

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 Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. Interest on the 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 Bonds included in the adjusted financial statement income of certain corporations is not excluded from computation of the federal corporate alternative minimum tax. 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 EXEMPTION” herein.



THE COMMONWEALTH OF MASSACHUSETTS

\$902,480,000

General Obligation Bonds

Consolidated Loan of 2022, Series C

\$435,400,000

General Obligation Refunding Bonds

2022 Series A

Dated: Date of Delivery

Due: As shown on the inside cover hereof

The Commonwealth of Massachusetts General Obligation Bonds, Consolidated Loan of 2022, Series C (the “New Money Bonds”) and the General Obligation Refunding Bonds, 2022 Series A (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. Details of payment of the Bonds are more fully described in this Official Statement. The 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, 2023, and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The New Money Bonds are subject to redemption prior to maturity as more fully described herein. The Refunding Bonds are not subject to redemption prior to maturity.

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 are offered when, as and if issued and received by the Underwriters, 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Hinckley, Allen & Snyder LLP, Boston, Massachusetts. PFM Financial Advisors LLC (“PFM”) 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 27, 2022.

Morgan Stanley

Citigroup

Goldman Sachs & Co. LLC

Amerivet Securities

Baird

Drexel Hamilton, LLC

InspereX

Piper Sandler & Co.

Roosevelt & Cross

October 19, 2022

THE COMMONWEALTH OF MASSACHUSETTS

\$902,480,000
General Obligation Bonds
Consolidated Loan of 2022, 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>
2032	\$103,000,000	5.000%	3.350%	57582RW77
2033	75,000,000	5.000	3.440 ^c	57582RW85
2034	75,000,000	5.000	3.570 ^c	57582RW93
2035	75,000,000	5.000	3.640 ^c	57582RX27
2036	25,000,000	5.000	3.680 ^c	57582RX35
2037	65,000,000	5.000	3.730 ^c	57582RX43
2038	25,000,000	5.000	3.810 ^c	57582RX50
2039	25,000,000	5.000	3.860 ^c	57582RX68
2040	25,000,000	5.000	3.920 ^c	57582RX76
2041	25,000,000	5.000	4.000 ^c	57582RX84
2042	25,000,000	5.000	4.020 ^c	57582RX92

\$28,595,000 5.000% Term Bonds Due October 1, 2047, Yield 4.230%^c CUSIP Number 57582RY26*:
\$193,300,000 5.250% Term Bonds Due October 1, 2047, Yield 4.180%^c CUSIP Number 57582RY34*:
\$100,000,000 5.000% Term Bonds Due October 1, 2052, Yield 4.310%^c CUSIP Number 57582RY59*:
\$37,585,000 5.250% Term Bonds Due October 1, 2052, Yield 4.260%^c CUSIP Number 57582RY42*:

\$435,400,000
General Obligation Refunding Bonds
2022 Series A

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>
2029	\$126,400,000	5.000%	3.170%	57582RY67
2030	136,755,000	5.000	3.210	57582RY75
2031	172,245,000	5.000	3.290	57582RY83

^c Stated yield to first optional redemption date of October 1, 2032.

* 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.

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.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Charles D. Baker Governor
Karyn E. Polito Lieutenant Governor
William F. Galvin Secretary of the Commonwealth
Maura T. Healey Attorney General
Deborah B. Goldberg Treasurer and Receiver-General
Suzanne M. Bump Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka President of the Senate
Ronald Mariano Speaker of the House

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

\$902,480,000
General Obligation Bonds
Consolidated Loan of 2022, Series C

\$435,400,000
General Obligation Refunding Bonds
2022 Series A

INTRODUCTION

This Official Statement (including the cover page and Appendices A through D attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the “Commonwealth”) of its \$902,480,000 aggregate principal amount of General Obligation Bonds, Consolidated Loan of 2022, Series C (the “New Money Bonds”) and \$435,400,000 aggregate principal amount of General Obligation Refunding Bonds, 2022 Series A (the “Refunding Bonds” and together with the New Money Bonds, the “Bonds”). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding 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 certain general obligation bonds of the Commonwealth, as set forth in “THE BONDS – Plan of Finance” and in Appendix B – Table of Refunded Bonds.

Purpose and Content of Official Statement

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

Specific reference is made to the Commonwealth’s Information Statement dated September 21, 2022 (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, 2021, 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, 2021, 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.

Attached hereto as Appendix B is a listing of the bonds to be refunded with the proceeds of the Refunding Bonds. Appendix C attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix D attached hereto contains the proposed form of the Commonwealth’s continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the Underwriters of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission.

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 page of this Official Statement. The Bonds will be dated their date of delivery and will bear interest from such date. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year, commencing April 1, 2023, and at maturity, until the principal amount is paid. 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.

The New Money Bonds maturing on or after October 1, 2033 will be subject to redemption prior to their stated maturity dates on and after October 1, 2032 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 are not subject to redemption prior to maturity.

Mandatory Sinking Fund Redemption.

The New Money Bonds maturing on October 1, 2047 and bearing interest at 5.00% are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount of the New Money 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>	<u>Year</u>	<u>Amount</u>
2043	\$4,395,000	2046	\$6,605,000
2044	4,395,000	2047 [†]	8,805,000
2045	4,395,000		

[†] Stated Maturity.

The New Money Bonds maturing on October 1, 2047 and bearing interest at 5.25% are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount of the New Money 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>	<u>Year</u>	<u>Amount</u>
2043	\$29,735,000	2046	\$44,615,000
2044	29,735,000	2047 [†]	59,480,000
2045	29,735,000		

[†] Stated Maturity.

The New Money Bonds maturing on October 1, 2052 and bearing interest at 5.00% are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount of the New Money 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>	<u>Year</u>	<u>Amount</u>
2048	\$12,500,000	2051	\$25,000,000
2049	18,750,000	2052 [†]	25,000,000
2050	18,750,000		

[†] Stated Maturity.

The New Money Bonds maturing on October 1, 2052 and bearing interest at 5.25% are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount of the New Money 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>	<u>Year</u>	<u>Amount</u>
2048	\$4,700,000	2051	\$9,390,000
2049	7,050,000	2052 [†]	9,395,000
2050	7,050,000		

[†] Stated Maturity.

The Commonwealth is entitled to reduce its mandatory sinking fund redemption obligation in any year by the principal amount of any such New Money 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. In the event that less than all of any maturity of any series of Bonds is to be redeemed, and so long as the book-entry-only system remains in effect for such Bonds, the particular Bonds or portion of any such Bonds of a particular 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 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 Bond will be considered a separate Bond.

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 bonds set forth in Appendix B (the "Refunded Bonds"). The net proceeds of the Refunding Bonds will be applied to pay the principal of and interest on the Refunded Bonds on the redemption dates set forth in Appendix B.

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. In fiscal 2022, state tax revenues exceeded the statutory limit; see the Information Statement under the heading “COMMONWEALTH REVENUES – LIMITATIONS ON TAX REVENUES” for a discussion.

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 page 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" (positive 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.

UNDERWRITING

The Underwriters, represented by Morgan Stanley & Co. LLC, have agreed, subject to certain conditions, to purchase all of the Bonds from the Commonwealth at a discount from the initial offering prices of the Bonds equal to approximately 0.296% of the aggregate principal amount of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers

depositing Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover page hereof. The principal offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Underwriters.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Commonwealth as Underwriters) for the distribution of the Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Commonwealth and to persons and entities with relationships with the Commonwealth, for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the Commonwealth and its affiliates in connection with such activities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Commonwealth (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Commonwealth. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

TAX EXEMPTION

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 Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the “Code”), which must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that interest on the Bonds is and continues to be excludable from the gross income of holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of 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 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

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 Bonds. However, prospective purchasers should be aware that certain collateral consequences may result under federal tax law for certain holders of the 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 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 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 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 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 Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, under existing law, 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. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds, 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 Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Bonds with the same maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Bond. Holders should consult their own tax advisors with respect to the computations of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a 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 Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisors 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 Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 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 Bonds or the tax consequences of ownership of the 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 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 Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Commonwealth. The proposed form of the opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix C. 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Hinckley, Allen & Snyder LLP, Boston, Massachusetts.

CONTINUING DISCLOSURE

In order to assist the Underwriters 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

PFM Financial Advisors LLC ("PFM") serves as financial advisor to the Commonwealth for debt management and other financial matters. PFM has acted as independent financial advisor to the Commonwealth with respect to the Bonds. PFM 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. PFM 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 (617) 727-2040. 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/ Michael J. Heffernan
Michael J. Heffernan
Secretary of Administration and Finance

October 19, 2022

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**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated September 21, 2022

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Charles D. BakerGovernor
Karyn E. PolitoLieutenant Governor
William F. Galvin.....Secretary of the Commonwealth
Maura Healey Attorney General
Deborah B. Goldberg Treasurer and Receiver-General
Suzanne M. Bump Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka President of the Senate
Ronald Mariano Speaker of the House

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THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

September 21, 2022

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

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

Exhibit A to this Information Statement is the Statement of Economic Information as of August 17, 2022. Exhibit A sets forth certain economic, demographic and statistical information concerning the Commonwealth. The information contained in Exhibit A speaks as of its date.

Exhibits B and C, respectively, are the Commonwealth's Statutory Basis Financial Report for the year ended June 30, 2021 and the Commonwealth's Annual Comprehensive Financial Report (reported in accordance with generally accepted accounting principles (GAAP)) for the year ended June 30, 2021.

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, a respiratory disease caused by a new strain of coronavirus, and the declaration by the World Health Organization on March 11, 2020 of a COVID-19 pandemic, in March 2020 Governor Baker declared a state of emergency in the Commonwealth. Governor Baker's administration undertook several mitigation measures in response to the pandemic, including emergency orders closing certain businesses, social distancing mandates, travel advisories, and eviction moratoriums, as well as tax relief measures postponing the collection of certain taxes due in fiscal 2020. All these measures resulted in widespread economic disruption throughout the Commonwealth.

As the COVID-19 pandemic evolved in the subsequent months and years, Governor Baker's administration continued to undertake measures to address the effects of COVID-19 within the Commonwealth, which in turn continued to impact the people and the businesses of the Commonwealth. 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.

The federal government enacted at least six new laws related to the COVID-19 pandemic, which provided resources for emergency response and recovery efforts, as well as economic assistance 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 Aid, Relief and Economic Security Act (CARES Act) that helped to pay, among other things, for the state's emergency expenditures relating to COVID-19 and support for Commonwealth hospitals in managing the care of COVID-19 patients, and \$5.286 billion under the American Rescue Plan Act of 2021 (ARPA), through the Coronavirus State Fiscal Recovery Fund (CSFRF). In June 2021,

Governor Baker signed legislation that made approximately \$4.900 billion in CSFRF resources subject to legislative appropriation. In December 2021, the Governor signed legislation appropriating \$2.550 billion of such CSFRF resources toward a variety of programs and projects. In April 2022, the Governor proposed a spending plan for the balance of the CSFRF resources, approximately \$2.266 billion. This proposal remains under consideration by the Massachusetts Legislature. See “FISCAL 2022 AND FISCAL 2023 – Fiscal 2022.”

As a result of the COVID-19 pandemic, the unemployment rate in Massachusetts increased significantly to its peak of 17.1% (seasonally adjusted) in April 2020, compared to 2.9% (seasonally adjusted) in March 2020. The unemployment rate continued to decline during fiscal years 2021 and 2022, and in July 2022 the unemployment rate was 3.5% (seasonally adjusted). As a result of the increase in unemployment insurance (UI) claims, the Commonwealth applied to the U.S. Department of Labor for repayable advances to the Commonwealth’s account within the federal Unemployment Insurance Trust Fund (UITF), in accordance with the provisions of Section 1201 of the Social Security Act, in order to assure payment of all compensation due. The Commonwealth received an aggregate of \$2.268 billion in federal advances, of which \$500 million was repaid from ARPA funds in March 2022, and the balance, including interest on such federal advance, has been repaid from the proceeds of special obligation bonds issued in August 2022. The remaining proceeds of the special obligation bonds (after payment of costs of issuance) have been deposited to the Commonwealth’s account within the UITF. The special obligation bonds are special limited obligations of the Commonwealth secured by special assessments on private contributory employers. See “LONG-TERM LIABILITIES – Special Obligation Debt.”

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. Businesses and industries have experienced and may continue to experience decreases in operations and revenues. The extent to which the impacts of COVID-19 will continue, even as the pandemic eases, on businesses, organizations and the residents of the Commonwealth is 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 2019.

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

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

Governor’s Cabinet. The Governor’s Cabinet, which assists the Governor in administration and policy making, comprises the secretaries who head the eight Executive Offices, which are the Executive Office for Administration and Finance, the Executive Office of Health and Human Services, the Executive Office of Public Safety and Security, the Executive Office of Housing and Economic Development, the Executive Office of Labor and Workforce Development, the Executive Office of Energy and Environmental Affairs, the Executive Office of Education, and the Executive Office of Technology Services and Security. In addition, the Secretary of Transportation, who is the chief executive of the Massachusetts Department of Transportation (MassDOT) and chairs MassDOT’s board of directors, is a member of the Governor’s Cabinet. (MassDOT has a legal existence separate from the Commonwealth but houses several departments of state government.) Cabinet secretaries and

executive department chiefs, including the Secretary of Transportation, serve at the pleasure of the Governor. Most other agencies are grouped under one of the eight Executive Offices for administrative purposes.

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

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

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

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

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

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

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

The Commonwealth's annual reports include financial statements on the statutory basis of accounting (the Statutory Basis Financial Report, or SBFR) and financial statements on a GAAP basis (the Annual Comprehensive Financial Report, or ACFR). The Statutory Basis Financial Report for the year ended June 30, 2021, attached hereto as Exhibit B, was reviewed by the Commonwealth's independent external auditors, CliftonLarsonAllen (CLA). The Annual Comprehensive Financial Report for the year ended June 30, 2021, 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 2021, 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 2021 Basic Financial Statements in the Annual Comprehensive Financial Report, attached hereto as Exhibit C.

Municipal Government

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

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

County Government

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

Initiative Petitions

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

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

In 2019, an amendment to the Massachusetts constitution was proposed to the Legislature which would increase the personal income tax. See “COMMONWEALTH REVENUES – Income Tax.”

COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS

Operating Fund Structure

The Commonwealth’s operating fund structure satisfies the requirements of state finance law and is in accordance with GAAP, as defined by GASB. The General Fund and other funds that are appropriated in the annual state budget receive most of the non-bond and non-federal grant revenues of the Commonwealth. These funds are referred to in this Information Statement as the “budgeted operating funds” of the Commonwealth. Budgeted

operating funds are created and repealed from time to time through the enactment of legislation, and existing funds may become inactive when no appropriations are made from them. Budgeted operating funds do not include the capital projects funds of the Commonwealth, into which the proceeds of Commonwealth bonds are deposited. See “Capital Investment Process and Controls” below.

Two of the budgeted operating funds account for most of the Commonwealth’s appropriated spending: the General Fund and the Commonwealth Transportation Fund (formerly the Highway Fund), from which approximately 98.4% of the budgeted operating fund outflows in fiscal 2021 were made. The remaining approximately 1.6% of budgeted operating fund outflows occurred in other operating funds: the Commonwealth Stabilization Fund, the Intragovernmental Service Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Underground Storage Tank Petroleum Product Cleanup Fund, the Public Safety Training Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund and the Behavioral Health Outreach, Access and Support Trust Fund. A number of budgeted funds were authorized by law but had no activity in fiscal 2021.

