, 2022 Series A-1, A-2 and Series A-3. Interest payments are payable semi-annually on July 1 and January 1, commencing January 1, 2023. Principal payments are payable annually starting on July 1 of 2030. The Bonds mature on July 1, 2039.

All debt issues were sold as tax exempt, except as noted.

Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

*Schedule of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual –
General Fund*

*Schedule of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual –
Budgeted Major Governmental Funds - Federal Covid-19 Response Fund*

*Explanation of Differences Between Revenues, Expenditures and Other Financing Sources/(Uses) for the
General Fund on a Budgetary Basis and GAAP Basis*

*Explanation of Differences Between Revenues, Expenditures and Other Financing Sources/(Uses) for the
Federal Covid-19 Response Fund on a Budgetary Basis and GAAP Basis*

*Notes to Required Supplementary Information – Budgetary Reporting
Required OPEB and Pension Schedules*

Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

General Fund*

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 30,530,500	\$ 30,530,500	\$ 36,973,103	\$ 6,442,603
Assessments	434,064	434,064	403,600	(30,464)
Federal grants and reimbursements	14,107,003	14,107,003	15,767,898	1,660,895
Tobacco settlement revenue	254,645	254,645	246,997	(7,648)
Departmental	3,255,690	3,255,690	4,130,036	874,346
Miscellaneous	450,260	450,260	383,549	(66,711)
Total revenues	49,032,162	49,032,162	57,905,183	8,873,021
Other financing sources:				
Fringe benefit cost recovery	495,629	495,629	613,577	117,948
Lottery reimbursements	114,526	114,526	122,189	7,663
Lottery distributions	1,124,183	1,124,183	1,079,306	(44,877)
Operating transfers in	209,512	209,512	267,486	57,974
Stabilization transfer	1,168,562	1,168,562	2,311,539	1,142,977
Transfer for transitional escrow	—	—	4,812,071	4,812,071
Total other financing sources	3,112,412	3,112,412	9,206,168	6,093,756
Total revenues and other financing sources	52,144,574	52,144,574	67,111,351	14,966,777
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	127,247	127,362	76,093	51,269
Judiciary	1,135,688	1,145,124	1,090,795	54,329
Inspector General	6,902	6,902	6,387	515
Governor and Lieutenant Governor	8,659	9,861	7,811	2,050
Secretary of the Commonwealth	46,640	52,282	49,992	2,290
Treasurer and Receiver-General	2,394,942	296,867	221,659	75,208
Auditor of the Commonwealth	21,621	21,541	21,366	175
Attorney General	61,173	61,862	58,546	3,316
Ethics Commission	2,686	2,753	2,691	62
District Attorney	152,381	151,972	150,329	1,643
Office of Campaign & Political Finance	1,874	1,874	1,786	88
Sheriff's Departments	655,757	737,490	662,825	74,665
Disabled Persons Protection Commission	10,330	10,831	8,660	2,171
Commission on the Status of Women	487	987	501	486
Board of Library Commissioners	36,532	36,532	36,366	166
Comptroller	66,546	66,747	25,457	41,290
Administration and Finance	3,980,052	4,543,531	2,662,362	1,881,169
Energy and Environmental Affairs	323,017	489,541	413,244	76,297
Health and Human Services	7,697,323	8,723,724	8,205,993	517,731
Executive Office of Technology Services and Security	207,682	209,645	160,107	49,538
Massachusetts Department of Transportation	—	3,724	1,970	1,754
Office of the Child Advocate	4,270	3,995	2,930	1,065
Commission Against Discrimination	8,430	8,430	6,870	1,560
Executive Office of Education	3,291,951	3,437,473	3,220,212	217,261
Center for Health Information and Analysis	31,432	31,202	31,179	23
Public Safety and Homeland Security	1,414,478	1,424,219	1,235,106	189,113
Massachusetts Peace Officer Standards and Training	4,727	1,740	1,740	—
Housing and Economic Development	831,341	1,001,346	817,521	183,825
Labor and Workforce Development	125,049	143,696	107,440	36,256
Direct local aid	6,643,501	6,643,893	6,641,961	1,932
Medicaid	18,986,703	19,847,962	19,845,596	2,366
Post employment benefits	—	4,421,469	4,421,423	46
Debt service:				
Principal retirement	36,988	667,361	654,452	12,909
Interest and fiscal charges	—	612,054	599,520	12,534
Total expenditures	48,316,409	54,946,012	51,450,890	3,495,122
Other financing uses:				
Fringe benefit cost assessment	—	—	7,934	(7,934)
Operating transfers out	—	1,075,075	1,087,271	(12,196)
Medical assistance transfer	503,295	751,458	751,458	—
Stabilization transfer	—	2,272,593	2,272,593	—
Transfer for transitional escrow	—	—	4,578,822	(4,578,822)
Other fund deficit support	—	—	7,978	(7,978)
Total other financing uses	503,295	4,099,126	8,706,056	(4,606,930)
Total expenditures and other financing uses	48,819,704	59,045,138	60,156,946	(1,111,808)
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 3,324,870	\$ (6,900,564)	6,954,405	\$ 13,854,969
Fund balances/(deficits) at beginning of year			7,157,265	
Fund balances/(deficits) at end of year			<u>\$ 14,111,670</u>	

* Includes the General Fund, the Commonwealth Stabilization Fund, the Intragovernmental Services Fund and the Transitional Escrow Fund, which are presented separately in the Statutory Basis Financial Report (SBFR).

See Independent Auditors' Report and notes to required supplementary information.

Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

Budgeted Major Governmental Funds - Federal Covid-19 Response Fund

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—
Federal grants and reimbursements	—	—	—	—
Tobacco settlement revenue	—	—	—	—
Departmental	—	—	—	—
Miscellaneous	—	—	—	—
Total revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources:				
Fringe benefit cost recovery	—	—	—	—
Lottery reimbursements	—	—	—	—
Lottery distributions	—	—	—	—
Operating transfers in	—	—	—	—
Stabilization transfer	—	—	—	—
Transfer for transitional escrow	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	—	—	—	—
Judiciary	—	—	—	—
Inspector General	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—
Secretary of the Commonwealth	—	—	—	—
Treasurer and Receiver-General	—	—	—	—
Auditor of the Commonwealth	—	—	—	—
Attorney General	—	—	—	—
Ethics Commission	—	—	—	—
District Attorney	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—
Sheriff's Departments	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—
Commission on the Status of Women	—	—	—	—
Board of Library Commissioners	—	—	—	—
Comptroller	—	—	—	—
Administration and Finance	—	3,347,674	—	3,347,674
Energy and Environmental Affairs	—	—	—	—
Health and Human Services	—	26,000	—	26,000
Executive Office of Technology Services and Security	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—
Office of the Child Advocate	—	—	—	—
Commission Against Discrimination	—	—	—	—
Executive Office of Education	—	16,000	10,000	6,000
Center for Health Information and Analysis	—	—	—	—
Public Safety and Homeland Security	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—
Housing and Economic Development	—	10,000	—	10,000
Labor and Workforce Development	—	18,126	5,202	12,924
Direct local aid	—	—	—	—
Medicaid	—	—	—	—
Post employment benefits	—	—	—	—
Debt service:	—	—	—	—
Principal retirement	—	—	—	—
Interest and fiscal charges	—	—	—	—
Total expenditures	<u>—</u>	<u>3,417,800</u>	<u>15,202</u>	<u>3,402,598</u>
Other financing uses:				
Fringe benefit cost assessment	—	—	—	—
Operating transfers out	—	1,381,299	1,381,299	—
Medical assistance transfer	—	—	—	—
Stabilization transfer	—	—	—	—
Transfer for transitional escrow	—	—	—	—
Other fund deficit support	—	—	—	—
Total other financing uses	<u>—</u>	<u>1,381,299</u>	<u>1,381,299</u>	<u>—</u>
Total expenditures and other financing uses	<u>—</u>	<u>4,799,099</u>	<u>1,396,501</u>	<u>3,402,598</u>
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ —</u>	<u>\$ (4,799,099)</u>	<u>(1,396,501)</u>	<u>\$ 3,402,598</u>
Fund balances/(deficits) at beginning of year			4,891,987	
Fund balances/(deficits) at end of year			<u>\$ 3,495,486</u>	

**Explanation of Differences between Revenues, Expenditures and Other Financing Sources/(Uses)
for the General Fund* on a Budgetary Basis and GAAP Basis (in thousands):**

REVENUES	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 57,905,183
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	1,378,051
Tax refunds and abatements payable, net	(3,401,727)
Federal reimbursements and other receivables	(481,338)
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(115,419)
Inflows from component units and other miscellaneous financing sources	108,662
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(9,843)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 55,383,569
OTHER FINANCING SOURCES	
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 9,206,168
Adjustments and Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	—
Proceeds of capital lease on GAAP basis	—
Consolidation of transfers between funds	(6,857,434)
Inflows from component units and other miscellaneous financing sources	(108,641)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,240,093
EXPENDITURES	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 51,450,890
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	112,970
Compensated absences and other accrued liabilities	102,698
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	—
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	(1,253,971)
Certain expenditures are reclassified to Other Financing Uses for fund splits	(7,689)
Higher education expenditures are reclassified for GAAP reporting	(1,772,173)
Expenditures to component units reported on a GAAP basis	63,497
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(9,843)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 48,686,379
OTHER FINANCING USES	
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 8,706,056
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(6,857,434)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,656,756
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	1,253,971
Transfers to component units reported on a GAAP basis	(19,092)
Certain expenditures are reclassified to Other Financing Uses for fund splits	7,689
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 4,747,946

* Includes the General Fund, the Commonwealth Stabilization Fund, the Intragovernmental Services Fund, and the Transitional Escrow Fund, which are presented separately in the Statutory Basis Financial Report (SBFR).

See Independent Auditors' Report and notes to required supplementary information.

**Explanation of Differences between Revenues, Expenditures and Other Financing Sources/(Uses)
for the Federal Covid-19 Response Fund on a Budgetary Basis and GAAP Basis (in thousands):**

REVENUES

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$	—
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Tax receivable, net		—
Tax refunds and abatements payable, net		—
Federal reimbursements and other receivables		15,203
Reclassifications:		
Higher education revenue is reclassified for GAAP reporting		—
Inflows from component units and other miscellaneous financing sources		—
Certain revenue is reclassified to fiduciary funds for GAAP reporting		—
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	15,203

OTHER FINANCING SOURCES

Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$	—
Adjustments and Reclassifications:		
Higher education revenue is reclassified for GAAP reporting		—
Proceeds of capital lease on GAAP basis		—
Consolidation of transfers between funds		—
Inflows from component units and other miscellaneous financing sources		—
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	—

EXPENDITURES

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$	15,202
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Medicaid payments		—
Compensated absences and other accrued liabilities		—
Reclassifications:		
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective		—
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund		—
Reversal of prior year budget to GAAP adjustment		—
Higher education expenditures are reclassified for GAAP reporting		—
Expenditures to component units reported on a GAAP basis		—
Certain expenditures are reclassified to fiduciary funds for GAAP reporting		—
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	15,202

OTHER FINANCING USES

Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$	1,381,299
Adjustments and Reclassifications:		
Consolidation of transfers between funds		—
Operating Transfer out are reclassified to Federal revenue under the modified accrual basis		(1,381,299)
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund		—
Transfers to component units reported on a GAAP basis		—
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$	—

Note to Required Supplementary Information – Budgetary Reporting

The Commonwealth passes a combined budget for all budgeted operations. State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act. Generally, expenditures may not exceed the level of spending authorized for an appropriation account.

Before signing the appropriations act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations act may be made via supplemental appropriation acts or other legislative acts. These must also be signed by the Governor and are subject to the line item veto.

In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds which effectively reduce the account's expenditure budget. The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs which are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference to separately published budget documents, which eliminate some interfund activity. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003), amended section 9C, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any reductions in spending. Alternatively, the Governor may propose specific additional revenues to fund the deficiency. The Governor may also propose to transfer funds from the Stabilization Fund to cure the deficiency. This proposal must be delivered to the Legislature 15 days before any reductions take effect.

The following table summarizes budgetary activity for FY22 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 24 of the Acts of 2021:		
Direct appropriations	\$ 50,061,800	\$ 47,647,325
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2021	—	2,514,431
Total original budget	50,061,800	50,161,756
Supplemental Acts of 2021:		
Chapter 102	—	3,478,744
Supplemental Acts of 2022:		
Chapter 22	—	76,000
Chapter 42	—	1,920,772
Chapter 103	—	56,000
Chapter 268	—	3,510,287
Total budgeted revenues and expenditures per Legislative action	—	9,041,804
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	4,552,188	7,328,123
Budgeted revenues and expenditures as reported	<u>\$ 54,613,988</u>	<u>\$ 66,531,683</u>

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the State Comptroller, Statewide Financial Reporting Team, at (617) 973-2660 or can be downloaded directly at <https://www.macomptroller.org/fiscal-year-budgetary-reports>.

Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2022	2021	2020*	2019
Total pension liability, July 1	\$ 46,476,000	\$ 45,725,000	\$ 43,398,000	\$ 41,225,000
Service cost	981,998	968,648	963,828	897,600
Interest	3,223,993	3,243,594	3,124,187	2,965,890
Change in benefit terms	—	—	—	—
Differences between expected and actual experience	160,909	(904,845)	336,183	303,066
Changes of assumptions	—	101,000	442,000	434,000
Benefit payments, including refunds of member contributions	(2,801,900)	(2,657,397)	(2,539,198)	(2,427,556)
Net change in total pension liability	1,565,000	751,000	2,327,000	2,173,000
Total pension liability, June 30 (a)	<u>\$ 48,041,000</u>	<u>\$ 46,476,000</u>	<u>\$ 45,725,000</u>	<u>\$ 43,398,000</u>
Plan fiduciary net position, July 1	\$ 36,039,471	\$ 28,567,300	\$ 28,763,796	\$ 27,995,021
Contributions:				
Employers - Commonwealth and MassDOT	1,310,596	1,105,838	1,003,828	919,545
Non-employer contributions - Commonwealth	56,988	41,963	38,381	37,359
Employer and non-employer contributions - other	11,454	13,352	9,718	10,191
ERIP funding contribution - Commonwealth	28,449	28,449	28,724	28,724
Plan members	693,853	652,911	659,015	632,730
Other additions	138,957	90,879	90,944	104,765
Total contributions	2,240,297	1,933,392	1,830,610	1,733,314
Net investment income (loss)	(1,297,464)	8,232,417	567,319	1,543,398
Benefit payments, including refunds of member contributions	(2,801,900)	(2,657,397)	(2,539,198)	(2,427,556)
Administrative expense	(14,461)	(21,685)	(18,089)	(15,853)
Other changes	(34,817)	(14,556)	(37,138)	(64,528)
Net change in plan fiduciary net position	(1,908,345)	7,472,171	(196,496)	768,775
Plan fiduciary net position, June 30 (b)	<u>\$ 34,131,126</u>	<u>\$ 36,039,471</u>	<u>\$ 28,567,300</u>	<u>\$ 28,763,796</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 13,909,874</u>	<u>\$ 10,436,529</u>	<u>\$ 17,157,700</u>	<u>\$ 14,634,204</u>
Plan fiduciary net position as a percentage of the total pension liability	71.0%	77.5%	62.5%	66.3%
Covered payroll (as of the actuarial valuation date)	\$ 6,651,010	\$ 6,544,575	\$ 6,354,473	\$ 6,354,473
Net pension liability as a percentage of covered employee payroll	209.1%	159.5%	270.0%	230.3%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

2018	2017	2016	2015	2014
\$ 39,107,000	\$ 37,760,000	\$ 35,425,414	\$ 31,355,000	\$ 29,988,000
856,200	855,440	813,975	700,012	631,634
2,852,239	2,813,374	2,638,929	2,411,551	2,405,204
—	10,000	400,000	230,302	—
102,008	(428,232)	589,009	275,000	—
622,000	304,000	—	2,330,000	102,000
(2,314,447)	(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
2,118,000	1,347,000	2,334,586	4,070,414	1,367,000
<u>\$ 41,225,000</u>	<u>\$ 39,107,000</u>	<u>\$ 37,760,000</u>	<u>\$ 35,425,414</u>	<u>\$ 31,355,000</u>
\$ 26,282,232	\$ 23,971,156	\$ 24,042,585	\$ 23,930,895	\$ 21,084,958
842,864	716,266	660,818	601,931	550,483
33,310	28,455	21,830	18,040	21,293
9,564	7,999	16,642	15,808	6,048
28,724	29,093	29,093	—	—
600,705	604,772	591,948	549,493	501,106
118,124	232,548	397,077	92,503	68,967
1,633,291	1,619,133	1,717,408	1,277,775	1,147,897
2,460,748	2,987,632	422,938	800,886	3,551,012
(2,314,447)	(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
(16,369)	(30,030)	(20,624)	(15,966)	(12,705)
(50,434)	(58,077)	(83,824)	(74,554)	(68,429)
1,712,789	2,311,076	(71,429)	111,690	2,845,937
<u>\$ 27,995,021</u>	<u>\$ 26,282,232</u>	<u>\$ 23,971,156</u>	<u>\$ 24,042,585</u>	<u>\$ 23,930,895</u>
<u>\$ 13,229,979</u>	<u>\$ 12,824,768</u>	<u>\$ 13,788,844</u>	<u>\$ 11,382,829</u>	<u>\$ 7,424,105</u>
67.9%	67.2%	63.5%	67.9%	76.3%
\$ 6,155,194	\$ 5,927,012	\$ 5,792,288	\$ 5,591,911	\$ 5,344,510
214.9%	216.4%	238.1%	203.6%	138.9%

NOTES TO THE SERS SCHEDULE

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.00% from 7.15%. This change resulted in an increase to the total pension liability of approximately \$726 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2021 Actuarial Valuation:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

This change resulted in a decrease to the total pension liability of approximately \$625 million.

FY2020 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$442 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$434 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$613 million.

NOTES TO THE SERS SCHEDULE

Change in mortality

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members - would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year.

This change resulted in an increase to the total pension liability of approximately \$9 million.

FY2017 Changes in Actuarial Assumptions

Changes of Benefit Terms:

Chapter 79 of the Acts 2014 established an early retirement incentive (ERI) program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during FY2017. As a result, the total pension liability of SERS increased by approximately \$10 million.

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2017 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Disabled members - is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct), and is unchanged from the prior valuation.

These changes resulted in an increase to the total pension of approximately \$304 million.

FY2016 Changes in Actuarial Assumptions

Changes in Benefit Terms:

Chapter 176 of the Acts of 2011 created a one time election for eligible members of the Optional Retirement Plan (ORP) to transfer to the State Employee's Retirement System (SERS) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS has increased by approximately \$400 million.

FY2015 Changes in Actuarial Assumptions

Changes in Benefit Terms:

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (ERI) for certain members of SERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability has increased by approximately \$230 million.

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$933 million.

NOTES TO THE SERS SCHEDULE

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Employees table projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Healthy Annuitant table projected 17 years with Scale AA.
- Disabled members - was changed to be assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from RP-2000 Healthy Annuitant table projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.397 billion.

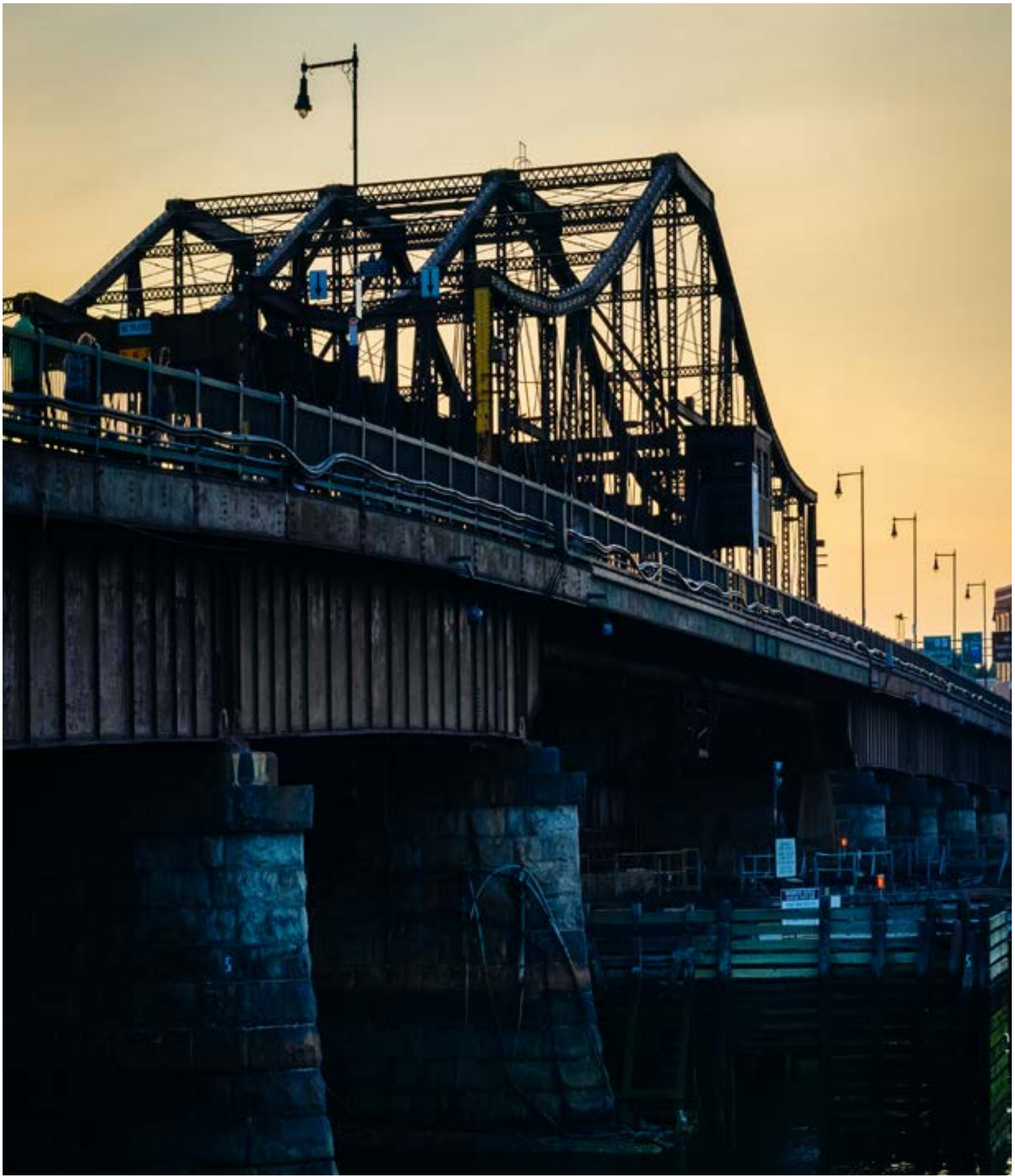
FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$102 million.

See Independent Auditors' Report



Schedule of Changes in the Massachusetts Teachers' Retirement System (MTRS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2022	2021	2020 *	2019	2018
Total pension liability, July 1	\$ 59,795,000	\$ 57,862,841	\$ 54,751,000	\$ 52,503,000	\$ 50,024,000
Service cost	1,084,503	1,085,414	1,019,331	949,262	901,234
Interest	4,143,763	4,097,558	3,927,724	3,763,191	3,633,027
Differences between expected and actual experience	(384,483)	(555,322)	495,599	50,910	92,317
Changes of assumptions	—	584,000	859,000	577,000	845,000
Benefit payments, including refunds of plan member contributions	(3,365,783)	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Net change in total pension liability	1,478,000	1,932,159	3,111,841	2,248,000	2,479,000
Total pension liability, June 30 (a)	<u>\$ 61,273,000</u>	<u>\$ 59,795,000</u>	<u>\$ 57,862,841</u>	<u>\$ 54,751,000</u>	<u>\$ 52,503,000</u>
Plan fiduciary net position, July 1	\$ 37,088,124	\$ 29,317,997	\$ 29,536,980	\$ 28,791,711	\$ 27,138,609
Contributions:					
Non-employer	2,104,604	1,748,483	1,553,433	1,443,710	1,314,783
Plan members	892,123	833,236	821,105	782,431	755,688
Other additions	276,758	254,903	233,222	234,532	231,734
Total contributions	3,273,485	2,836,622	2,607,760	2,460,673	2,302,205
Net investment income (loss)	(1,353,547)	8,455,507	581,648	1,584,770	2,542,576
Benefit payments, including refunds of plan member contributions	(3,365,783)	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Administrative expense	(19,196)	(21,783)	(22,391)	(18,324)	(19,528)
Other changes	(238,221)	(220,728)	(196,187)	(189,487)	(179,573)
Net change in plan fiduciary net position	(1,703,262)	7,770,127	(218,983)	745,269	1,653,102
Plan fiduciary net position, June 30 (b)	<u>\$ 35,384,862</u>	<u>\$ 37,088,124</u>	<u>\$ 29,317,997</u>	<u>\$ 29,536,980</u>	<u>\$ 28,791,711</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 25,888,138</u>	<u>\$ 22,706,876</u>	<u>\$ 28,544,844</u>	<u>\$ 25,214,020</u>	<u>\$ 23,711,289</u>
Plan fiduciary net position as a percentage of the total pension liability	57.7%	62.0%	50.7%	53.9%	54.8%
Covered payroll (as of actuarial valuation date)	\$ 7,704,176	\$ 7,670,306	\$ 7,074,960	\$ 7,074,960	\$ 6,829,012
Net pension liability as a percentage of covered employee payroll	336.0%	296.0%	403.5%	356.4%	347.2%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

2017	2016	2015	2014
\$ 47,300,000	\$ 45,918,711	\$ 41,435,000	\$ 39,931,000
891,760	843,800	768,032	720,712
3,505,761	3,402,525	3,166,728	3,227,025
47,046	(74,025)	153,000	—
1,176,000	—	3,080,000	108,000
(2,896,567)	(2,791,011)	(2,684,049)	(2,551,737)
2,724,000	1,381,289	4,483,711	1,504,000
<u>\$ 50,024,000</u>	<u>\$ 47,300,000</u>	<u>\$ 45,918,711</u>	<u>\$ 41,435,000</u>
\$ 24,942,072	\$ 25,429,068	\$ 25,538,646	\$ 22,697,302
1,235,515	1,124,583	1,021,930	937,379
730,212	699,422	669,941	653,328
223,746	202,796	190,925	150,522
2,189,473	2,026,801	1,882,796	1,741,229
3,100,352	441,363	845,503	3,771,883
(2,896,567)	(2,791,011)	(2,684,049)	(2,551,737)
(24,053)	(24,220)	(23,444)	(20,499)
(172,668)	(139,929)	(130,384)	(99,532)
2,196,537	(486,996)	(109,578)	2,841,344
<u>\$ 27,138,609</u>	<u>\$ 24,942,072</u>	<u>\$ 25,429,068</u>	<u>\$ 25,538,646</u>
<u>\$ 22,885,391</u>	<u>\$ 22,357,928</u>	<u>\$ 20,489,643</u>	<u>\$ 15,896,354</u>
54.3%	52.7%	55.4%	61.6%
\$ 6,583,871	\$ 6,388,732	\$ 6,204,274	\$ 5,962,650
347.6%	350.0%	330.3%	266.6%

NOTES TO THE MTRS SCHEDULE

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.00% from 7.15%. This change resulted in an increase to the total pension liability of approximately \$1.011 billion.

Change in mortality

The following mortality assumption changes were made in the January 1, 2021 Actuarial Valuation:

- Pre-retirement mortality reflects SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement mortality reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- For disabled members, the mortality rate is assumed to be in accordance with the SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

These changes resulted in an decrease to the total pension liability of approximately \$ 427 million.

FY2020 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$559 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2020 Actuarial Valuation:

- Pre-retirement - was changed to Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
- Post-retirement - was changed to Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
- Disabled members - was changed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

These changes resulted in an increase to the total pension liability of approximately \$300 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

NOTES TO THE MTRS SCHEDULE

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$577 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$845 million.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2017 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Employees table projected generationally with Scale BB).
- Post-retirement - was changed to RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Healthy Annuitant table projected generationally with Scale BB).
- Disabled members - is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years and is unchanged from the prior valuation.

These changes resulted in an increase to the total pension liability of approximately \$1.176 billion.

FY2015 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$1.190 billion.

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA.
- Disabled members - was changed to be assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.890 billion.

NOTES TO THE MTRS SCHEDULE

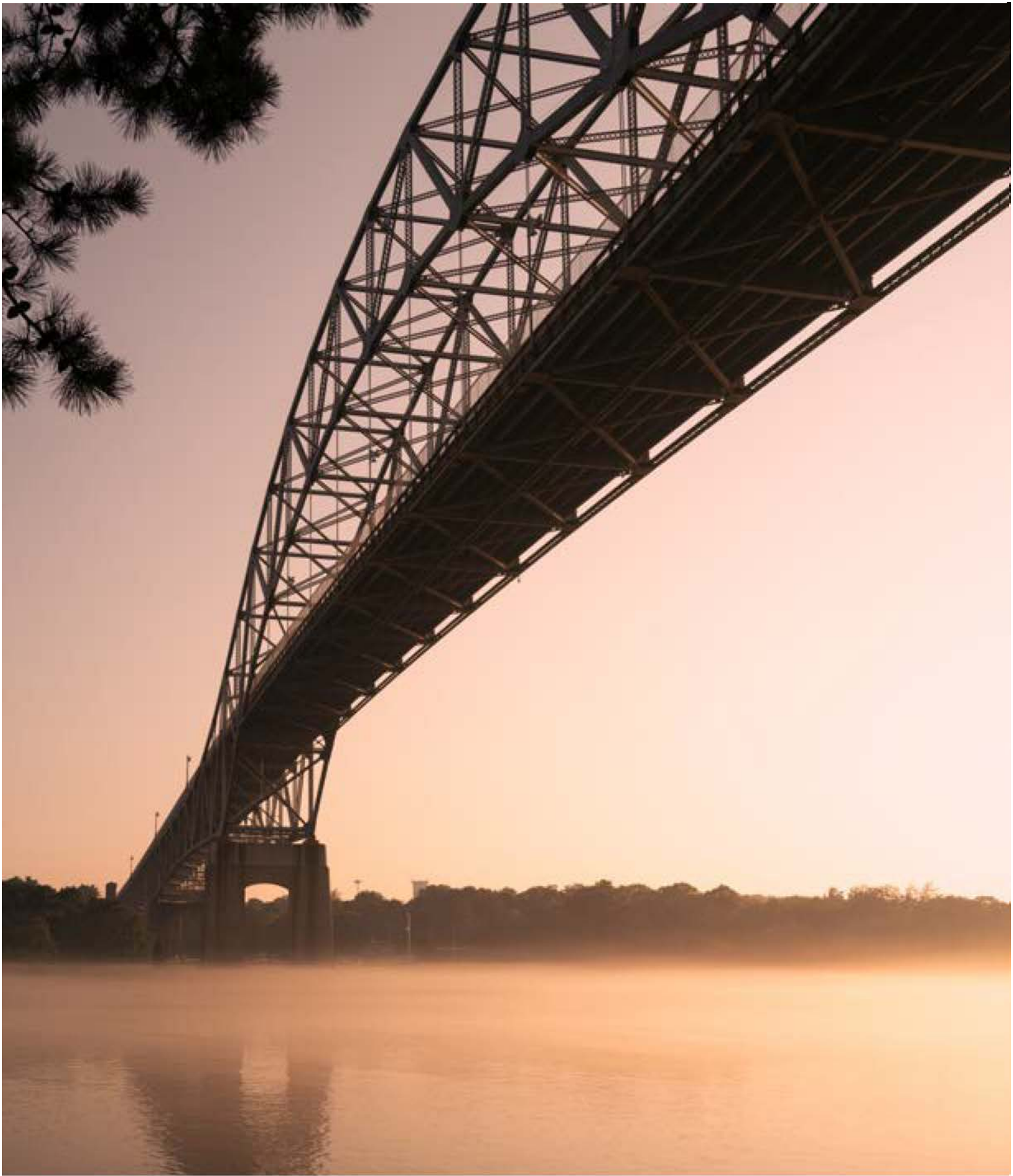
FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$108 million.

See Independent Auditors' Report



Schedule of Changes in the State Retirees' Benefit Trust (SRBT)
Net OPEB Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2022	2021	2020	2019	2018
Total OPEB liability, July 1	\$ 17,910,405	\$ 22,105,511	\$ 19,662,106	\$ 19,761,333	\$ 18,480,936
Service cost	774,039	992,669	785,689	806,023	792,135
Interest	510,542	521,143	732,808	796,880	691,630
Differences between expected and actual experience	(16,054)	(2,926,517)	(600,057)	715,192	218,891
Changes of assumptions	(3,328,161)	(2,297,649)	2,050,139	(1,935,139)	21,504
Benefit payments, including refunds of member contributions	(510,166)	(484,752)	(525,174)	(482,183)	(443,763)
Net change in total pension liability	(2,569,800)	(4,195,106)	2,443,405	(99,227)	1,280,397
Total OPEB liability, June 30 (a)	<u>\$ 15,340,605</u>	<u>\$ 17,910,405</u>	<u>\$ 22,105,511</u>	<u>\$ 19,662,106</u>	<u>\$ 19,761,333</u>
Plan fiduciary net position, July 1	\$ 1,910,940	\$ 1,414,312	\$ 1,368,548	\$ 1,187,569	\$ 996,407
Contributions:					
Employer	660,800	569,989	547,611	594,916	542,896
Other additions	175	200	122	188	133
Total contributions	660,975	570,189	547,733	595,104	543,029
Net investment income (loss)	(73,126)	411,438	23,380	68,229	93,308
Benefit payments, including refunds of plan member contributions	(510,166)	(484,752)	(525,174)	(482,183)	(443,763)
Administrative expenses	(240)	(247)	(175)	(171)	(150)
Other changes	—	—	—	—	(1,262)
Net change in plan fiduciary net position	77,443	496,628	45,764	180,979	191,162
Plan fiduciary net position, June 30 (b)	<u>\$ 1,988,383</u>	<u>\$ 1,910,940</u>	<u>\$ 1,414,312</u>	<u>\$ 1,368,548</u>	<u>\$ 1,187,569</u>
Plan net OPEB liability - June 30 (a) - (b)	<u>\$ 13,352,222</u>	<u>\$ 15,999,465</u>	<u>\$ 20,691,199</u>	<u>\$ 18,293,558</u>	<u>\$ 18,573,764</u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.0%	10.7%	6.4%	7.0%	6.0%
Covered payroll *	\$ 5,772,086	\$ 5,594,324	\$ 5,625,684	\$ 5,491,214	\$ 5,296,859
Net OPEB liability as a percentage of covered employee payroll	231.3%	286.0%	367.8%	333.1%	350.7%

* - Fiscal 2018 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

<u>2017</u>	
\$	19,821,600
	950,800
	591,900
	(48,600)
	(2,393,700)
	<u>(441,064)</u>
	(1,340,664)
\$	<u>18,480,936</u>

\$	866,043
	465,449
	<u>784</u>
	466,233
	105,822
	(441,064)
	(127)
	<u>(500)</u>
	130,364
\$	<u>996,407</u>

\$ 17,484,529

5.4%

\$ 5,259,298

332.4%

NOTES TO THE SRBT SCHEDULE

FY2022 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 2.77% to 4.30% (based on a blend of the Bond Buyer Index rate 3.54% and the expected rate of return on assets of 7.00%) as required by GASB Statement No.74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$3.601 billion.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY23 rates, including the discontinuation of the Fallon Direct and Select plans as of FY23. This change resulted in a decrease in the total OPEB liability of approximately \$139 million.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates during the past two fiscal years, along with industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in an increase in the total OPEB liability of approximately \$273 million.

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a increase in the total OPEB liability of approximately \$123 million.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 2.28% to 2.77% (based on a blend of the Bond Buyer Index rate 2.16%) as of the measurement date and the expected rate of return on assets of 7.00%) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$1.391 billion.

Change in mortality projection scale

Mortality projection scale was updated from MP-2016 to MP2020. This change resulted in a decrease in the total OPEB liability of approximately \$969 million.

Change in per capita claims costs

Per capita claims costs for the Medicare HMO plan (Tufts Medicare Preferred plan) was no longer age-graded. This change resulted in a decrease in the total OPEB liability of approximately \$18 million.

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates. This change resulted in a decrease in the total OPEB liability of approximately \$2.755 billion.

Change in healthcare trend rates

The healthcare trend rates were updated to reflects short-term expectations based on a review of the Commonwealth's historical trend rates during fiscal years 2020 and 2021, along with industry surveys, separately from non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$79 million.

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$172 million.

NOTES TO THE SRBT SCHEDULE

FY2020 Changes in Actuarial Assumptions

Change in discount rate

The discount rate was decreased to 2.28% (based on a blend of the Bond Buyer Index rate 2.21%) as of the measurement date and the expected rate of return on assets of 7.15%) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$4.272 billion.

Change in excise tax

The excise tax was removed. This resulted in a decrease in the total OPEB liability of approximately \$502 million.

Change in per capita claims costs

Per capita claims costs were updated based on changes in the underlying claims and benefit provisions. This change resulted in a decrease in the total OPEB liability of approximately \$1.749 billion.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2020_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax. The short-term assumptions were based on a review of the Commonwealth's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$706 million.

Change in salary scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS. This change resulted in a decrease in the total OPEB liability of approximately \$441 million.

Change in future retirees' plan participation rates

The proportion of future retirees cover a spouse was reduced from 80% to 60%, This resulted in a decrease in the total OPEB liability of approximately \$1.117 billion.

35% of employees currently opting out of active employee health coverage are assumed to enroll in retiree coverage. An 8% load was applied to the active liability to estimate the impact of its population. This resulted in an increase in the total OPEB liability of approximately \$531 million.

Change in medical plan election rates

Retirees and spouses (if covered) are assumed to be non-Medicare eligible prior to age 65 and Medicare eligible at age 65, unless their spouse is over age 65 and non-Medicare eligible. This resulted in an increase in the total OPEB liability of approximately \$350 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in a decrease to the total OPEB liability of approximately \$1.638 billion.

Change in trend on future costs

The healthcare trend rate decreased from 8.0% in FY2018 to 7.5% in FY2019, which impacts the high cost excise tax. This resulted in a decrease to the total OPEB liability of approximately \$1.067 billion.

NOTES TO THE SRBT SCHEDULE

Change in medical plan election rates

The pre age 65 medical plan election percentages were updated to better reflect plan experience and resulted in a decrease to the total OPEB liability of approximately \$90 million.

Change in future retirees' plan participation rates

Plan participation rate for future retirees was changed from 80% to 85% to better reflect recent plan experience and increased the OPEB liability approximately \$62 million.

Change in discount rate

The discount rate was decreased to 3.69% (based on a blend of the Bond Buyer Index rate (3.51%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$798 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is preformed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in an increase to the total OPEB liability of approximately \$937 million.

Change in trend on future costs

The healthcare trend rate decreased from 8.5% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax. This resulted in an increase to the total OPEB liability of approximately \$88 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members - would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year.

This change resulted in a decrease to the total OPEB liability of approximately \$2 million.

Change in discount rate

The discount rate was increased to 3.95% (based on a blend of the Bond Buyer Index rate (3.87%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$1.001 billion.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased to 3.63% (based on a blend of the Bond Buyer Index rate (3.58%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$2.394 billion.

See Independent Auditors' Report

Schedule of Investment Returns

	Fiscal Year Ending June 30								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS	(3.65)%	29.35 %	2.01 %	5.63 %	9.58 %	12.74 %	1.79 %	3.40 %	17.13 %
Annual money-weighted rate of return, net of investment expense - MTRS	(3.69)%	29.35 %	2.00 %	5.62 %	9.58 %	12.75 %	1.78 %	3.40 %	17.12 %
Annual money-weighted rate of return, net of investment expense - SRBT	(3.85)%	29.40 %	1.75 %	5.87 %	9.46 %	12.90 %	(1)	(1)	(1)

(1) - GASB 74 implemented in FY2017.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report

Schedule of Proportionate Share of the Net Pension Liability and Contributions
State Employees' Retirement System

Last 10 Years

(amounts in thousands)

Proportionate Share of the Net Pension Liability	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)
Proportion of the net pension liability.....	94.2%	94.3%	94.7%	94.6%	94.5%
Proportionate share of the net pension liability.....	\$ 9,834,175	\$ 16,180,809	\$ 13,856,209	\$ 12,520,028	\$ 12,122,363
Plan net position as a percentage of the total pension liability	71.0%	62.5%	66.3%	67.9%	67.2%
Covered payroll.....	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Net pension liability as a percentage of covered payroll	171.5%	280.0%	245.6%	230.1%	224.6%

Contributions	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 1,367,584	\$ 1,147,801	\$ 1,042,209	\$ 956,904	\$ 876,174	\$ 744,721
Contributions in relation to the statutorily required contribution.....	1,367,584	1,147,801	1,042,209	956,904	876,174	744,721
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 5,921,315	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Contributions as a percentage of covered payroll	23.1%	20.0%	18.0%	17.0%	16.1%	13.8%

The State Employees' Retirement System (SERS) is included in the ACFR as a pension trust fund in the fiduciary fund type. SERS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
94.3%	93.8%	93.9%
\$ 12,996,818	\$ 10,682,765	\$ 6,972,443
63.5%	67.9%	76.3%
\$ 5,249,985	\$ 5,136,405	\$ 4,975,346
247.6%	208.0%	140.1%

2016	2015	2014
\$ 682,648	\$ 619,971	\$ 571,776
682,648	619,971	571,776
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

\$ 5,249,985	\$ 5,136,405	\$ 4,975,346
13.0%	12.1%	11.5%

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Massachusetts Teachers' Retirement System

Last 10 Years

(amounts in thousands)

Proportionate Share of the Net Pension Liability	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)
Proportion of the net pension liability	100.0%	100.0%	100.0%	100.0%	100.0%
Proportionate share of the net pension liability	\$ 22,706,876	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391
Plan net position as a percentage of the total pension liability	62.0%	50.7%	53.9%	54.8%	54.3%

Contributions	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 2,104,604	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515
Contributions in relation to the statutorily required contribution	2,104,604	1,748,483	1,553,433	1,443,710	1,314,783	1,235,515
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Massachusetts Teachers' Retirement System (MTRS) is included in the ACFR as a pension trust fund in the fiduciary fund type. MTRS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
100.0%	100.0%	100.0%
\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
52.7%	55.4%	61.6%
<hr/>		
2016	2015	2014
\$ 1,124,583	\$ 1,021,930	\$ 937,379
1,124,583	1,021,930	937,379
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Boston Retirement System - Teachers

Last 10 Years

(amounts in thousands)

Proportionate Share of the Net Pension Liability	2022 (measurement date December 31, 2021)	2021 (measurement date December 31, 2020)	2020 (measurement date December 31, 2019)	2019 (measurement date December 31, 2018)	2018 (measurement date December 31, 2017)	2017 (measurement date December 31, 2016)
Proportion of the net pension liability	65.5%	60.8%	56.5%	55.6%	60.5%	55.9%
Proportionate share of the net pension liability	\$ 2,265,594	\$ 2,416,125	\$ 2,572,923	\$ 2,551,190	\$ 2,433,199	\$ 2,325,286
Plan net position as a percentage of the total pension liability	73.3%	67.6%	61.9%	58.3%	62.7%	58.4%
Fiscal Year Ending December 31						
Contributions	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 179,369	\$ 162,976	\$ 157,041	\$ 143,146	\$ 131,298	\$ 132,477
Contributions in relation to the statutorily required contribution	179,369	162,976	157,041	143,146	131,298	132,477
Annual contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The Boston Retirement System (BRS) is included in the City of Boston's ACFR. The Boston Teachers' portion of the BRS total pension liability is reported in the Commonwealth's ACFR as a part of the total net pension liability.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2016 (measurement date December 31, 2015)		2015 (measurement date December 31, 2014)	
54.5%		53.7%	
\$	2,402,267	\$	2,066,546
55.8%		59.6%	
2015			2014
2015			2013
\$	120,434	\$	109,485
\$	99,532		
120,434	109,485	99,532	
\$	—	\$	—
\$	—	\$	—

NOTES TO THE SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

SERS and MTRS:

In accordance with Chapter 32 of the Massachusetts General Laws (MGL), the Commonwealth's statutorily determined contributions to SERS and MTRS are based on a three-year funding schedule adopted by the legislature based upon the previous year's actuarial valuation. The most recent funding schedule was adopted in January 2020 (for fiscal years 2021 through 2023) based upon the January 1, 2019 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2022 was determined as part of the January 1, 2022 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.00% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year (on the first \$13,000 of an allowance).
3. Salary increases are based on analyses of past experience but range from 4.00% to 9.0% depending on group and length of service.
4. The assumptions do not include post-retirement benefit increases, which are taken into account when granted under amendments to General Laws.
5. The actuarial value of assets was determined using various techniques that smooth the effects of short-term volatility in the market value of investments, with a phased-in approach. Under this approach, 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior, etc., so that 100% of gains and losses occurring five years prior are recognized. The actuarial value of assets is within 10% of the market value of asset. The actuarial value of assets as of January 1, 2022 is 90% of the market value.
6. Normal costs are amortized using level percentage of payroll.
7. The remaining amortization period for the unfunded pension liability at January 1, 2022 was 14 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2020. The funding requirements are established for the employers' fiscal year ended June 30, 2021 and later years and are analyzed based on the preceding two years' experience. The following actuarial methods and assumptions were used to determine the required contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Prior year's contribution increased by 8.85% for Boston Teachers
Remaining amortization period	16 years remaining as of January 1, 2020 for Boston Teachers
Asset valuation method	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Inflation	3.25%
Salary increases	Based on years of service, ranging from 7.50% at zero years of service decreasing to 4.00% after 20 years of services for Boston Teachers
Investment rate of return	7.00% for Boston Teachers

See Independent Auditors' Report

Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts

Last 10 Years
(amounts in thousands)

Contributions	Fiscal Year Ending June 30					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 637,189	\$ 546,664	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	637,189	546,664	526,494	572,434	520,703	419,932
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll*.....	\$ 5,772,086	\$ 5,594,324	\$ 5,625,684	\$ 5,491,214	\$ 5,296,859	\$ 5,259,298
Contributions as a percentage of covered payroll.....	11.0%	9.8%	9.4%	10.4%	9.8%	8.0%

* - Fiscal 2017 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable. Fiscal years prior to fiscal 2017 have not been restated and include such employees under funded payroll.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report



Other Supplementary Information

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Combined General Fund

Combining Balance Sheet – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Other Governmental Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds

Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds

Combining Statement of Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds – Pension and OPEB Trust Funds

Combining Statement of Changes in Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds – Pension and OPEB Trust Funds

Combining Statement of Fiduciary Net Position Held in Trust for Pool Participants – External Investment Trust Funds

Combining Statement of Changes in Fiduciary Net Position Held in Trust for Pool Participants – External Investment Trust Funds

Combining Statement of Fiduciary Net Position - Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

Combining Statement of Net Position – Nonmajor Discretely Presented Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely Presented Component Units

Combining Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

Combined General Fund
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	General Fund				Stabilization Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 30,530,500	\$ 30,530,500	\$ 36,972,843	\$ 6,442,343	\$ —	\$ —	\$ 260	\$ 260
Assessments	434,064	434,064	403,600	(30,464)	—	—	—	—
Federal grants and reimbursements	14,107,003	14,107,003	15,767,898	1,660,895	—	—	—	—
Tobacco settlement revenue	254,645	254,645	246,997	(7,648)	—	—	—	—
Departmental	3,255,690	3,255,690	3,633,702	378,012	—	—	—	—
Miscellaneous	435,492	435,492	383,903	(51,589)	14,768	14,768	(354)	(15,122)
Total revenues	49,017,394	49,017,394	57,408,943	8,391,549	14,768	14,768	(94)	(14,862)
Other financing sources:								
Fringe benefit cost recovery	495,629	495,629	613,577	117,948	—	—	—	—
Lottery reimbursements	114,526	114,526	122,189	7,663	—	—	—	—
Lottery distributions	1,124,183	1,124,183	1,079,306	(44,877)	—	—	—	—
Operating transfers in	209,512	209,512	267,486	57,974	—	—	—	—
Stabilization transfer	—	—	—	—	1,168,562	1,168,562	2,311,539	1,142,977
Transfer for transitional escrow	—	—	—	—	—	—	—	—
Total other financing sources	1,943,850	1,943,850	2,082,558	138,708	1,168,562	1,168,562	2,311,539	1,142,977
Total revenues and other financing sources	50,961,244	50,961,244	59,491,501	8,530,257	1,183,330	1,183,330	2,311,445	1,128,115
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	127,247	127,212	76,093	51,119	—	—	—	—
Judiciary	1,135,688	1,135,124	1,090,380	44,744	—	—	—	—
Inspector General	6,902	6,902	6,387	515	—	—	—	—
Governor and Lieutenant Governor	8,659	9,861	7,811	2,050	—	—	—	—
Secretary of the Commonwealth	46,624	52,266	49,992	2,274	—	—	—	—
Treasurer and Receiver-General	2,394,942	291,295	216,090	75,205	—	—	—	—
Auditor of the Commonwealth	21,621	21,541	21,366	175	—	—	—	—
Attorney General	61,173	61,857	58,542	3,315	—	—	—	—
Ethics Commission	2,686	2,753	2,691	62	—	—	—	—
District Attorney	152,381	151,972	150,329	1,643	—	—	—	—
Office of Campaign & Political Finance	1,874	1,874	1,786	88	—	—	—	—
Sheriff's Departments	655,757	737,490	662,825	74,665	—	—	—	—
Disabled Persons Protection Commission	10,330	10,831	8,660	2,171	—	—	—	—
Commission on the Status of Women	487	987	501	486	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—	—
Board of Library Commissioners	36,532	36,532	36,366	166	—	—	—	—
Comptroller	9,645	9,781	9,731	50	—	—	—	—
Administration and finance	3,783,267	3,520,187	2,484,376	1,035,811	—	—	—	—
Energy and environmental affairs	319,867	329,573	311,331	18,242	—	—	—	—
Health and human services	7,539,608	8,394,530	7,933,404	461,126	—	—	—	—
Executive Office of Technology Services and Security	51,641	53,604	51,668	1,936	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Office of the Child Advocate	4,270	3,995	2,930	1,065	—	—	—	—
Commission Against Discrimination	8,430	8,430	6,870	1,560	—	—	—	—
Executive Office of Education	3,290,091	3,361,013	3,213,798	147,215	—	—	—	—
Center for Health Information and Analysis	31,432	31,202	31,179	23	—	—	—	—
Public safety and homeland security	1,336,760	1,344,061	1,179,630	164,431	—	—	—	—
Massachusetts Peace Officer Standards and Training	4,727	1,740	1,740	—	—	—	—	—
Housing and economic development	823,657	879,725	755,686	124,039	—	—	—	—
Labor and workforce development	125,049	129,666	106,971	22,695	—	—	—	—
Direct local aid	6,643,501	6,643,893	6,641,961	1,932	—	—	—	—
Medicaid	18,986,703	19,847,962	19,845,596	2,366	—	—	—	—
Post employment benefits	—	4,421,469	4,421,423	46	—	—	—	—
Debt service:								
Principal retirement	—	630,373	617,464	12,909	—	—	—	—
Interest and fiscal charges	—	612,054	599,520	12,534	—	—	—	—
Total expenditures	47,621,551	52,871,775	50,605,097	2,266,678	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	7,786	(7,786)	—	—	—	—
Operating transfers out	—	811,405	823,601	(12,196)	—	—	—	—
Medical assistance transfer	503,295	751,458	751,458	—	—	—	—	—
Stabilization transfer	—	2,272,593	2,272,593	—	—	—	—	—
Transfer for transitional escrow	—	—	4,578,822	(4,578,822)	—	—	—	—
Other fund deficit support	—	—	7,978	(7,978)	—	—	—	—
Total other financing uses	503,295	3,835,456	8,442,238	(4,606,782)	—	—	—	—
Total expenditures and other financing uses	48,124,846	56,707,231	59,047,335	(2,340,104)	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 2,836,398	\$ (5,745,987)	444,166	\$ 6,190,153	\$ 1,183,330	\$ 1,183,330	2,311,445	\$ 1,128,115
Fund balances/(deficits) at beginning of year	—	—	1,057,174	—	—	—	4,626,419	—
Fund balances/(deficits) at end of year	—	—	<u>\$ 1,501,340</u>	—	—	—	<u>\$ 6,937,864</u>	—