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

Overview of Operating Budget Process

Generally, funds for the Commonwealth’s programs and services must be appropriated by the Legislature. The process of preparing a budget begins with the executive branch early in the fiscal year preceding the fiscal year for which the budget will take effect. The legislative budgetary process begins in late January (or, in the case of a newly elected Governor, not later than early March) with the Governor’s budget submission to the Legislature for the fiscal year commencing in the ensuing July. The Massachusetts constitution requires that the Governor recommend to the Legislature a budget which contains a statement of all proposed expenditures of the Commonwealth for the upcoming fiscal year, including those already authorized by law, and of all taxes, revenues, loans and other means by which such expenditures are to be defrayed. State finance law requires the Legislature and the Governor to approve a balanced budget for each fiscal year, and the Governor may approve no supplemental appropriation bills that would result in an unbalanced budget. However, this is a statutory requirement that may be superseded by an appropriation act.

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

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

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

Cash and Budgetary Controls

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

Capital Investment Process and Controls

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

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

Cash Management Practices of State Treasurer

The State Treasurer is responsible for ensuring that all Commonwealth financial obligations are met on a timely basis. The Massachusetts constitution requires that all payments by the Commonwealth (other than debt service) be made pursuant to a warrant approved by the Governor’s Council. The Comptroller prepares certificates

which, with the advice and consent of the Governor’s Council and approval of the Governor, become the warrant to the State Treasurer. Once the warrant is approved, the State Treasurer’s office disburses the money. Debt service is specifically exempted by the state constitution from the warrant requirement, but requires an appropriation to be paid.

The Cash Management Division of the State Treasurer’s office utilizes approximately 900 operating accounts to track cash collections and disbursements for the Commonwealth. The Division relies primarily upon electronic receipt and disbursement systems.

The State Treasurer, in conjunction with the Executive Office for Administration and Finance, is required to submit quarterly cash flow projections for the then current fiscal year to the House and Senate Committees on Ways and Means on or before the last day of August, November, February and May. The projections must include estimated sources and uses of cash, together with the assumptions from which such estimates were derived and identification of any cash flow gaps. See “FISCAL 2022 AND FISCAL 2023 – Cash Flow.” The State Treasurer’s office, in conjunction with the Executive Office for Administration and Finance, is also required to develop quarterly and annual cash management plans to address any gap identified by the cash flow projections and variance reports. The State Treasurer’s office oversees the issuance of short-term debt to meet cash flow needs, including the issuance of commercial paper and revenue anticipation notes. See “LONG-TERM LIABILITIES – General Obligation Debt.”

Cash that is not needed for immediate funding is invested in the Massachusetts Municipal Depository Trust. The State Treasurer serves as trustee of the Trust and has sole authority pertaining to rules, regulations and operations of the Trust. The Trust has two investment options: a short-term liquidity vehicle or “cash portfolio” structured similarly to a money market fund and a short-term bond fund. For additional detail on the Massachusetts Municipal Depository Trust, see “FISCAL 2022 AND FISCAL 2023 – 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, 2021; 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 2022 are preliminary and unaudited and for fiscal 2023 are projected.

In order to fund its programs and services, the Commonwealth collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, court revenues, assessments, reimbursements, interest earnings and transfers from its non-budgeted funds, which are deposited in the General Fund, the Commonwealth Transportation Fund and other budgeted operating funds. Revenues deposited in such funds are referred to as budgeted operating revenues in this Information Statement. In fiscal 2021, on a statutory basis, approximately 53.0% of the Commonwealth’s budgeted operating revenues and other financing sources were derived from state taxes. In addition, in fiscal 2021, the federal government provided approximately 30.6% of such revenues, with the remaining 16.5% provided from departmental revenues and transfers from non-budgeted funds.

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

State Taxes

The major components of state taxes are the income tax, which accounted for approximately 59.1% of total budgeted tax revenues in fiscal 2022, the sales and use tax, which accounted for approximately 21.3% of total budgeted tax revenues in fiscal 2022, and the corporations and other business and excise taxes (including taxes on insurance companies and financial institutions), which accounted for approximately 12.4% of total budgeted tax revenues in fiscal 2022. Other tax and excise sources accounted for the remaining 7.1% of total budgeted tax revenues in fiscal 2022.

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.

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State Personal Income Tax Rate

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

Current law requires that in the tax year following that in which the personal income tax rate is reduced to 5.0%, the state charitable deduction, which was in effect for tax year 2001 but subsequently suspended, will be restored. With the personal income tax rate reduced to 5.0% effective January 1, 2020, the state charitable deduction was to be reinstated effective January 1, 2021. However, the fiscal 2021 and fiscal 2022 budgets each included a one-year delay in the reinstatement of this deduction. The deduction will become effective January 1, 2023. See “FISCAL 2022 AND FISCAL 2023.” The Department of Revenue estimates that the revenue loss impact due to the reinstatement of the state charitable deduction is approximately \$64 million for fiscal 2023 and approximately \$300 million annually in fiscal 2024 and thereafter.

In 2019, an amendment to the Massachusetts constitution was proposed in the Legislature which would increase the personal income tax rate by 4.0% on income above \$1 million, effective fiscal 2023, to be adjusted annually to reflect cost of living adjustments. In order for a proposed legislative amendment to the Massachusetts constitution to become effective, it must be approved by a majority of the members of a constitutional convention in each of two successive conventions and then approved by a majority of the voters at the general election. The amendment (H. 86) was approved by a majority of the members during the 2019-2020 constitutional convention and the 2021-2022 constitutional convention and will be included on the November 2022 ballot for voter approval.

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 \$42 million in additional revenue.

Capital Gains Component of the Income Tax. The tax rate on gains from the sale of capital assets held for one year or less and from the sale of collectibles is 12%. The tax rate on gains from the sale of capital assets owned more than one year is currently 5.00%, and is equal to the state personal income tax rate. Current state finance law provides for tax revenues collected from capital gains income during a fiscal year that exceed a specified threshold to be transferred as follows: 90% of such amount to the Commonwealth’s Stabilization Fund, 5% of such amount to the State Retiree Benefits Trust Fund and 5% of such amount to the Commonwealth’s Pension Liability Fund. The specified threshold is certified annually by the Department of Revenue each December for the ensuing fiscal year as part of the consensus revenue process. However, the requirement to transfer capital gains tax collections may be modified or superseded by individual appropriation acts. For a discussion of the specified threshold and the capital gains taxes deposited to the Stabilization Fund, see “SELECTED FINANCIAL DATA – Stabilization Fund.”

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

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

A portion of the Commonwealth’s receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MSBA is the amount raised by a 1% sales tax (not including meals). The amount dedicated to the MBTA is the greater of (i) the amount raised by a 1% sales tax (not including meals), plus \$160 million and (ii) an annually adjusted floor. The floor grows each year by the allowable base revenue growth (the lesser of sales tax growth or inflation, but not greater than 3% and not less than 0%), and was certified as \$1.096 billion for fiscal 2022 and \$1.128 billion for fiscal 2023.

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

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

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

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

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, the Governor signed legislation 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, the Governor approved legislation imposing an excise of 75% on the wholesale price of all electronic nicotine delivery systems and restricting the sale of all flavored tobacco products and flavored tobaccos product enhancers, including flavored vaping products, to licensed smoking bars for on-site consumption. The legislation also restricts the sale of vaping products with nicotine content greater than 35 grams per milliliter to retail tobacco stores and licensed smoking bars. The restriction on the sale of flavored vaping products became effective immediately. Other provisions of the legislation, including the prohibition on flavored tobacco products and flavored tobacco product enhancers, took effect on June 1, 2020. The Department of Revenue estimates the net revenue loss impact of this legislation was approximately \$109.5 million in fiscal 2022 and will be approximately \$105 million in fiscal 2023.

On September 30, 2021, the Massachusetts legislature passed legislation overriding the Governor's veto of the pass-through entity (PTE) excise, which was originally included in the fiscal 2022 budget. 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. The legislation became effective for taxable years beginning on or after January 1, 2021.

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

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

Fiscal 2023 Tax Expenditure Budget Summary
(in millions)

<u>Tax Type</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>
Personal Income Tax	\$8,666.7	\$9,029.0	\$10,035.1	\$10,748.0	\$11,254.5
Corporate and Other Business Excise	2,510.1	2,483.0	2,658.7	2,763.6	2,777.1
Sales and Use Tax	<u>5,095.7</u>	<u>5,134.8</u>	<u>5,246.6</u>	<u>5,405.9</u>	<u>5,555.1</u>
Total	\$16,272.5	\$16,646.8	\$17,940.4	\$18,917.5	\$19,586.7

SOURCE: Department of Revenue.

Under legislation approved June 15, 2018, in support of the life sciences industry, up to \$30 million per year in tax incentives, up from an annual cap of \$25 million, is available to certified life sciences companies over a 10-year period, commencing January 1, 2019 and ending on December 31, 2028, for an aggregate amount of \$300 million. The Department of Revenue estimates that this program resulted in revenue reductions of \$12.0 million in fiscal 2018, \$16.1 million in fiscal 2019, \$16.5 million in fiscal 2020, \$18.0 million in fiscal 2021, and \$19.6 million in fiscal 2022. The Massachusetts Life Sciences Center board has approved \$24.5 million in tax incentives that are expected to be utilized in fiscal 2023.

Tax Revenue Forecasting

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

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

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

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The following table compares actual budgeted tax revenues to consensus tax revenue forecasts for fiscal years 2018 to 2022 and provides forecasts for fiscal 2023. The figures include sales tax receipts dedicated to the MBTA and the MSBA and amounts transferred to the state pension system. Commencing with fiscal 2015, tax-related settlements or judgments exceeding \$10 million are counted separately from the consensus revenue estimate in the General Appropriations Act.

Tax Revenue Forecasting (in millions)						
	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Preliminary Fiscal 2022 (1)	Projected Fiscal 2023 (1)
Consensus forecast (2)	\$27,072	\$27,594	\$29,299 (5)	\$31,151	\$30,120	\$36,915
GAA assumption of tax-related settlements and judgments exceeding \$10 million	125	25	50	50	50	50
Total taxes per enacted budget (3)	<u>\$26.629</u>	<u>\$28.417 (4)</u>	<u>\$30.149 (6)</u>	<u>\$28.440</u>	<u>\$34.451</u>	<u>\$39.668 (9)</u>
October revision (2)	-	-	-	27,592	-	
January revision (2)	26,661	28,592 (4)	30,289 (7)	29,090	35,948 (8)	
Actual budgeted operating tax revenues (3)	<u>\$27.787</u>	<u>\$29.741</u>	<u>\$29.633</u>	<u>\$34.156</u>	<u>\$41.146</u>	
Actual budgeted revenues as a percentage of consensus forecast	102.6%	107.8%	101.1%	109.6%	136.6%	
Actual budgeted revenues as a percentage of total taxes per enacted budget	104.3%	104.7%	98.3%	120.1%	119.4%	

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

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

On January 15, 2021, a fiscal 2022 consensus tax revenue estimate of \$30.120 billion was agreed upon by the Secretary and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2022 consensus tax revenue estimate represented revenue growth of 3.5% from the revised fiscal 2021 estimate of \$29.090 billion. The \$30.120 billion amount for fiscal 2022 includes transfers of \$3.415 billion for pension funding, \$1.174 billion in dedicated sales tax receipts for the MBTA, \$1.014 billion in dedicated sales tax receipts for the MSBA, and \$25 million for the Workforce Training Fund. The total amount of off-budget transfers was \$5.628 billion. The actual fiscal 2022 budget assumed tax revenues in an amount higher than the fiscal 2022 consensus tax revenue estimate announced in January 2021. See “FISCAL 2022 AND FISCAL 2023 – Fiscal 2022.”

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

On January 14, 2022, a fiscal 2023 consensus tax revenue estimate of \$36.915 billion was agreed upon by the Secretary and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2023 consensus tax revenue estimate represented revenue growth of 2.7% from the revised fiscal 2022 estimate of \$35.948 billion. The \$36.915 billion amount for fiscal 2023 includes transfers of \$3.744 billion for pension funding, \$1.325 billion in dedicated sales tax receipts for the MBTA, \$1.165 billion in dedicated sales tax receipts for the MSBA, and \$25 million for the Workforce Training Fund. The total amount of off-budget transfers is \$6.259 billion. On July 28, 2022, the Governor approved the fiscal 2023 budget, which assumes a revised tax revenue estimate of \$39.576 billion.

billion, \$42 million for a tax law change related to the personal income tax code, and \$50 million for tax-related settlements and judgments exceeding \$10 million each, totaling \$39.668 billion of tax revenues.

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

Fiscal 2022 and Fiscal 2023 Tax Revenues

Fiscal 2022. The following table shows the actual tax collections for fiscal 2022 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 fiscal year that are dedicated to the MBTA and the MSBA.

Fiscal 2022 Tax Collections (in millions)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July	\$2,279.7	\$137.4	6.4%	\$113.6	\$100.3	\$2,065.8
August	2,492.4	528.2	26.9	107.8	94.5	2,290.1
September	3,993.0	834.4	26.4	105.6	92.3	3,795.1
October	2,444.0	354.8	17.0	105.7	92.4	2,245.9
November	2,414.0	286.9	13.5	115.4	102.1	2,196.6
December	4,236.4	1,379.3	48.3	75.3	61.9	4,099.2
January	4,025.8	678.2	20.3	124.8	111.4	3,789.6
February	1,832.5	(42.4)	(2.3)	102.2	88.8	1,641.5
March	3,858.8	802.8	26.3	142.2	128.9	3,587.7
April	6,955.9	3,091.3	80.0	115.3	101.9	6,738.7
May	2,470.8	(1,530.4)	(38.2)	119.1	105.8	2,245.9
June (1)	4,142.9	469.6	12.8	121.9	108.6	3,912.4
Total (2)	<u>\$41,146.4</u>	<u>\$6,990.2</u>	<u>20.5%</u>	<u>\$1,348.9</u>	<u>\$1,188.9</u>	<u>\$38,608.5</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 \$41.6 million in fiscal 2022.

The fiscal 2022 tax revenue increase of approximately \$6.990 billion from fiscal 2021 is, in part, due to an increase of approximately \$956.6 million, or 23.0%, in corporate and business tax collections, an increase of approximately \$1.196 billion, or 8.1%, in withholding collections, an increase of approximately \$1.647 billion, or 56.0%, in income tax estimated payments, an increase of approximately \$2.041 billion, or 55.4%, in income tax return and bill payments, an increase of approximately \$935.1 million, or 11.9%, in sales and use tax collections, and an increase of approximately \$380.3 million, or 14.9%, in all other taxes, offset by an increase of approximately \$164.8 million, or 9.5%, in income tax cash refunds.

Approximately \$2.062 billion of the total increase in collections is due to the recently enacted elective PTE excise. After adjusting for PTE excise payments and the credits claimed by the PTE members, fiscal 2022 collections were \$4.920 billion, or 14.4%, more than collections in fiscal 2021 and \$2.655 billion, or 7.3%, more than the fiscal 2022 benchmark. “COMMONWEALTH REVENUES - State Taxes – *Other Taxes*”.

Fiscal 2023. The following table shows the actual tax collections for the first two months of fiscal 2023 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 2023 Tax Collections
(in millions)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July (1)	\$2,406.5	\$126.7	5.6%	\$115.9	\$102.5	\$2,188.1
August (1)	2,600.6	108.2	4.3	120.9	107.6	2,372.0
Total	<u>\$5,007.0</u>	<u>\$234.9</u>	<u>4.9%</u>	<u>\$236.8</u>	<u>\$210.1</u>	<u>\$4,560.1</u>

SOURCE: Department of Revenue.
(1) Preliminary and subject to change.