See Independent Auditors' Report

Intragovernmental Services Fund				Transitional Escrow Fund				Total General Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30,530,500	\$ 30,530,500	\$ 36,973,103	\$ 6,442,603
—	—	—	—	—	—	—	—	434,064	434,064	403,600	(30,464)
—	—	—	—	—	—	—	—	14,107,003	14,107,003	15,767,898	1,660,895
—	—	—	—	—	—	—	—	254,645	254,645	246,997	(7,648)
—	—	496,334	496,334	—	—	—	—	3,255,690	3,255,690	4,130,036	874,346
—	—	—	—	—	—	—	—	450,260	450,260	383,549	(66,711)
—	—	496,334	496,334	—	—	—	—	49,032,162	49,032,162	57,905,183	8,873,021
—	—	—	—	—	—	—	—	495,629	495,629	613,577	117,948
—	—	—	—	—	—	—	—	114,526	114,526	122,189	7,663
—	—	—	—	—	—	—	—	1,124,183	1,124,183	1,079,306	(44,877)
—	—	—	—	—	—	—	—	209,512	209,512	267,486	57,974
—	—	—	—	—	—	—	—	1,168,562	1,168,562	2,311,539	1,142,977
—	—	—	—	—	—	4,812,071	4,812,071	—	—	4,812,071	4,812,071
—	—	—	—	—	—	4,812,071	4,812,071	3,112,412	3,112,412	9,206,168	6,093,756
—	—	496,334	496,334	—	—	4,812,071	4,812,071	52,144,574	52,144,574	67,111,351	14,966,777
—	—	—	—	—	150	—	150	127,247	127,362	76,093	51,269
—	—	—	—	—	10,000	415	9,585	1,135,688	1,145,124	1,090,795	54,329
—	—	—	—	—	—	—	—	6,902	6,902	6,387	515
—	—	—	—	—	—	—	—	8,659	9,861	7,811	2,050
16	16	—	16	—	—	—	—	46,640	52,282	49,992	2,290
—	—	—	—	—	5,572	5,569	3	2,394,942	296,867	221,659	75,208
—	—	—	—	—	—	—	—	21,621	21,541	21,366	175
—	5	4	1	—	—	—	—	61,173	61,862	58,546	3,316
—	—	—	—	—	—	—	—	2,686	2,753	2,691	62
—	—	—	—	—	—	—	—	152,381	151,972	150,329	1,643
—	—	—	—	—	—	—	—	1,874	1,874	1,786	88
—	—	—	—	—	—	—	—	655,757	737,490	662,825	74,665
—	—	—	—	—	—	—	—	10,330	10,831	8,660	2,171
—	—	—	—	—	—	—	—	487	987	501	486
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	36,532	36,532	36,366	166
56,901	56,966	15,726	41,240	—	—	—	—	66,546	66,747	25,457	41,290
196,785	196,818	143,174	53,644	—	826,526	34,812	791,714	3,980,052	4,543,531	2,662,362	1,881,169
3,150	3,226	2,890	336	—	156,742	99,023	57,719	323,017	489,541	413,244	76,297
157,715	159,086	122,561	36,525	—	170,108	150,028	20,080	7,697,323	8,723,724	8,205,993	517,731
156,041	156,041	108,439	47,602	—	—	—	—	207,682	209,645	160,107	49,538
—	—	—	—	—	3,724	1,970	1,754	—	3,724	1,970	1,754
—	—	—	—	—	—	—	—	4,270	3,995	2,930	1,065
—	—	—	—	—	—	—	—	8,430	8,430	6,870	1,560
1,860	1,860	65	1,795	—	74,600	6,349	68,251	3,291,951	3,437,473	3,220,212	217,261
—	—	—	—	—	—	—	—	31,432	31,202	31,179	23
77,718	77,718	53,877	23,841	—	2,440	1,599	841	1,414,478	1,424,219	1,235,106	189,113
—	—	—	—	—	—	—	—	4,727	1,740	1,740	—
7,684	7,684	1,957	5,727	—	113,937	59,878	54,059	831,341	1,001,346	817,521	183,825
—	—	—	—	—	14,030	469	13,561	125,049	143,696	107,440	36,256
—	—	—	—	—	—	—	—	6,643,501	6,643,893	6,641,961	1,932
—	—	—	—	—	—	—	—	18,986,703	19,847,962	19,845,596	2,366
—	—	—	—	—	—	—	—	—	4,421,469	4,421,423	46
36,988	36,988	36,988	—	—	—	—	—	36,988	667,361	654,452	12,909
—	—	—	—	—	—	—	—	—	612,054	599,520	12,534
694,858	696,408	485,681	210,727	—	1,377,829	360,112	1,017,717	48,316,409	54,946,012	51,450,890	3,495,122
—	—	—	—	—	—	148	(148)	—	—	7,934	(7,934)
—	6,020	6,020	—	—	257,650	257,650	—	—	1,075,075	1,087,271	(12,196)
—	—	—	—	—	—	—	—	503,295	751,458	751,458	—
—	—	—	—	—	—	—	—	—	2,272,593	2,272,593	—
—	—	—	—	—	—	—	—	—	—	4,578,822	(4,578,822)
—	—	—	—	—	—	—	—	—	—	7,978	(7,978)
—	6,020	6,020	—	—	257,650	257,798	(148)	503,295	4,099,126	8,706,056	(4,606,930)
694,858	702,428	491,701	210,727	—	1,635,479	617,910	1,017,569	48,819,704	59,045,138	60,156,946	(1,111,808)
<u>\$ (694,858)</u>	<u>\$ (702,428)</u>	<u>4,633</u>	<u>\$ 707,061</u>	<u>\$ —</u>	<u>\$ (1,635,479)</u>	<u>4,194,161</u>	<u>\$ 5,829,640</u>	<u>\$ 3,324,870</u>	<u>\$ (6,900,564)</u>	<u>6,954,405</u>	<u>\$ 13,854,969</u>
		<u>13,348</u>				<u>1,460,324</u>				<u>7,157,265</u>	
		<u>\$ 17,981</u>				<u>\$ 5,654,485</u>				<u>\$ 14,111,670</u>	

Combining Balance Sheet
Other Governmental Funds
June 30, 2022
(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	Gaming Control	Gaming Revenue
ASSETS						
Cash and cash equivalents	\$ 112,565	\$ 1,080,425	\$ 20,551	\$ 350,000	\$ 3,639	\$ —
Restricted cash with fiscal agent	16,657	—	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	60,802	6,158	78	—	—	3
Due from federal government	—	12,396	900	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivables	6,823	34,493	187	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	\$ 196,847	\$ 1,133,472	\$ 21,716	\$ 350,000	\$ 3,639	\$ 3
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 607	\$ 73,297	\$ 2,051	\$ —	\$ 1,903	\$ —
Accrued payroll	—	157	424	—	303	—
Tax refunds and abatements payable	104	—	—	—	—	—
Due to other funds	—	—	—	—	—	—
Due to component units	122,616	12,996	—	—	—	—
Unearned revenue	—	—	—	—	—	—
Other accrued liabilities	—	13,137	—	—	—	—
Total liabilities	123,327	99,587	2,475	—	2,206	—
Deferred inflows of resources	—	47,519	—	—	—	—
Total liabilities and deferred inflows of resources	123,327	147,106	2,475	—	2,206	—
Fund balances:						
Restricted	16,657	—	—	—	—	—
Committed	56,863	986,366	19,241	350,000	1,433	3
Assigned	—	—	—	—	—	—
Unassigned (deficits)	—	—	—	—	—	—
Fund balances (deficits)	73,520	986,366	19,241	350,000	1,433	3
Total liabilities and fund balances	\$ 196,847	\$ 1,133,472	\$ 21,716	\$ 350,000	\$ 3,639	\$ 3

See Independent Auditors' Report

Special Revenue								
MBTA State & Local Contribution	Community Preservation Trust	Debt and Long- Term Liability Reduction Trust	Vaccine Purchase Trust	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Department of Industrial Accidents
\$ 122,942	\$ 77,974	\$ 66,460	\$ 113,622	\$ 268,991	\$ 6,996	\$ 187,239	\$ 78,308	\$ 10,288
—	—	—	—	—	—	—	—	—
58,389	1,841	—	—	—	—	—	5,514	—
—	—	—	—	—	8,314	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	103	—	—	23,989
—	—	—	—	—	—	—	—	—
\$ 181,331	\$ 79,815	\$ 66,460	\$ 113,622	\$ 268,991	\$ 15,413	\$ 187,239	\$ 83,822	\$ 34,277
\$ —	\$ 88,477	\$ —	\$ 28,764	\$ 17,811	\$ 7,336	\$ 2,523	\$ 15,775	\$ 124
—	—	—	2	347	161	60	1	—
585	—	—	—	—	—	—	155	—
—	—	—	—	—	—	—	—	—
180,746	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
181,331	88,477	—	28,766	18,158	7,497	2,583	15,931	124
—	—	—	—	—	—	—	—	—
181,331	88,477	—	28,766	18,158	7,497	2,583	15,931	124
—	—	—	—	—	—	—	—	—
—	—	66,460	84,856	250,833	7,916	184,656	67,891	34,153
—	—	—	—	—	—	—	—	—
—	(8,662)	—	—	—	—	—	—	—
—	(8,662)	66,460	84,856	250,833	7,916	184,656	67,891	34,153
\$ 181,331	\$ 79,815	\$ 66,460	\$ 113,622	\$ 268,991	\$ 15,413	\$ 187,239	\$ 83,822	\$ 34,277

continued

Combining Balance Sheet
Other Governmental Funds
June 30, 2022
(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Special Contribution Unemployment Compensation Trust	Expendable Trust	Other	Debt Service
ASSETS						
Cash and cash equivalents	\$ 65,638	\$ 7,365	\$ 67,499	\$ 713,728	\$ 674,007	\$ 16,276
Restricted cash with fiscal agent	224,447	62,416	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	9,907	—	—	—	7,242	—
Due from federal government	—	73,159	—	316	14,085	6,538
Loans receivable	—	—	—	—	11,551	—
Other receivables	—	—	29,310	44,438	338,135	—
Due from other funds	—	—	—	—	—	—
Total assets	\$ 299,992	\$ 142,940	\$ 96,809	\$ 758,482	\$1,045,020	\$ 22,814
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ —	\$ —	\$ —	\$ 57,408	\$ 25,219	\$ —
Accrued payroll	—	—	—	1,284	1,652	—
Tax refunds and abatements payable	—	—	—	—	—	—
Due to other funds	—	73,159	—	—	64,550	—
Due to component units	—	—	—	—	10,000	—
Unearned revenue	—	—	—	1,802	157,418	—
Other accrued liabilities	—	—	—	—	—	—
Total liabilities	—	73,159	—	60,494	258,839	—
Deferred inflows of resources	—	—	—	—	284,739	—
Total liabilities and deferred inflows of resources	—	73,159	—	60,494	543,578	—
Fund balances:						
Restricted	—	—	96,809	200,934	—	22,814
Committed	299,992	69,781	—	350,137	573,021	—
Assigned	—	—	—	146,917	28,229	—
Unassigned (deficits)	—	—	—	—	(99,808)	—
Fund balances (deficits)	299,992	69,781	96,809	697,988	501,442	22,814
Total liabilities and fund balances	\$ 299,992	\$ 142,940	\$ 96,809	\$ 758,482	\$1,045,020	\$ 22,814

See Independent Auditors' Report

Capital Projects					
General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ 8,393	—	\$ —	\$ —	\$ 4,052,905
—	—	—	—	—	303,519
—	—	—	—	—	149,934
32,115	—	—	—	—	147,823
—	—	—	—	—	11,551
—	—	—	—	—	477,478
—	—	—	73,159	—	73,159
\$ 32,115	\$ 8,393	\$ —	\$ 73,159	\$ —	\$ 5,216,369
\$ 434,846	\$ —	\$ —	\$ —	\$ —	\$ 756,138
2,409	—	—	—	—	6,800
—	—	—	—	—	844
799,728	—	696,192	8,375	500	1,642,505
62	—	331,560	81,280	—	739,260
—	—	—	—	—	159,220
—	—	—	—	—	13,137
1,237,045	—	1,027,752	89,655	500	3,317,904
—	—	—	—	—	332,258
1,237,045	—	1,027,752	89,655	500	3,650,162
—	8,393	—	—	—	345,607
—	—	—	—	—	3,403,602
—	—	—	—	—	175,146
(1,204,930)	—	(1,027,752)	(16,496)	(500)	(2,358,148)
(1,204,930)	8,393	(1,027,752)	(16,496)	(500)	1,566,207
\$ 32,115	\$ 8,393	\$ —	\$ 73,159	\$ —	\$ 5,216,369

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	Gaming Control	Gaming Revenue
REVENUES						
Taxes	\$ 1,454,196	\$ 122,733	\$ 927	\$ —	\$ —	\$ 300,060
Assessments	26,276	626,620	—	—	—	—
Federal grants and reimbursements	—	368,340	10,526	—	—	—
Departmental	634,197	285,685	40,528	—	31,938	—
Miscellaneous	239	365	43	—	1	—
Total revenues	2,114,908	1,403,743	52,024	—	31,939	300,060
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—
Transfers in	68,148	988,862	1,404	350,000	—	—
Total other financing sources	68,148	988,862	1,404	350,000	—	—
Total revenues and other financing sources	2,183,056	2,392,605	53,428	350,000	31,939	300,060
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	51	—
Attorney General	—	—	2	—	1,648	—
District Attorney	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	—
Massachusetts Gaming Commission	—	5,951	—	—	25,015	—
Comptroller	—	—	—	—	—	—
Administration and Finance	125,000	2,849	11,855	—	—	—
Energy and Environmental Affairs	—	—	15,720	—	—	—
Health and Human Services	—	21,519	—	—	—	—
Executive Office of Technology Services	—	—	—	—	—	—
Massachusetts Department of Transportation	844,056	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health and Information Analysis	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	20	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce development	—	—	—	—	—	—
Medicaid	—	1,919,371	—	—	—	—
Post employment benefits	11,953	—	—	—	—	—
Direct local aid	—	—	—	—	—	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—
Total expenditures	981,009	1,949,690	27,577	—	26,734	—
OTHER FINANCING USES						
Transfers out	31,160	64,795	25,527	—	5,742	300,057
Transfers of appropriations	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	1,168,711	—	—	—	—	—
Total other financing uses	1,199,871	64,795	25,527	—	5,742	300,057
Total expenditures and other financing uses	2,180,880	2,014,485	53,104	—	32,476	300,057
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	2,176	378,120	324	350,000	(537)	3
Fund balances/(deficits) at beginning of year, as restated	71,344	608,246	18,917	—	1,970	—
Fund balances/(deficits) at end of year	\$ 73,520	\$ 986,366	\$ 19,241	\$ 350,000	\$ 1,433	\$ 3

See Independent Auditors' Report

Special Revenue								
MBTA State & Local Contribution	Community Preservation Trust	Debt and Long-Term Liability Reduction Trust	Vaccine Purchase Trust	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Department of Industrial Accidents
\$ 1,353,004	\$ 70,038	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,562	\$ —
179,284	—	—	131,002	—	—	—	—	24,969
—	—	—	—	—	39,628	—	—	—
—	—	—	—	162,803	607	123,622	—	5,517
—	18	—	—	321	—	—	—	9
1,532,288	70,056	—	131,002	163,124	40,235	123,622	22,562	30,495
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	30,000	24,307	4,365	—	14,178	—	—	—
—	30,000	24,307	4,365	—	14,178	—	—	—
1,532,288	100,056	24,307	135,367	163,124	54,413	123,622	22,562	30,495
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,532,288	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	6,792	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	97,191	—	—	—	—	2	—	—
—	—	—	—	89	—	26,492	—	—
—	—	—	95,816	49	—	—	—	—
—	—	—	—	5,205	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	113,811	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	19,957	1,172
—	—	—	—	—	51,915	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,532,288	97,191	—	95,816	125,946	51,915	26,494	19,957	1,172
—	—	—	2	8,122	—	—	3	23,479
—	—	—	72	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	74	8,122	—	—	3	23,479
1,532,288	97,191	—	95,890	134,068	51,915	26,494	19,960	24,651
—	2,865	24,307	39,477	29,056	2,498	97,128	2,602	5,844
—	(11,527)	42,153	45,379	221,777	5,418	87,528	65,289	28,309
\$ —	\$ (8,662)	\$ 66,460	\$ 84,856	\$ 250,833	\$ 7,916	\$ 184,656	\$ 67,891	\$ 34,153

continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Special Contribution Unemployment Compensation Trust	Expendable Trust	Other	Debt Service
REVENUES						
Taxes	\$ 153,721	\$ —	\$ —	\$ —	\$ 199,889	\$ —
Assessments	—	—	96,809	67,655	29,185	—
Federal grants and reimbursements	—	628,414	—	9,292	1,310,035	38,190
Departmental	—	—	—	36,532	195,993	—
Miscellaneous	215	232	—	444,005	13,274	—
Total revenues	153,936	628,646	96,809	557,484	1,748,376	38,190
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	85,440
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	525,485
Transfers in for debt service	—	—	—	—	—	2,611,214
Transfers in	—	28,461	—	45,067	572,071	—
Total other financing sources	—	28,461	—	45,067	572,071	3,222,139
Total revenues and other financing sources	153,936	657,107	96,809	602,551	2,320,447	3,260,329
EXPENDITURES						
Current:						
Judiciary	—	—	—	286	—	—
Inspector General	—	—	—	15	—	—
Governor and Lieutenant Governor	—	—	—	—	55	—
Secretary of the Commonwealth	—	—	—	—	8,583	—
Treasurer and Receiver-General	—	—	—	172,409	5,739	863
Attorney General	—	—	—	4,418	285	—
District Attorney	—	—	—	5,952	142	—
Sheriff's Departments	—	—	—	3,124	806	—
Massachusetts Gaming Commission	—	—	—	—	25,066	—
Comptroller	—	—	—	468	1,527	—
Administration and Finance	—	—	—	65,419	802,612	—
Energy and Environmental Affairs	—	—	—	64,448	31,728	—
Health and Human Services	—	—	—	25,173	382,067	—
Executive Office of Technology Services	—	—	—	489	4,316	—
Massachusetts Department of Transportation	—	—	—	—	2,191	—
Cannabis Control Commission	—	—	—	—	13,816	—
Executive Office of Education	—	—	—	25,178	34,692	—
Center for Health and Information Analysis	—	—	—	14	—	—
Public Safety and Homeland Security	—	—	—	3,594	218,239	—
Housing and Economic Development	—	—	—	33,818	94,916	—
Labor and Workforce development	—	—	—	55,921	32,886	—
Medicaid	—	—	—	—	10,933	—
Post employment benefits	—	—	—	—	—	—
Direct local aid	—	—	—	—	100,816	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	2,638,616
Principal on current refundings	—	—	—	—	—	610,306
Total expenditures	—	—	—	460,726	1,771,415	3,249,785
OTHER FINANCING USES						
Transfers out	—	541,944	—	137,402	375,412	—
Transfers of appropriations	—	—	—	—	7,571	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	52,350	133,012	—	—	3,169	—
Total other financing uses	52,350	674,956	—	137,402	386,152	—
Total expenditures and other financing uses	52,350	674,956	—	598,128	2,157,567	3,249,785
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	101,586	(17,849)	96,809	4,423	162,880	10,544
Fund balances/(deficits) at beginning of year, as restated	198,406	87,630	—	693,565	338,562	12,270
Fund balances/(deficits) at end of year	\$ 299,992	\$ 69,781	\$ 96,809	\$ 697,988	\$ 501,442	\$ 22,814

See Independent Auditors' Report

Capital Projects					
General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,677,130
—	—	—	—	—	1,181,800
114,295	—	—	—	—	2,518,720
—	—	—	684	—	1,518,107
—	—	100	—	—	458,822
114,295	—	100	684	—	9,354,579
170,096	—	112,936	—	—	368,473
885,642	—	857,194	—	—	1,742,836
—	—	—	—	—	525,485
—	—	—	—	—	2,611,214
—	—	—	685,935	—	2,812,798
1,055,739	—	970,130	685,935	—	8,060,806
1,170,034	—	970,230	686,619	—	17,415,385
—	—	—	—	—	286
—	—	—	—	—	15
—	—	—	—	—	55
—	—	—	—	—	8,583
4,141	—	4,521	—	—	1,720,012
—	—	—	—	—	6,353
—	—	—	—	—	6,094
—	—	—	—	—	10,722
—	—	—	—	—	56,032
—	—	—	—	—	1,995
—	—	—	—	—	1,104,928
—	—	—	—	—	138,477
—	—	—	—	—	524,624
—	—	—	—	—	10,010
42,750	—	1,425,499	685,367	—	2,999,863
—	—	—	—	—	13,816
—	—	—	—	—	59,870
—	—	—	—	—	14
—	—	—	—	—	335,664
—	—	—	—	—	128,734
—	—	—	—	—	109,936
—	—	—	—	—	1,982,219
—	—	—	—	—	11,953
—	—	—	—	—	100,816
1,414,277	—	5,912	179	—	1,420,368
—	—	—	—	—	2,638,616
—	—	—	—	—	610,306
1,461,168	—	1,435,932	685,546	—	14,000,361
19,121	—	143,992	13,716	—	1,690,473
—	—	—	—	—	7,643
206,883	—	—	—	—	206,883
—	—	—	—	—	1,357,243
226,004	—	143,992	13,716	—	3,262,242
1,687,172	—	1,579,924	699,262	—	17,262,604
(517,138)	—	(609,694)	(12,643)	—	152,782
(687,792)	8,393	(418,058)	(3,853)	(500)	1,413,425
\$(1,204,930)	\$ 8,393	\$(1,027,752)	\$ (16,496)	\$ (500)	\$ 1,566,207

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Commonwealth Transportation Fund				Inland Fisheries and Game Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes.....	\$ 1,421,900	\$1,421,900	\$1,456,475	\$ 34,575	\$ 1,000	\$ 1,000	\$ 930	\$ (70)
Assessments.....	24,358	24,358	26,324	1,966	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	8,000	8,000	10,855	2,855
Departmental.....	658,191	658,191	634,160	(24,031)	8,113	8,113	8,597	484
Miscellaneous.....	—	—	239	239	62	62	43	(19)
Total revenues.....	2,104,449	2,104,449	2,117,198	12,749	17,175	17,175	20,425	3,250
Other financing sources:								
Operating transfers in.....	31,407	31,407	59,764	28,357	214	214	1,404	1,190
Other fund deficit support.....	—	—	8,384	8,384	—	—	—	—
Total other financing sources.....	31,407	31,407	68,148	36,741	214	214	1,404	1,190
Total revenues and other financing sources.....	2,135,856	2,135,856	2,185,346	49,490	17,389	17,389	21,829	4,440
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary.....	—	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	377,257	—	—	—	—	—	—	—
Attorney General.....	—	—	—	—	7	12	2	10
Sheriffs' Department.....	—	—	—	—	—	—	—	—
Administration and Finance.....	125,000	—	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	18,438	18,333	14,692	3,641
Health and Human services.....	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	127,145	239,103	127,145	111,958	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—	—
Public Safety and Homeland Security.....	—	—	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—	—
Direct local aid.....	—	—	—	—	—	—	—	—
Post employment benefits.....	—	11,953	11,953	—	—	—	—	—
Debt service:								
Principal retirement.....	—	642,524	607,332	35,192	—	—	—	—
Interest and fiscal charges.....	—	570,262	561,379	8,883	—	—	—	—
Total expenditures.....	629,402	1,463,842	1,307,809	156,033	18,445	18,345	14,694	3,651
Other financing uses:								
Fringe benefit cost assessment.....	—	—	—	—	—	—	3,464	(3,464)
Operating transfers out.....	508,315	764,475	764,475	—	—	—	—	—
Transfer for transitional escrow.....	—	—	—	—	—	—	—	—
Other fund deficit support.....	—	—	—	—	—	—	—	—
Total other financing uses.....	508,315	764,475	764,475	—	—	—	3,464	(3,464)
Total expenditures and other financing uses.....	1,137,717	2,228,317	2,072,284	156,033	18,445	18,345	18,158	187
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ 998,139</u>	<u>\$ (92,461)</u>	113,062	<u>\$ 205,523</u>	<u>\$ (1,056)</u>	<u>\$ (956)</u>	3,671	<u>\$ 4,627</u>
Fund balances at beginning of year.....			15,553				10,010	
Fund balances at end of year.....			<u>\$ 128,615</u>				<u>\$ 13,681</u>	

See Independent Auditors' Report

Annual Comprehensive Financial Report

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Local Capital Projects Fund				Gaming Local Aid Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—	—	—
Other financing sources:								
Operating transfers in	8,589	8,589	10,938	2,349	87,579	87,579	105,596	18,017
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	8,589	8,589	10,938	2,349	87,579	87,579	105,596	18,017
Total revenues and other financing sources	8,589	8,589	10,938	2,349	87,579	87,579	105,596	18,017
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	5,000	8,585	8,585	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	87,609	87,609	87,609	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	5,000	8,585	8,585	—	87,609	87,609	87,609	—
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	4,845	(4,845)	—	—	17,956	(17,956)
Other fund deficit support	—	—	8	(8)	—	—	31	(31)
Total other financing uses	—	—	4,853	(4,853)	—	—	17,987	(17,987)
Total expenditures and other financing uses	5,000	8,585	13,438	(4,853)	87,609	87,609	105,596	(17,987)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 3,589</u>	<u>\$ 4</u>	<u>(2,500)</u>	<u>\$ (2,504)</u>	<u>\$ (30)</u>	<u>\$ (30)</u>	<u>—</u>	<u>\$ 30</u>
Fund balances at beginning of year			2,500					
Fund balances at end of year			<u>\$ —</u>				<u>\$ —</u>	

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(continued)

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Marijuana Regulation Fund				Behavioral Health Outreach Access and Support Trust Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 124,700	\$ 124,700	\$ 156,669	\$ 31,969	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	17,497	17,497	27,213	9,716	—	—	—	—
Miscellaneous	2	2	1	(1)	—	—	—	—
Total revenues	142,199	142,199	183,883	41,684	—	—	—	—
Other financing sources:								
Operating transfers in	—	—	—	—	—	—	12,500	12,500
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	12,500	12,500
Total revenues and other financing sources	142,199	142,199	183,883	41,684	—	—	12,500	12,500
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	406	406	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	2,566	2,588	2,153	435	—	—	—	—
Health and Human services	—	92,282	76,342	15,940	27,499	27,499	5,033	22,466
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	15,718	15,718	13,816	1,902	—	—	—	—
Executive Office of Education	—	26,996	18,546	8,450	—	1,000	953	47
Public Safety and Homeland Security	—	4,330	4,267	63	—	—	—	—
Housing and Economic Development	—	32,932	28,924	4,008	—	—	—	—
Labor and Workforce Development	—	7,690	7,690	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	18,284	182,942	152,144	30,798	27,499	28,499	5,986	22,513
Other financing uses:								
Fringe benefit cost assessment	—	—	5,012	(5,012)	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	1,155	(1,155)	—	—	—	—
Other fund deficit support	—	—	2	(2)	—	—	—	—
Total other financing uses	—	—	6,169	(6,169)	—	—	—	—
Total expenditures and other financing uses	18,284	182,942	158,313	24,629	27,499	28,499	5,986	22,513
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 123,915</u>	<u>\$ (40,743)</u>	25,570	<u>\$ 66,313</u>	<u>\$ (27,499)</u>	<u>\$ (28,499)</u>	6,514	<u>\$ 35,013</u>
Fund balances at beginning of year			2,100				11,891	
Fund balances at end of year			<u>\$ 27,670</u>				<u>\$ 18,405</u>	

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Annual Comprehensive Financial Report

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,547,600	\$ 1,547,600	\$ 1,614,074	\$ 66,474
Assessments	24,358	24,358	26,324	1,966
Federal grants and reimbursements	8,000	8,000	10,855	2,855
Departmental	716,748	716,748	702,600	(14,148)
Miscellaneous	64	64	285	221
Total revenues	2,296,770	2,296,770	2,354,138	57,368
Other financing sources:				
Operating transfers in	172,644	172,644	839,975	667,331
Other fund deficit support	—	—	8,384	8,384
Total other financing sources	172,644	172,644	848,359	675,715
Total revenues and other financing sources	2,469,414	2,469,414	3,202,497	733,083
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	—	—	—	—
Treasurer and Receiver-General	377,257	—	—	—
Attorney General	7	12	2	10
Sheriffs' Department	—	406	406	—
Administration and Finance	140,487	65,578	11,856	53,722
Energy and Environmental Affairs	22,807	22,764	17,873	4,891
Health and Human services	27,499	119,781	81,375	38,406
Massachusetts Department of Transportation	127,145	239,103	127,145	111,958
Cannabis Control Commission	15,718	15,718	13,816	1,902
Executive Office of Education	—	45,779	36,860	8,919
Public Safety and Homeland Security	—	5,553	5,289	264
Housing and Economic Development	5,000	41,517	37,509	4,008
Labor and Workforce Development	—	16,884	11,188	5,696
Direct local aid	100,817	100,817	100,817	—
Post employment benefits	—	11,953	11,953	—
Debt service:				
Principal retirement	—	642,524	607,332	35,192
Interest and fiscal charges	—	570,262	561,379	8,883
Total expenditures	816,737	1,898,651	1,624,800	273,851
Other financing uses:				
Fringe benefit cost assessment	—	—	12,072	(12,072)
Operating transfers out	525,315	788,791	788,791	—
Transfer for transitional escrow	—	—	233,251	(233,251)
Other fund deficit support	—	—	405	(405)
Total other financing uses	525,315	788,791	1,034,519	(245,728)
Total expenditures and other financing uses	1,342,052	2,687,442	2,659,319	28,123
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 1,127,362	\$ (218,028)	543,178	\$ 761,206
Fund balances at beginning of year			49,925	
Fund balances at end of year			\$ 593,103	



Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2022
(Amounts in thousands)

	Commonwealth Transportation Fund	Inland Fisheries and Game Fund	Marine Recreational Fisheries Development Fund	Underground Storage Tank Petroleum Product Cleanup Fund
Total actual revenues - budgetary basis (pages 190-196)	\$ 2,117,198	\$ 20,425	\$ 1,906	\$ 30,000
Adjustments:				
Taxes receivable, net	(2,194)	(3)	—	—
Tax refunds and abatements payable, net	(85)	—	—	—
Federal grants receivables, net	—	(329)	—	—
Departmental and other receivables, net	(11)	25	—	—
Total actual revenues - GAAP basis (pages 186-189)	<u>\$ 2,114,908</u>	<u>\$ 20,118</u>	<u>\$ 1,906</u>	<u>\$ 30,000</u>
 Total actual other financing sources - budgetary basis (pages 190-196)	 \$ 68,148	 \$ 1,404	 \$ —	 \$ —
Adjustments:				
Miscellaneous adjustments	—	—	—	—
Total actual other financing sources - GAAP basis (pages 186-189)	<u>\$ 68,148</u>	<u>\$ 1,404</u>	<u>\$ —</u>	<u>\$ —</u>
 Total actual expenditures- budgetary basis (pages 190-196)	 \$ 1,307,809	 \$ 14,694	 \$ 1,028	 \$ 11,856
Adjustment:				
Due to component units accrual, net	108,596	—	—	—
Miscellaneous adjustments	—	—	—	(1)
Reclassification:				
Compensated absences	—	—	—	—
MassDOT transfers out is reclassified to expenditures	733,315	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,168,711)	—	—	—
Total actual expenditures - GAAP basis (pages 186-189)	<u>\$ 981,009</u>	<u>\$ 14,694</u>	<u>\$ 1,028</u>	<u>\$ 11,855</u>
 Total actual other financing uses - budgetary basis (pages 190-196)	 \$ 764,475	 \$ 3,464	 \$ 222	 \$ 21,840
Adjustment:				
Miscellaneous adjustments	—	—	—	1
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(733,315)	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,168,711	—	—	—
Total actual other financing uses - GAAP basis (pages 186-189)	<u>\$ 1,199,871</u>	<u>\$ 3,464</u>	<u>\$ 222</u>	<u>\$ 21,841</u>

* On a GAAP basis, the activities for the Public Safety Trust fund, the Local Capital Projects fund, the Gaming Local Aid fund, the Education Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund, the Behavioral Health Outreach, Access and Support Trust fund, the Broadband Innovation Fund, and the Behavioral Health Trust Fund are combined in the other special revenue funds in the combined statement of revenues, expenditures and changes in fund balance. The revenues, other financing sources, expenditures and other financing uses of the other special revenue funds are \$1,748,376; \$572,071; \$1,771,415 and \$386,152, respectively (all amounts in thousands).

See Independent Auditors' Report

Public Safety Trust Fund*	Local Capital Projects Fund*	Gaming Local Aid Fund*	Education Fund*	Gaming Economic Development Fund*	Marijuana Regulation Fund*	Behavioral Health Outreach, Access and Support Trust Fund*	Student Opportunity Act Investment Fund	Broadband Innovation Fund*	Behavioral Health Trust Fund*	Totals
\$ 724	\$ —	\$ —	\$ —	\$ 2	\$ 183,883	\$ —	\$ —	\$ —	\$ —	\$ 2,354,138
—	—	—	—	—	213	—	—	—	—	(1,984)
—	—	—	—	—	—	—	—	—	—	(85)
—	—	—	—	—	—	—	—	—	—	(329)
—	—	—	—	—	—	—	—	—	—	14
—	—	—	—	—	—	—	—	—	—	—
<u>\$ 724</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 184,096</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,351,754</u>
\$ —	\$ 10,938	\$ 105,596	\$ 34,031	\$ 23,092	\$ —	\$ 12,500	\$ 350,000	\$ 50,000	\$ 192,650	848,359
—	—	—	—	—	—	—	—	(50,000)	—	(50,000)
<u>\$ —</u>	<u>\$ 10,938</u>	<u>\$ 105,596</u>	<u>\$ 34,031</u>	<u>\$ 23,092</u>	<u>\$ —</u>	<u>\$ 12,500</u>	<u>\$ 350,000</u>	<u>\$ —</u>	<u>\$ 192,650</u>	<u>\$ 798,359</u>
\$ 1,022	\$ 8,585	\$ 87,609	\$ 20,351	\$ 13,716	\$ 152,144	\$ 5,986	\$ —	\$ —	\$ —	1,624,800
—	—	—	—	—	—	—	—	—	—	108,596
—	—	(1)	—	—	—	—	—	—	—	(2)
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	733,315
—	—	—	(7,143)	—	—	—	—	—	—	(7,143)
—	—	—	—	—	—	—	—	—	—	(1,168,711)
<u>\$ 1,022</u>	<u>\$ 8,585</u>	<u>\$ 87,608</u>	<u>\$ 13,208</u>	<u>\$ 13,716</u>	<u>\$ 152,144</u>	<u>\$ 5,986</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,290,855</u>
\$ 158	\$ 4,853	\$ 17,987	\$ 13,680	\$ 9,021	\$ 6,169	\$ —	\$ —	\$ —	\$ 192,650	1,034,519
—	—	—	—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	—	—	—	(733,315)
—	—	—	7,143	—	—	—	—	—	—	7,143
—	—	—	—	—	—	—	—	—	—	1,168,711
<u>\$ 158</u>	<u>\$ 4,853</u>	<u>\$ 17,987</u>	<u>\$ 20,823</u>	<u>\$ 9,021</u>	<u>\$ 6,169</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 192,650</u>	<u>\$ 1,477,059</u>

Combining Statement of Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds

Pension and OPEB Trust Funds

June 30, 2022

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ASSETS				
Cash and cash equivalents	\$ 168,024	\$ 171,271	\$ 151,542	\$ 490,837
Net investment in PRIT at fair value	33,874,443	35,120,964	1,836,867	70,832,274
Other receivables	118,699	99,846	—	218,545
Other assets	11	476	—	487
Total assets	34,161,177	35,392,557	1,988,409	71,542,143
LIABILITIES				
Accounts payable	30,051	7,695	26	37,772
Net position available for pension and post-employment benefits	\$ 34,131,126	\$ 35,384,862	\$ 1,988,383	\$ 71,504,371

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds

Pension and OPEB Trust Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth and MassDOT	\$ 1,310,596	\$ —	\$ 660,800	\$ 1,971,396
Non-employer contributions - Commonwealth	56,988	2,104,604	—	2,161,592
Employer and non-employer contributions - other	11,454	—	—	11,454
ERIP funding contribution - Commonwealth	28,449	—	—	28,449
Employee contributions	693,853	892,123	—	1,585,976
Boston teachers' contribution from Commonwealth	—	179,369	—	179,369
Other additions	138,957	97,389	175	236,521
Total contributions	2,240,297	3,273,485	660,975	6,174,757
Net investment gain/(loss):				
Investment gain/(loss)	(1,109,355)	(1,159,269)	(62,761)	(2,331,385)
Less: investment expense	(188,109)	(194,278)	(10,365)	(392,752)
Net Investment gain/(loss)	(1,297,464)	(1,353,547)	(73,126)	(2,724,137)
Total additions	942,833	1,919,938	587,849	3,450,620
DEDUCTIONS				
Administration	14,461	19,196	240	33,897
Retirement benefits and refunds	2,801,900	3,365,783	510,166	6,677,849
Payments to State Boston Retirement System	—	179,369	—	179,369
Other deductions	34,817	58,852	—	93,669
Total deductions	2,851,178	3,623,200	510,406	6,984,784
Change in net position	(1,908,345)	(1,703,262)	77,443	(3,534,164)
Net position available for pension and post-employment benefits at beginning of year	36,039,471	37,088,124	1,910,940	75,038,535
Net position available for pension and post-employment benefits at end of year	\$ 34,131,126	\$ 35,384,862	\$ 1,988,383	\$ 71,504,371

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position Held in Trust for Pool Participants
External Investment Trust Funds

June 30, 2022

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 6,570,352	\$ —	\$ 6,570,352
Short-term investments	28,743	—	28,743
Net investment in PRIT at fair value	—	21,590,148	21,590,148
Receivables, net of allowance for uncollectibles:			
Other receivables	3,786	—	3,786
Total assets	6,602,881	21,590,148	28,193,029
LIABILITIES			
Accounts payable	3,757	—	3,757
Net position held in trust for pool/pension participants	\$ 6,599,124	\$ 21,590,148	\$ 28,189,272

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position Held in Trust for Pool Participants

External Investment Trust Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions.....	\$ —	\$ 2,338,505	\$ 2,338,505
Proceeds from sale of units	18,011,354	—	18,011,354
Total contributions	18,011,354	2,338,505	20,349,859
Net investment gain/(loss):			
Investment gain/(loss)	19,867	(136,652)	(116,785)
Less: investment expense	(1,749)	(363,049)	(364,798)
Net Investment gain/(loss)	18,118	(499,701)	(481,583)
Total additions	18,029,472	1,838,804	19,868,276
DEDUCTIONS			
Cost of units redeemed	17,158,950	—	17,158,950
Distributions to unit holders from net interest income	20,020	—	20,020
Retirement benefits and refunds	1	1,355,787	1,355,788
Total deductions	17,178,971	1,355,787	18,534,758
Change in net position	850,501	483,017	1,333,518
Net position held in trust for pool/participants at beginning of year	5,748,623	21,107,131	26,855,754
Net position held in trust for pool/participants at end of year	\$ 6,599,124	\$ 21,590,148	\$ 28,189,272

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2022

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Total Custodial Funds
ASSETS					
Cash and cash equivalents	\$ 484,491	\$ 166,210	\$ 39,651	\$ 181,473	\$ 871,825
Investments and restricted investments	—	—	—	494,369	494,369
Receivables, net of allowance for uncollectibles:					
Taxes	41,038	—	—	—	41,038
Other receivables	—	—	159,368	—	159,368
Due from federal government	1,168	—	2,004	—	3,172
TOTAL ASSETS	<u>526,697</u>	<u>166,210</u>	<u>201,023</u>	<u>675,842</u>	<u>1,569,772</u>
LIABILITIES					
Accounts payable	202,428	130	3,851	5,652	212,061
Due to cities and towns	95,185	—	—	—	95,185
Other liabilities	7,528	—	—	—	7,528
TOTAL LIABILITIES	<u>305,141</u>	<u>130</u>	<u>3,851</u>	<u>5,652</u>	<u>314,774</u>
NET POSITION					
Restricted for:					
Individuals, organizations and other governments	<u>\$ 221,556</u>	<u>\$ 166,080</u>	<u>\$ 197,172</u>	<u>\$ 670,190</u>	<u>\$ 1,254,998</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Total Custodial Funds
ADDITIONS					
Sales tax collections for other governments	\$ 498,889	\$ —	\$ —	\$ —	\$ 498,889
Child support collections	—	—	605,065	—	605,065
Local school aid collections	928,489	—	—	—	928,489
Municipal health insurance deposit collections	—	—	—	802,331	802,331
Court escrow account collections	—	123,679	—	—	123,679
ARPA local pass-through collections	664,565	—	—	—	664,565
Other additions	266,689	80,407	523	—	347,619
Investment income:					
Interest, dividends and other investment income	100	155	64	(32,791)	(32,472)
Net investment income	100	155	64	(32,791)	(32,472)
TOTAL ADDITIONS	\$ 2,358,732	\$ 204,241	\$ 605,652	\$ 769,540	\$ 3,938,165
DEDUCTIONS					
Sales tax payments to other governments	498,889	—	—	—	498,889
Child support payments to individuals	—	—	623,816	—	623,816
Local school aid payments	928,489	—	—	—	928,489
Municipal health insurance deposit payments	—	—	—	729,235	729,235
Court escrow account payments	—	121,245	—	—	121,245
ARPA local pass-through payments	664,565	—	—	—	664,565
Other deductions	216,761	80,057	—	—	296,818
TOTAL DEDUCTIONS	\$ 2,308,704	\$ 201,302	\$ 623,816	\$ 729,235	\$ 3,863,057
Change in fiduciary net position	50,028	2,939	(18,164)	40,305	75,108
Net position - beginning	171,528	163,141	215,336	629,885	1,179,890
Net position - ending	\$ 221,556	\$ 166,080	\$ 197,172	\$ 670,190	\$ 1,254,998

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2022
(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
ASSETS AND DEFERRED OUTFLOWS								
Current assets:								
Cash and cash equivalents	\$ 25,033	\$ 24,901	\$ 33,885	\$ 4,828	\$ 149,048	\$ 98,063	\$ 37,811	\$ 373,569
Short-term investments	—	80,671	114,920	—	24,752	8,156	46,219	274,718
Restricted cash and investments	686	134,774	134,018	25,305	—	122,152	4,132	421,067
Assets held in trust	41,472	—	—	—	—	—	—	41,472
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursements	—	—	—	633	—	33,760	—	34,393
Loans	496	11,677	3,434	—	40,304	20,283	—	76,194
Lease receivable	1,579	1,325	24	555	—	—	2,312	5,795
Other receivables	8,503	8,720	5,850	5	2,522	7,450	12,111	45,161
Due from primary government	14,859	1,689	—	11,047	—	51,880	—	79,475
Inventory	—	—	—	—	—	55	81	136
Other current assets	2,735	8,701	402	486	—	1,061	4,127	17,512
Total current assets	95,363	272,458	292,533	42,859	216,626	342,860	106,793	1,369,492
Noncurrent assets:								
Cash and cash equivalents - restricted	—	29,367	—	11,066	—	—	—	40,433
Long-term investments	—	47,605	—	—	—	—	1,080,941	1,128,546
Endowment investments	—	—	—	—	—	—	35,773	35,773
Lease receivables	1,579	9,322	—	2,641	—	—	39,383	52,925
Other receivables, net	12,237	406	—	—	—	3,540	9,635	25,818
Loans receivables, net	15,507	90,851	—	—	452,998	23,923	—	583,279
Due from affiliate	—	—	—	—	—	—	4,377	4,377
Non-depreciable capital assets	210,834	9,364	7,250	485	—	—	24,326	252,259
Depreciable capital assets, net	384,101	81,797	152,143	44,817	7,178	37,679	60,845	768,560
Other noncurrent assets	—	6,414	—	111	2,080	3,293	1,260	13,158
Total noncurrent assets	624,258	275,126	159,393	59,120	462,256	68,435	1,256,540	2,905,128
Total assets	719,621	547,584	451,926	101,979	678,882	411,295	1,363,333	4,274,620
Deferred outflows of resources:								
Change in fair value of interest rate swaps	—	—	—	—	14,919	—	—	14,919
Pension and OPEB	7,747	—	—	—	—	—	—	7,747
Total deferred outflows of resources	7,747	—	—	—	14,919	—	—	22,666
Total assets and deferred outflows	727,368	547,584	451,926	101,979	693,801	411,295	1,363,333	4,297,286
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	12,824	12,470	5,914	12,951	3,232	116,287	30,540	194,218
Accrued payroll	—	—	—	125	1,787	834	—	2,746
Compensated absences	1,066	1,482	237	177	—	786	—	3,748
Accrued interest payable	—	193	—	—	2,207	—	—	2,400
Due to primary government	—	618	—	—	—	—	783	1,401
Unearned revenue	10,021	34,760	15,215	7,419	—	34,315	12,062	113,792
Lease liability	14	1,281	683	598	497	820	341	4,234
Bonds, notes payable and other obligations	—	485	—	—	35,058	18,715	971	55,229
Total current liabilities	23,925	51,289	22,049	21,270	42,781	171,757	44,697	377,768
Noncurrent liabilities:								
Compensated absences	517	—	—	336	—	382	—	1,235
Accrued interest payable	—	—	—	—	—	—	—	—
Lease liability	2	2,429	19,653	1,427	7,209	5,895	12,181	48,796
Due to primary government	—	10,439	—	—	—	—	—	10,439
Unearned revenue	124	—	—	—	—	173	—	297
Bonds, notes payable and other obligations	—	4,135	—	—	443,147	71,990	15,522	534,794
Net pension liability	29,573	—	—	—	—	—	—	29,573
Net OPEB liability	4,818	—	—	—	—	—	—	4,818
Liability for derivative instruments	—	—	—	—	—	—	—	—
Other noncurrent liabilities	—	38,479	—	125	122,508	2,558	3,358	167,028
Total noncurrent liabilities	35,034	55,482	19,653	1,888	572,864	80,998	31,061	796,980
Total liabilities	58,959	106,771	41,702	23,158	615,645	252,755	75,758	1,174,748
Deferred inflows of resources:								
Service concession arrangements	—	—	23	—	—	244	—	267
Pension and OPEB	15,523	—	—	—	—	—	—	15,523
Leases	14,898	10,244	—	3,187	—	—	39,501	67,830
Total deferred inflows of resources	30,421	10,244	23	3,187	—	244	39,501	83,620
Total liabilities and deferred inflows	89,380	117,015	41,725	26,345	615,645	252,999	115,259	1,258,368
NET POSITION								
Net investment in capital assets	594,918	81,693	159,394	43,273	(1,881)	34,191	45,549	957,137
Restricted for:								
Other purposes	42,139	191,684	118,803	24,679	15,488	61,181	1,082,130	1,536,104
Unrestricted	931	157,192	132,004	7,682	64,549	62,924	120,395	545,677
Total net position	\$ 637,988	\$ 430,569	\$ 410,201	\$ 75,634	\$ 78,156	\$ 158,296	\$ 1,248,074	\$3,038,918

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Discretely Presented Component Units

Fiscal Year Ended June 30, 2022

(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
Operating revenues:								
Charges for services	\$ 59,115	\$ 61,490	\$ 4,806	\$ 4,986	\$ 11,692	\$ 160,835	\$ 70,396	\$ 373,320
Other	4,175	5,328	33,596	30,373	—	1,483	1,664	76,619
Total operating revenues	63,290	66,818	38,402	35,359	11,692	162,318	72,060	449,939
Operating expenses:								
Cost of services	33,547	44,375	21,086	31,918	731	142,020	—	273,677
Administration costs	36,306	25,333	10,361	176	10,215	33,243	64,508	180,142
Depreciation and Amortization	38,323	8,532	4,770	5,683	1,080	3,323	3,231	64,942
Total operating expenses	108,176	78,240	36,217	37,777	12,026	178,586	67,739	518,761
Operating income/(loss)	(44,886)	(11,422)	2,185	(2,418)	(334)	(16,268)	4,321	(68,822)
Nonoperating revenues/(expenses):								
Operating grants	15,143	363	93,537	—	28,833	79,204	—	217,080
Capital grants	—	—	—	—	—	—	—	—
Interest income/(loss)	(4,510)	(3,584)	—	117	580	105	(212,216)	(219,508)
Lease interest expense	—	(152)	—	—	—	(81)	—	(233)
Other nonoperating revenue/(expense)	2,416	(601)	(10,036)	—	(21,633)	(66,784)	153,281	56,643
Nonoperating revenues/(expenses), net ..	13,049	(3,974)	83,501	117	7,780	12,444	(58,935)	53,982
Income/(loss) before contributions	(31,837)	(15,396)	85,686	(2,301)	7,446	(3,824)	(54,614)	(14,840)
Capital contributions	18,127	9,563	—	—	—	15,949	—	43,639
Change in net position/(deficits)	(13,710)	(5,833)	85,686	(2,301)	7,446	12,125	(54,614)	28,799
Net position - beginning, as restated *	651,698	436,402	324,515	77,935	70,710	146,171	1,302,688	3,010,119
Net position - ending	\$ 637,988	\$ 430,569	\$ 410,201	\$ 75,634	\$ 78,156	\$ 158,296	\$ 1,248,074	\$ 3,038,918

* As restated, see note 1T on page 81-82

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Statistical Section

(Unaudited)

Schedule of Net Position by Component – Last Ten Fiscal Years
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Massachusetts General Information

Statistical Section Narrative and Table of Contents

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These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

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Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

	2022	2021*	2020	2019	2018
Governmental activities					
Net investment in capital assets.....	\$ (1,783,097)	\$ (1,658,414)	\$ (1,705,745)	\$ (1,433,294)	\$ (1,446,934)
Restricted.....	1,285,776	1,320,793	1,543,264	1,270,844	1,546,202
Unrestricted.....	(72,260,222)	(78,718,279)	(77,514,884)	(73,917,902)	(74,253,756)
Total governmental activities net position	\$ (72,757,543)	\$ (79,055,900)	\$ (77,677,365)	\$ (74,080,352)	\$ (74,154,488)
Business-type activities					
Net investment in capital assets.....	\$ 3,761,986	\$ 3,778,471	\$ 3,938,922	\$ 3,868,576	\$ 3,777,515
Restricted.....	2,175,161	1,908,425	1,319,929	2,271,721	1,833,109
Unrestricted.....	(603,430)	(2,428,455)	(591,205)	(490,819)	(595,311)
Total business-type activities net position	\$ 5,333,717	\$ 3,258,441	\$ 4,667,646	\$ 5,649,478	\$ 5,015,313
Commonwealth net position					
Net investment in capital assets.....	\$ 1,978,889	\$ 2,120,057	\$ 2,233,177	\$ 2,435,282	\$ 2,330,581
Restricted.....	3,460,937	3,229,218	2,863,193	3,542,565	3,379,311
Unrestricted.....	(72,863,652)	(81,146,734)	(78,106,089)	(74,408,721)	(74,849,067)
Total Commonwealth net position	\$ (67,423,826)	\$ (75,797,459)	\$ (73,009,719)	\$ (68,430,874)	\$ (69,139,175)

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* As restated, see note 1T on page 81-82 - Business - type activities

2017	2016	2015	2014	2013
\$ (1,320,834)	\$ (1,067,098)	\$ (768,411)	\$ (502,370)	\$ (592,483)
1,926,716	1,538,662	1,541,566	1,455,704	1,386,416
(63,992,403)	(59,111,068)	(55,626,250)	(53,381,659)	(26,733,592)
\$ (63,386,521)	\$ (58,639,504)	\$ (54,853,095)	\$ (52,428,325)	\$ (25,939,659)
\$ 3,623,966	\$ 3,311,658	\$ 3,055,444	\$ 2,794,845	\$ 2,605,263
1,735,575	1,745,840	1,539,785	1,590,545	1,209,630
722,923	678,667	697,056	675,796	1,026,230
\$ 6,082,464	\$ 5,736,165	\$ 5,292,285	\$ 5,061,186	\$ 4,841,123
\$ 2,303,132	\$ 2,244,560	\$ 2,287,033	\$ 2,292,475	\$ 2,012,780
3,662,291	3,284,502	3,081,351	3,046,249	2,596,046
(63,269,480)	(58,432,401)	(54,929,194)	(52,705,863)	(25,707,362)
\$ (57,304,057)	\$ (52,903,339)	\$ (49,560,810)	\$ (47,367,139)	\$ (21,098,536)

**Changes in Net Position
Last Ten Fiscal Years**

(Amounts in thousands)

	2022	2021 *	2020	2019	2018
EXPENSES					
Governmental Activities:					
General government	\$ 3,902,680	\$ 3,522,506	\$ 2,923,397	\$ 2,766,272	\$ 2,792,959
Judiciary	1,243,650	1,429,817	1,396,370	1,221,969	1,162,698
Direct local aid	6,758,880	6,499,305	6,390,233	6,089,548	5,900,634
Medicaid	22,064,800	20,208,100	19,206,749	18,093,807	18,105,722
Group health insurance	1,863,586	1,710,258	1,651,357	1,670,238	1,648,278
Energy and environmental	822,053	900,326	824,062	701,950	732,161
Housing and economic development	2,806,068	2,963,819	1,599,085	1,574,628	1,544,103
Health and human services	13,785,541	11,658,328	9,645,198	8,662,012	8,298,704
Transportation and public works	3,122,013	3,283,352	2,806,861	2,554,289	2,483,768
Early elementary and secondary education	6,961,534	7,687,798	6,618,282	5,607,240	6,101,603
Public safety and homeland security	3,126,435	3,716,834	3,962,024	3,006,893	2,757,266
Labor and workforce development	440,198	428,225	342,418	298,930	295,061
Lottery	4,651,322	4,617,789	4,306,512	4,445,654	4,325,321
Interest (unallocated)	1,445,343	1,510,178	1,491,983	1,522,183	1,419,910
Total governmental activities	72,994,103	70,136,635	63,164,531	58,215,613	57,568,188
Business-type Activities:					
Unemployment compensation	3,904,080	19,438,890	11,948,319	1,483,901	1,552,404
Family and employment security	686,343	236,361	5,434	—	—
Higher Education:					
University of Massachusetts	3,669,599	3,419,868	3,446,910	3,282,171	3,307,087
State Universities	1,135,987	1,078,315	1,150,987	1,145,531	1,089,551
Community Colleges	967,439	900,821	886,593	917,967	887,223
Total business-type activities	10,363,448	25,074,255	17,438,243	6,829,570	6,836,265
Total Commonwealth expenses	\$ 83,357,551	\$ 95,210,890	\$ 80,602,774	\$ 65,045,183	\$ 64,404,453
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 561,303	\$ 747,288	\$ 926,889	\$ 611,834	\$ 652,138
Judiciary	65,958	59,074	69,737	81,567	91,500
Medicaid	642,125	1,272,228	1,388,195	1,129,343	1,054,698
Group health insurance	898,761	860,726	822,420	808,194	941,946
Energy and environmental	386,816	319,315	280,252	279,267	273,504
Housing and economic development	257,188	242,815	225,908	163,315	213,530
Health and human services	2,915,732	1,576,692	822,920	1,411,918	1,292,584
Transportation and public works	602,857	627,594	568,028	627,941	625,595
Early elementary and secondary education	6,366	6,624	7,365	8,445	7,846
Public safety and homeland security	405,960	345,917	370,568	338,099	248,234
Labor and workforce development	192,356	56,603	203,992	307,506	269,293
Lottery	5,861,393	5,827,632	5,391,167	5,644,440	5,436,551
Total charges for services	12,796,815	11,942,508	11,077,441	11,411,869	11,107,419
Operating grants and contributions	27,170,190	22,611,465	18,661,840	16,253,915	16,230,934
Capital grants and contributions	114,296	77,259	77,964	66,085	99,002
Total governmental activities	40,081,301	34,631,232	29,817,245	27,731,869	27,437,355
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,881,248	1,608,603	1,833,362	1,852,195	1,617,394
Family and employment security	925,337	1,005,102	840,600	—	—
Higher Education:					
University of Massachusetts	2,001,814	1,636,154	1,844,180	1,860,268	1,907,824
State Universities	607,506	562,137	644,932	679,801	658,608
Community Colleges	176,012	200,278	221,732	237,288	259,156
Operating grants and contributions	4,963,847	16,603,329	9,250,714	976,096	931,780
Capital grants and contributions	195,238	174,851	145,646	112,033	160,201
Total business-type activities	10,751,002	21,790,454	14,781,166	5,717,681	5,534,963
Total Commonwealth program revenues	\$ 50,832,303	\$ 56,421,686	\$ 44,598,411	\$ 33,449,550	\$ 32,972,318
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 39,803,816	\$ 34,947,335	\$ 30,482,040	\$ 30,609,957	\$ 27,964,093
Investment earnings and miscellaneous	1,135,334	697,132	1,169,416	1,513,855	1,283,283
Transfers, net	(1,727,991)	(1,517,599)	(1,404,336)	(1,565,932)	(1,123,731)
Total governmental activities	39,211,159	34,126,868	30,247,120	30,557,880	28,123,645
Business-type Activities:					
Investment earnings and miscellaneous	(40,269)	356,997	333,608	145,483	423,379
Transfers, net	1,727,991	1,517,599	1,404,336	1,565,932	1,123,731
Total business-type activities	1,687,722	1,874,596	1,737,944	1,711,415	1,547,110
Total Commonwealth general revenues	\$ 40,898,881	\$ 36,001,464	\$ 31,985,064	\$ 32,269,295	\$ 29,670,755
CHANGES IN NET POSITION					
Governmental activities	\$ 6,298,357	\$ (1,378,535)	\$ (3,100,166)	\$ 74,136	\$ (2,007,188)
Business-type activities	2,075,276	(1,409,205)	(919,133)	599,526	245,808
Total changes in net position including restatements	\$ 8,373,633	\$ (2,787,740)	\$ (4,019,299)	\$ 673,662	\$ (1,761,380)