The year-to-date fiscal 2023 tax revenue increase of approximately \$234.9 million through August 31, 2022, from the same period in fiscal 2022, is attributable to an increase of approximately \$92.7 million, or 3.8%, in withholding collections, an increase of approximately \$21.6 million, or 24.7% in income tax estimated payments, an increase of approximately \$31.9 million, or 28.7%, in income tax payments with returns or bills, and an increase of approximately \$130.1 million, or 9.0%, in sales and use tax collections, and a net increase of approximately \$33.4 million, or 6.8%, in all other taxes, offset by an increase of approximately \$26.6 million, or 56.4%, in income tax cash refunds, and a decrease of approximately \$48.3 million, or 20.4%, in corporate and business tax collections. Excluding one-time tax related settlements and judgments exceeding \$10 million each, fiscal 2023 year-to-date tax collections were approximately \$248.5 million, or 5.2%, more than the collections in the same period of fiscal 2022.

After adjusting for PTE excise payments and the credits claimed by the PTE members, the year-to-date fiscal 2023 collections were \$255.4 million, or 5.4%, more than collections in the same period in fiscal 2022.

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 federal reimbursements were \$18.339 billion in fiscal 2021, and are estimated to be \$16.283 billion in fiscal 2022. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures.”

Departmental and other non-tax revenues are derived from a large number of sources, including but not limited to fees and assessments for services, licenses, and reimbursements. For fiscal 2021, budgeted fund departmental and other non-tax revenues were \$5.362 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2021 included \$1.219 billion in drug rebates, recoveries and other fees, \$827 million in reimbursements from cities, towns and non-state entities for retiree benefits, \$623 million for Registry of Motor Vehicles fees, fines and assessments, and \$258 million from filing, registration and other fees paid to the Secretary of State’s office. Budgeted fund departmental and other non-tax revenues are estimated to be \$5.340 billion in fiscal 2022. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures.”

Lottery Revenues. For the budgeted operating funds, inter-fund transfers include transfers of net operating revenues from the State Lottery and Gaming Fund and the Arts Lottery Fund and reimbursements for the budgeted costs of the State Lottery Commission, which accounted for transfers from the Lottery of \$1.097 billion, \$1.206 billion, \$1.090 billion, \$1.212 billion, and \$1.218 billion in fiscal years 2018 through 2022, respectively.

The following table shows Lottery revenues and profits for fiscal 2022.

Fiscal 2022 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	\$493,835	\$362,744	\$28,191	\$102,900	\$6,713	\$96,187
August	564,752	414,411	32,463	117,878	7,724	110,154
September	456,690	328,042	25,934	102,715	7,201	95,514
October	432,963	324,992	24,715	83,256	5,437	77,819
November	558,573	394,536	31,834	132,203	5,698	126,505
December	498,551	355,838	28,386	114,327	8,541	105,786
January	529,351	410,024	30,321	89,006	7,408	81,598
February	426,165	324,979	24,551	76,635	5,824	70,812
March	462,344	352,846	26,531	82,967	10,959	72,008
April	466,731	346,275	26,714	93,742	7,338	86,404
May	559,836	403,671	32,066	124,100	10,144	113,956
June (1)	412,423	290,634	23,391	98,398	30,341	68,057
Total	\$5,862,215	\$4,308,992	\$335,095	\$1,218,126	\$113,329	\$1,104,798
YTD prize accrual – Estimated (1)	1,460	820	-	640	-	640
Adjusted Totals (1)	\$5,863,674	\$4,309,812	\$335,095	\$1,218,767	\$113,329	\$1,105,438

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

(1) Preliminary, unaudited 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 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(1)	\$494,487	\$357,747	\$28,026	\$108,714	\$5,014	\$103,700
Total						
YTD prize accrual – Estimated (1)	-	(621)	-	621	-	621
Adjusted Totals (1)	\$494,487	\$357,126	\$28,026	\$109,335	\$5,014	\$104,320

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>
2022 (1)	\$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 2022 figures are preliminary, unaudited and subject to change.
- (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)**

Fiscal Year	Initial Payments	Annual Payments	Total Payments
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
Total	\$434.0	\$5,599.1	\$6,033.1

SOURCE: Office of the Comptroller.

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

(2) Payments received for both 1999 and 2000.

Settlements and Judgments. State finance law provides that any one-time settlement or judgment exceeding \$10 million is to be deposited in the Stabilization Fund to the extent that the total of all such one-time settlements and judgments in a fiscal year exceeds the average of such totals for the five preceding fiscal years. The amount of such one-time settlements and judgments totaled approximately \$36.6 million in fiscal 2018, \$48.8 million in fiscal 2019, \$42.0 million in fiscal 2020, \$43.9 million in fiscal 2021, and \$41.6 million in fiscal 2022. The threshold applicable in fiscal 2023 is \$42.6 million (average of fiscal 2018 through fiscal 2022).

On July 8, 2022, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received \$41.6 million in one-time settlement and judgment payments exceeding \$10 million each during fiscal 2022, which was below the fiscal 2022 threshold of \$56.6 million. On September 6, 2022, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received no one-time settlement and judgment payments exceeding \$10 million each during the first two months of fiscal 2023.

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

The Gaming Commission has awarded Category 1 gaming licenses in two of the three regions and one Category 2 slots facility license. The facility in Springfield (Region B) opened on August 24, 2018 and the facility in Everett (Region A) opened on June 23, 2019. The Category 2 slot facility opened in Plainville on June 24, 2015.

The following table shows gaming collections revenues for fiscal 2022.

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

<u>Month</u>	<u>Category 1 Gross Gaming Revenue (1)</u>	<u>Category 1 Total Collected State Taxes (2)</u>	<u>Category 2 Slot Gross Gaming Revenue (1)</u>	<u>Category 2 Total Collected State Taxes (3)</u>	<u>Category 2 Race Horse Assessments (4)</u>	<u>Statewide Gross Gaming Revenue (5)</u>	<u>Statewide Budgetary Taxes & Race Horse Assessments (5)</u>
July	\$82,785	\$20,696	\$12,952	\$5,181	\$1,165	\$95,737	\$27,043
August	79,652	19,913	12,732	5,093	1,145	92,384	26,151
September	76,824	19,206	11,997	4,798	1,079	88,821	25,083
October	84,240	21,060	11,741	4,696	1,056	95,981	26,812
November	76,838	19,209	10,972	4,388	987	87,810	24,586
December	84,618	21,154	11,048	4,419	994	95,666	26,567
January	72,560	18,139	9,842	3,936	885	82,402	22,960
February	74,673	18,667	10,950	4,380	985	85,623	24,032
March	89,147	22,286	12,937	5,174	1,164	102,084	28,624
April	86,278	21,569	12,908	5,163	1,161	99,186	27,893
May	79,185	19,796	11,731	4,692	1,055	90,916	25,543
June	81,203	20,300	11,967	4,786	1,077	93,170	26,163
Total	\$968,003	\$241,995	\$141,777	\$56,706	\$12,753	\$1,109,780	\$311,457

Source: Massachusetts Gaming Commission, Revenue Reports.

- (1) "Gross gaming revenue" is the total of all sums actually received from gaming operations, less the total of all sums paid out as winnings.
- (2) Each Category 1 licensee pays a tax of 25% of gross gaming revenues.
- (3) The Category 2 licensee pays a tax of 40% of gross gaming revenues.
- (4) The Category 2 licensee pays an assessment of 9% of gross gaming revenue.
- (5) Totals may not sum due to rounding.
- (6) Amounts for fiscal 2022 are preliminary and unaudited.

The following table shows gaming collections revenues for the first two months of 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
Total	\$166,317	\$41,579	\$24,459	\$9,783	\$2,200	\$190,776	\$53,562

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>	Category 1	Category 2	Category 2
	Total Collected State Taxes (3)	Total Collected State Taxes (4)	Race Horse Assessments (5)
2022 (1)	\$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
2018	-	68,006	15,301

Source: Massachusetts Gaming Commission.

- (1) Fiscal 2022 is 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.

On April 28, 2016, the Gaming Commission voted to deny an application for a Category 1 license in Region C. On June 6, 2018, the unsuccessful applicant in Region C sent a letter to the Gaming Commission requesting that the Gaming Commission reconsider its unsuccessful application. Upon formal reconsideration in September 2019, the Gaming Commission voted to deny the request for reconsideration. Later in 2019, the Gaming Commission issued an RFI to elicit public input. The Gaming Commission is considering next steps related to Region C.

In March 2016, the Mashpee Wampanoag tribe announced that it would commence construction of a tribal resort casino in the third region (Region C), based upon the assumed power of the U.S. Secretary of the Interior to take land into trust for the tribe. On July 28, 2016, in the case of *Littlefield v. U.S. Department of the Interior*, the U.S. District Court for the District of Massachusetts held that the Secretary of the Interior lacked the authority to take land into trust for the Mashpee Wampanoag tribe and remanded the matter back to the Secretary of the Interior for further proceedings consistent with the opinion as well as the declaratory judgment entered. The Mashpee Wampanoag filed a motion to intervene, which was granted. In December 2016, the Mashpee Wampanoag filed a notice of appeal to the U.S. Court of Appeals for the First Circuit. On September 7, 2018, the Department of the Interior issued a revised land-in-trust decision concluding that the Mashpee Wampanoag did not meet the statutory requirements to have land taken into trust. The Mashpee Wampanoag filed an appeal of the September 2018 decision in the U.S. District Court for the District of Columbia. On February 27, 2020, the U.S. Court of Appeals for the First Circuit issued a decision affirming the District Court decision that the Secretary lacked the authority to take land into trust for the benefit of the tribe. On March 27, 2020, the Secretary issued a directive to the Director of the Bureau of Indian Affairs to rescind the decision accepting land into trust on behalf of the Tribe, to revoke the reservation proclamation, and to issue a clarification that such actions annul the previous determination that such lands are eligible for gaming under the Indian Gaming Regulatory Act. On June 5, 2020, the U.S. District Court for the District of Columbia issued a decision finding the Secretary of the Interior’s September 2018 decision to be arbitrary, capricious and an abuse of discretion and remanded the matter to the Secretary to determine whether certain standards governing the determination of tribal and land status were properly applied. On the same day, the U.S. District Court for the District of Columbia issued an order prohibiting the Department of the Interior from taking any steps to alter the *status quo ante* with respect to the land in Mashpee and Taunton that was taken into trust for the benefit of the tribe. In August 2020, the Department of the Interior and intervenor-defendants filed notices of appeal to the U.S. Court of Appeals for the District of Columbia Circuit. On February 19, 2021 the Department of the Interior and intervenor-defendants moved to voluntarily dismiss their appeals, the motions were granted, and the appeals were dismissed. On December 22, 2021, the Department of the Interior issued a new decision finding that: statutory authority for acquiring the land in question exists under Section 5 of the Indian Reorganization Act; the 2015 decision to acquire such land in trust should be affirmed (with modifications); the land is eligible for gaming under the Indian Gaming Regulatory Act; and the Department of the Interior will retain the

land in trust as the Tribe's reservation. 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 have filed a motion to intervene.

Various municipalities, three registered voters, and Mohegan Sun filed suit contesting certain aspects of the Gaming Commission's issuance of the Region A Category 1 license. All but one of the claims have been dismissed, either voluntarily or by order of the Massachusetts Superior Court. The intervenor claim filed by Mohegan Sun was argued before the Massachusetts Supreme Judicial Court in November 2016. On March 10, 2017, the Supreme Judicial Court issued a decision affirming that Mohegan Sun had standing to seek review of the license award and remanded the case to the Superior Court for further proceedings. Briefing on Mohegan Sun's intervenor claim was completed in January 2018 and the case was scheduled for hearing in April 2018. In January 2018, the case was stayed pending the Commission's decision regarding whether the Region A licensee remained suitable to hold the license. The Commission rendered its decision in April 2020 that the licensee remained suitable, and thereafter Mohegan Sun amended its complaint to add a challenge to that determination. Argument on Mohegan Sun's motion for judgment was heard on September 21, 2021. By decision dated February 16, 2022, the Superior Court denied Mohegan Sun's motion in its entirety and entered judgement for the Gaming Commission and individual Commissioners on all remaining claims asserted in the action. Mohegan Sun did not appeal the Superior Court's decision.

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.

Limitations on Tax Revenues

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

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

For the first time since fiscal 1987, the net state tax revenues exceeded the allowable state tax revenues as defined in Chapter 62F. See “FISCAL 2022 AND FISCAL 2023 – Fiscal 2022.”

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COMMONWEALTH EXPENDITURES

This section contains a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2022 are preliminary and unaudited and for fiscal 2023 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 2023 budget provides \$7.092 billion of state-funded direct and indirect local aid to municipalities.

A large portion of general revenue sharing funds is earmarked for public education and is distributed through a formula designed to ensure that each district reaches at least a minimum level of “foundation” spending per public education pupil. The fiscal 2023 budget includes state funding for so-called “Chapter 70” public education aid of \$5.998 billion. The fiscal 2023 budget also includes a transfer of \$150 million into a trust for the purposes of implementing the provisions of the Student Opportunity Act in future years.

The other major component of direct local aid is unrestricted general governmental aid, which provides unrestricted funds for municipal use. The fiscal 2023 budget provides for \$1.231 billion in unrestricted general government aid.

Property Tax Limits. In November 1980, voters in the Commonwealth approved a statewide tax limitation initiative petition, commonly known as Proposition 2½, to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments. Proposition 2½ is not a provision of the state constitution and accordingly is subject to amendment or repeal by the Legislature. Proposition 2½, as amended to date, limits the property taxes that may be levied by any city or town in any fiscal year to the lesser of (i) 2.5% of the full and fair cash valuation of the real estate and personal property therein or (ii) 2.5% over the previous year’s levy limit plus any growth in the tax base from certain new construction and parcel subdivisions. The law contains certain voter override provisions and, in addition, permits debt service on specific bonds and notes and expenditures for identified capital projects to be excluded from the limits by a majority vote at a general or special municipal election. Between fiscal 1981 and fiscal 2022, the aggregate property tax levy across all cities and towns grew from \$3.347 billion to \$19.746 billion, a compound annual growth rate of 4.42%.

Medicaid and the Health Connector

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

MassHealth. The Commonwealth’s Medicaid program, called MassHealth, provides health care to 2.2 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. On February 9, 2018, the Children’s Health Insurance Program (CHIP) was reauthorized through federal fiscal 2027. For Massachusetts, the CHIP matching rate of 88%

for federal fiscal 2019, was reduced to 76.5% for federal fiscal 2020, and was further reduced to 65% for federal fiscal 2021 and beyond. Under the ACA, beginning January 1, 2014, MassHealth began receiving enhanced federal reimbursement for spending on 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 the end of the quarter in which the declaration of the national public health emergency (including any extensions thereof) ends (currently extended through October 2022). This increase does not apply to expenditures for the ACA expansion population. The increase is contingent on several factors, including, but not limited to, a maintenance-of-effort requirement on eligibility standards and elimination of member cost-sharing for all COVID-19 related testing and treatment.

The fiscal 2023 budget includes \$20.1 billion in funding for non-administrative spending for the MassHealth program. The \$20.1 billion includes \$19.5 billion in programmatic spending. The \$20.1 billion also includes approximately \$576 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.

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Budgeted Operating Funds Medicaid Expenditures and Enrollment
(in millions)

	<u>Fiscal 2018 (1)</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Preliminary Fiscal 2022 (4)</u>	<u>Projected Fiscal 2023 (4)</u>
Medicaid program expenses	\$15,744.5	\$16,520.5	\$17,022.6	\$18,122.4	\$19,845.6	\$19,479.8
Medicaid administrative expenses	\$98.3	\$103.4	\$112.4	\$112.3	\$127.3	\$126.0
Total expenditures (2)	\$15,842.8	\$16,623.9	\$17,135.0	\$18,234.7	\$19,972.9	\$19,605.8
Annual percentage growth in total expenditures	3.2%	4.9%	3.1%	6.4%	9.5%	(1.8%)
Enrollment (in average member months) (3)	1,856,196	1,799,990	1,803,350	1,977,328	2,172,806	2,217,134
Annual percentage growth in enrollment	(1.9%)	(3.0%)	0.2%	9.6%	9.9%	2.1%

SOURCE: Fiscal 2018-2021 (excluding Medicaid administrative expense and enrollment), Office of the Comptroller; fiscal 2018-2021 (Medicaid administrative expense and enrollment only) and fiscal 2022 and fiscal 2023, Executive Office of Health and Human Services.

(1) Account restructuring in fiscal 2018 budget shifted spending for the Choices program (\$214 million in fiscal 2017) from MassHealth to Elder Affairs.

(2) Total expenditures exclude supplemental payments to providers.

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

(4) Amounts for fiscal 2022 are preliminary and unaudited and for fiscal 2023 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.

The fiscal 2023 budget for the Health Connector reflects \$255.6 million in gross spending from the CCTF. Net of federal revenue, fiscal 2023 expenditures are projected to be \$163.3 million, an increase of \$84.0 million compared to fiscal 2022. These projections reflect the extension of the national public health emergency through the current end-date of October 2022, as well as other changes to eligibility and benefit levels resulting from the passage of the ARPA.

Federal 1115 MassHealth Demonstration Waiver. Section 1115 of the Social Security Act gives the U. S. Secretary of Health and Human Services authority to waive provisions of major health and welfare programs, including certain Medicaid requirements, and to allow a state to use federal Medicaid funds in ways that are not otherwise allowed under federal rules. The Commonwealth's 1115 waiver was renewed on November 4, 2016. The

renewal consisted of an amendment to the current 1115 waiver, which was effective through June 30, 2017, as well as a five-year waiver extension. This waiver extension, authorized from July 1, 2017 through June 30, 2022, has been temporarily extended to October 2022. The waiver extension is a \$52.4 billion agreement that supports a restructuring of the MassHealth program and is expected to bring in significant federal investment to support health care delivery system reforms. The agreement also extends eligibility and benefit provisions authorized under the waiver, such as coverage for diversionary behavioral health benefits and for individuals with HIV. The waiver extension includes more than \$29 billion in revenue to the Commonwealth through federal financial participation. Additionally, the waiver extension expands services for substance use disorder treatment.

The 1115 waiver extension also preserves and maintains the stability of the Safety Net Care Pool (SNCP) for the full five years of the waiver period with an \$8 billion authorization. This authorization includes a \$1.8 billion investment of new Delivery System Reform Incentive Program (DSRIP) funding that will support MassHealth's payment reform objectives. The SNCP renews authority for the Health Safety Net program, which makes payments to hospitals and community health centers for providing certain health care services to their low-income patients who are not eligible for health insurance or cannot afford it. Under the new SNCP, supplemental payments for safety net hospitals have been restructured and linked to delivery system reform participation. The number of hospitals eligible for these payments increased from seven in the previous waiver to 14 in the waiver extension. In addition, the SNCP expands authority for federal match to include cost-sharing affordability subsidies and enrollment gap coverage for Health Connector enrollees up to 300% FPL. Lastly, the SNCP establishes non-state public hospital payments and incentive programs for Cambridge Health Alliance, tied to delivery system reform performance. EOHHS has submitted a request to CMS to further extend the 1115 waiver from July 1, 2022 to June 30, 2027. This extension request is pending; the Commonwealth has received a temporary extension to October 2022.

As noted above, two emergency Section 1115 waivers were also requested in response to the COVID-19 pandemic. For additional details see "*MassHealth*" above.

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

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

Each year, the HPC, in collaboration with CHIA, releases a report on the Commonwealth's performance under the benchmark. The 2021 Cost Trends Report provides that total health care expenditures per capita in the Commonwealth grew from 2018 to 2019 by 4.3%, compared to 3.6% growth from 2017 to 2018.

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

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Other Health and Human Services

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

<u>Expenditure Category</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Preliminary Fiscal 2022 (4)</u>	<u>Projected Fiscal 2023 (4)</u>
Office of Health Services						
Department of Mental Health	\$749.1	\$831.7	\$884.0	\$878.7	\$1,040.9	\$1,023.8
Department of Public Health	586.4	589.5	625.0	646.0	870.5	878.4
Sub Total	\$1,335.5	\$1,421.2	\$1,509.0	\$1,524.7	\$1,911.4	\$1,902.2
Office of Children, Youth, and Family Services						
Department of Children and Families	\$974.2	\$1,006.8	\$1,035.3	\$1,055.6	\$1,149.8	\$1,211.1
Department of Transitional Assistance	593.7	614.9	681.5	669.7	823.4	965.6
Department of Youth Services	169.1	168.9	160.2	160.6	179.5	176.4
Office for Refugees and Immigrants	1.1	1.4	2.2	2.3	15.4	28.5
Sub Total	\$1,738.1	\$1,792.0	\$1,879.2	\$1,888.2	\$2,168.1	\$2,381.5
Office of Disabilities and Community Services						
Department of Developmental Services	\$1,858.3	\$1,939.5	\$2,106.3	\$2,096.8	\$2,454.2	\$2,474.5
Other (1)	82.0	97.3	97.5	102.3	104.2	117.5
Sub Total	\$1,940.4	\$2,036.8	\$2,203.8	2,199.1	\$2,558.4	\$2,592.0
Executive Office of Elder Affairs (2)	\$527.4	\$546.6	\$563.0	\$589.2	\$655.7	\$720.7
Executive Office of Health and Human Services (3)	323.7	344.6	394.4	522.8	376.7	822.7
Department of Veterans' Services	65.3	69.1	75.5	75.5	93.9	116.8
Sub Total	\$916.4	\$960.3	\$1,032.9	\$1,187.5	\$1,126.3	\$1,660.2
Budgeted Expenditures	\$5,930.5	\$6,210.3	\$6,624.9	\$6,799.5	\$7,764.1	\$8,535.9

SOURCES: Fiscal 2018-2021 Office of the Comptroller; fiscal 2022 and 2023, 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) Account restructuring in the fiscal 2018 budget shifted spending for the Choices program from MassHealth to Elder Affairs.
- (3) Includes Medicaid program administration.
- (4) Amounts for fiscal 2022 are preliminary and unaudited and for fiscal 2023 are projected.

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

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

The Department of Children and Families (DCF) is charged with protecting children from abuse and neglect, and in partnership with families and communities, ensuring that children are able to grow and thrive in a safe and nurturing environment. DCF serves approximately 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 EBT program, as well as the state funded Healthy Incentives Program and other smaller programs that assist DTA clients with completing their education, gaining career skills and finding employment.

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

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

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

Education

Executive Office of Education. The Executive Office of Education includes the Department of Early Education and Care, the Department of Elementary and Secondary Education (previously the Department of Education), and the Department of Higher Education (previously the Board of Higher Education). The Secretary of Education serves on the board of each department as well as the board of the University of Massachusetts. The office is committed to advancing actions and initiatives that will improve achievement for all students, close persistent achievement gaps, and 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 also historically has supported an average of approximately 55,000 children from low-income or at-risk families to attend family or group child care programs, including referrals from the Commonwealth's Department of Children and Families and Department of Transitional Assistance. As a result of the COVID-19 pandemic, the number of licensed programs and children served have decreased, although overall program expenditures have not decreased.

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

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; tuition received by these institutions is remitted to the State Treasurer, other than tuition received from out-of-state students and tuition from self-supporting programs, such as colleges of continuing education and evening schools, which each such institution may retain. 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, 2022, 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 2023 budget includes GIC appropriations totaling \$1.938 billion, approximately \$654 million of which is offset by municipal revenue and \$238 million of which is offset by non-state agency revenue to reimburse the state for providing health insurance benefits to the participating governmental units, including municipalities. In addition, the fiscal 2023 budget authorizes transfers of up to \$525 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 2023. The aggregate fiscal 2023 premium rates for GIC state and municipal members increased 5.4% over the aggregate premium rates in effect in fiscal 2022.

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, 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 2018 through 2021. Preliminary numbers for fiscal 2022 and projections for fiscal 2023 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 2018 through fiscal 2022, and projected revenues and expenditures for fiscal 2023. See “COMMONWEALTH REVENUES – Tax Revenue Forecasting,” and “FISCAL 2022 AND FISCAL 2023.”

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

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Preliminary Fiscal 2022</u>	<u>Projected Fiscal 2023</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$117.4	\$371.5	\$521.3	\$776.6	\$1,099.3	\$4,483.8
Stabilization Fund	1,300.7	2,001.3	3,424.4	3,501.2	4,626.4	6,937.5
Federal COVID-19 Response Fund	-	-	-	-	4,892.0	3,613.2
Transitional Escrow Fund	-	-	-	-	1,460.3	1,042.0
Undesignated	29.7	13.9	13.5	17.4	21.1	1,938.0
Total	<u>\$1,447.8</u>	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$18,014.6</u>
<u>Revenues and Other Sources</u>						
Alcoholic Beverages	85.8	87.1	88.4	93.2	97.6	104.7
Banks	17.4	19.5	9.3	44.9	22.6	50.8
Cigarettes	471.2	439.8	416.3	316.1	310.1	336.4
Corporations	2,392.2	2,927.2	2,523.4	3,626.6	4,576.8	4,157.8
Deeds	284.5	318.3	314.2	397.2	472.3	482.8
Income	16,239.6	17,109.3	17,360.8	19,618.5	24,336.6	22,897.1
Inheritance and Estate	473.0	601.3	699.6	787.8	868.4	862.9
Insurance	430.9	470.6	495.9	558.8	609.4	646.7
Marijuana Excise	-	13.9	51.7	112.4	156.7	165.3
Motor Fuel	769.1	775.5	707.9	662.9	722.8	796.2
Public Utilities	(0.7)	-	(0.3)	1.5	1.6	-
Room Occupancy	158.7	168.8	146.6	88.7	186.2	204.5
Electronic Nicotine Delivery System	-	-	-	13.3	16.3	-
Sales:						
Regular	4,433.2	4,688.3	4,905.1	5,829.4	6,317.2	6,402.3
Meals	1,154.4	1,216.0	1,077.3	946.5	1,334.8	1,323.8
Motor Vehicles	866.3	894.0	828.0	1,054.3	1,113.4	1,117.6
Sub-Total-Sales	6,453.9	6,798.3	6,810.4	7,830.3	8,765.4	8,843.7
Miscellaneous	11.5	10.5	9.1	4.1	3.4	68.6
Settlements and Judgments (2)	-	-	-	-	-	50.0
Total Tax Revenues	<u>\$27,787.2</u>	<u>\$29,740.1</u>	<u>\$29,633.3</u>	<u>\$34,156.1</u>	<u>\$41,146.4</u>	<u>\$39,667.5</u>
MBTA Transfer	(1,007.9)	(1,053.2)	(1,077.3)	(1,261.4)	(1,348.9)	(1,363.2)
MSBA Transfer	(847.9)	(893.2)	(917.3)	(1,101.4)	(1,188.9)	(1,203.2)
Workforce Training Fund Transfer (3)	(24.7)	(25.1)	(25.7)	(21.4)	(21.4)	(24.5)
Total Budgeted Operating Tax Revenues	<u>\$25,906.7</u>	<u>\$27,768.6</u>	<u>\$27,613.0</u>	<u>\$31,771.9</u>	<u>\$38,587.2</u>	<u>\$37,076.6</u>
Federal Reimbursements	11,376.9	11,771.9	12,794.7	18,339.0 (4)	16,283.3	14,062.9
Departmental and Other Revenues	4,742.2	4,831.7	4,920.2	4,775.5	5,339.6	5,234.1
Inter-fund Transfers from Non-budgeted Funds and other sources (5)	1,793.4	2,010.3	1,988.4	1,996.0	2,289.9	2,214.2
Budgeted Revenues and Other Sources	<u>\$43,819.2</u>	<u>\$46,382.5</u>	<u>\$47,316.1</u>	<u>\$56,882.4</u>	<u>\$62,500.0</u>	<u>\$58,587.9</u>
Inter-fund Transfers	1,217.0	1,993.3	1,013.3	3,100.1	3,448.2	2,504.3
Total Budgeted Revenues and Other Sources	<u>\$45,036.2</u>	<u>\$48,375.8</u>	<u>\$48,329.4</u>	<u>\$59,982.5</u>	<u>\$65,948.3</u>	<u>\$61,092.2</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	5,885.5	6,074.7	6,376.3	6,482.3	6,744.7	7,298.7
Medicaid	15,744.5	16,520.5	17,022.6	18,122.4	19,845.6	19,479.8
Other Health and Human Services	5,930.0	6,210.3	6,624.9	6,799.5	7,764.1	8,535.9
Group Insurance	1,634.0	1,644.2	1,662.0	1,720.9	1,883.3	1,938.4
Department of Elementary and Secondary Education	552.3	604.9	664.5	716.7	816.5	1,036.1
Higher Education	1,173.4	1,283.7	1,317.4	1,337.1	1,464.7	1,615.3
Department of Early Education and Care	564.3	607.5	712.2	784.5	986.6	1,242.6
Public Safety	1,102.0	1,168.1	1,478.6	1,410.4	1,133.8	1,437.0
Energy and Environmental Affairs	229.6	255.1	282.9	303.0	341.5	380.0
Debt Service	2,323.4	2,327.1	2,410.2	2,289.4	2,416.7	2,590.7
Post -Employment Benefits (6)	2,891.5	3,110.2	3,305.0	3,751.9	4,192.4	4,424.6
Other Program Expenditures	3,316.0	3,562.5	3,724.8	3,916.0	5,424.3	9,425.5
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$41,346.5</u>	<u>\$43,368.9</u>	<u>\$45,581.4</u>	<u>\$47,634.1</u>	<u>\$53,014.3</u>	<u>\$59,404.5</u>

Inter-fund Transfers to Non-budgeted Funds

Commonwealth Care Trust Fund	-	45.8	-	-	35.0	50.0
Medical Assistance Trust Fund	579.9	363.1	505.8	505.3	751.5	575.9
Massachusetts Transportation Trust Fund	634.7	643.2	588.2	614.2	807.9	678.6
Other	<u>319.2</u>	<u>389.0</u>	<u>304.7</u>	<u>324.9</u>	<u>274.0</u>	<u>438.1</u>
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,533.8</u>	<u>\$1,441.1</u>	<u>\$1,398.7</u>	<u>\$1,444.4</u>	<u>\$1,868.4</u>	<u>\$1,742.6</u>

Special Appropriated Funds

Federal COVID-19 Response Fund	-	-	-	-	1,278.8	731.2
Transitional Escrow Fund	-	-	-	-	418.3	1,042.0
Total Special Appropriated Funds	-	-	-	-	<u>1,697.1</u>	<u>1,1773.2</u>