See Independent Auditors' Report

* As restated, see note 1T on page 81-82 - Business - type activities

	2017		2016		2015		2014		2013
\$	2,764,634	\$	2,616,051	\$	2,703,519	\$	2,521,454	\$	2,571,881
	1,226,221		1,154,038		1,026,429		1,007,234		983,314
	5,734,682		5,598,687		5,469,412		5,353,521		5,179,104
	17,182,691		16,825,110		15,086,742		14,034,862		12,286,342
	1,668,100		1,632,703		1,657,018		1,403,590		1,282,661
	720,182		1,069,510		671,801		615,854		524,632
	1,411,189		1,367,957		1,314,980		1,289,156		1,250,008
	8,131,843		7,912,817		7,605,180		7,308,295		7,737,736
	2,535,121		2,711,910		2,689,975		2,379,178		1,868,020
	6,243,115		5,420,052		4,654,161		4,714,555		4,493,537
	2,913,849		2,746,612		2,486,107		2,451,881		2,391,982
	312,510		324,678		309,091		352,454		385,757
	4,128,209		4,299,592		4,109,611		3,980,980		3,982,700
	1,384,248		1,250,004		1,263,218		1,197,709		1,206,542
	56,356,594		54,929,721		51,047,244		48,610,723		46,144,216
	1,514,002		1,499,811		1,598,084		2,036,431		2,718,447
	—		—		—		—		—
	3,167,596		3,151,215		2,809,062		2,925,013		2,759,488
	1,063,196		1,002,577		994,341		922,383		864,161
	936,241		928,067		891,906		852,946		814,245
	6,681,035		6,581,670		6,293,393		6,736,773		7,156,341
\$	63,037,629	\$	61,511,391	\$	57,340,637	\$	55,347,496	\$	53,300,557
\$	594,132	\$	565,434	\$	634,289	\$	361,105	\$	352,291
	95,937		100,568		105,521		108,766		111,384
	897,542		841,697		1,052,170		1,226,108		471,539
	802,628		799,011		755,712		660,359		619,982
	249,565		289,738		253,856		262,339		228,019
	194,940		173,941		164,438		165,365		150,690
	1,359,519		1,224,967		405,710		483,080		1,143,551
	596,200		577,292		577,430		530,853		567,348
	7,919		7,508		7,649		10,067		6,748
	280,400		284,264		256,596		228,730		218,643
	40,652		38,581		175,130		150,394		246,577
	5,254,468		5,405,128		5,193,545		5,049,536		5,041,329
	10,373,902		10,308,129		9,582,046		9,236,702		9,158,101
	15,519,380		15,158,087		13,950,227		13,121,648		12,836,122
	58,354		85,759		81,475		30,699		18,726
	25,951,636		25,551,975		23,613,748		22,389,049		22,012,949
	1,468,492		1,611,096		1,492,067		1,897,495		1,923,476
	—		—		—		—		—
	1,882,899		1,875,144		1,602,043		1,697,585		1,640,296
	654,170		616,025		583,669		558,170		533,347
	274,868		274,252		266,956		270,512		281,428
	909,228		891,823		936,917		1,347,423		1,791,196
	238,621		265,714		206,128		122,081		123,396
	5,428,278		5,534,054		5,087,780		5,893,266		6,293,139
\$	31,379,914	\$	31,086,029	\$	28,701,528	\$	28,282,315	\$	28,306,088
\$	25,949,577	\$	25,676,303	\$	25,209,826	\$	23,319,168	\$	22,599,332
	995,073		1,161,089		1,251,288		1,131,848		985,810
	(1,286,709)		(1,246,055)		(1,429,174)		(1,205,141)		(1,096,061)
	25,657,941		25,591,337		25,031,940		23,245,875		22,489,081
	312,347		245,441		7,536		306,690		271,832
	1,286,709		1,246,055		1,429,174		1,205,141		1,096,061
	1,599,056		1,491,496		1,436,710		1,511,831		1,367,893
\$	27,256,997	\$	27,082,833	\$	26,468,650	\$	24,757,706	\$	23,856,974
\$	(4,747,017)	\$	(3,786,409)	\$	(2,401,556)	\$	(2,975,800)	\$	(1,642,187)
	346,299		443,880		231,099		668,324		504,691
\$	(4,400,718)	\$	(3,342,529)	\$	(2,170,457)	\$	(2,307,476)	\$	(1,137,496)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)					
	2022	2021	2020	2019	2018
Fund balances:					
Nonspendable.....	\$ 615,882	\$ 755,378	\$ —	\$ —	\$ —
Restricted ⁽¹⁾	1,285,777	1,320,793	1,294,124	1,316,707	1,519,833
Committed ⁽²⁾	10,341,466	6,805,570	5,325,797	5,007,488	3,302,222
Assigned ⁽³⁾	3,796,399	2,046,997	1,682,922	1,256,717	955,830
Unassigned	2,093,601	2,888,607	754,673	1,530,423	1,060,559
Total governmental fund balances	<u>\$ 18,133,125</u>	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>

(1) Restricted fund balance overall decreased from FY21 mainly due to a decrease of \$137.4 million in the restricted for MSBA, offset by \$97 million debt services for unemployment compensation special obligation bonds.

(2) The majority increase in the committed fund balance from FY21 is mainly due to an increase of approximately \$2.311 billion in the ending balance of the Commonwealth's stabilization fund; Student Opportunity Act Trust Fund balance of \$350 million; various Health Care Funds totaling \$381 million.

(3) Assigned fund balance increased from FY21 mainly as a result of an increase in authorizations reappropriated from prior years of approximately \$1.472 billion.

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2017	2016	2015	2014	2013
\$ —	\$ —	\$ —	\$ —	\$ —
1,926,716	1,377,671	1,792,461	1,518,671	1,558,842
2,351,687	2,422,088	2,375,367	2,250,157	2,324,445
684,655	845,567	576,632	510,353	595,085
634,324	628,420	561,105	340,505	391,795
<u>\$ 5,597,382</u>	<u>\$ 5,273,746</u>	<u>\$ 5,305,565</u>	<u>\$ 4,619,686</u>	<u>\$ 4,870,167</u>

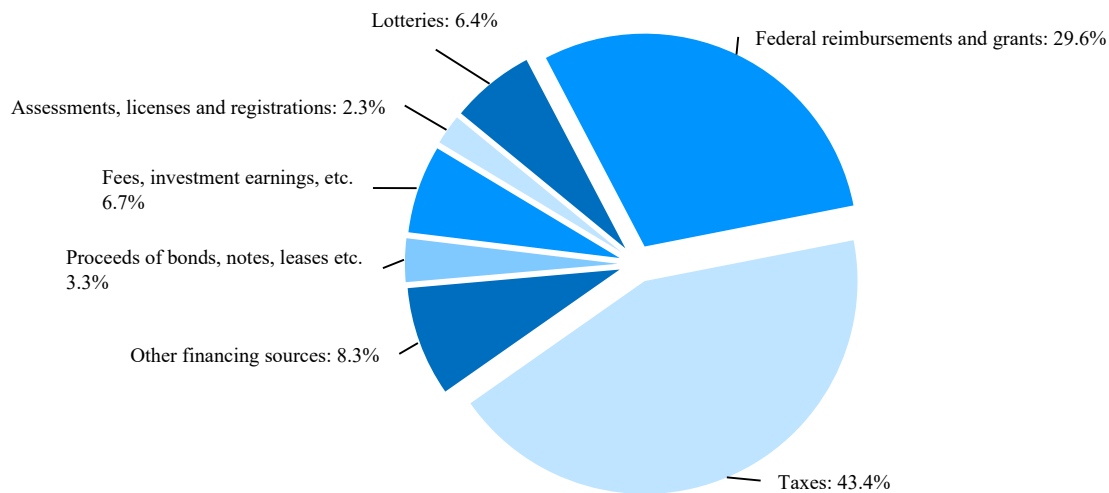
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

		%		%		%		%		%
	2022	Total	2021	Total	2020	Total	2019	Total	2018	Total
Taxes	\$ 39,816	43.4	\$ 34,955	41.2	\$ 30,266	41.7	\$ 30,618	43.8	\$ 28,243	41.1
Federal reimbursements	17,801	19.4	16,438	19.4	14,427	19.9	12,650	18.1	12,647	18.3
Federal grants	9,413	10.2	6,515	7.7	4,048	5.6	3,678	5.3	3,684	5.3
Lotteries	5,864	6.4	5,829	6.9	5,395	7.4	5,652	8.1	5,442	7.9
Assessments	1,585	1.7	1,350	1.6	1,378	1.9	1,377	2.0	1,354	2.0
Motor vehicle licenses and registrations	549	0.6	515	0.6	515	0.7	566	0.8	566	0.8
Fees, investment earnings, etc.	6,166	6.7	5,780	6.8	5,527	7.6	5,794	8.3	5,518	8.0
Issuance of general and special obligation bonds	2,085	2.3	4,216	5.0	2,787	3.8	2,008	2.9	2,779	4.0
Issuance of refunding bonds	525	0.6	1,766	2.1	1,225	1.7	819	1.2	993	1.4
Bond premiums	369	0.4	786	0.9	276	0.4	470	0.7	562	0.8
Proceeds of capital lease	—	—	2	—	1	—	—	—	—	—
Other financing sources	7,668	8.3	6,569	7.8	6,662	9.3	6,143	8.8	7,202	10.4
Total revenues and other financing sources	<u>\$ 91,841</u>	<u>100.0</u>	<u>\$ 84,721</u>	<u>100.0</u>	<u>\$ 72,507</u>	<u>100.0</u>	<u>\$ 69,775</u>	<u>100.0</u>	<u>\$ 68,990</u>	<u>100.0</u>

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**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2022**



	%		%		%		%		%
2017	Total	2016	Total	2015	Total	2014	Total	2013	Total
\$ 25,828	37.7	\$ 25,746	38.0	\$ 25,258	41.7	\$ 23,786	41.6	\$ 22,391	40.5
11,932	17.4	11,577	17.1	10,462	17.2	9,417	16.5	8,981	16.2
3,635	5.3	3,656	5.4	3,583	5.9	3,730	6.5	3,887	7.0
5,258	7.7	5,406	8.0	5,194	8.6	5,049	8.8	5,042	9.1
1,219	1.8	1,104	1.6	1,026	1.7	1,080	1.8	1,093	2.0
554	0.8	546	0.8	546	0.9	495	0.9	487	0.9
4,966	7.3	4,957	7.3	4,540	7.5	4,152	7.3	3,750	6.8
3,464	5.1	3,969	5.9	3,761	6.2	2,360	4.1	1,471	2.7
1,853	2.7	1,463	2.2	632	1.0	1,236	2.2	1,913	3.5
812	1.2	613	0.9	379	0.6	193	0.3	398	0.7
1	—	31	—	31	0.1	11	—	1	—
8,915	13.0	8,682	12.8	5,247	8.6	5,701	10.0	5,876	10.6
<u>\$ 68,437</u>	<u>100.0</u>	<u>\$ 67,750</u>	<u>100.0</u>	<u>\$ 60,659</u>	<u>100.0</u>	<u>\$ 57,210</u>	<u>100.0</u>	<u>\$ 55,290</u>	<u>100.0</u>

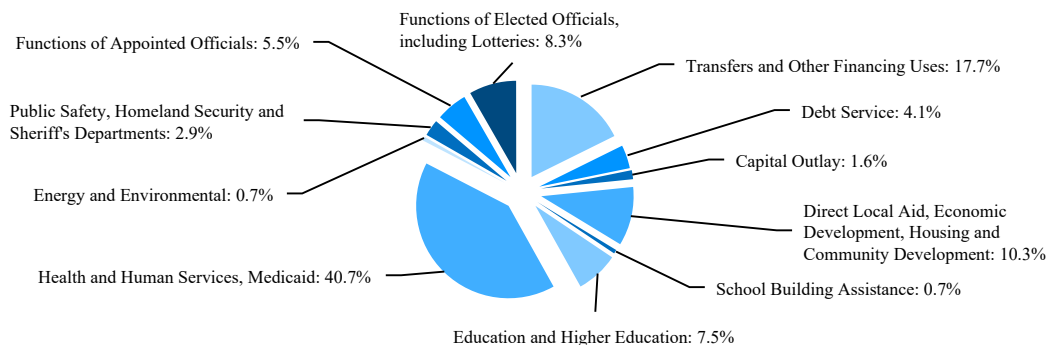
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)
(Amounts in millions)

	2022	% Total	2021	% Total	2020	% Total	2019	% Total	2018	% Total
Legislature.....	\$ 76	0.1	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1
Judiciary.....	1,095	1.3	1,023	1.3	1,022	1.4	985	1.5	921	1.4
Inspector General.....	6	—	6	—	6	—	5	—	5	—
Governor and Lieutenant Governor.....	7	—	9	—	7	—	7	—	7	—
Secretary of the Commonwealth.....	59	0.1	78	0.1	63	0.1	55	0.1	45	0.1
Treasurer and Receiver-General.....	6,743	7.7	6,583	8.1	5,961	8.2	6,092	9.0	5,854	8.6
Auditor of the Commonwealth.....	21	—	20	—	19	—	18	—	19	—
Attorney General.....	165	0.2	112	0.1	108	0.2	107	0.2	98	0.1
Ethics Commission.....	3	—	2	—	2	—	2	—	2	—
District Attorney.....	161	0.2	154	0.2	150	0.2	138	0.2	129	0.2
Office of Campaign and Political Finance.....	2	—	2	—	2	—	3	—	2	—
Sheriff's Department.....	679	0.8	699	0.9	718	1.0	672	1.0	635	0.9
Disabled Persons Protection Commission.....	10	—	7	—	6	—	5	—	4	—
Commission on Status of Women.....	1	—	—	—	—	—	—	—	—	—
Board of Library Commissioners.....	43	—	37	—	33	—	30	—	28	—
Massachusetts Gaming Commission.....	56	0.1	46	0.1	44	0.1	50	0.1	44	0.1
Comptroller.....	27	—	22	—	17	—	16	—	16	—
Administration and Finance.....	3,613	4.2	2,910	3.9	2,490	3.4	2,310	3.4	2,475	3.7
Energy and Environmental.....	592	0.7	461	0.6	466	0.6	477	0.7	445	0.7
Health and Human Services.....	13,446	15.4	10,702	13.2	8,817	12.1	8,054	12.0	7,813	11.5
Executive Office of Technology Services.....	173	0.2	156	0.2	140	0.2	116	0.2	81	0.1
Massachusetts Department of Transportation.....	3,002	3.4	2,909	3.6	2,486	3.4	2,349	3.5	2,387	3.5
Office of the Child Advocate.....	3	—	2	—	2	—	1	—	1	—
Commission Against Discrimination.....	7	—	7	—	—	—	—	—	—	—
Cannabis Control Commission.....	14	—	11	—	13	—	10	—	2	—
Executive Office of Education*.....	6,579	7.5	5,049	6.2	4,323	6.0	3,972	5.9	3,723	5.5
Center for Health and Information Analysis.....	29	—	21	—	20	—	20	—	21	—
Massachusetts School Building Assistance.....	628	0.7	752	0.9	713	1.0	572	0.9	550	0.8
Public Safety and Homeland Security.....	1,839	2.1	1,769	2.2	2,066	2.8	1,463	2.2	1,400	2.1
Massachusetts Peace Officer Standards and Training.....	2	—	—	—	—	—	—	—	—	—
Housing and Economic Development*.....	2,294	2.6	2,440	3.0	1,223	1.7	1,157	1.7	1,089	1.6
Labor and Workforce Development*.....	411	0.5	356	0.4	280	0.4	258	0.4	255	0.4
Medicaid.....	22,065	25.3	20,208	25.0	19,207	26.5	18,094	26.8	18,106	26.9
Pension.....	2,117	2.4	1,657	2.1	1,384	1.9	1,368	2.0	1,294	1.9
Direct local aid.....	6,759	7.7	6,499	8.0	6,390	8.8	6,090	9.0	5,901	8.7
Capital outlay:										
Capital acquisition and construction.....	1,420	1.6	1,308	1.6	1,051	1.5	1,310	1.9	1,253	1.8
Debt service:										
Principal/commercial paper repayment.....	1,780	2.0	1,878	2.3	1,948	2.7	1,480	2.2	3,706	5.5
Interest.....	1,245	1.4	1,230	1.5	1,238	1.7	1,484	2.2	1,381	2.0
Principal on current refunding.....	610	0.7	1,065	1.3	409	0.6	956	1.4	522	0.8
Other financing uses:										
Payments to refunding bond escrow agent.....	347	0.4	2,469	3.1	1,655	2.3	—	—	628	0.9
Transfers.....	9,396	10.7	8,084	10.0	8,067	11.1	7,709	11.4	6,838	10.1
Total expenditures and other financing uses.....	<u>\$ 87,525</u>	<u>100.0</u>	<u>\$ 80,816</u>	<u>100.0</u>	<u>\$ 72,616</u>	<u>100.0</u>	<u>\$ 67,503</u>	<u>100.0</u>	<u>\$ 67,748</u>	<u>100.0</u>
Change in Governmental Fund Balance.....	<u>\$ 4,316</u>		<u>\$ 3,905</u>		<u>\$ (108)</u>		<u>\$ 2,273</u>		<u>\$ 1,241</u>	
Ratio of debt service expenditures to total noncapital expenditures.....	<u>4.8%</u>		<u>6.1%</u>		<u>5.8%</u>		<u>6.7%</u>		<u>9.5%</u>	

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

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Apportionment of Expenditures - Fiscal Year Ended June 30, 2022



2017	% Total	2016	% Total	2015	% Total	2014	% Total	2013	% Total
\$ 67	0.1	\$ 61	0.1	\$ 61	0.1	\$ 56	0.1	\$ 57	0.1
908	1.3	880	1.3	845	1.4	816	1.4	792	1.4
4	—	5	—	5	—	6	—	6	—
7	—	7	—	6	—	5	—	6	—
51	0.1	44	0.1	50	0.1	51	0.1	49	0.1
5,657	8.2	5,799	8.7	5,602	9.6	5,327	9.5	5,307	9.5
18	—	19	—	18	—	18	—	18	—
76	0.1	67	0.1	41	0.1	88	0.2	76	0.1
2	—	2	—	2	—	2	—	2	—
130	0.2	124	0.2	119	0.2	115	0.2	115	0.2
2	—	2	—	3	—	1	—	1	—
624	0.9	616	0.9	593	1.0	565	1.0	541	1.0
3	—	3	—	3	—	2	—	2	—
—	—	—	—	—	—	—	—	—	—
28	—	28	—	28	—	25	—	25	—
37	0.1	34	0.1	23	—	23	—	14	—
17	—	17	—	16	—	16	—	14	—
2,444	3.6	2,416	3.6	2,490	4.2	2,298	4.0	2,293	4.1
405	0.6	436	0.6	417	0.7	410	0.7	365	0.6
7,463	11.0	7,402	10.9	7,211	12.0	6,957	12.1	7,384	13.1
—	—	—	—	—	—	—	—	—	—
2,391	3.5	2,595	3.8	2,611	4.4	2,296	4.0	1,785	3.1
1	—	1	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3,589	5.3	3,478	5.1	3,320	5.5	3,201	5.6	3,008	5.3
23	—	27	—	28	—	26	—	9	—
621	0.9	626	0.9	732	1.2	869	1.5	1,037	1.8
1,374	2.0	1,385	2.0	1,334	2.2	1,274	2.2	1,296	2.3
—	—	—	—	—	—	—	—	—	—
1,021	1.5	1,048	1.5	1,021	1.7	1,035	1.8	988	1.7
259	0.4	277	0.4	269	0.4	330	0.6	350	0.6
17,183	25.2	16,825	24.9	15,087	25.2	14,035	24.4	12,286	21.7
1,127	1.7	1,103	1.6	902	1.5	865	1.5	878	1.5
5,735	8.4	5,599	8.3	5,469	9.1	5,353	9.3	5,179	9.1
—	—	—	—	—	—	—	—	—	—
1,202	1.8	1,162	1.7	1,205	2.0	999	1.7	854	1.5
—	—	—	—	—	—	—	—	—	—
4,676	6.9	4,487	6.6	1,781	3.0	1,546	2.7	1,525	2.7
1,262	1.9	1,248	1.8	1,187	2.0	1,223	2.1	1,229	2.2
188	0.3	250	0.4	203	0.3	159	0.3	230	0.4
—	—	—	—	—	—	—	—	—	—
2,304	3.4	2,613	3.9	615	1.0	562	1.0	2,046	3.6
7,215	10.6	7,094	10.5	6,676	11.1	6,907	12.0	6,972	12.3
<u>\$ 68,114</u>	<u>100.0</u>	<u>\$ 67,781</u>	<u>100.0</u>	<u>\$ 59,973</u>	<u>100.0</u>	<u>\$ 57,461</u>	<u>100.0</u>	<u>\$ 56,739</u>	<u>100.0</u>
<u>\$ 324</u>		<u>\$ (32)</u>		<u>\$ 686</u>		<u>\$ (251)</u>		<u>\$ (1,448)</u>	
<u>10.7%</u>		<u>10.5%</u>		<u>6.2%</u>		<u>6.0%</u>		<u>6.4%</u>	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2021	2020	2019	2018	2017
Total personal income	\$ 575,188	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962
Unearned income	152,340	166,915	126,165	118,567	111,017
Farm earnings	126	170	108	103	129
Nonfarm earnings	422,722	383,499	385,061	364,763	339,816
Private earnings	407,096	368,213	369,080	349,476	323,875
Agricultural services, forestry, fishing	705	600	625	659	716
Mining	94	146	144	274	608
Construction	27,349	22,859	23,397	23,177	20,609
Manufacturing	29,969	28,355	28,568	27,271	26,550
Durable goods	20,502	19,760	20,020	19,239	18,709
Nondurable goods	9,467	8,595	8,548	8,032	7,841
Transportation and utilities	12,561	11,669	11,724	9,667	8,649
Wholesale trade	17,366	15,280	15,254	15,102	14,830
Retail trade	19,436	17,303	17,438	16,432	15,982
Services	299,616	272,001	271,930	256,894	235,931
Government	45,595	43,642	44,549	42,557	42,492
Federal, civilian	5,920	5,821	5,647	5,458	5,477
Military	1,001	1,096	1,003	900	891
State and local	38,674	36,725	37,899	36,199	36,124
Personal income tax revenue (fiscal year, statutory basis)	\$ 24,337	\$ 19,618	\$ 17,361	\$ 17,109	\$ 16,240
Total personal income	\$ 575,188	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962
Average Effective Rate	4.23 %	3.56 %	3.40 %	3.54 %	3.60 %
Highest Earned Income Tax Rate	5.00 %	5.00 %	5.00 %	5.05 %	5.10 %

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System and the Massachusetts Department of Revenue. Average effective rate is individual income tax revenue divided by personal income.

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2016	2015	2014	2013	2012
\$ 442,500	\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944
108,349	97,728	94,494	91,615	87,333
151	195	178	151	150
334,000	317,713	301,534	289,505	276,461
319,931	272,533	262,843	252,939	243,503
677	406	354	373	426
379	276	270	201	113
19,473	17,197	15,481	14,759	13,426
27,181	26,497	25,921	25,341	26,375
18,894	18,193	18,224	17,977	19,223
8,287	8,304	7,697	7,364	7,152
8,330	7,600	7,295	7,083	6,742
14,621	13,938	13,546	13,483	12,979
15,520	14,716	14,137	13,565	13,333
233,750	191,903	185,839	178,134	170,109
41,130	39,921	38,691	36,567	32,959
5,427	5,202	5,007	4,792	5,442
860	860	874	943	1,221
34,843	33,859	32,810	30,832	26,296
\$ 14,394	\$ 14,449	\$ 13,202	\$ 12,831	\$ 11,911
\$ 442,500	\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944
3.25 %	3.48 %	3.33 %	3.37 %	3.27 %
5.10 %	5.15 %	5.20 %	5.25 %	5.25 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2020 and 2011

(Amounts, except income level are in thousands)

Calendar Year 2020 (or Fiscal Year 2021)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	962,660	23.9%	\$ 13,749,169	76.8%
\$75,001 - \$100,000	355,676	8.8%	1,307,010	7.3%
\$50,001 - \$75,000	569,667	14.2%	1,422,946	7.9%
\$25,001 - \$50,000	903,704	22.5%	1,156,514	6.5%
\$10,001 - \$25,000	612,113	15.2%	234,810	1.3%
\$10,000 and lower	617,674	15.4%	39,649	0.2%
Total	<u>4,021,494</u>	<u>100.0%</u>	<u>\$ 17,910,097</u>	<u>100.0%</u>

Calendar Year 2011 (or Fiscal Year 2012)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	624,762	17.7%	\$ 7,732,640	68.5%
\$75,001 - \$100,000	284,737	8.0%	1,067,019	9.4%
\$50,001 - \$75,000	455,854	12.8%	1,163,795	10.3%
\$25,001 - \$50,000	772,201	21.7%	1,021,847	9.0%
\$10,001 - \$25,000	679,025	19.1%	278,817	2.5%
\$10,000 and lower	735,058	20.7%	30,260	0.3%
Total	<u>3,551,637</u>	<u>100.0%</u>	<u>\$ 11,294,377</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2020 is the most recent tax year for which complete data is available.