Budgeted Expenditures and Other Uses	<u>\$42,880.3</u>	<u>\$44,810.0</u>	<u>\$46,980.1</u>	<u>\$49,078.5</u>	<u>\$56,579.7</u>	<u>\$62,920.2</u>
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Inter-fund Transfers	<u>1,217.0</u>	<u>1,993.3</u>	<u>1,013.3</u>	<u>3,100.1</u>	<u>3,448.2</u>	<u>2,504.3</u>
Total Budgeted Expenditures and Other Uses	<u>\$44,097.3</u>	<u>\$46,803.3</u>	<u>\$47,993.4</u>	<u>\$52,178.6</u>	<u>\$60,028.0</u>	<u>\$65,424.6</u>

Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$938.9</u>	<u>\$1,572.5</u>	<u>\$336.0</u>	<u>\$7,804.0 (8)</u>	<u>\$5,920.3</u>	<u>(\$4,332.3) (9)</u>
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Ending Fund Balances

Reserved or Designated (7)	371.5	521.3	776.6	1,099.3	4,483.8 (10)	104.3
Stabilization Fund	2,001.3	3,424.4	3,501.2	4,626.4	6,937.5	8,405.6
Federal COVID-19 Response Fund	-	-	-	4,892.0	3,613.2	2,882.1
Transitional Escrow Fund	-	-	-	1,460.3	1,042.0	-
Undesignated	<u>13.9</u>	<u>13.5</u>	<u>17.4</u>	<u>21.2</u>	<u>1,938.0</u>	<u>2,290.2</u>

Total	<u>\$2,386.7</u>	<u>\$3,959.2</u>	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$18,014.6 (11)</u>	<u>\$13,682.3 (11)</u>
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SOURCES: Fiscal 2018-2021, Office of the Comptroller; fiscal 2022 and fiscal 2023, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) For fiscal 2018 through fiscal 2022, tax and non-tax revenue from judgments and settlements in excess of \$10 million is included in specific tax and non-tax revenue categories. See "COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; Settlements and Judgments."
- (3) The Workforce Training Fund is not subject to annual appropriation, and employer contributions are deposited directly in the Workforce Training Fund after their collection.
- (4) Includes one-time transfer of \$4.9 billion from the Coronavirus State and Local Fiscal Recovery Fund and one-time deposit of \$1.5 billion into the Transitional Escrow Fund.
- (5) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, abandoned property proceeds and other inter-fund transfers.
- (6) Post-Employment Benefits include all budgeted pension transfers and transfers to the State Retiree Benefits Trust Fund (SRBTF). See "PENSION AND OPEB FUNDING – Other Post-Employment Benefit Obligations (OPEB)." Fiscal 2022 also includes a \$250 million supplemental transfer to the Pension Liability Fund. Fiscal 2023 includes a \$100 million supplemental transfer to the Pension Liability Fund and a \$100 million supplemental transfer to the SRBTF.
- (7) Includes appropriations authorized to be expended in the following year. A subset of these authorizations are supported by federal funds in the year in which they are expended.
- (8) 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.
- (9) 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 2021 and 2022, and excess state tax revenue of \$2.941 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.
- (10) Includes \$2.941 billion of excess state tax revenue pursuant to Chapter 62F. See "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "FISCAL 2022 AND FISCAL 2023 – Fiscal 2022."
- (11) Includes approximately \$1.5 billion in undesignated fiscal 2022 surplus as well as approximately \$2.2 billion available in the CSFRF, the allocation of which is currently pending with the Legislature. See "FISCAL 2022 AND FISCAL 2023 – Fiscal 2022."

Stabilization Fund

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

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

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

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

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

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

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The following table shows the sources and uses of the Stabilization Fund during fiscal 2018 through fiscal 2022.

Stabilization Fund Sources and Uses
(in thousands)

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 (5)
Beginning Fund Balances	\$1,300,678	\$2,001,299	\$3,424,376	\$3,501,181	\$4,626,419
Revenues and Other Sources					
Deposit of the remaining consolidated net surplus	209,287	592,722	-	-	-
Deposits from growth in abandoned property receipts (1)	13,450	3,673	-	-	-
Deposits from gaming tax revenues	-	9,781 (2)	14,914	17,458	24,308
Capital gains tax transfers in excess of threshold (3)	513,908	848,399	-	1,098,140	2,272,593
Deposits due to judgments and settlements in excess of \$10 million	-	-	-	-	-
Lottery transfer taxes	272	429	362	323	259
Investment income	15,094	52,913	61,529	9,317	13,946
Total Revenues and Other Sources	<u>752,011</u>	<u>1,507,917</u>	<u>76,805</u>	<u>1,125,238</u>	<u>2,311,105</u>
Total Expenditures and Other Uses	<u>51,390 (4)</u>	<u>84,840 (4)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>700,621</u>	<u>1,423,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balances	<u>\$2,001,299</u>	<u>\$3,424,376</u>	<u>\$3,501,181</u>	<u>\$4,626,419</u>	<u>\$6,937,524</u>
Allowable Stabilization Fund Balance	<u>\$6,572,883</u>	<u>\$6,957,381</u>	<u>\$7,097,420</u>	<u>\$8,532,366</u>	

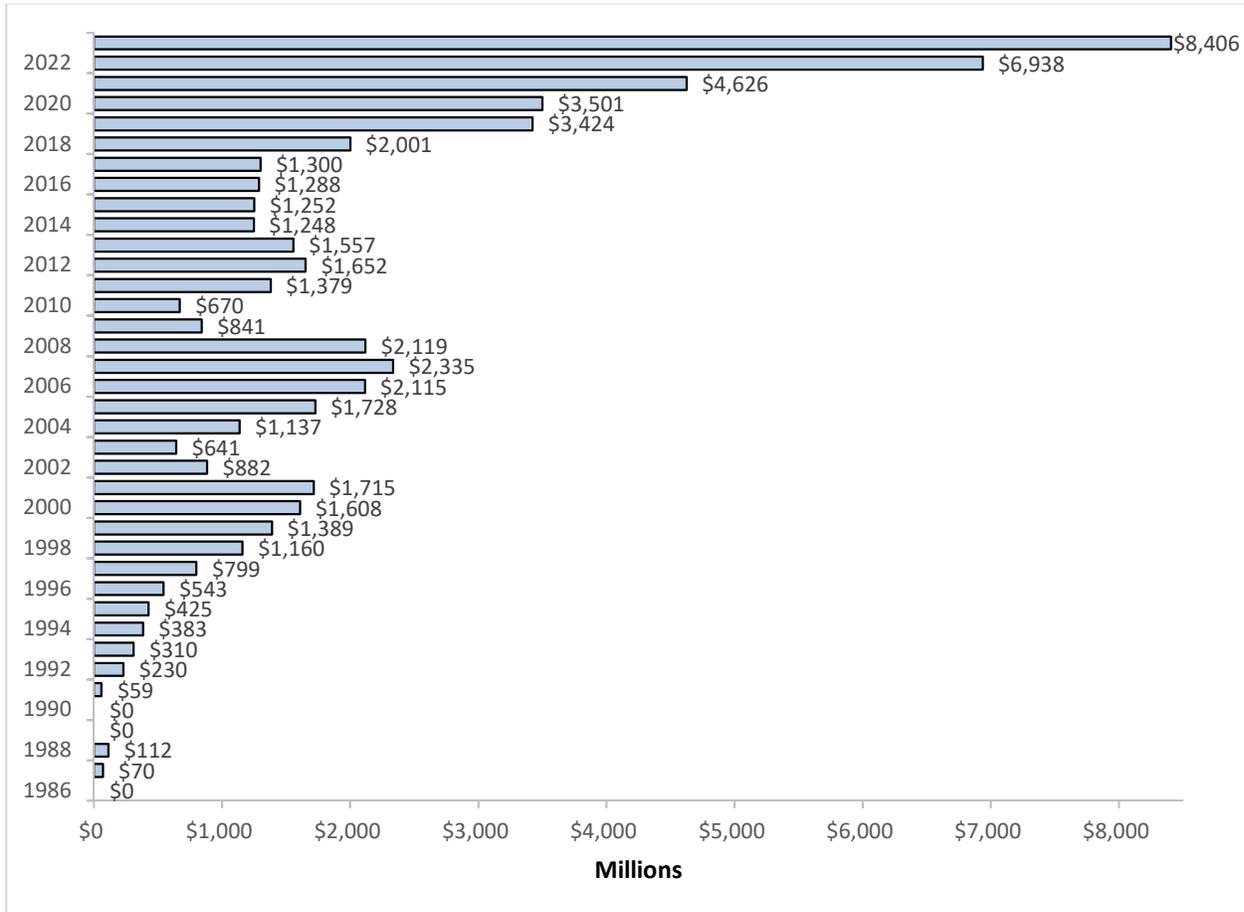
SOURCE: Fiscal 2018-2021 and Fiscal 2022 inflow and outflows, Office of the Comptroller; ending balance, Executive Office for Administration and Finance.

- (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) Preliminary and unaudited.

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The following chart shows the Stabilization Fund balance from fiscal 1986 through fiscal 2021 (actual), fiscal 2022 (preliminary), and fiscal 2023 (projected). See “FISCAL 2022 AND FISCAL 2023.”

**Stabilization Fund Balance Fiscal Year End
1986 - 2023 Projected (\$ millions)**



SOURCE: Fiscal 1986-fiscal 2021 (preliminary), Office of the Comptroller; fiscal 2022 (preliminary) and fiscal 2023 (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, 2021, 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, 2021	
Budgeted Fund Balance	\$12,099.2
Non-budgeted special revenue fund balance	4,249.0
Capital Projects Fund Balance	<u>(994.9)</u>
Governmental Fund Balance-Statutory Basis, June 30, 2021	\$15,353.3
Plus: Expendable Trust and similar fund statutory balances that are considered governmental funds for GAAP reporting purposes	675.1
Less: Massachusetts Department of Transportation Funds	<u>(1,563.5)</u>
Adjusted Statutory Governmental Fund Balance	\$14,464.9
Reclassification of funds due to implementation of GASB Statement No. 84	44.9
Short term accruals, net of allowances and deferrals for increases/(decreases):	
Taxes, net of refunds and abatements	2,580.4
Tobacco settlement agreement receivable	106.0
Medicaid	<u>(193.5)</u>
Other short term accruals:	
Assessments and other receivables	1,376.9
Amounts due to authorities and municipalities, net	<u>(752.4)</u>
Claims, judgments and other risks	<u>(13.3)</u>
Amounts due to healthcare providers and insurers	<u>(19.1)</u>
Workers' compensation and group insurance	<u>(168.7)</u>
Other accruals, net	<u>(5,392.5)</u>
Net (decrease) to governmental funds balances	<u>(\$2,431.3)</u>
Massachusetts School Building Authority fund balance	1,783.7
Total changes to governmental funds	<u>(\$647.6)</u>
Governmental fund balance (fund perspective)	13,817.3
Plus: Capital assets including infrastructure, net of accumulated depreciation	5,053.8
Deferred revenue, net of other eliminations	570.2
Long-term receivables	28.0
Long term accruals:	
Net pension liability	(46,159.8)
Net deferred (inflows)/outflows related to pensions	8,229.1
Net OPEB liability	<u>(18,434.7)</u>
Net deferred (inflows)/outflows of resources related to OPEB	607.4
Environmental remediation liability	<u>(595.3)</u>
Massachusetts School Building Authority debt and school construction payables	<u>(6,640.9)</u>
Long term debt, unamortized premiums and deferred losses on debt refundings	<u>(33,217.7)</u>
Compensated absences	<u>(754.1)</u>
Capital leases	<u>(14.3)</u>
Accrued interest on bonds	<u>(441.4)</u>
Other long-term liabilities	<u>(1,103.5)</u>
Total governmental net position/(deficit) (government-wide perspective)	<u>(\$79,055.9)</u>

SOURCE: Office of the Comptroller.

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The deficit of \$79.056 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, 2021, the Commonwealth reported a net pension liability of approximately \$46.160 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, 2021, the Commonwealth reported a net OPEB liability of approximately \$18.435 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 2021, MassDOT held \$25.918 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 \$6.641 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)

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Government Wide</u>
Total net position/(deficit):			
Fiscal 2020	(\$77,677,365)	\$4,677,151	(\$73,000,214)
Fiscal 2021	(79,055,900)	5,197,653	(73,858,247)
Change in net position/(deficit)	<u>(\$1,378,535)</u>	<u>\$520,502</u>	<u>(\$858,033)</u>

SOURCE: Office of the Comptroller.

As of June 30, 2021, approximately \$1.596 billion is restricted for Paid Family and Medical Leave benefits and approximately \$919 million was restricted for debt retirement.

Revenues – GAAP Basis. The measurement of revenues for the budgeted operating funds on a statutory basis differs from governmental revenues on a GAAP basis in that certain revenues that are not included on a statutory basis are included on a GAAP basis, including revenue accruals for Medicaid and taxes. In addition, internal transfers are eliminated under GAAP on a government-wide perspective. The following table shows the distribution of major sources of revenue in fiscal 2021.

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Comparison of Fiscal 2021 Governmental Revenues
(in millions)

	<u>Governmental Funds</u>	<u>GAAP Basis – Governmental</u>	
	Statutory Basis	Fund Perspective	Government-wide Perspective
Taxes	\$34,649	\$34,955	\$34,947
Federal Revenue	24,222	22,953	22,689
Departmental and Miscellaneous Revenue	<u>25,129</u>	<u>26,812</u>	<u>12,640</u>
Total	<u>\$84,000</u>	<u>\$84,720</u>	<u>\$70,276</u>

SOURCE: Office of the Comptroller.

The following table provides financial results on a GAAP fund perspective basis for all governmental funds of the Commonwealth for fiscal 2017 through fiscal 2021.

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

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

SOURCE: Office of the Comptroller.

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

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

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, 2021 and the ACFR for the year ended June 30, 2021 are attached hereto as Exhibits B and C, respectively. Copies of these financial reports are also available at the address provided under “CONTINUING DISCLOSURE.” The SBFR for fiscal 1997 through fiscal 2021 and the ACFR for fiscal 1995 through fiscal 2021 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 2020 marked the 31st 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 2021, the independent auditors' opinions on the ACFR were unqualified or unmodified, indicating that the Commonwealth's financial statements presented fairly, in all material respects, the financial position of the Commonwealth, in accordance with generally accepted accounting principles.

Discussion of Financial Condition

As the annual operating budget of the Commonwealth is adopted in accordance with the statutory basis of accounting, public and governmental discourse on the financial affairs of the Commonwealth has traditionally followed the statutory basis. Consequently, the financial information set forth in this document follows the statutory basis, except where otherwise noted. Since fiscal 1990, the Commonwealth has prepared separate financial reports on the statutory basis (reviewed) and on a GAAP basis (audited). See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Fiscal Control, Accounting and Reporting Practices of the Comptroller; *Financial Reports*." Without limiting the generality of the references to the SBFR for the year ended June 30, 2021 and the ACFR for the year ended June 30, 2021, 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 2021

The basic financial statements included in the ACFR of the Commonwealth for the year ended June 30, 2021 were audited by CliftonLarsonAllen (CLA). The CLA audit report dated April 28, 2022 on the general purpose financial statements included in the ACFR for the year ended June 30, 2021 contained an unmodified opinion. A copy of the audit report of CLA dated April 28, 2022 has been filed with EMMA and is included within Exhibit C to this Information Statement. 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 said independent auditor performed any procedures relating to any official statement of which this Information Statement may be a part.