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

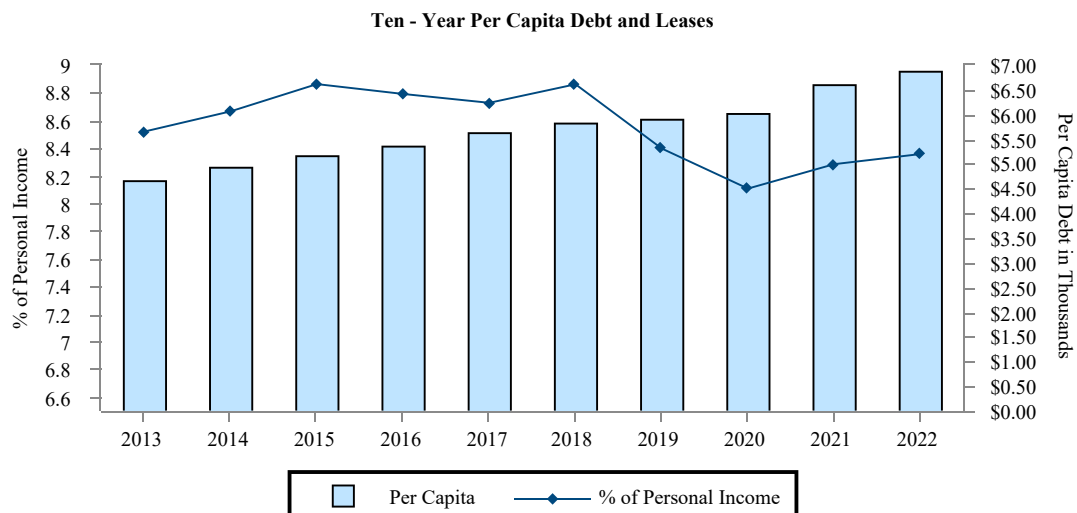
(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities		Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a % of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Leases (5)	MSBA Bonded debt (2)	MSBA Leases (5)	Bonded Debt (3)	Leases (5)					
2022	\$ 32,774,329	\$ 942,590	\$ 6,323,688	\$ 3,454	\$ 6,759,878	\$ 1,257,644	\$ 48,061,583	\$575,187,880	6,985	8.4 %	\$ 6.88
2021	32,229,313	14,260	6,508,385	—	6,842,430	8,724	45,603,112	550,584,495	6,894	8.3 %	6.61
2020	30,701,422	17,114	6,053,947	—	4,667,917	8,842	41,449,242	511,333,665	6,895	8.1 %	6.01
2019	30,219,316	19,835	6,054,994	—	4,284,704	9,589	40,588,438	483,433,495	6,886	8.4 %	5.89
2018	29,496,401	22,492	5,990,554	—	4,438,502	9,825	39,957,774	450,961,579	6,864	8.9 %	5.82
2017	28,216,650	30,856	5,828,790	—	4,529,353	8,979	38,614,628	442,500,000	6,827	8.7 %	5.66
2016	26,422,941	41,302	5,624,275	—	4,438,282	9,887	36,536,687	415,636,000	6,797	8.8 %	5.38
2015	24,790,909	42,928	5,714,410	—	4,553,105	9,895	35,111,247	396,206,000	6,765	8.9 %	5.19
2014	23,090,434	55,878	5,632,470	—	4,243,731	14,529	33,037,042	381,271,000	6,715	8.7 %	4.92
2013	22,001,693	50,831	5,195,160	—	3,736,432	19,299	31,003,415	363,943,750	6,664	8.5 %	4.65

- (1) Excludes Massachusetts School Building Authority debt. Bonded debt for each fiscal year includes unamortized premiums or discounts.
- (2) The Massachusetts School Building Authority (MSBA) is presented as a blended component unit in these financial statements.
- (3) Business-type activities bond debt includes Federal Unemployment insurance borrowing under Title XII of the Social Security Act, notes payable of the Institutions of Higher Education and unamortized premiums or discounts.
- (4) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year
- (5) Leases represent Right to Use leases for 2022 and Capital Leases for periods 2021 and earlier

. Source: - [HTTP://www.fedstats.gov](http://www.fedstats.gov) (US Census Bureau.)

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Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2022 (3)	2021 (3)	2020 (3)	2019 (3)	2018 (3)
Outstanding principal as of June 30 (1).....	\$ 29,335,406	\$ 29,048,457	\$ 28,098,890	\$ 27,739,221	\$ 27,360,819
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	—	—	—	—	—
Total net proceeds/principal	29,335,406	29,048,457	28,098,890	27,739,221	27,360,819
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(691,378)	(847,790)	(945,574)	(1,013,492)	(1,092,519)
Accelerated bridge program	(2,015,840)	(2,137,770)	(2,325,620)	(2,349,950)	(2,429,000)
County debt assumed	—	—	—	—	—
(Premium)/discount	—	—	—	—	—
Grant anticipation notes (2)	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds	(337,411)	(430,926)	(496,936)	(574,902)	(598,985)
Convention center bonds	(453,675)	(479,645)	(504,255)	(527,635)	(552,110)
MBTA forward funding bonds	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds	—	(28,385)	(55,290)	(80,930)	(105,230)
Rail enhancement program bonds (4)	(1,958,461)	(1,637,221)	(1,260,565)	(1,104,610)	(1,131,105)
Outstanding direct debt, net proceeds/principal	23,878,434	23,486,513	22,510,443	22,087,495	21,451,663
Statutory debt limit*	27,805,231	26,481,173	25,220,164	24,019,204	22,875,433
Debt margin (debt limit less direct debt)	<u>\$ 3,926,797</u>	<u>\$ 2,994,660</u>	<u>\$ 2,709,721</u>	<u>\$ 1,931,709</u>	<u>\$ 1,423,770</u>
Debt margin as a percentage of direct debt limit	<u>14.1%</u>	<u>11.3%</u>	<u>10.7%</u>	<u>8.0%</u>	<u>6.2%</u>

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

(2) Inclusive of crossover refunding amounts.

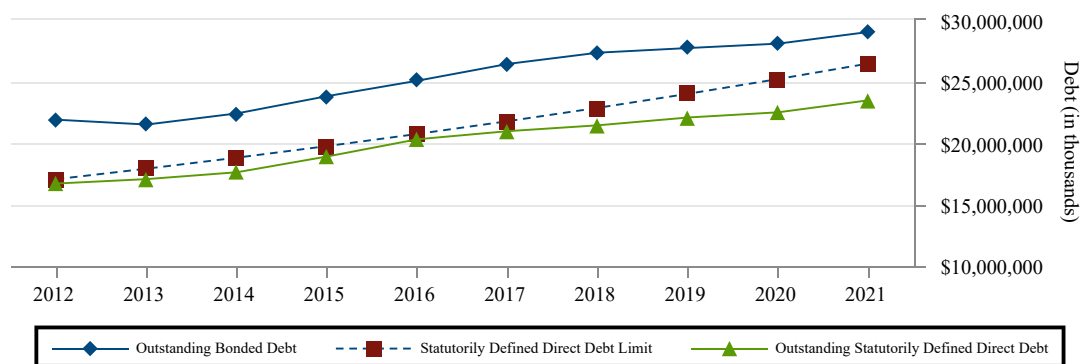
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.

(4) Section 4 of Chapter 220 of the Acts of 2016 exempted bonds issued under the Rail Enhancement Program from the statutory debt limit.

* Section 60A of Chapter 165 of the Acts of 2012, as amended, reset the statutory defined debt limit, effective July 1, 2012, to \$17.070 billion

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**Outstanding Bonded Debt, Statutory Direct Debt and Statutory Debt Limit
2013 - 2022**



2017 (3)	2016 (3)	2015 (3)	2014 (3)	2013 (3)
\$ 26,445,665	\$ 25,079,591	\$ 23,826,301	\$ 22,419,852	\$ 21,513,039
—	—	—	—	—
26,445,665	25,079,591	23,826,301	22,419,852	21,513,039
(1,110,195)	(1,150,296)	(1,197,127)	(1,241,263)	(1,303,013)
(2,380,740)	(2,192,930)	(2,195,004)	(1,756,395)	(1,088,605)
—	—	—	—	—
—	—	—	—	—
—	—	—	(178,390)	(349,100)
(632,348)	(652,197)	(689,446)	(723,917)	(764,337)
(575,420)	(597,630)	(618,705)	(638,700)	(638,700)
(207)	(207)	(207)	(207)	(207)
(128,270)	(170,735)	(210,635)	(249,705)	(296,395)
(644,540)	—	—	—	—
20,973,945	20,315,596	18,915,177	17,631,275	17,072,682
21,786,126	20,748,692	19,760,659	18,819,675	17,923,500
\$ 812,181	\$ 433,096	\$ 845,482	\$ 1,188,400	\$ 850,818
3.7%	2.1%	4.3%	6.3%	4.7%

Ten Fiscal Year Schedule of Pledged Revenue Coverage
Special Obligation Highway Bonds (Motor Fuels Taxation and Motor Vehicle Fees), Convention Center Bonds (Tax Incremental Financing)
and Grant Anticipation Notes (Federal Highway Grants)
(Statutory Basis, Amounts in Thousands, Except for Ratios)

	2022	2021	2020	2019	2018
Highway Bonds					
For issues prior to December 2010, final maturities of which occurred during FY2022, the bonds were secured by a pledge of 6.86¢ of the 21¢ per gallon state gasoline excise tax for FY2008 and before. For FY2009 and after, the pledge is up to 10¢ of the tax. Bonds issued in December 2010, May 2012 and November 2013 (Commonwealth Transportation Fund, or "CTF bonds") were secured by a senior lien on 17.085 cents of the total 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The CTF bonds also had a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Subsequent to the maturity in FY2022 of bonds issued prior to December 2010, the CTF bonds are secured by the full 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The 2010 bonds were issued as federally taxable Build America Bonds/Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table.					
Pre-2010 Bond Issues					
Tax Receipts	\$ 132,138	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 132,138	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183
Annual Debt Service	\$ 29,821	\$ 29,821	\$ 29,822	\$ 29,818	\$ 29,825
Debt Service Coverage Ratio	4.43	5.43	5.85	6.46	6.41
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts	\$ 1,302,636	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,302,636	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788
Annual Debt Service	\$ 186,189	\$ 189,083	\$ 184,361	\$ 176,189	\$ 149,968
Debt Service Coverage Ratio	7.00	6.70	6.78	7.79	9.09
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa1, AA+	NA, Aa1, AA+	NA, Aa1, AA+	NA, Aa1, AAA	NA, Aa1, AAA
Convention Center Bonds					
These bonds are secured by amounts payable to the Convention Center Fund, which include certain hotel tax receipts in Boston, Cambridge, Springfield, surcharges on car rentals, parking, sightseeing tours and cruises and sales tax receipts in those cities. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table.					
Receipts	\$ 148,719	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 148,719	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872
Annual Debt Service	\$ 52,350	\$ 52,283	\$ 52,222	\$ 54,601	\$ 54,473
Debt Service Coverage Ratio	2.84	0.87	2.79	3.01	2.70
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, A-	NA, A1, BBB+	NA, A1, A	NA, A1, A	NA, A1, A
Grant Anticipation Notes (GANS)					
Notes issued prior to December 2010 ("Senior Federal Highway Notes") were secured by all federal highway reimbursements, which are deposited in the Grant Anticipation Note Trust fund. The outstanding pre-December 2010 notes were retired in June 2015 and Notes issued in December 2010 ("Federal Highway Grant Anticipation Notes") and after are secured by all federal highway reimbursements. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds; the program provides an interest subsidy of 35% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
GANS (Includes Revenues in Excess of those Needed to Pay Debt Service Commonwealth Transportation Fund Bonds)					
Receipts	\$ 1,744,871	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,744,871	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726
Annual Debt Service	\$ 85,120	\$ 86,773	\$ 86,858	\$ 86,093	\$ 83,804
Debt Service Coverage Ratio	20.50	20.66	19.64	20.57	20.96
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA

*Uninsured rating, if available.
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2017		2016		2015		2014		2013	
\$	191,820	\$	190,803	\$	187,913	\$	187,467	\$	186,638
N/A		N/A		N/A		N/A		N/A	
\$	191,820	\$	190,803	\$	187,913	\$	187,467	\$	186,638
\$	51,276	\$	50,906	\$	52,225	\$	52,228	\$	58,922
3.74		3.75		3.60		3.59		3.17	
AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA	
\$	1,326,734	\$	1,294,357	\$	1,283,248	\$	1,210,405	\$	1,170,297
N/A		N/A		N/A		N/A		N/A	
\$	1,326,734	\$	1,294,357	\$	1,283,248	\$	1,210,405	\$	1,170,297
\$	129,024	\$	94,859	\$	81,054	\$	69,921	\$	58,108
10.28		13.65		15.83		0.02		20.14	
NA, Aa1, AAA		NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA		NA, AAA, AAA	
\$	133,789	\$	134,806	\$	124,937	\$	109,879	\$	100,631
N/A		N/A		N/A		N/A		N/A	
\$	133,789	\$	134,806	\$	124,937	\$	109,879	\$	100,631
\$	54,540	\$	54,540	\$	52,852	\$	34,486	\$	34,486
2.45		2.47		2.36		3.19		2.92	
NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A	
\$	1,734,397	\$	1,707,187	\$	1,556,243	\$	1,562,732	\$	1,575,266
N/A		N/A		N/A		N/A		N/A	
\$	1,734,397	\$	1,707,187	\$	1,556,243	\$	1,562,732	\$	1,575,266
\$	80,486	\$	76,049	\$	33,472	\$	4,268	\$	4,973
21.55		22.45		46.49		366.15		316.76	
AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa1, AAA		AA+, Aa2, AAA	

**Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types**

(Amounts in thousands)

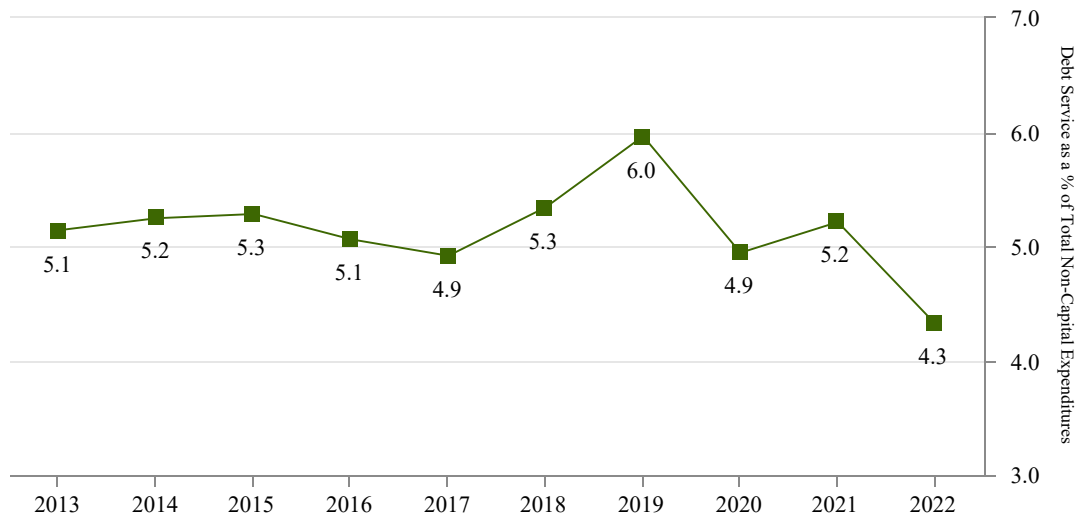
Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2022	\$ 3,248,922	\$ 75,166,146	4.3
2021	3,572,588	68,543,124	5.2
2020	3,026,865	61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
2013	2,351,074	45,733,298	5.1

(1) Business type activities debts are secured solely by leases between the Institutions of Higher Education and two blended building authorities. Excludes Massachusetts School Building Authority debt service paid by the Authority.

(2) Expenditures are shown net of Massachusetts School Building Authority expenditures as they are school building assistance capital grants to local cities and towns.

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Debt Service to Non-Capital Expenditures Ratio 2013 - 2022



**Component Units Revenue Bond Coverage
For the Last Ten Fiscal Years**

(Amounts in thousands)

Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2022	\$ 2,393,922	\$ 1,773,781	1.35
2021	2,234,478	1,513,531	1.48
2020	2,194,836	1,352,565	1.62
2019	2,073,011	1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40
2015	1,950,292	1,417,420	1.38
2014	1,481,374	1,126,392	1.32
2013	1,585,500	1,244,358	1.27

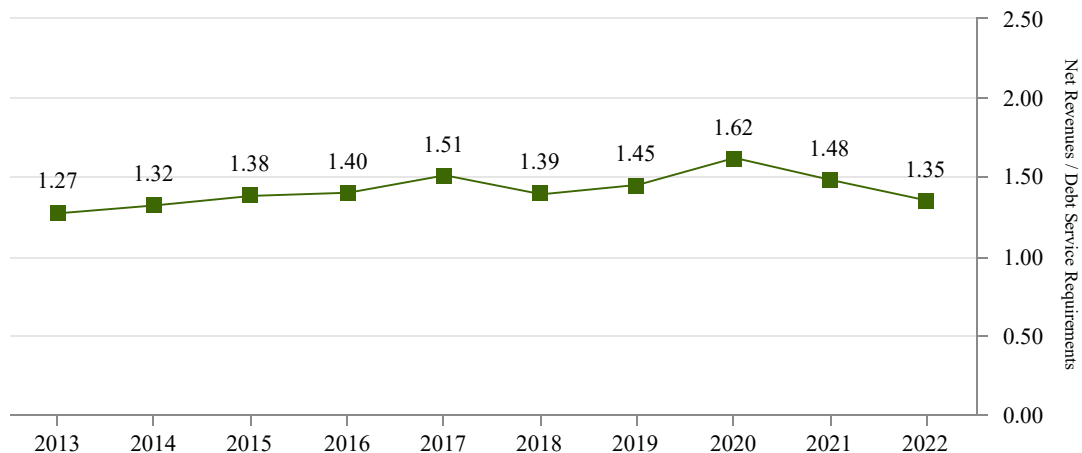
(1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage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

(2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

Source: Office of the Comptroller

See Independent Auditors' Report

Component Units Revenue Bond Coverage 2013 - 2022



Ten-Year Schedule of Massachusetts and United States Resident Population

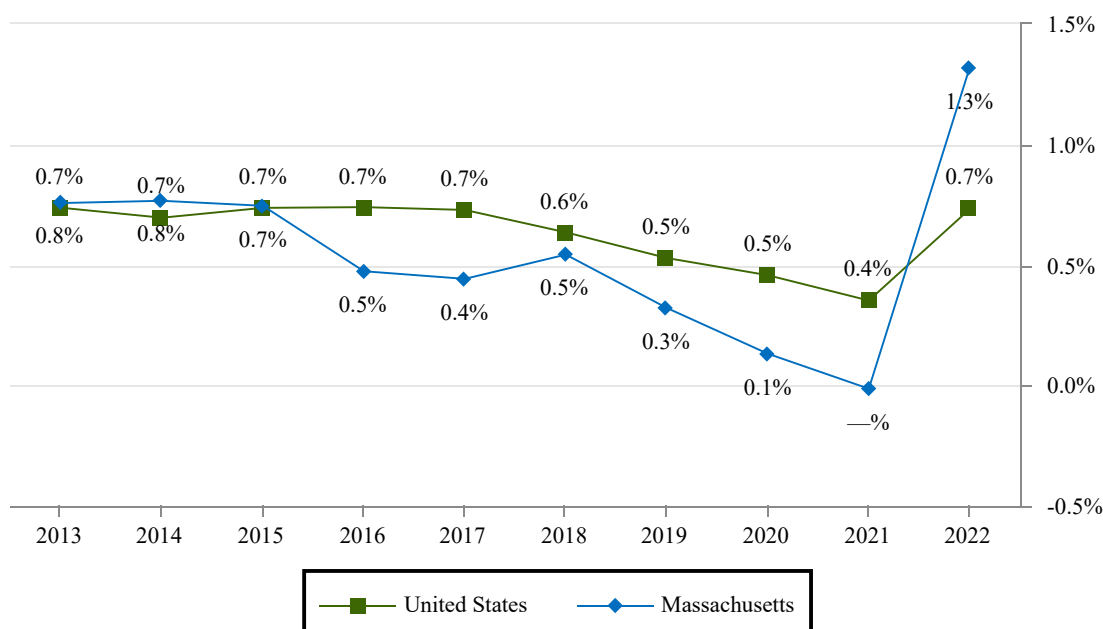
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population (1)	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2022	6,985	1.3%	331,894	0.7%	2.1%
2021	6,894	—%	329,484	0.4%	2.1%
2020	6,895	0.1%	328,330	0.5%	2.1%
2019	6,886	0.3%	326,838	0.5%	2.1%
2018	6,864	0.5%	325,122	0.6%	2.1%
2017	6,827	0.4%	323,072	0.7%	2.1%
2016	6,797	0.5%	320,739	0.7%	2.1%
2015	6,765	0.7%	318,386	0.7%	2.1%
2014	6,715	0.8%	316,060	0.7%	2.1%
2013	6,664	0.8%	313,878	0.7%	2.1%

(1) Population estimates have been restated using most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

See Independent Auditors' Report

**Massachusetts and United States Estimated Year-to-Year Population Change
2013 - 2022**



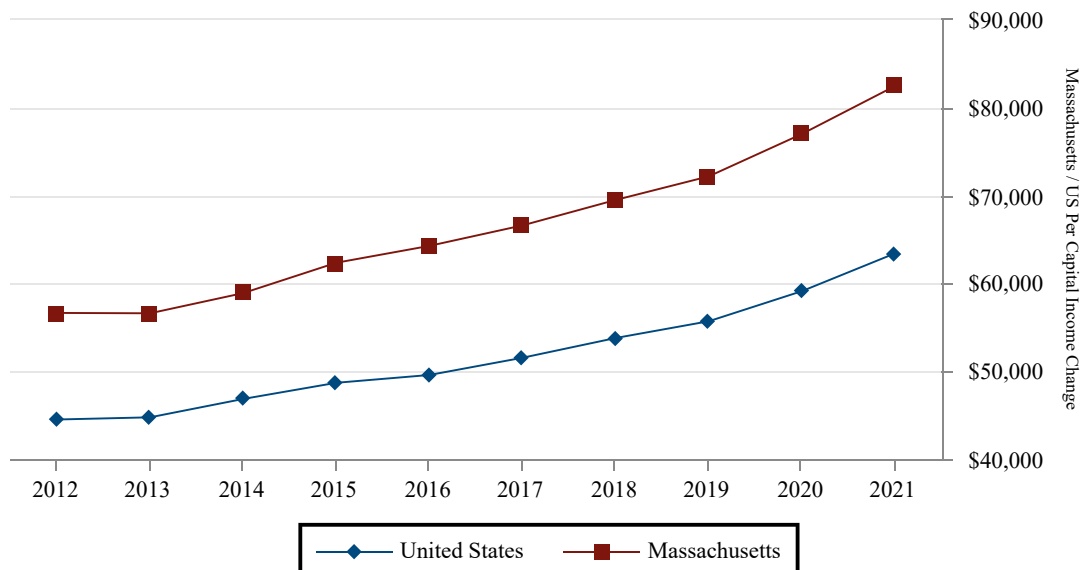
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2021	\$ 82,475	7.1 %	\$ 63,444	7.3 %	130.0 %
2020	77,021	6.7 %	59,147	6.1 %	130.2 %
2019	72,202	3.9 %	55,724	3.5 %	129.6 %
2018	69,517	4.3 %	53,817	4.4 %	129.2 %
2017	66,625	3.6 %	51,573	4.0 %	129.2 %
2016	64,295	3.1 %	49,613	1.8 %	129.6 %
2015	62,376	5.9 %	48,725	3.9 %	128.0 %
2014	58,924	4.1 %	46,887	4.7 %	125.7 %
2013	56,628	(0.1)%	44,798	0.6 %	126.4 %
2012	56,669	3.4 %	44,548	4.2 %	127.2 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on March 23, 2022.

See Independent Auditors' Report

**Massachusetts and United States Estimated Per Capita Net Income
2012 - 2021**



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

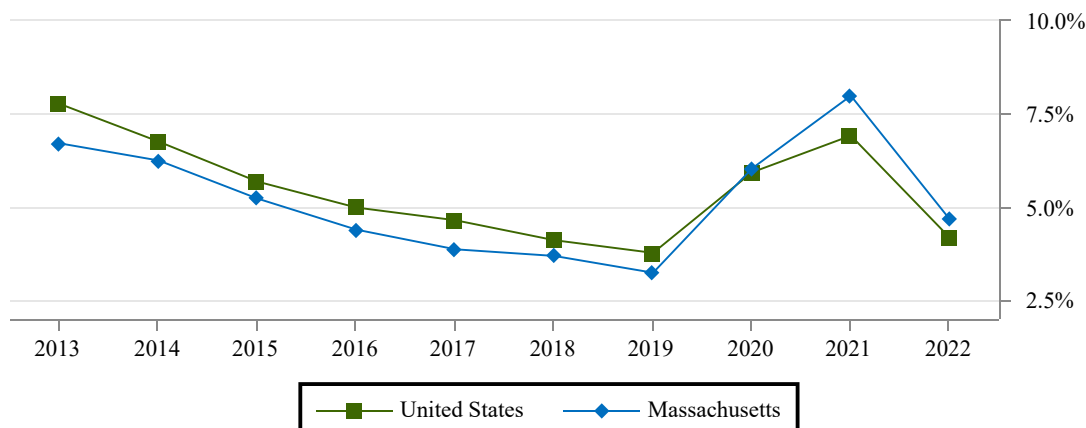
(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2022	3,765	176	4.7%	162,909	6,809	4.2%	111.9%
2021	3,752	300	8.0%	160,582	11,118	6.9%	115.9%
2020	3,774	228	6.0%	162,567	9,651	5.9%	101.8%
2019	3,829	124	3.2%	162,676	6,136	3.8%	85.9%
2018	3,767	139	3.7%	161,174	6,630	4.1%	89.7%
2017	3,671	142	3.9%	159,790	7,429	4.6%	83.2%
2016	3,594	158	4.4%	158,047	7,887	5.0%	88.1%
2015	3,594	188	5.2%	156,626	8,908	5.7%	92.0%
2014	3,533	221	6.3%	155,470	10,514	6.8%	92.5%
2013	3,514	236	6.7%	155,346	12,079	7.8%	86.4%

Source: Federal Bureau of Labor Statistics, July 2022. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics.