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FISCAL 2022 AND FISCAL 2023

Fiscal 2022

On January 15, 2021, a fiscal 2022 consensus tax revenue estimate of \$30.120 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. This estimate reflected projected 3.5% tax revenue growth over the revised projected fiscal 2021 tax revenue amount of \$29.090 billion. The consensus revenue estimate for fiscal 2022 incorporates the reinstatement of the charitable deduction effective January 1, 2022.

After accounting for statutorily required transfers for pensions, and to the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that \$24.327 billion would be the maximum amount of tax revenue available for the fiscal 2022 budget. See “Commonwealth Revenues – Tax Revenue Forecasting.”

On January 27, 2021, the Governor filed his fiscal 2022 budget recommendation, providing for a total of \$45.6 billion in state spending, excluding \$456.5 million in projected transfers to the Medical Assistance Trust Fund. The budget as filed represented a decrease of 0.7% from projected fiscal 2021 state spending. The budget as filed included a withdrawal of up to \$1.6 billion from the Stabilization Fund, which could be reduced if tax collections or new federal revenue exceed the assumptions included in the budget recommendation. Notably, the budget recommendation did not assume any resources from the ARPA. The Governor’s budget recommendation also proposes a delay of the charitable deduction until the tax year following a fiscal year in which no transfer is made from the Stabilization Fund to the General Fund.

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

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

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

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

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

On April 21, 2022, the Governor filed an economic development bill, appropriating approximately \$3.522 billion, representing a combination of approximately \$2.266 billion of federal funds provided via ARPA authorized

spending, and \$1.256 billion in expanded capital bond authorizations. The proposed legislation includes a \$750 million investment in the Commonwealth's clean energy industry, \$550 million for the MassWorks program, and \$300 million for the Commonwealth's account within the UITF.

On May 18, 2022, the Governor filed a bill proposing \$1.687 billion in appropriations, including \$310 million for housing development through workforce housing, public housing development, and permanent supportive housing appropriations. The bill also includes \$235 million in appropriations for various transportation projects, \$200 million for regional water and sewer initiatives, \$100 million for regional ports, and \$180 million for targeted economic development initiatives. The proposed legislation is supported by expected fiscal 2022 surplus tax revenue.

On August 31, 2022, the Governor filed a bill proposing \$1.622 billion in appropriations, representing \$840 million in net spending, including \$200 million to support the MBTA in addressing the Federal Transit Administration's safety directives, and \$108 million for a reserve to support ongoing and possible future costs related to COVID-19.

The proposed bills filed in April, May and August 2022 remain pending.

On September 15, 2022, the State Auditor determined the amount of \$2.941 billion as the amount by which net state tax revenue in fiscal 2022 exceeded allowable state tax revenues under Chapter 62F of the General Laws. This amount has been proposed to be set aside from the fiscal 2022 surplus for application by the Department of Revenue in fiscal 2023 in accordance with the provisions of Chapter 62F. See "COMMONWEALTH REVENUES – Limitation on Tax Revenues."

The spending estimates and amounts shown in the table entitled "Budgeted Operating Funds – Statutory Basis" under the heading "SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures" reflect the appropriations contained in the supplemental appropriation bills and the application of Chapter 62F, as described above.

Fiscal 2023

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

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

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

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

The fiscal 2023 budget, as approved by the Governor on July 28, 2022, includes approximately \$52.7 billion, excluding transfers to the Medical Assistance Trust Fund. This reflects 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 incorporates an increased \$39.576 billion tax revenue forecast before various tax initiatives, which represents 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 sets aside \$315 million for future tax reductions, and is in structural balance, with no planned Stabilization Fund withdrawal.

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 August 31, 2022, there were no RANs outstanding and the State Treasurer does not anticipate issuing RANs in fiscal 2023.

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 August 31, 2022, the Cash Portfolio holdings were made up of Certificate of Deposit 35.0%, Asset Backed Commercial Paper 19.0%, Financial Company Commercial Paper 17.4%, Non-Negotiable Time Deposit 17.2%, U.S. Government Agency Repurchase Agreement 4.8%, Tender Option Bond 2.6%, Non-Financial Company Commercial Paper 1.7%, Variable Rate Demand Note 1.3%, and U.S. Treasury Debt 1.0%. As of August 31, 2022, the Cash Portfolio's monthly weighted average life was 59 days, and the monthly weighted average maturity was 21 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 August 31, 2022, the Short-Term Bond Fund holdings were made up of U.S. Treasury Securities 57.2%, Financial Inst. - Banking 4.5%, Utility - Electric 3.2%, Auto Receivables 2.4%, Financial Inst.- Insurance - Life 2.0%, FNMA MBS 1.7%, Commercial Mortgage 1.4%, Equipment Lease 1.3 %, Consumer Non-Cyclical Pharmaceuticals 1.3%, Technology 1.3, Other 23.7%. 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 May 5, 2022, the Governor released the fiscal 2023 Capital Investment Plan to support investments in transportation, economic development, climate resiliency, housing, education, technology and health and human services. The plan projects \$4.862 billion in fiscal 2023 spending on capital projects, including \$2.780 billion of

bond cap spending, \$1.052 billion of spending supported by federal reimbursements and grants, and \$1.030 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 2019 through fiscal 2023 and the tables on the following pages provide cash flow detail for fiscal 2022 and fiscal 2023. The balance for July of fiscal 2023 is actual and the remainder of fiscal 2023 is projected.

Month-End General Fund Cash Balances
(in millions)

	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023 (1)</u>
July	\$2,269.5	\$3,613.7	\$4,659.2	\$11,598.0	\$14,200.0
August	3,143.8	2,794.4	4,081.8	11,163.0	12,354.9
September	4,125.0	3,706.0	4,621.8	11,859.0	10,000.2
October	3,645.3	4,558.2	3,904.4	12,198.0	9,286.9
November	2,592.1	3,929.0	3,247.2	11,781.0	8,042.5
December	2,816.3	3,884.1	4,626.0	12,412.0	8,717.3
January	3,276.0	3,360.8	5,945.1	13,180.0	8,574.9
February	2,593.5	2,958.0	5,483.1	12,306.0	7,316.7
March	2,913.6	3,537.9	5,746.1	12,228.4	7,448.9
April	4,603.0	4,809.9	6,524.3	16,407.0	10,510.6
May	4,239.6	3,573.5	13,548.1	15,900.0	9,495.9
June	4,497.4	3,358.5	12,691.1	16,995.0	10,321.7

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2023 ending balance for July is actual and the remaining months are projected.

The fiscal 2022 and 2023 cash flow statements released on June 15, 2022 are 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 2022 Non-Segregated Operating Cash Flow
(in millions) (1) (2)

	<u>Jul-21</u>	<u>Aug-21</u>	<u>Sep-21</u>	<u>Oct-21</u>	<u>Nov-21</u>	<u>Dec-21</u>	<u>Jan-22</u>	<u>Feb-22</u>	<u>Mar-22</u>	<u>Apr-22</u>	<u>May-22</u>	<u>Jun-22</u>	Total FY 2022
Opening Non-Segregated Operating Cash Balance	\$12,691.1	\$11,598.0	\$11,163.0	\$11,859.0	\$12,198.0	\$11,781.0	\$12,412.0	\$13,180.0	\$12,306.0	\$12,228.4	\$16,407.0	\$15,900.0	\$12,691.1
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	(246.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(246.3)
Total Budgetary Revenue/Inflows (2)	3,500.1	4,583.1	5,695.3	4,047.2	4,312.2	5,896.0	5,576.1	3,989.9	6,426.4	9,109.6	4,570.4	7,156.8	64,862.9
Total Budgetary Expenditures/Outflows	3,982.9	4,139.7	3,994.7	4,210.9	3,455.1	4,614.5	3,936.3	4,169.2	5,104.0	4,689.8	4,354.2	4,728.7	51,380.1
Net Budgetary Funds	(482.8)	443.4	1,700.6	(163.8)	857.1	1,281.5	1,639.8	(179.3)	1,322.4	4,419.7	216.2	2,428.1	13,482.8
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	1,239.1	1,541.6	1,047.4	1,226.4	483.2	1,279.8	734.7	1,250.0	693.6	1,097.3	1,156.7	641.9	12,391.8
Total Non-Budgetary Expenditures/Outflows	1,575.6	2,132.9	1,896.6	1,288.8	1,482.2	1,648.6	1,420.6	1,679.0	1,994.7	1,793.6	1,608.2	1,946.1	20,466.9
Net Non-Budgetary Funds	(336.6)	(591.3)	(849.2)	(62.4)	(999.0)	(368.7)	(685.9)	(429.0)	(1,301.2)	(696.3)	(451.5)	(1,304.2)	(8,075.1)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	1.5	2.5	2.3	2.4	20.2	2.8	3.1	3.1	4.3	7.5	11.6	40.5	101.8
Net Operating Activities	(\$817.9)	(\$145.3)	\$853.7	(\$223.8)	(\$121.7)	\$915.5	\$957.0	(\$605.1)	\$25.6	\$3,731.0	(\$223.7)	\$1,164.4	\$5,509.5
Federal Grants:													
Total Federal Grants Revenue/Inflows	242.3	359.2	359.3	464.5	410.5	365.1	411.1	466.6	602.8	697.2	333.2	657.1	5,368.9
Total Federal Grants Expenditures/Outflows	351.7	201.3	463.5	420.8	578.6	463.7	426.2	592.5	572.6	402.8	575.7	397.7	5,447.1
Net Federal Grants	(\$109.4)	\$158.0	(\$104.2)	\$43.7	(\$168.1)	(\$98.7)	(\$15.1)	(\$125.9)	\$30.2	\$294.4	(\$242.5)	\$259.4	(\$78.2)
Capital Funds:													
Total Capital Revenue/Inflows	235.6	86.9	140.7	746.9	259.2	64.6	49.4	32.8	229.0	376.4	243.3	171.6	2,636.5
Total Capital Expenditures/Outflows	401.4	534.5	194.2	227.7	386.5	250.4	223.3	175.8	362.4	223.1	284.2	500.3	3,763.9
Net Capital Funds	(\$165.8)	(\$447.5)	(\$53.5)	\$519.2	(\$127.3)	(\$185.9)	(\$173.9)	(\$143.0)	(\$133.4)	\$153.3	(\$40.8)	(\$328.7)	(\$1,127.4)
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												
Ending Non-Segregated Operating Cash Balance	\$11,598.0	\$11,163.0	\$11,859.0	\$12,198.0	\$11,781.0	\$12,412.0	\$13,180.0	\$12,306.0	\$12,228.4	\$16,407.0	\$15,900.0	\$16,995.0	\$16,995.0

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

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

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>	Total FY 2023
Opening Non-Segregated Operating Cash Balance:	\$16,995.0	\$14,200.0	\$12,354.9	\$10,000.2	\$9,286.9	\$8,042.5	\$8,717.3	\$8,574.9	\$7,316.7	\$7,448.9	\$10,510.6	\$9,495.9	\$16,995.0
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	(1,946.2)	(326.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2,272.6)
Total Budgetary Revenue/Inflows	1,985.0	4,291.0	6,177.6	4,332.4	3,940.7	5,852.3	5,312.8	3,914.1	6,082.7	8,664.8	4,358.7	6,597.9	61,509.9
Total Budgetary Expenditures/Outflows	4,535.7	4,971.8	7,395.5	4,967.2	4,653.3	4,372.0	4,803.0	4,544.5	5,563.5	5,076.9	4,526.8	5,640.2	61,050.4
Net Budgetary Funds	(2,550.7)	(680.8)	(1,217.9)	(634.8)	(712.6)	1,480.3	509.8	(630.4)	519.2	3,587.9	(168.2)	957.7	459.5
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	1,568.5	1,190.3	1,196.8	891.6	888.4	892.8	874.7	883.8	956.7	692.6	733.0	953.3	11,722.6
Total Non-Budgetary Expenditures/Outflows	1,632.5	1,541.1	1,947.5	1,437.0	1,497.3	1,782.0	1,526.5	1,435.5	1,528.2	1,167.1	1,381.9	1,754.2	18,630.9
Net Non-Budgetary Funds	(64.0)	(350.8)	(750.7)	(545.4)	(608.9)	(889.2)	(651.8)	(551.7)	(571.5)	(474.5)	(648.9)	(801.0)	(6,908.4)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	(4.5)	23.7	24.3	29.0	26.6	27.7	26.2	22.9	22.0	25.5	23.4	22.6	269.2
Net Operating Activities	(\$2,619.2)	(\$1,007.9)	(\$1,944.3)	(\$1,151.2)	(\$1,295.0)	\$618.8	(\$115.9)	(\$1,159.2)	(\$30.3)	\$3,139.0	(\$793.7)	\$179.2	(\$6,179.6)
Federal Grants:													
Total Federal Grants Revenue/Inflows	291.6	294.4	302.2	327.2	370.7	347.2	365.3	505.9	522.9	398.9	524.9	524.9	4,776.1
Total Federal Grants Expenditures/Outflows	422.4	394.9	294.5	378.1	392.0	453.8	447.6	442.3	477.1	523.2	450.5	610.4	5,286.8
Net Federal Grants	(\$130.8)	(\$100.5)	\$7.7	(\$50.9)	(\$21.3)	(\$106.6)	(\$82.3)	\$63.6	\$45.8	(\$124.3)	\$74.4	(\$85.5)	(\$510.7)
Capital Funds:													
Total Capital Revenue/Inflows	429.0	303.8	361.3	717.4	362.4	517.1	343.6	117.6	542.9	402.5	97.8	1,320.6	5,516.0
Total Capital Expenditures/Outflows	473.9	1,040.6	779.3	228.7	290.4	354.5	287.9	280.2	426.1	355.5	393.2	588.6	5,498.9
Net Capital Funds	(\$45.0)	(\$736.8)	(\$418.0)	\$488.7	\$71.9	\$162.6	\$55.8	(\$162.6)	\$116.7	\$47.0	(\$295.4)	\$732.0	\$17.0
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:	\$14,200.0	\$12,354.9	\$10,000.2	\$9,286.9	\$8,042.5	\$8,717.3	\$8,574.9	\$7,316.7	\$7,448.9	\$10,510.6	\$9,495.9	\$10,321.7	\$10,321.7

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figure for July is actual and the remaining months are projected.

STATE WORKFORCE

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

State Workforce (1)					
	<u>June 2018</u>	<u>June 2019</u>	<u>June 2020</u>	<u>June 2021</u>	<u>June 2022</u>
Executive Office	77	84	83	83	76
Executive Departments					
Administration and Finance	2,214	2,191	2,172	2,143	2,151
Energy and Environmental Affairs	1,725	1,784	1,825	1,877	1,838
Health and Human Services	20,162	20,362	20,363	20,125	19,515
Housing and Economic Development	748	752	762	783	811
Labor and Workforce Development	234	237	354	375	345
Executive Office of Education	523	561	580	609	617
Public Safety and Security	8,042	8,064	8,238	8,108	7,858
Technology Services and Security	354	395	402	466	443
Federal Grant, Trust and Capital Funded (2)	<u>8,133</u>	<u>8,070</u>	<u>7,984</u>	<u>7,940</u>	<u>8,133</u>
Subtotal under Governor's Authority	<u>42,212</u>	<u>42,500</u>	<u>42,763</u>	<u>42,509</u>	<u>41,787</u>
Judiciary	7,229	7,164	7,217	7,061	7,094
Higher Education	24,887	25,229	25,318	24,437	24,779
Other (3)	<u>11,048</u>	<u>11,227</u>	<u>11,285</u>	<u>11,167</u>	<u>10,992</u>
Total	<u>85,376</u>	<u>86,120</u>	<u>86,583</u>	<u>85,174</u>	<u>84,652</u>

SOURCE: Office of the Comptroller.

- (1) This table has been revised from prior presentations to conform to the presentation in the Statutory Basis Financial Reports.
- (2) The Massachusetts Department of Transportation is included in Federal Grant, Trust, and Capital Funded.
- (3) Other includes members of the Legislature and their staff, constitutional officers, other independently elected officials and other independent state agencies.

Unions and Labor Negotiations

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

MassDOT, the Trial Court, the Lottery Commission, the Alcohol Beverage Control Commission, state sheriffs, the Registries of Deeds under the control of the Secretary of the Commonwealth, state universities and community colleges through the Board of Higher Education, the Personal Care Attendant Workforce Council and the Department of Early Education and Care (EEC) (for bargaining with family child care providers) negotiate directly with their respective employee representatives, but wage increases and other economic provisions contained in such agreements are subject to the review of the Governor and to funding approval by the Legislature. Also, if the Governor does not recommend the requested appropriation to fund contractual increases, he may refer the contracts back to the parties for further negotiation.

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

Approximately 35,438 executive branch full-time-equivalent state employees are organized in 13 bargaining units, the employees of the Commonwealth's colleges and universities are organized in 47 bargaining

units, and the employees of the judicial branch, MassDOT, the Lottery Commission, the Registries of Deeds, the state sheriffs, Personal Care Attendants at MassHealth, and family child care providers at the Department of Early Education and Care are organized in 67 bargaining units. Public employees of the Commonwealth do not have a legal right to strike or otherwise withhold services.

The following is a description of certain terms of the most recent agreements with the collective bargaining units within the responsibility of the Human Resources Division. Due to the impacts of the COVID-19 pandemic, the process for renegotiating expired collective bargaining agreements has been delayed, but such negotiations are ongoing, as noted below.

1. The contract with the National Association of Government Employees (NAGE), representing Units 1, 3, and 6, runs from July 1, 2020 through June 30, 2023, providing salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective July 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$97.5 million.

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

3. The contract with the Massachusetts Correction Officers Federated Union (MCOFU), representing Unit 4, 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.

5. The contract with the Coalition of Public Safety (COPS), representing Unit 5, ran from July 1, 2018 through June 30, 2021. Subject to legislative approval, a new contract with COPS will run from July 1, 2021 through June 30, 2024, providing annual salary increases of 2.5% in 2021, 2% in 2022, and 2% in 2023, effective July 1 of each year. Eligible employees will receive a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 shall be set for the one-time payment. The total estimated incremental cost of the contract is \$3.0 million.

6. The contract with the State Police Association of Massachusetts (SPAM), representing Unit 5A, ran from January 1, 2018, through December 31, 2020, and provided for salary increases of 2% in 2018, 2% in 2019, and 1.95% in 2020, effective the first full pay period in January of each year. The total estimated incremental cost of the contract was \$26.3 million. This contract has expired and negotiations are ongoing.

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

8. The contract with the Service Employees International Union (SEIU), representing Units 8 and 10, runs from January 1, 2020 through December 31, 2022, providing salary increases of 2.5% in 2020, 2% in 2021, and 2% in 2022, effective January 1 of each year. Eligible employees received a one-time payment of 1.5% of base salary. A minimum amount of \$1,000 was set for the one-time payment. The total estimated incremental cost of the contract is \$90 million.

9. The contract with the Massachusetts Organization of State Engineers and Scientists (MOSES), representing Unit 9, 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 \$15.7 million.

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)

Contract Unit	Bargaining Union	Type of Employee	FTEs	Contract Expiration Dates
1, 3, 6	National Association of Government Employees	Clerical, Skilled Trades, Administrative Professionals	8,872	6/30/23
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	7,090	6/30/23
4	Massachusetts Correction Officers Federated Union	Corrections	3,134	6/30/24
4A	New England Police Benevolent Association	Corrections	68	6/30/23
5	Coalition of Public Safety	Law enforcement	208	6/30/21 (3)
5A	State Police Association of Massachusetts	State Police	2,102	12/31/20 (2)
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
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	1,978	6/30/23
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) This contract has expired and negotiations are ongoing.
- (3) This contract has expired. A new contract has been ratified and funding for the new contract will be duly submitted to the Legislature for approval.

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PENSION AND OPEB FUNDING

Retirement Systems

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

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

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) are the two largest plans of the public contributory retirement systems operated in the Commonwealth. Membership in the MSERS as of January 1, 2022 and the MTRS as of January 1, 2021, 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	68,780
Terminated employees entitled to benefits but not yet receiving them	<u>4,909</u>	<u>N/A</u>
Subtotal	73,189	68,780
Current Members	<u>85,999</u>	<u>96,527</u>
Total	159,188	165,307

SOURCE: Public Employee Retirement Administration Commission

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

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

Boston teachers are not included in the membership data shown above for the MTRS. Legislation approved in May 2010 changed the methodology for the Commonwealth's funding of pension benefits paid to Boston teachers. Prior to this change, the Commonwealth reimbursed the City of Boston for pension benefits paid to Boston teachers as certified by the Boston Retirement System (BRS). Those costs were funded one fiscal year in arrears. The cost of pension benefits of the other participants of the BRS is the responsibility of the City of Boston. The BRS is a cost-sharing multiple-employer pension system that is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth for accounting purposes. The 2010 legislation clarified that the Commonwealth is responsible for all employer contributions and future benefit requirements for Boston teachers that are members of the BRS. The Commonwealth's actuarially determined contribution (or ADC, defined as a target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice) to the BRS for fiscal 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 2022 for eligible participants of the MSERS and MTRS. The Commonwealth pension funding schedule (discussed below) assumes that annual increases of 3% will be approved for its retirees. The 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%	36	0.0%
1975-1983	7	190	0.2
1984-June 30, 1996	8	4,343	4.5
July 1, 1996-Present	9	14,020	14.5
July 1, 2001-Present	11	<u>77,938</u>	<u>80.8</u>
Totals		<u>96,527</u>	<u>100.0%</u>

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

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

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		<u>85,999</u>	<u>100.0%</u>

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 15, 2020. The assumptions underlying the funding schedule include valuation of assets and liabilities as of January 1, 2019, an annual rate of return on assets of 7.25%, and appropriation increases of 9.63% per year through fiscal 2035 with a final amortization payment in fiscal 2036 (four years before the statutory requirement). The funding schedule also fully amortizes by fiscal 2027 the liabilities attributable to the employee retirement incentive program approved by the Governor on May 4, 2015.

Current Funding Schedule for Pension Obligations
(in thousands)

<u>Fiscal Year</u>	<u>Payments</u>	<u>Fiscal Year</u>	<u>Payments</u>
2022	\$3,415,154	2030	\$7,125,997
2023	3,744,033	2031	7,812,230
2024	4,104,584	2032	8,564,548
2025	4,499,855	2033	9,389,314
2026	4,933,191	2034	10,293,505
2027	5,408,258	2035	11,284,770
2028	5,929,073	2036	12,364,051
2029	6,500,043	2037	1,554,984

SOURCE: Executive Office for Administration and Finance

In addition to the funding schedule above, the fiscal 2022 budget included a supplemental \$250 million transfer to the Pension Liability Fund and the fiscal 2023 budget included a supplemental \$100 million transfer to the Pension Liability Fund.

Actuarial Valuations

Pursuant to Chapter 32 of the Massachusetts General Laws, an actuarial valuation of each retirement system is required to be conducted biennially. The most recent valuation report for the Commonwealth's total pension obligation, which is dated October 21, 2021, is available at: <https://www.mass.gov/doc/commonwealth-valuation-report-2021/download>. In this report, the unfunded actuarial accrued liability for the Commonwealth's total pension obligation as of January 1, 2021, based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2020, was approximately \$45.575 billion, including approximately \$15.334 billion for MSERS, \$27.659 billion for MTRS, \$2.477 billion for Boston teachers that are members of the BRS, and \$105.0 million for cost-of-living increases reimbursable to local systems. This valuation estimates the total actuarial accrued liability as of January 1, 2021 to be approximately \$108.982 billion (comprising \$45.704 billion for MSERS, \$58.830 billion for MTRS, \$4.342 billion for Boston teachers and \$105.0 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately \$63.407 billion based on a five-year average valuation method (comprising \$30.370 billion for MSERS, \$31.171 billion for MTRS and \$1.866 billion for Boston teachers), which equaled 93.1% of the December 31, 2020 total asset market value. An actuarial valuation for the MSERS has been completed as of January 1, 2022. The report for this valuation has not yet been published. As of January 1, 2022, the actuarial accrued liability is estimated to be approximately \$47.275 billion. The actuarial value of assets as of that date is \$34.468 billion. The unfunded actuarial liability is approximately \$12.808 billion. An actuarial valuation for the MTRS is in progress, but has not been completed at this time.

Differences each year between the actual experience of the plan and the experience projected by the actuarial assumptions are reflected by adjustments to the unfunded actuarial accrued liability. An experience difference which increases the unfunded actuarial accrued liability is an actuarial loss and one which decreases the unfunded actuarial accrued liability is an actuarial gain. Since the last valuation, there was an overall actuarial gain of \$3.22 billion, consisting of a non-investment related gain on actuarial liability of approximately \$924 million and a gain of approximately \$2.296 billion on the actuarial value of assets.

The January 1, 2021 valuation report used a 7.00% investment return assumption, reduced from the 7.25% assumption used in the January 1, 2019 valuation. The investment return assumption had previously decreased consistently from 8.25% as of January 1, 2012 to 7.25% as of January 1, 2019. The most recent change in the investment return assumption from 7.25% to 7.00% increased the total actuarial accrued liability by approximately \$2.85 billion. The January 1, 2022 actuarial valuation will maintain the 7.0% investment return assumption.

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 will maintain 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, 2022 is 90% of the market value (i.e. the actuarial value is at the 90% corridor limit). This figure was 93.1% as of January 1, 2021.

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

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

<u>Valuation Date (Jan. 1)</u>	<u>Actuarial Value of Assets (1)</u>	<u>Market Value of Assets</u>	<u>% of Actuarial Value to Market Value</u>	<u>Funded Ratio (Actuarial Value)</u>	<u>Funded Ratio (Market Value)</u>
2021	\$63,407	\$68,090	93.1%	58.2%	62.5%
2019	56,661	55,100	102.8	56.3	54.7
2018	54,918	58,038	94.6	57.0	60.3
2017	51,952	51,107	101.7	56.7	55.8
2016	49,535	48,943	101.2	56.7	56.0
2015	48,106	50,290	95.7	59.0	61.7
2014	45,894	48,351	94.9	61.2	64.5
2013	43,517	43,760	99.4	60.6	60.9
2012	43,942	39,947	110.0	65.1	59.1
2011	45,631	41,482	110.0	71.1	64.6

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

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

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

	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
MSERS						
Actuarial Valuation as of Jan. 1						
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
MTRS						
Actuarial Valuation as of Jan. 1						
2021	\$31,170,723	\$58,829,999	\$27,659,276	53.0%	\$7,670,306	360.6%
2019	27,854,444	53,864,141	26,009,697	51.7	7,074,960	367.6
2018	27,057,700	51,653,285	24,595,585	52.4	6,829,012	360.2
2017	25,638,136	49,193,503	23,555,367	52.1	6,583,871	357.8
2016	24,593,787	46,562,807	21,969,020	52.8	6,388,732	343.9
2015	23,946,759	44,115,769	20,169,010	54.3	6,204,274	325.1
2014	22,940,196	40,741,695	17,801,499	56.3	5,962,650	298.6
2013	21,787,470	39,135,218	17,347,748	55.7	5,783,294	300.0
2012	22,141,475	36,483,027	14,341,552	60.7	5,655,353	253.6
2011	23,117,952	34,890,991	11,773,039	66.3	5,558,311	211.8

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

2021	\$63,406,551	\$108,981,772	\$45,575,221	58.2%	\$14,851,350	306.9%
2019	56,661,376	100,650,744	43,989,368	56.3	13,994,455	314.3
2018	54,918,125	96,316,894	41,398,769	57.0	13,531,845	305.9
2017	51,952,206	91,573,998	39,621,792	56.7	13,059,709	303.4
2016	49,535,323	87,401,722	37,866,399	56.7	12,702,727	298.1
2015	48,105,862	81,535,003	33,429,141	59.0	12,302,162	271.7
2014	45,894,034	74,936,994	29,042,960	61.2	11,793,788	246.3
2013	43,517,498	71,865,832	28,348,334	60.6	11,408,407	248.5
2012	43,941,682	67,546,587	23,604,905	65.1	11,011,466	214.4
2011	45,630,507	64,219,135	18,588,628	71.1	10,811,975	171.9

SOURCE: Public Employee Retirement Administration Commission.

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

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

	<u>Market Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
MSERS						
Actuarial Valuation as of Jan. 1						
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						
2021	\$33,473,661	\$58,829,999	\$25,356,338	56.9%	\$7,670,306	330.6%
2019	27,090,335	53,864,141	26,773,806	50.3	7,074,960	378.4
2018	28,597,562	51,653,285	23,055,723	55.4	6,829,012	337.6
2017	25,225,451	49,193,503	23,968,052	51.3	6,583,871	364.0
2016	24,308,553	46,562,807	22,254,254	52.2	6,388,732	348.3
2015	25,046,692	44,115,769	19,069,077	56.8	6,204,274	307.4
2014	24,183,391	40,741,695	16,558,304	59.4	5,962,650	277.7
2013	21,934,211	39,135,218	17,201,007	56.0	5,783,294	297.4
2012	20,128,614	36,483,027	16,354,413	55.2	5,655,353	289.2
2011	21,016,320	34,890,991	13,874,671	60.2	5,558,311	249.6
Aggregate Commonwealth Pension Obligations (1)						
Actuarial Valuation as of Jan. 1						
2021	\$68,089,639	\$108,981,772	\$40,892,133	62.5%	\$14,851,350	275.3%
2019	55,099,732	100,650,744	\$45,551,012	54.7	13,994,455	325.5
2018	58,037,680	96,316,894	38,279,214	60.3	13,531,845	282.9
2017	51,107,139	91,573,998	40,466,859	55.8	13,059,709	309.9
2016	48,943,080	87,401,722	38,458,642	56.0	12,702,727	302.8
2015	50,289,777	81,535,003	31,245,226	61.7	12,302,162	254.0
2014	48,350,920	74,936,994	26,586,074	64.5	11,793,788	225.4
2013	43,760,381	71,865,832	28,105,451	60.9	11,408,407	246.4
2012	39,946,984	67,546,587	27,599,603	59.1	11,011,466	250.6
2011	41,482,279	64,219,135	22,736,856	64.6	10,811,975	210.3

SOURCE: Public Employee Retirement Administration Commission.

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

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Annual Required Contributions

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

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

SOURCE: Public Employee Retirement Administration Commission.