See Independent Auditors' Report

**Massachusetts and United States Average Unemployment Rates
FY2013 to FY2022**



Largest Private Sector Massachusetts Employers 2022 and 2013

(Alphabetical Order)

2022			2013		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc.	Springfield	Hospital
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University	Boston University	Boston	University
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital
Dana-Farber Cancer Institute, Inc.	Boston	Hospital	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	EMC Corporation	Hopkinton	Computer Storage & Peripherals
General Hospital Corporation	Boston	Hospital	General Hospital Corporation	Boston	Hospital
Harvard University	Cambridge	University	Harvard University	Cambridge	University
Massachusetts Institute of Technology	Cambridge	University	Massachusetts Institute of Technology	Cambridge	University
Northeastern University	Boston	University	Partners Healthcare Systems, Inc.	Boston	Hospital
Raytheon Company	Lexington	Electronics / Defense	Raytheon Company	Lexington	Electronics / Defense
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	S & S Credit Company, Inc (Stop & Shop)	Quincy	Supermarket
State Street Bank and Trust Company	Boston	Banking	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
The Children's Hospital Corporation	Boston	Hospital	Southcoast Hospitals Group	New Bedford	Hospital
The Stop & Shop Supermarkets Company	Quincy	Supermarket	State Street Bank and Trust Company	Boston	Banking
The TJX Companies, Inc.	Framingham	Retail	The Children's Hospital Corporation	Boston	Hospital
Tufts University	Somerville	University	The TJX Companies, Inc.	Framingham	Department Stores
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	UMASS Memorial Medical Center, Inc.	Worcester	Hospital

Source: Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance. In addition, Amazon.Com Services, Inc., CVS Pharmacy, Inc, Home Depot U.S.A.; Inc., Target Corp, United Parcel Services, Inc., and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. The information is based on the December 2022 employment for employers as registered for unemployment insurance. The list may not include those employers who do business in MA under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

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Full Time Equivalent Employees
By Function/Program
Last Ten Years

Functions/Programs	2022	2021	2020	2019	2018
General government	6,936	6,942	6,890	6,900	6,855
Judiciary	7,094	7,061	7,217	7,164	7,229
Energy and environmental affairs	2,635	2,671	2,626	2,614	2,533
Health and human services	21,448	22,022	22,218	22,209	22,104
Transportation and construction	3,614	3,504	3,584	3,555	3,527
Education	912	908	887	852	821
Public safety and homeland security	16,216	16,649	16,907	16,676	16,502
Housing and economic development	1,011	980	936	922	918
Higher Education:					
University of Massachusetts	15,124	14,840	15,324	15,193	14,737
State universities	4,948	4,944	5,136	5,219	5,233
Community colleges	4,712	4,653	4,858	4,816	4,917
Totals	84,650	85,174	86,583	86,120	85,376
Percentage change	(0.6)%	(1.6)%	0.5 %	0.9 %	— %

Source: Office of the State Comptroller

"Education" includes the Department of Elementary and Secondary Education, the Executive Office of Education, the Board of Higher Education and Early Education and Care. Transportation and construction includes MassDOT. FTE's are rounded. Prior years not restated for changes.

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2017	2016	2015	2014	2013	Change - 2022 from 2013
6,905	7,018	7,696	7,637	7,627	(9.1)%
7,208	7,264	7,264	7,195	7,297	(2.8)%
2,509	2,539	2,689	2,629	2,684	(1.8)%
21,817	21,557	22,060	21,496	21,996	(2.5)%
3,482	4,004	4,357	4,301	4,243	(14.8)%
815	907	970	1,099	928	(1.7)%
16,522	16,868	17,057	17,215	16,907	(4.1)%
818	844	884	891	868	16.5 %
15,032	15,130	14,670	14,066	14,688	3.0 %
5,186	5,050	5,036	4,969	4,856	1.9 %
5,066	5,032	5,077	4,990	5,111	(7.8)%
85,360	86,213	87,760	86,488	87,205	(2.9)%
(1.0)%	(1.8)%	1.5 %	(0.8)%	3.2 %	

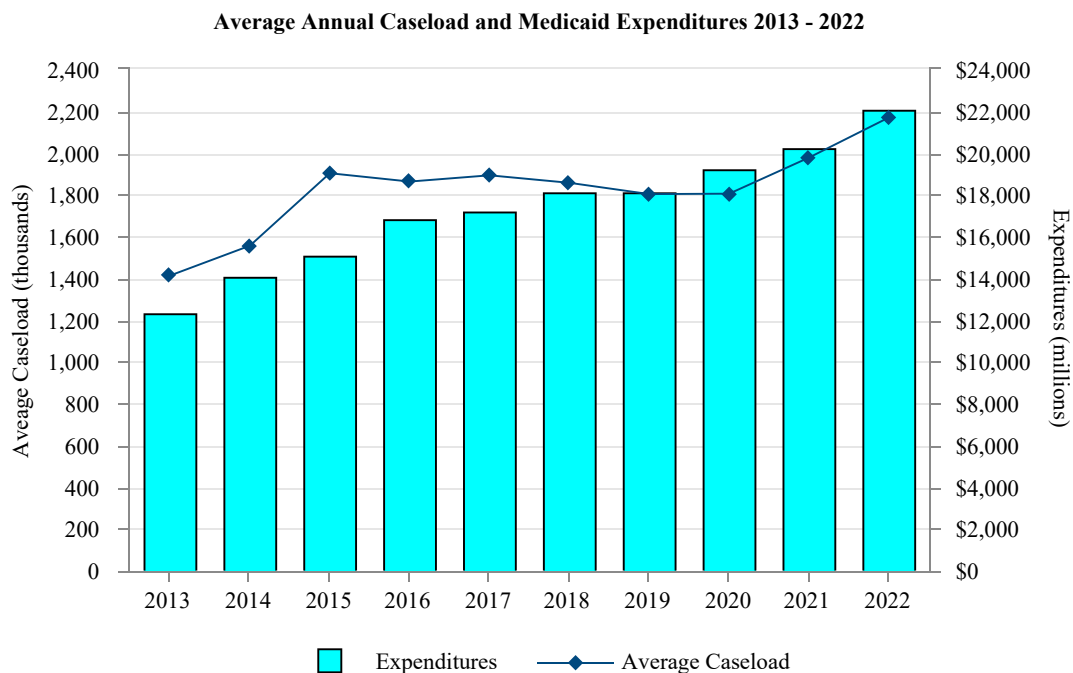
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
2022*	2,170	\$22,065	10,168
2021*	1,978	20,208	10,216
2020*	1,805	19,207	10,641
2019*	1,803	18,094	10,035
2018*	1,857	18,106	9,750
2017*	1,893	17,183	9,077
2016*	1,863	16,825	9,031
2015*	1,903	15,087	7,928
2014*	1,556	14,035	9,020
2013	1,413	12,286	8,695

* Includes members in transitional coverage program starting January 1, 2014.

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Massachusetts Road Inventory
Calendar Year End, Lane Miles by Type
Last Ten Calendar Years

Calendar Year	Interstate	Arterial	Collector	Local	Total	% Change	Total Urban	Total Rural
2021	3,190	15,557	9,032	45,333	73,112	0.02%	85.8%	14.2%
2020	3,190	15,588	9,046	45,271	73,095	0.11%	85.8%	14.2%
2019	3,168	15,613	9,049	45,183	73,013	1.10%	85.8%	14.2%
2018	3,199	15,587	9,047	44,383	72,216	(0.58)%	85.7%	14.3%
2017	3,204	15,618	9,051	44,761	72,634	1.16%	85.9%	14.1%
2016	3,204	15,624	9,050	43,926	71,804	(1.02)%	85.9%	14.1%
2015	3,204	15,641	9,048	44,654	72,547	0.24%	85.8%	14.2%
2014	3,211	15,645	9,048	44,472	72,376	(0.01)%	85.7%	14.3%
2013	3,211	15,674	9,058	44,438	72,381	0.16%	85.7%	14.3%
2012	3,212	15,639	9,038	44,379	72,268	0.13%	85.8%	14.2%

Source: Massachusetts Highway Department, Bureau of Transportation Planning and Development Annual Road Inventory Reports, Lane Miles Table 8. Exclusive of shoulders

See Independent Auditors' Report

Massachusetts Real Property Owned and Leased
Annual Inventory, Acreage, Improvements and Square Footage
Last Ten Years

Functions/Programs	Survey Year 2022	Survey Year 2021	Survey Year 2020	Survey Year 2019	Survey Year 2018
General Government:					
Total Acreage	3,281	3,234	4,615	4,812	5,108
Number of Improvements	317	331	330	307	287
Gross square footage	5,764,113	5,643,667	5,602,706	6,056,184	5,848,109
Judiciary:					
Total Acreage	143	144	154	152	155
Number of Improvements	77	73	74	69	73
Gross square footage	5,130,191	5,129,991	5,129,991	4,763,973	4,935,067
Energy and environmental affairs:					
Total Acreage	354,720	347,857	753,328	692,352	689,821
Number of Improvements	4,161	4,108	3,329	2,625	2,352
Gross square footage	107,960,374	104,763,962	83,595,589	12,292,810	8,410,119
Housing and economic development:					
Total Acreage	2	2	2	2	2
Number of Improvements	6	6	6	6	6
Gross square footage	67,412	67,412	67,412	78,012	78,012
Health and human services:					
Total Acreage	2,018	2,111	2,569	2,560	2,760
Number of Improvements	474	466	463	462	455
Gross square footage	8,467,766	8,079,366	8,088,467	7,908,283	8,390,655
Transportation and public works:					
Total Acreage	1,072	1,061	6,957	6,951	7,160
Number of Improvements	1,001	999	1,008	971	965
Gross square footage	6,815,457	6,583,261	6,519,615	6,296,235	6,273,557
Education:					
Total Acreage	150	150	208	208	220
Number of Improvements	30	30	30	30	40
Gross square footage	508,706	508,706	508,706	223,706	207,633
Public safety and homeland security:					
Total Acreage	9,382	9,352	10,198	10,336	12,071
Number of Improvements	1,079	1,078	1,035	1,129	1,100
Gross square footage	14,773,374	14,554,396	14,483,439	15,394,170	15,176,714
Higher Education:					
Total Acreage	6,589	6,577	5,924	5,923	5,715
Number of Improvements	1,227	1,215	1,178	1,185	1,136
Gross square footage	43,067,759	42,579,314	42,039,298	42,092,601	40,434,772
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	377,357	370,488	783,955	723,296	723,012
Number of Improvements	8,372	8,306	7,453	6,784	6,414
Gross square footage	192,555,152	187,910,075	166,035,223	95,105,974	89,754,638
Percentage Change for Commonwealth:					
Acreage	1.9 %	(52.7)%	8.4 %	— %	(0.9)%
Improvement	0.8 %	11.4 %	9.9 %	5.8 %	3.5 %
Gross square footage	2.5 %	13.2 %	74.6 %	6.0 %	(2.8)%

Source: Executive Office of Administration and Finance, Division of Capital Asset Management and Maintenance. See <http://www.mass.gov/anf/property-mgmt-and-construction/sale-and-lease-of-state-assets/comprehensive-real-estate-serv/massets-reports.html>

See Independent Auditors' Report

Survey Year 2017	Survey Year 2016	Survey Year 2015	Survey Year 2014	Survey Year 2013
4,964	2,488	2,574	3,114	3,101
268	118	173	513	333
6,054,449	4,808,125	6,803,498	10,916,681	9,076,550
154	153	153	149	148
75	75	75	74	73
5,224,810	4,843,949	4,843,949	5,310,049	4,700,920
688,129	680,310	674,046	668,631	652,400
2,184	2,186	2,186	1,806	2,192
8,214,843	8,134,142	8,134,142	6,507,161	7,287,961
2	2	2	0	2
6	6	6	4	5
78,012	78,012	78,012	57,812	68,412
2,862	5,568	5,623	5,834	5,829
455	627	627	907	792
8,131,022	8,361,435	8,360,310	10,995,096	9,759,611
7,195	6,968	6,966	7,014	6,965
952	930	929	675	921
6,123,984	5,820,282	4,919,282	1,989,583	4,876,689
208	208	208	208	208
40	40	40	40	43
207,633	207,633	207,633	205,503	272,352
19,271	19,150	19,150	19,166	19,169
1,118	1,063	1,014	1,083	997
14,998,157	13,845,503	13,376,555	14,402,161	12,213,112
6,770	7,244	7,243	7,128	7,473
1,101	1,078	1,076	873	1,009
43,339,713	38,443,057	38,411,260	29,666,140	32,594,800
729,555	722,091	715,965	711,244	695,295
6,199	6,123	6,126	5,975	6,365
92,372,623	84,542,138	85,134,641	80,050,186	80,850,407
1.0 %	0.9 %	0.7 %	2.3 %	1.4 %
1.2 %	— %	2.5 %	(6.1)%	— %
9.3 %	(0.7)%	6.4 %	(1.0)%	0.4 %

Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years

Academic Year	Fall 2021	Fall 2020	Fall 2019	Fall 2018	Fall 2017
ENROLLMENT					
University System					
Undergraduate (FTE)	50,720	52,633	53,103	56,544	56,275
Graduate (FTE)	14,066	13,437	12,907	18,161	18,284
System Enrollment	64,786	66,070	66,010	74,705	74,559
State University System					
Undergraduate (FTE)	28,208	31,087	34,807	35,081	36,074
Graduate (FTE)	4,940	5,859	6,003	6,169	5,694
System Enrollment	33,148	36,946	40,810	41,250	41,768
Community College System					
Undergraduate (FTE)	38,503	39,814	47,190	47,891	52,306
DEGREES CONFERRED					
	2022	2021	2020	2019	2018
University System					
Certificates (MD)	734	693	604	573	571
Associates	53	70	80	93	82
Bachelors	13,100	13,364	13,061	13,118	13,036
Masters	4,342	4,111	4,074	4,099	4,013
Doctoral	712	599	662	665	599
Certificate of Advance Graduate Study	58	48	49	67	71
Post-Baccalaureate Certificate	749	652	658	696	708
First Professional	86	86	58	47	49
Total Degrees	19,834	19,623	19,246	19,358	19,129
State University System					
Certificates	61	45	54	39	28
Bachelors	7,478	7,996	8,516	8,692	8,867
Masters	3,199	2,855	2,876	2,693	2,388
Certificate of Advance Graduate Study	137	130	138	92	85
Post-Baccalaureate Certificate	276	301	259	370	302
Total Degrees	11,151	11,327	11,843	11,886	11,670
Community College System					
Certificates	2,295	2,473	2,311	2,886	3,332
Associates	8,641	9,267	9,413	10,276	10,416
Total Degrees	10,936	11,740	11,724	13,162	13,748
Total All Systems - Degrees	41,921	42,690	42,813	44,406	44,547

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

See Independent Auditors' Report

Fall 2016	Fall 2015	Fall 2014	Fall 2013	Fall 2012	% Change - 2021 from 2012
51,209	50,816	49,725	48,893	48,136	6.9 %
12,769	12,517	12,576	12,442	12,202	16.7 %
63,978	63,333	62,301	61,335	60,338	8.9 %
35,909	34,700	35,507	35,429	34,773	(20.9) %
5,641	8,007	7,507	7,704	7,894	(20.6) %
41,550	42,707	43,014	43,133	42,667	(20.8) %
55,336	59,827	58,764	64,584	62,445	(40.4) %
2017	2016	2015	2014	2013	% Change - 2022 from 2013
505	423	435	376	426	110.9 %
73	85	103	96	121	(45.4) %
12,754	12,124	11,841	11,544	10,910	26.0 %
3,771	3,669	3,787	3,559	3,442	29.2 %
602	575	504	501	486	58.2 %
76	86	81	77	62	(34.8) %
842	769	738	691	664	13.7 %
50	53	64	79	103	100.0 %
18,673	17,784	17,553	16,923	16,214	28.4 %
35	40	29	34	37	110.3 %
8,775	8,762	8,534	8,184	8,024	(3.2) %
2,283	2,353	2,116	2,478	2,327	33.1 %
83	73	63	113	108	(4.2) %
359	283	304	327	371	(23.8) %
11,535	11,511	11,046	11,136	10,867	4.6 %
3,147	3,131	3,288	3,365	2,929	(20.5) %
11,067	11,317	11,517	11,341	10,772	(16.9) %
14,214	14,448	14,805	14,706	13,701	(17.7) %
44,422	43,743	43,404	42,765	40,782	6.4 %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2022

(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5C, as amended by Section 259 of Chapter 268 of the Acts of 2022. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)*	\$ 4,578,822	\$ —	\$ 4,845	\$ 17,956	\$ 10,996	\$ 5,984	\$ 1,155	\$ 4,812,072

Stabilization Balance Reconciliation:

Balance as of July 1, 2021	\$ 4,626,419
Capital Gains Tax Revenue Transfers to Stabilization Fund during FY2022 per Chapter 29, Section 5G	2,272,593
Transfer to Stabilization Fund from Abandoned Property Revenue Growth from Prior Fiscal Year	14,639
Certain tax revenues	260
Transfer of 10% of Casino Gaming Tax Revenue (MGM and Encore Casinos)	24,308
Accounting Adjustment for Change in Value of Short-Term Bond Fund	(354)
Stabilization Fund Balance as of June 30, 2022	\$ 6,937,864
Memo: Change in Stabilization Fund Balance, FY21-22	\$ 2,311,445

* Excludes funds with no FY22 balances or activity

Note: Details may not add to totals due to rounding

See Independent Auditors' Report

Calculation of Transfers: Tax Reduction Fund

June 30, 2022

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections [2H](#) and [2I](#) of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 6,937,864
Allowable Stabilization Fund balance	<u>9,312,616</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u><u>\$ —</u></u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 6,937,864
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u><u>\$ 6,937,864</u></u>

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	\$ —
Transfers from Stabilization Fund	<u>—</u>
Tax Reduction Fund balance after transfers	<u><u>\$ —</u></u>

See Independent Auditors' Report

MASSACHUSETTS GENERAL INFORMATION

Admitted to Union (6th State): 1788
Population: 6,984,723

Capital: Boston
Nickname: Bay State

The State Seal



The State Flag



The State Seal, adopted by Governor John Hancock and the Council on December 13, 1780 and made official by the General Court on June 4, 1885, is circular and bears a representation of the arms of the Commonwealth encircled with the words "Sigillum Reipublicae Massachusettensis" (Seal of the Republic of Massachusetts). The arms, according to legislative enactment, consists of "a shield having a blue field or surface with an Indian thereon, dressed in a shirt and moccasins, holding in his right hand a bow, and in his left hand an arrow, point downward, all of gold; and in the upper corner of the field, above his right arm, bent at the elbow, clothed and ruffled, with the hand grasping a broadsword."

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

The State Flower



The Mayflower

The State Fish



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

The State Bird



The Black Capped Chickadee

The State Dinosaur



Podokesaurus Holyokensis, a mid-Jurassic era dino with a "light and delicate frame" that likely weighed in at 90 pounds and measured about three to six feet in length.

The State Tree






The American Elm was adopted as the official tree March 21, 1941 to commemorate the fact that General George Washington took command of the Continental Army beneath one on Cambridge Common in 1775.



The State Dog



The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

Beverage:  Cranberry Juice
Dessert:  Boston Cream Pie

Muffin:  The Corn Muffin
Cookie:  Chocolate Chip

Horse:  The Morgan Horse
Bean:  Navy Bean

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Tax-Exempt Bonds described below, Bond Counsel proposes to deliver an opinion in substantially the following form:



One Financial Center
Boston, MA 02111
617 542 6000
mintz.com

[Dated Closing Date]

Honorable Deborah B. Goldberg
Treasurer and Receiver-General
State House, Room 227
Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of its \$_____ [General Obligation Bonds, Consolidated Loan of 2023, Series [B][C][D]][General Obligation Refunding Bonds, 2023 Series C] (the “Bonds”), dated the date of delivery. 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.

(b) Interest on the Bonds, including any accrued original issue discount, 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. Interest on the Bonds is not a specific preference item for purposes of computation of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from computation of the federal corporate alternative minimum tax. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

(c) Interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, 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.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

Upon delivery of the Taxable Bonds described below, Bond Counsel proposes to deliver an opinion in substantially the following form:



One Financial Center
Boston, MA 02111
617 542 6000
mintz.com

[Dated Closing Date]

Honorable Deborah B. Goldberg
Treasurer and Receiver-General
State House, Room 227
Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of its \$ _____ General Obligation Bonds, Consolidated Loan of 2023, Series E (Federally Taxable), dated the date of delivery (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.

(b) Interest on the Bonds is includable in the gross income of the holders of the Bonds for federal income tax purposes. We express no opinion as to any other matters of federal tax law relating to the Bonds.

(c) Interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, 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.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

[TO BE INCLUDED IN BOND FORM]

The Commonwealth of Massachusetts

\$275,000,000
General Obligation Bonds
Consolidated Loan of 2023, Series B

\$200,000,000
General Obligation Bonds
Consolidated Loan of 2023, Series C

\$550,000,000
General Obligation Bonds
Consolidated Loan of 2023, Series D

\$260,000,000
General Obligation Bonds
Consolidated Loan of 2023, Series E
(Federally Taxable)

\$187,755,000
General Obligation Refunding Bonds
2023 Series C

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2023, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth’s failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth’s Information Statement dated September 11, 2023, as supplemented (the “Information Statement”), and substantially in the same level of detail as is found in the referenced section of the Information Statement. The Information Statement has been filed with EMMA.

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year.	“SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures”
2. Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	“SELECTED FINANCIAL DATA – GAAP Basis”
3. Summary presentation on a five-year comparative basis of lottery revenues and profits	“COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; <i>Lottery Revenues</i> ”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
4. Summary presentation of payments received pursuant to the tobacco master settlement agreement	“COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; <i>Tobacco Settlement</i> ”
5. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES – Limitations on Tax Revenues”
6. Summary description of the retirement systems for which the Commonwealth is responsible, including membership and contribution rates	“PENSION AND OPEB FUNDING – Retirement Systems” and “PENSION AND OPEB FUNDING – Employee Contributions”
7. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“PENSION AND OPEB FUNDING – Funding Schedule”
8. Summary presentation on a ten-year comparative basis of actuarial valuations of pension fund assets, liabilities and funding progress	“PENSION AND OPEB FUNDING – Actuarial Valuations”
9. Summary presentation on a five-year comparative basis of pension contributions made and the cost impact of a minimal traditional schedule	“PENSION AND OPEB FUNDING – Annual Required Contributions”
10. Summary presentation on a five-year comparative basis of PRIT Fund asset allocation and investment returns	“PENSION AND OPEB FUNDING – PRIT Fund Investments”
11. Summary presentation of actuarial valuations of OPEB assets, liabilities and funding progress	“PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB)”
12. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
13. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL INVESTMENT PLAN”
14. Statement of general and special obligation long-term debt issuance and repayment analysis on a five-year comparative basis through the end of the prior fiscal year	“LONG-TERM LIABILITIES – General and Special Obligation Long-Term Debt Issuance and Repayment Analysis”
15. Statement of outstanding Commonwealth debt on a five-year comparative basis through the end of the prior fiscal year	“LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt”
16. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“LONG-TERM LIABILITIES – Debt Service Requirements”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
17. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	“LONG-TERM LIABILITIES – General Obligation Contract Assistance Liabilities”
18. Annual fiscal year long-term leasing liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES – Long-Term Operating Leases and Capital Leases”
19. Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES – Authorized And Unissued Debt”
20. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“LONG-TERM LIABILITIES – General Authority to Borrow; <i>Statutory Limit on Direct Debt</i> ”
21. Summary presentation of the then-current, Commonwealth interest rate swap agreements	“LONG-TERM LIABILITIES – Interest Rate Swaps”
22. Summary presentation of the then-current, Commonwealth liquidity facilities	“LONG-TERM LIABILITIES – Liquidity Facilities”

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to EMMA. The Commonwealth’s annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time and shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Bonds to provide in a timely manner, not in excess of ten business days after occurrence of the event, to EMMA notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule):

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;⁽¹⁾
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

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

- (vii) modifications to the rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;⁽²⁾
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Commonwealth;⁽³⁾
- (xiii) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;⁽⁴⁾
- (xv) incurrence of a financial obligation⁽⁵⁾ of the Commonwealth, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Commonwealth, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Commonwealth, any of which reflect financial difficulties.

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

To the extent permitted by law, the foregoing provisions of this Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided; however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the 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

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

⁽³⁾ As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

⁽⁴⁾ Not applicable to the Bonds.

⁽⁵⁾ As noted in the Rule, the term "financial obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) a guaranty of an instrument described in (i) or (ii). The term does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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OFFICIAL NOTICES OF SALE

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OFFICIAL NOTICE OF SALE
THE COMMONWEALTH OF MASSACHUSETTS

\$275,000,000*
General Obligation Bonds
Consolidated Loan of 2023, Series B

October 10, 2023

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the “State Treasurer”), for the purchase of General Obligation Bonds, Consolidated Loan of 2023, Series B (the “Series B Bonds”), of The Commonwealth of Massachusetts (the “Commonwealth”) to be sold in an aggregate principal amount of \$275,000,000*. Bids for the purchase of the Series B Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions “Time” and “Procedures for Electronic Bidding.”

The Series B Bonds will constitute 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 Series B Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 10:00 a.m. (Boston, Massachusetts time) on October 17, 2023 (subject to the provisions described below under the caption “Procedures for Electronic Bidding”) or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) (“TM3”), as described herein under the caption “Change of Bid Date or Time.” If no legal bid or bids are received for the Series B Bonds on October 17, 2023, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series B Bonds. The Series B Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on April 1 and October 1 in each year and at maturity, beginning April 1, 2024. The Series B Bonds shall mature or come due through mandatory sinking fund redemptions on October 1 of the years and in the principal amounts shown below, subject to change as set forth in this Official Notice of Sale.

<u>Maturity*</u>	<u>Amount*</u>
2026	\$20,000,000
2027	25,000,000
2031	25,000,000
2032	25,000,000
2033	25,000,000
2034	35,000,000
2035	35,000,000
2036	35,000,000
2037	25,000,000
2038	25,000,000

* Preliminary, subject to change.

The Series B Bonds will be issued as serial bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see “Bidding Parameters” below).

The Series B Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.

The Series B Bonds maturing on or before October 1, 2033 will not be subject to redemption prior to maturity. The Series B Bonds maturing on or after October 1, 2034 will be subject to redemption prior to their stated maturity dates on and after October 1, 2033 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series B Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the Series B Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) will be ANNOUNCED on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series B Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series B Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Series B Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:30 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series B Bonds offered and must offer to pay an aggregate price of not less than 100% of the aggregate principal amount of the Series B Bonds.

Bids may provide for all the Series B Bonds to be issued as serial bonds only or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds. Series B Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on October 1, of the first year in which maturities have been combined to form such term bond and continuing on October 1 in each year thereafter until the stated maturity date of such term bond.

Bids must state a single fixed interest rate for each maturity of the Series B Bonds. The rate of interest stated for any given maturity of Series B Bonds shall be in a multiple of one-twentieth or one-eighth of one percent per annum. No maturity may have an interest rate of more than 5.00%

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series B Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series B Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder's bid for the purchase of the Series B Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series B Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Series B Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series B Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's municipal advisor, Acacia Financial Group, Inc. ("Acacia"), by telephone at (856) 234-2266.

Electronic bids must be submitted for the purchase of the Series B Bonds (all or none) via Parity by 10:00 a.m. (Boston, Massachusetts time) on October 17, 2023. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 10:00 a.m. (Boston, Massachusetts time), on October 17, 2023. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series B Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series B Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Basis of Award. The Series B Bonds will be awarded to the bidder offering to purchase all of the Series B Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series B Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series B Bonds (October 25, 2023). If this procedure produces a tie, the Series B Bonds will be awarded and sold to bidders at the discretion of the Commonwealth.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated October 10, 2023 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”) with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the “Final Official Statement”). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth’s website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Series B Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. The successful bidder shall assist the Commonwealth in establishing the issue price of the Series B Bonds and shall execute and deliver to the Commonwealth at Closing an “issue price” certificate setting forth the reasonably expected initial offering price to the public of the Series B Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached to the Preliminary Official Statement as Appendix E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Commonwealth and Bond Counsel. All actions to be taken by the Commonwealth under this Official Notice of Sale to establish the issue price of the Series B Bonds may be taken on behalf of the Commonwealth by the Commonwealth’s municipal advisor identified herein and any notice or report to be provided to the Commonwealth may be provided to the Commonwealth’s municipal advisor. The Commonwealth intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series B Bonds) will apply to the initial sale of the Series B Bonds (the “competitive sale requirements”) because (i) the Commonwealth shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (ii) all bidders shall have an equal opportunity to bid; (iii) the Commonwealth expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (iv) the Commonwealth anticipates awarding the sale of the Series B Bonds to the bidder who submits a firm offer to purchase the Series B Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale. Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Series B Bonds, as specified in the bid, and the bidder certifies that it is an underwriter with an established industry reputation for underwriting municipal bonds.

In the event that the competitive sale requirements are not satisfied, the Commonwealth will reject all bids and cancel the sale. Bidders should prepare their bids on the assumption that the issue price of the Series B Bonds will be the reasonably expected initial offering price to the public.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series B Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth’s issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Series B Bonds.

Settlement. The Series B Bonds will be delivered on October 25, 2023, in New York, New York, at DTC against payment of the purchase price therefor. The successful bidder must make payment of the purchase price of Series B Bonds by 10:00 a.m. (Boston, Massachusetts time) on October 25, 2023 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Series B Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series B Bonds are issued, or affecting the validity of the Series B Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series B Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Bonds on the inside cover pages of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “MUNICIPAL ADVISOR” and in Appendix B and Appendix E, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series B Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series B Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series B Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel’s opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings “THE BONDS,” “SECURITY FOR THE BONDS” and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series B Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption “Tax Exemption” and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel’s opinion regarding the Series B Bonds, are correct in all material respects, and (ii) in the course of such counsel’s participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel’s attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series B Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Series B Bonds on the inside cover pages of the Final Official Statement, any other information concerning the reoffering of the Series B Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “COMPETITIVE SALE OF BONDS” and “MUNICIPAL ADVISOR” and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel’s participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series B Bonds, no facts came to such counsel’s attention that have caused it to conclude that the Commonwealth Information Statement as of October 10, 2023, or, as it may have been supplemented as of the date of sale of the Series B Bonds, as of said date of sale or as of the date of settlement of the Series B Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by Acacia, as municipal advisor to the Commonwealth, with respect to the Series B Bonds. The Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series B Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series B Bond nor any error with respect thereto shall constitute cause for a failure or refusal by

the successful bidder to accept delivery of and make payment for the Series B Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series B Bonds shall be paid for by the successful bidder.

Right to Modify or Amend Official Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Series B Bonds will be communicated by posting on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series B Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 9:30 a.m. (Boston, Massachusetts time) on the announced bid date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series B Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series B Bonds is contained in the Preliminary Official Statement dated October 10, 2023 to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg

Treasurer and Receiver-General



OFFICIAL NOTICE OF SALE
THE COMMONWEALTH OF MASSACHUSETTS

\$200,000,000*
General Obligation Bonds
Consolidated Loan of 2023, Series C

October 10, 2023

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the “State Treasurer”), for the purchase of General Obligation Bonds, Consolidated Loan of 2023, Series C (the “Series C Bonds”), of The Commonwealth of Massachusetts (the “Commonwealth”) to be sold in an aggregate principal amount of \$200,000,000*. Bids for the purchase of the Series C Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions “Time” and “Procedures for Electronic Bidding.”

The Series C Bonds will constitute 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 Series C Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 10:30 a.m. (Boston, Massachusetts time) on October 17, 2023 (subject to the provisions described below under the caption “Procedures for Electronic Bidding”) or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) (“TM3”), as described herein under the caption “Change of Bid Date or Time.” If no legal bid or bids are received for the Series C Bonds on October 17, 2023, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series C Bonds. The Series C Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on April 1 and October 1 in each year and at maturity, beginning April 1, 2024. The Series C Bonds shall mature or come due through mandatory sinking fund redemptions on October 1 of the years and in the principal amounts shown below, subject to change as set forth in this Official Notice of Sale.

<u>Maturity*</u>	<u>Amount*</u>
2046	\$40,000,000
2047	40,000,000
2048	70,000,000
2049	50,000,000

The Series C Bonds will be issued as serial bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see “Bidding Parameters” below).

The Series C Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

* Preliminary, subject to change.

Redemption.

The Series C Bonds will be subject to redemption prior to their stated maturity dates on and after October 1, 2033 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series C Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the Series C Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) will be ANNOUNCED on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series C Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series C Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Series C Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:30 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series C Bonds offered and must offer to pay an aggregate price of not less than 100% of the aggregate principal amount of the Series C Bonds.

Bids may provide for all the Series C Bonds to be issued as serial bonds only or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds. Series C Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on October 1, of the first year in which maturities have been combined to form such term bond and continuing on October 1 in each year thereafter until the stated maturity date of such term bond.

Bids must state a single fixed interest rate for each maturity of the Series C Bonds. Bids must state a single fixed interest rate of 5.00% for the Series C Bonds of each maturity.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series C Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series C Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder’s bid for the purchase of the Series C Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series C Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Series C Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series C Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's municipal advisor, Acacia Financial Group, Inc. ("Acacia"), by telephone at (856) 234-2266.

Electronic bids must be submitted for the purchase of the Series C Bonds (all or none) via Parity by 10:30 a.m. (Boston, Massachusetts time) on October 17, 2023. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 10:30 a.m. (Boston, Massachusetts time), on October 17, 2023. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series C Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series C Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Basis of Award. The Series C Bonds will be awarded to the bidder offering to purchase all of the Series C Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series C Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series C Bonds (October 25, 2023). If this procedure produces a tie, the Series C Bonds will be awarded and sold to bidders at the discretion of the Commonwealth.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated October 10, 2023 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the

Series C Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. The successful bidder shall assist the Commonwealth in establishing the issue price of the Series C Bonds and shall execute and deliver to the Commonwealth at Closing an “issue price” certificate setting forth the reasonably expected initial offering price to the public of the Series C Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached to the Preliminary Official Statement as Appendix E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Commonwealth and Bond Counsel. All actions to be taken by the Commonwealth under this Official Notice of Sale to establish the issue price of the Series C Bonds may be taken on behalf of the Commonwealth by the Commonwealth’s municipal advisor identified herein and any notice or report to be provided to the Commonwealth may be provided to the Commonwealth’s municipal advisor. The Commonwealth intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series C Bonds) will apply to the initial sale of the Series C Bonds (the “competitive sale requirements”) because (i) the Commonwealth shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (ii) all bidders shall have an equal opportunity to bid; (iii) the Commonwealth expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (iv) the Commonwealth anticipates awarding the sale of the Series C Bonds to the bidder who submits a firm offer to purchase the Series C Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale. Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Series C Bonds, as specified in the bid, and the bidder certifies that it is an underwriter with an established industry reputation for underwriting municipal bonds.

In the event that the competitive sale requirements are not satisfied, the Commonwealth will reject all bids and cancel the sale. Bidders should prepare their bids on the assumption that the issue price of the Series C Bonds will be the reasonably expected initial offering price to the public.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series C Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth’s issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Series C Bonds.

Settlement. The Series C Bonds will be delivered on October 25, 2023, in New York, New York, at DTC against payment of the purchase price therefor. The successful bidder must make payment of the purchase price of Series C Bonds by 10:00 a.m. (Boston, Massachusetts time) on October 25, 2023 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Series C Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series C Bonds are issued, or affecting the validity of the Series C Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series C Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Bonds on the inside cover pages of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “MUNICIPAL ADVISOR” and in Appendix B and Appendix E, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series C Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series C Bonds, did not contain any

untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series C Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "THE BONDS," "SECURITY FOR THE BONDS" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series C Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the Series C Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series C Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Series C Bonds on the inside cover pages of the Final Official Statement, any other information concerning the reoffering of the Series C Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings "BOOK-ENTRY-ONLY SYSTEM," "RATINGS," "COMPETITIVE SALE OF BONDS" and "MUNICIPAL ADVISOR" and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series C Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of October 10, 2023, or, as it may have been supplemented as of the date of sale of the Series C Bonds, as of said date of sale or as of the date of settlement of the Series C Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by Acacia, as municipal advisor to the Commonwealth, with respect to the Series C Bonds. The Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series C Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series C Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series C Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series C Bonds shall be paid for by the successful bidder.

Right to Modify or Amend Official Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Series C Bonds will be communicated by posting on TM3 not later than 9:30 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series C Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 9:30 a.m. (Boston, Massachusetts time) on the announced bid date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series C Bonds in conformity in all respects with

the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series C Bonds is contained in the Preliminary Official Statement dated October 10, 2023 to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg

Treasurer and Receiver-General



OFFICIAL NOTICE OF SALE

THE COMMONWEALTH OF MASSACHUSETTS

\$550,000,000*

General Obligation Bonds Consolidated Loan of 2023, Series D

October 10, 2023

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of General Obligation Bonds, Consolidated Loan of 2023, Series D (the "Series D Bonds"), of The Commonwealth of Massachusetts (the "Commonwealth") to be sold in an aggregate principal amount of \$550,000,000*. Bids for the purchase of the Series D Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Series D Bonds will constitute 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 Series D Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 11:00 a.m. (Boston, Massachusetts time) on October 17, 2023 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Change of Bid Date or Time." If no legal bid or bids are received for the Series D Bonds on October 17, 2023, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series D Bonds. The Series D Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on April 1 and October 1 in each year and at maturity, beginning April 1, 2024. The Series D Bonds shall mature or come due through mandatory sinking fund redemptions on October 1 of the years and in the principal amounts shown below, subject to change as set forth in this Official Notice of Sale.

<u>Maturity*</u>	<u>Amount*</u>
2050	\$100,000,000
2051	100,000,000
2052	100,000,000
2053	250,000,000

The Series D Bonds will be issued as serial bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see "Bidding Parameters" below).

The Series D Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company ("DTC") and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

* Preliminary, subject to change.

Redemption.

The Series D Bonds will be subject to redemption prior to their stated maturity dates on and after October 1, 2033 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series D Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the Series D Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) will be ANNOUNCED on TM3 not later than 10:00 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series D Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series D Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Series D Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:30 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series D Bonds offered and must offer to pay an aggregate price of not less than 100% of the aggregate principal amount of the Series D Bonds.

Bids may provide for all the Series D Bonds to be issued as serial bonds only or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds. Series D Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on October 1, of the first year in which maturities have been combined to form such term bond and continuing on October 1 in each year thereafter until the stated maturity date of such term bond.

Bids must state a single fixed interest rate for each maturity of the Series D Bonds. The rate of interest stated for any given maturity of Series D Bonds shall be in a multiple of one-twentieth or one-eighth of one percent per annum. No maturity may have an interest rate of less than 5.00% nor greater than 5.25%.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series D Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series D Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder’s bid for the purchase of the Series D Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series D Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Series D Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series D Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's municipal advisor, Acacia Financial Group, Inc. ("Acacia"), by telephone at (856) 234-2266.

Electronic bids must be submitted for the purchase of the Series D Bonds (all or none) via Parity by 11:00 a.m. (Boston, Massachusetts time) on October 17, 2023. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 11:00 a.m. (Boston, Massachusetts time), on October 17, 2023. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series D Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series D Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Basis of Award. The Series D Bonds will be awarded to the bidder offering to purchase all of the Series D Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series D Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series D Bonds (October 25, 2023). If this procedure produces a tie, the Series D Bonds will be awarded and sold to bidders at the discretion of the Commonwealth.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated October 10, 2023 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the

Series D Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. The successful bidder shall assist the Commonwealth in establishing the issue price of the Series D Bonds and shall execute and deliver to the Commonwealth at Closing an “issue price” certificate setting forth the reasonably expected initial offering price to the public of the Series D Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached to the Preliminary Official Statement as Appendix E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Commonwealth and Bond Counsel. All actions to be taken by the Commonwealth under this Official Notice of Sale to establish the issue price of the Series D Bonds may be taken on behalf of the Commonwealth by the Commonwealth’s municipal advisor identified herein and any notice or report to be provided to the Commonwealth may be provided to the Commonwealth’s municipal advisor. The Commonwealth intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series D Bonds) will apply to the initial sale of the Series D Bonds (the “competitive sale requirements”) because (i) the Commonwealth shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (ii) all bidders shall have an equal opportunity to bid; (iii) the Commonwealth expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (iv) the Commonwealth anticipates awarding the sale of the Series D Bonds to the bidder who submits a firm offer to purchase the Series D Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale. Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Series D Bonds, as specified in the bid, and the bidder certifies that it is an underwriter with an established industry reputation for underwriting municipal bonds.

In the event that the competitive sale requirements are not satisfied, the Commonwealth will reject all bids and cancel the sale. Bidders should prepare their bids on the assumption that the issue price of the Series D Bonds will be the reasonably expected initial offering price to the public.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series D Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth’s issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Series D Bonds.

Settlement. The Series D Bonds will be delivered on October 25, 2023, in New York, New York, at DTC against payment of the purchase price therefor. The successful bidder must make payment of the purchase price of Series D Bonds by 10:00 a.m. (Boston, Massachusetts time) on October 25, 2023 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Series D Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series D Bonds are issued, or affecting the validity of the Series D Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series D Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Bonds on the inside cover pages of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “MUNICIPAL ADVISOR” and in Appendix B and Appendix E, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series D Bonds, and the Final

Official Statement, both as of the date of sale and the date of settlement of the Series D Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series D Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "THE BONDS," "SECURITY FOR THE BONDS" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series D Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the Series D Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series D Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Series D Bonds on the inside cover pages of the Final Official Statement, any other information concerning the reoffering of the Series D Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings "BOOK-ENTRY-ONLY SYSTEM," "RATINGS," "COMPETITIVE SALE OF BONDS" and "MUNICIPAL ADVISOR" and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series D Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of October 10, 2023, or, as it may have been supplemented as of the date of sale of the Series D Bonds, as of said date of sale or as of the date of settlement of the Series D Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by Acacia, as municipal advisor to the Commonwealth, with respect to the Series D Bonds. The Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series D Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series D Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series D Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series D Bonds shall be paid for by the successful bidder.

Right to Modify or Amend Official Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Series D Bonds will be communicated by posting on TM3 not later than 10:00 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series D Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 10:00 a.m. (Boston, Massachusetts time) on the announced bid date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series D Bonds in conformity in all respects with

the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series D Bonds is contained in the Preliminary Official Statement dated October 10, 2023 to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg

Treasurer and Receiver-General



OFFICIAL NOTICE OF SALE

THE COMMONWEALTH OF MASSACHUSETTS

\$260,000,000*

General Obligation Bonds

Consolidated Loan of 2023, Series E (Federally Taxable)

October 10, 2023

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of General Obligation Bonds, Consolidated Loan of 2023, Series E (Federally Taxable) (the "Series E Bonds"), of The Commonwealth of Massachusetts (the "Commonwealth") to be sold in an aggregate principal amount of \$260,000,000*. Bids for the purchase of the Series E Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Series E Bonds will constitute 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 Series E Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 11:30 a.m. (Boston, Massachusetts time) on October 17, 2023 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Change of Bid Date or Time." If no legal bid or bids are received for the Series E Bonds on October 17, 2023, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series E Bonds. The Series E Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on April 1 and October 1 in each year and at maturity, beginning April 1, 2024. The Series E Bonds shall mature or come due through mandatory sinking fund redemptions on October 1 of the years and in the principal amounts shown below, subject to change as set forth in this Official Notice of Sale.

<u>Maturity*</u>	<u>Amount*</u>
2026	\$20,000,000
2027	20,000,000
2028	20,000,000
2029	20,000,000
2030	20,000,000
2031	20,000,000
2032	20,000,000
2033	20,000,000
2034	20,000,000
2035	20,000,000
2036	20,000,000
2037	20,000,000
2038	20,000,000

* Preliminary, subject to change.

The Series E Bonds will be issued as serial bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see “Bidding Parameters” below).

The Series E Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.

Optional Redemption at Par

The Series E Bonds maturing on or before October 1, 2033 will not be subject to redemption prior to maturity. The Series E Bonds maturing on or after October 1, 2034 will be subject to redemption prior to their stated maturity dates on and after October 1, 2033 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Optional Redemption with Make-Whole Payment

The Series E Bonds will be subject to redemption at any time prior to the Par Call Date, at the option of the Commonwealth, in whole or in part (on a pro rata basis with respect to the Series E Bonds to be redeemed as described below), at a redemption price equal to the greater of:

- (i) 100% of the principal amount of the Series E Bonds to be redeemed; or
- (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series E Bonds to be redeemed to the earlier of the Par Call Date and the applicable maturity date (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus (i) 10 basis points for Series E Bonds maturing October 1, 2026 through October 1, 2029, (ii) 15 basis points for Series E Bonds maturing October 1, 2030 through October 1, 2033 and (iii) 20 basis points for Series E Bonds maturing October 1, 2034 through October 1, 2038, plus accrued and unpaid interest on the Series E Bonds being redeemed to the date fixed for redemption

“Treasury Rate” means, with respect to any redemption date for a particular Series E Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series E Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series E Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the Series E Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) will be ANNOUNCED on TM3 not later than 10:30 a.m. (Boston, Massachusetts time) on ANY

ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series E Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series E Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Series E Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:30 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series E Bonds offered and must offer to pay an aggregate price of not less than 100% of the aggregate principal amount of the Series E Bonds nor more than 101% of the aggregate principal amount of the Series E Bonds.

Bids may provide for all the Series E Bonds to be issued as serial bonds only or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds. Series E Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on October 1, of the first year in which maturities have been combined to form such term bond and continuing on October 1 in each year thereafter until the stated maturity date of such term bond.

Bids must state a single fixed interest rate for each maturity of the Series E Bonds. The rate of interest stated for any given maturity of Series E Bonds shall be in a multiple of one-twentieth or one-eighth of one percent per annum.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series E Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series E Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder’s bid for the purchase of the Series E Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series E Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder’s failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth’s agent, to conduct the electronic bidding for the Series E Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official

Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series E Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's municipal advisor, Acacia Financial Group, Inc. ("Acacia"), by telephone at (856) 234-2266.

Electronic bids must be submitted for the purchase of the Series E Bonds (all or none) via Parity by 11:30 a.m. (Boston, Massachusetts time) on October 17, 2023. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 11:30 a.m. (Boston, Massachusetts time), on October 17, 2023. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series E Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series E Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Basis of Award. The Series E Bonds will be awarded to the bidder offering to purchase all of the Series E Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series E Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series E Bonds (October 25, 2023). If this procedure produces a tie, the Series E Bonds will be awarded and sold to bidders at the discretion of the Commonwealth.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated October 10, 2023 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Series E Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series E Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth's issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Series E Bonds.

Settlement. The Series E Bonds will be delivered on October 25, 2023, in New York, New York, at DTC against payment of the purchase price therefor. The successful bidder must make payment of the purchase price of Series E Bonds by 10:00 a.m. (Boston, Massachusetts time) on October 25, 2023 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Series E Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series E Bonds are issued, or affecting the validity of the Series E Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series E Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Bonds on the inside cover pages of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “MUNICIPAL ADVISOR” and in Appendix B and Appendix E, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series E Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series E Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series E Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel’s opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings “THE BONDS,” “SECURITY FOR THE BONDS” and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series E Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption “Tax Exemption” and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel’s opinion regarding the Series E Bonds, are correct in all material respects, and (ii) in the course of such counsel’s participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel’s attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series E Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Series E Bonds on the inside cover pages of the Final Official Statement, any other information concerning the reoffering of the Series E Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “COMPETITIVE SALE OF BONDS” and “MUNICIPAL ADVISOR” and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel’s participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series E Bonds, no facts came to such counsel’s attention that have caused it to conclude that the Commonwealth Information Statement as of October 10, 2023, or, as it may have been supplemented as of the date of sale of the Series E Bonds, as of said date of sale or as of the date of settlement of the Series E Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by Acacia, as municipal advisor to the Commonwealth, with respect to the Series E Bonds. The Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series E Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series E Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series E Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series E Bonds shall be paid for by the successful bidder.

Right to Modify or Amend Official Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Series E Bonds will be communicated by posting on TM3 not later than 10:30 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series E Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 10:30 a.m. (Boston, Massachusetts time) on the announced bid date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series E Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series E Bonds is contained in the Preliminary Official Statement dated October 10, 2023 to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg

Treasurer and Receiver-General



OFFICIAL NOTICE OF SALE

THE COMMONWEALTH OF MASSACHUSETTS

\$188,705,000*

General Obligation Refunding Bonds 2023 Series C

October 10, 2023

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of General Obligation Refunding Bonds, 2023 Series C (the "Refunding Bonds"), of The Commonwealth of Massachusetts (the "Commonwealth") to be sold in an aggregate principal amount of \$188,705,000*. Bids for the purchase of the Refunding Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Refunding Bonds will constitute 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 Refunding Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 12:00 p.m. (Boston, Massachusetts time) on October 17, 2023 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Change of Bid Date or Time." If no legal bid or bids are received for the Refunding Bonds on October 17, 2023, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Refunding Bonds. The Refunding Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on February 1 and August 1 in each year and at maturity, beginning February 1, 2024. The Refunding Bonds shall mature on August 1 of the years and in the principal amounts shown below, subject to change as set forth in this Official Notice of Sale.

<u>Maturity*</u>	<u>Amount*</u>
2038	\$18,705,000
2039	25,000,000
2040	40,000,000
2041	40,000,000
2042	25,000,000
2043	25,000,000
2044	15,000,000

The Refunding Bonds will be issued as serial bonds in accordance with the bid submitted by the successful bidder (see "Bidding Parameters" below).

* Preliminary, subject to change.

The Refunding Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.

The Refunding Bonds will be subject to redemption prior to their stated maturity dates on and after August 1, 2033 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Refunding Bonds and the preliminary annual principal amounts as set forth in this Official Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the Refunding Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) will be ANNOUNCED on TM3 not later than 11:00 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Refunding Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Refunding Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the Refunding Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:30 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Refunding Bonds offered and must offer to pay an aggregate price of not less than 100% of the aggregate principal amount of the Refunding Bonds.

Bids may provide for all the Refunding Bonds to be issued as serial bonds only.

Bids must state a single fixed interest rate for each maturity of the Refunding Bonds. Bids must state a single fixed interest rate of 5.00% for the Refunding Bonds of each maturity.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Refunding Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Refunding Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder's bid for the purchase of the Refunding Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Refunding Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Refunding Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Refunding Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's municipal advisor, Acacia Financial Group, Inc. ("Acacia"), by telephone at (856) 234-2266.

Electronic bids must be submitted for the purchase of the Refunding Bonds (all or none) via Parity by 12:00 p.m. (Boston, Massachusetts time) on October 17, 2023. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 12:00 p.m. (Boston, Massachusetts time), on October 17, 2023. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Refunding Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Refunding Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Basis of Award. The Refunding Bonds will be awarded to the bidder offering to purchase all of the Refunding Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Refunding Bonds, will cause the sum of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Refunding Bonds (October 25, 2023). If this procedure produces a tie, the Refunding Bonds will be awarded and sold to bidders at the discretion of the Commonwealth.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated October 10, 2023 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic

Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Refunding Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. The successful bidder shall assist the Commonwealth in establishing the issue price of the Refunding Bonds and shall execute and deliver to the Commonwealth at Closing an “issue price” certificate setting forth the reasonably expected initial offering price to the public of the Refunding Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached to the Preliminary Official Statement as Appendix E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Commonwealth and Bond Counsel. All actions to be taken by the Commonwealth under this Official Notice of Sale to establish the issue price of the Refunding Bonds may be taken on behalf of the Commonwealth by the Commonwealth’s municipal advisor identified herein and any notice or report to be provided to the Commonwealth may be provided to the Commonwealth’s municipal advisor. The Commonwealth intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Refunding Bonds) will apply to the initial sale of the Refunding Bonds (the “competitive sale requirements”) because (i) the Commonwealth shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters; (ii) all bidders shall have an equal opportunity to bid; (iii) the Commonwealth expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and (iv) the Commonwealth anticipates awarding the sale of the Refunding Bonds to the bidder who submits a firm offer to purchase the Refunding Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale. Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Refunding Bonds, as specified in the bid, and the bidder certifies that it is an underwriter with an established industry reputation for underwriting municipal bonds.

In the event that the competitive sale requirements are not satisfied, the Commonwealth will reject all bids and cancel the sale. Bidders should prepare their bids on the assumption that the issue price of the Refunding Bonds will be the reasonably expected initial offering price to the public.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Refunding Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth’s issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Refunding Bonds.

Settlement. The Refunding Bonds will be delivered on October 25, 2023, in New York, New York, at DTC against payment of the purchase price therefor. The successful bidder must make payment of the purchase price of Refunding Bonds by 10:00 a.m. (Boston, Massachusetts time) on October 25, 2023 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Refunding Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Refunding Bonds are issued, or affecting the validity of the Refunding Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or

contesting the title to the office of any official signing the Refunding Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Bonds on the inside cover pages of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “MUNICIPAL ADVISOR” and in Appendix B and Appendix E, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Refunding Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Refunding Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Refunding Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel’s opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings “THE BONDS,” “SECURITY FOR THE BONDS” and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Refunding Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption “Tax Exemption” and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel’s opinion regarding the Refunding Bonds, are correct in all material respects, and (ii) in the course of such counsel’s participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel’s attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Refunding Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Refunding Bonds on the inside cover pages of the Final Official Statement, any other information concerning the reoffering of the Refunding Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings “BOOK-ENTRY-ONLY SYSTEM,” “RATINGS,” “COMPETITIVE SALE OF BONDS” and “MUNICIPAL ADVISOR” and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel’s participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Refunding Bonds, no facts came to such counsel’s attention that have caused it to conclude that the Commonwealth Information Statement as of October 10, 2023, or, as it may have been supplemented as of the date of sale of the Refunding Bonds, as of said date of sale or as of the date of settlement of the Refunding Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by Acacia, as municipal advisor to the Commonwealth, with respect to the Refunding Bonds. The Commonwealth will assume no obligation for the assignment or printing of such numbers on the Refunding Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Refunding Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Refunding Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Refunding Bonds shall be paid for by the successful bidder.

Right to Modify or Amend Official Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with

respect to the Refunding Bonds will be communicated by posting on TM3 not later than 11:00 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Refunding Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 11:00 a.m. (Boston, Massachusetts time) on the announced bid date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Refunding Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Refunding Bonds is contained in the Preliminary Official Statement dated October 10, 2023 to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg

Treasurer and Receiver-General

FORM OF ISSUE PRICE CERTIFICATE

\$[PRINCIPAL AMOUNT]
 THE COMMONWEALTH OF MASSACHUSETTS
 GENERAL OBLIGATION [REFUNDING] BONDS
 [CONSOLIDATED LOAN OF 2023, SERIES [B][C][D]][2023 SERIES C]

The undersigned, on behalf of [NAME OF SUCCESSFUL BIDDER] (the "Bond Underwriter"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Bond Underwriter are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Bond Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Bond Underwriter to purchase the Bonds.

(b) The Bond Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Bond Underwriter constituted a firm bid to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 17, 2023.

(d) *Underwriter* means (i) any person, including the Bond Underwriter, that agrees pursuant to a written contract with the Commonwealth (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Bond Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Commonwealth with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., as bond counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Commonwealth from time to time relating to the Bonds.

[SUCCESSFUL BIDDER], as Bond Underwriter
 By: _____
 Name: _____
 Title: _____

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