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

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

The standards currently applicable to the accounting and financial reporting of the Commonwealth's pension obligations are GASB Statement No. 67 and GASB Statement No. 68. GASB Statement No. 67, *Financial Reporting for Pension Plans*, which was effective for the Commonwealth's Annual Comprehensive Financial Report for fiscal 2014, establishes new standards for defined benefit pension plan accounting and reporting. GASB 67 also requires an analysis to determine the sensitivity of the net pension liability (NPL) to changes in the discount rate, if it were calculated one percentage point lower or higher. Such sensitivity analysis is in Note 9C to Basic Financial Statements to the ACFR for fiscal 2021. See Exhibit C – Annual Comprehensive Financial Report for the year ended June 30, 2021. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective for the Commonwealth's ACFR for fiscal 2015, requires changes to governments' reporting of and inclusion of pension assets and liabilities in their annual audited financial statements. GASB 68 requires governments to report in their statements of net position (or balance sheet) a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. GASB 68 requires recognition in the financial statements of pension expense. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.

The tables that follow show certain pension-related information for both the MTRS and the MSERS as required by GASB 67 and GASB 68 and as shown in the Commonwealth's ACFR for fiscal 2021. 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 2017 through 2021.

The tables subtitled "Pension Expense" shows pension expenses that, under GASB 68, are recognized in the ACFR for fiscal 2021. Additional information regarding the inflows and outflows that under GASB 68 are recognized either in the ACFR for fiscal 2021 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 2021. See Exhibit C – Annual Comprehensive Financial Report for the year ended June 30, 2021.

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 2021 it would use the pension valuation information as of June 30, 2020. The Commonwealth will use the June 30, 2021 pension information in its ACFR for fiscal 2022.

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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 2021 through 2017
(in thousands, except for percentages)

	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
Total pension liability (as of July 1)	\$57,862,841	\$54,751,000	\$52,503,000	\$50,024,000	\$47,300,000
Service cost	1,085,414	1,019,331	949,262	901,234	891,760
Interest	4,097,558	3,927,724	3,762,191	3,633,027	3,505,761
Differences between expected and actual experience	(555,322)	495,599	50,910	92,317	47,046
Changes of assumptions (1), (2), (3), (4), (5)	584,000	859,000	577,000	845,000	1,176,000
Benefit payments, including refunds of member contributions	<u>(3,279,491)</u>	<u>(3,189,813)</u>	<u>(3,092,363)</u>	<u>(2,992,578)</u>	<u>(2,896,567)</u>
Net change in total pension liability	<u>1,932,159</u>	<u>3,111,841</u>	<u>2,248,000</u>	<u>2,479,000</u>	<u>2,724,000</u>
Total pension liability (as of June 30)	<u>\$59,795,000</u>	<u>\$57,862,841</u>	<u>\$54,751,000</u>	<u>\$52,503,000</u>	<u>\$50,024,000</u>
Plan fiduciary net position (as of July 1)	\$29,317,997	\$29,536,980	\$28,791,711	\$27,138,609	\$24,942,072
Contributions:					
Non-employer - Commonwealth	1,748,483	1,553,433	1,443,710	1,314,783	1,235,515
Plan members	833,236	821,105	782,431	755,688	730,212
Other additions	<u>254,903</u>	<u>233,222</u>	<u>234,532</u>	<u>231,734</u>	<u>223,746</u>
Total contributions	<u>2,836,622</u>	2,607,760	2,460,673	2,302,205	2,189,473
Net investment income	8,455,507	581,648	1,584,770	2,542,576	3,100,352
Benefit payments, including refunds of plan member contributions	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)	(2,896,567)
Administrative expense	(21,783)	(22,391)	(18,324)	(19,528)	(24,053)
Other changes	<u>(220,728)</u>	<u>(196,187)</u>	<u>(189,487)</u>	<u>(179,573)</u>	<u>(172,668)</u>
Net change in plan fiduciary net position	<u>7,770,127</u>	<u>(218,983)</u>	<u>745,269</u>	<u>1,653,102</u>	<u>2,196,537</u>
Plan fiduciary net position (as of June 30)	<u>\$37,088,124</u>	<u>\$29,317,997</u>	<u>\$29,536,980</u>	<u>\$28,791,711</u>	<u>\$27,138,609</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$22,706,876</u>	<u>\$28,544,844</u>	<u>\$25,214,020</u>	<u>\$23,711,289</u>	<u>\$22,885,391</u>
Plan fiduciary net position as a percentage of the total pension liability	62.0%	50.7%	53.9%	54.8%	54.3%
Covered employee payroll (6), (7)	<u>\$7,670,306</u>	<u>\$7,074,960</u>	<u>\$7,074,960</u>	<u>\$6,829,012</u>	<u>\$6,583,871</u>
Net pension liability/(asset) as a percentage of covered employee payroll	296.0%	403.5%	356.4%	347.2%	347.6%

SOURCE: Office of the Comptroller.

- (1) The changes in assumptions in fiscal 2017 were due to improved future mortality.
- (2) The changes in assumptions in fiscal 2018 were due to a decrease in the discount rate to 7.35% from 7.50%.
- (3) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (4) The changes in assumptions in fiscal 2020 were due to a decrease in the discount rate to 7.15% from 7.25% along with changes in the mortality tables.
- (5) The changes in assumption in fiscal 2021 were due to a decrease in the discount rate to 7.00% from 7.15%.
- (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 2021 (1)
(in thousands)

Service cost	\$1,019,331
Interest	3,927,724
Employee contributions	(821,105)
Projected earnings on plan investments	(2,067,497)
Recognized portion of difference between expected and actual experience	125,051
Recognized portion of difference in projected and actual earnings on investments	294,681
Recognized portion of plan benefit changes	-
Recognized portion of assumption changes	1,062,157
Transfers and reimbursements from other systems	(58,692)
Member make up, redeposit and payments from rollovers	(15,018)
Other reimbursements	(2,472)
Administrative expense	22,391
Other changes (net)	<u>39,146</u>
Pension expense	<u>\$3,525,697</u>

SOURCE: Office of the Comptroller.

- (1) In conformance with GASB 68, pension valuation information as of June 30, 2020 was used in the ACFR for fiscal 2021.

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

Fiscal Year 2021 through 2017

(in thousands, except for percentages)

	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
Total pension liability (as of July 1)	\$45,725,000	\$43,398,000	\$41,225,000	\$39,107,000	\$37,760,000
Service cost	968,648	963,828	897,600	856,200	855,440
Interest	3,243,594	3,124,187	2,965,890	2,852,239	2,813,374
Changes in benefit terms (1)	-	-	-	-	10,000
Differences between expected and actual experience	(904,845)	336,183	303,066	102,008	(428,232)
Changes of assumptions (2), (3), (4), (5), (6)	101,000	442,000	434,000	622,000	304,000
Benefit payments, including refunds of member contributions	<u>(2,657,397)</u>	<u>(2,539,198)</u>	<u>(2,427,556)</u>	<u>(2,314,447)</u>	<u>(2,207,582)</u>
Net change in total pension liability	<u>751,000</u>	<u>2,327,000</u>	<u>2,173,000</u>	<u>2,118,000</u>	<u>1,347,000</u>
Total pension liability (as of June 30)	<u>\$45,476,000</u>	<u>\$45,725,000</u>	<u>\$43,398,000</u>	<u>\$41,225,000</u>	<u>\$39,107,000</u>
Plan fiduciary net position (as of July 1)	\$28,567,300	\$28,763,796	\$27,995,021	\$26,282,232	\$23,971,156
Contributions:					
Employers – Commonwealth and MassDOT	1,105,838	1,003,828	919,545	840,990	716,266
Non-employer contributions – Commonwealth	41,963	38,381	37,359	35,184	28,455
Employers and non-employers – other	13,352	9,718	10,191	9,564	7,999
ERIP funding contribution - Commonwealth	28,449	28,724	28,724	28,724	29,093
Plan members	652,911	659,015	632,730	600,705	604,772
Other additions	<u>90,879</u>	<u>90,944</u>	<u>104,765</u>	<u>118,124</u>	<u>232,548</u>
Total contributions	<u>1,933,392</u>	<u>1,830,610</u>	<u>1,733,314</u>	<u>1,633,291</u>	<u>1,619,133</u>
Net investment income	8,232,417	567,319	1,543,398	2,460,748	2,987,632
Benefit payments, including refunds of plan member contributions	<u>(2,657,397)</u>	<u>(2,539,198)</u>	<u>(2,427,556)</u>	<u>(2,314,447)</u>	<u>(2,207,582)</u>
Administrative expense	<u>(21,685)</u>	<u>(18,089)</u>	<u>(15,853)</u>	<u>(16,369)</u>	<u>(30,030)</u>
Other changes	<u>(14,556)</u>	<u>(37,138)</u>	<u>(64,528)</u>	<u>(50,434)</u>	<u>(58,077)</u>
Net change in plan fiduciary net position	<u>7,472,171</u>	<u>(196,496)</u>	<u>768,775</u>	<u>1,712,789</u>	<u>2,311,076</u>
Plan fiduciary net position (as of June 30)	<u>\$36,039,471</u>	<u>\$28,567,300</u>	<u>\$28,763,796</u>	<u>\$27,995,021</u>	<u>\$26,282,232</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$10,436,529</u>	<u>\$17,157,700</u>	<u>\$14,634,204</u>	<u>\$13,229,979</u>	<u>\$12,284,768</u>
Plan fiduciary net position as a percentage of the total pension liability	77.5%	62.5%	66.3%	67.9%	67.2%
Covered employee payroll (7), (8)	<u>\$6,354,475</u>	<u>\$6,354,473</u>	<u>\$6,354,473</u>	<u>\$6,155,194</u>	<u>\$5,927,012</u>
Net pension liability/(asset) as a percentage of covered employee payroll	159.1%	270.0%	230.3%	214.9%	216.4%

SOURCE: Office of the Comptroller.

- (1) Fiscal 2016 change in benefit terms reflect costs related to Optional Retirement Plan members transferring to the State Employees' Retirement System pursuant to Chapter 176 of the Acts of 2011. Fiscal 2017 change in benefit terms reflect retirement incentive program for certain employees of the highway division of the Massachusetts Department of Transportation.
- (2) The changes in assumptions in fiscal 2017 were due to improved future mortality.
- (3) The changes in assumptions in fiscal 2018 were due to (i) a decrease in the discount rate to 7.35% from 7.50% in the January 1, 2018 actuarial valuation and (ii) a change in the mortality assumption for disabled members.
- (4) The changes in assumptions in fiscal 2019 were due to a decrease in the discount rate to 7.25% from 7.35%.
- (5) The changes in assumptions in fiscal 2020 were due to a decrease in the discount rate to 7.15% from 7.25%.
- (6) The changes in assumptions in fiscal 2021 were due to a decrease in the discount rate to 7.00% from 7.15%.
- (7) Reflects compensation in the January 1 actuarial valuation for each fiscal year.
- (8) 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 2021 (1)
(in thousands)

Service cost	\$963,828
Interest	3,124,187
Employee contributions	(659,015)
Projected earnings on plan investments	(2,012,823)
Recognized portion of difference between expected and actual experience	196,953
Recognized portion of difference in projected and actual earnings on investments	284,049
Recognized portion of assumption change	553,935
Change in benefit terms	-
Transfers and reimbursements from other systems	(52,213)
Member make up, redeposit and payments from rollovers	(13,238)
COLA reimbursements	37,138
Other reimbursements	(7,493)
Administrative expense	18,089
Other expenses that do not reduce the total pension liability	<u>(18,000)</u>
Pension expense	<u>\$2,415,397</u>

SOURCE: Office of the Comptroller.

(1) In conformance with GASB 68, pension valuation information as of June 30, 2020 was used in the ACFR for fiscal 2021.

Prospective Funded Status of the Pension System

The following tables project the funded status of the MSERS', the MTRS', the Boston teachers', and the Commonwealth's aggregate pension liabilities through fiscal 2025. Actuarial results reflect assumptions outlined in the January 1, 2021 actuarial valuation report, except as noted below. The fiscal 2022 assets are as of December 31, 2021. The 2021 actuarial valuation reflects a 7.0% investment return assumption. The 2022 actuarial valuation will maintain the 7.0% investment return assumption. All projections are estimates and will vary based on actual investment returns and plan experience. The projections shown in the table assume that all assumptions will be realized exactly. The actuarially determined contributions reflect the funding schedule filed by the Secretary of Administration and Finance on January 15, 2020. Under the funding schedule, appropriations increase by 9.63% per year until fiscal 2035, with an increase of 9.56% in fiscal 2036. The allocations to individual retirement systems for fiscal 2021 and fiscal 2022 reflect the amounts identified in memoranda dated May 5, 2020 and May 13, 2021 respectively from the Executive Director of PERAC to the Secretary of Administration and Finance. The allocations to individual retirement systems for fiscal 2023 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, 2021 was 93.1% of the market value of assets. 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 assumed to be 90.7% of the market value of assets. The actuarial value of assets on January 1, 2024 is assumed to be 95.1% of the market value of assets. The actuarial value of assets on January 1, 2025 is assumed to be 98.0% of the market value of assets. The actuarial value of assets on January 1, 2026 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, 2021 to January 1, 2022 using standard methodology. Projections beyond January 1, 2022 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 4.5% 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.

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>						
2021	\$1,191	\$30,370	\$45,704	\$15,334	66.4%	2.3%
2022	1,306	34,468	47,260	12,792	72.9	2.4
2023	1,437	36,402	48,961	12,559	74.3	2.5
2024	1,570	40,037	50,724	10,687	78.9	2.6
2025	1,721	43,320	52,550	9,230	82.4	2.8
2026	1,887	46,454	54,441	7,987	85.3	2.9
<u>MTRS (3)</u>						
2021	\$1,717	\$31,171	\$58,830	\$27,659	53.0%	3.3%
2022	1,882	35,570	60,770	25,200	58.5	3.5
2023	2,070	37,664	62,776	25,112	60.0	3.6
2024	2,262	41,530	64,847	23,317	64.0	3.8
2025	2,480	45,045	66,987	21,942	67.2	4.0
2026	2,719	48,419	69,198	20,779	70.0	4.2
<u>Boston Teachers (3)</u>						
2021	\$163	\$1,866	\$4,343	\$2,477	43.0%	0.3%
2022	179	2,130	4,475	2,345	47.6	0.3
2023	197	2,276	4,609	2,333	49.4	0.3
2024	215	2,532	4,747	2,215	53.3	0.4
2025	236	2,770	4,889	2,119	56.7	0.4
2026	259	3,002	5,036	2,034	59.6	0.4
<u>Aggregate Commonwealth Pension Obligations (4)</u>						
2021	\$3,115	\$63,407	\$108,982	\$45,575	58.2%	6.0%
2022	3,415	72,168	112,600	40,432	64.1	6.3
2023	3,744	76,342	116,433	40,091	65.6	6.6
2024	4,105	84,100	120,397	36,297	69.9	6.9
2025	4,500	91,134	124,499	33,365	73.2	7.3
2026	4,933	97,874	128,741	30,867	76.0	7.6

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, 2021 Commonwealth Actuarial Valuation Report, with revisions to the investment return and mortality assumptions as noted above. Fiscal 2022 assets are as of December 31, 2021.
- (2) The Funded Ratio is equal to the Actuarial Value of Assets divided by the Actuarial Accrued Liability.
- (3) Fiscal 2022 and beyond are estimates.
- (4) Aggregate Commonwealth pension obligations include obligations with respect to MSERS, MTRS, Boston teachers, and local cost-of-living adjustments.

PRIT Fund Investments

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

The PRIM Board recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The asset allocation plan adopted by the Board embodies its decisions about what proportions of the PRIT Fund are to be invested in global equity and fixed income securities, alternative investments such as real estate, private equity and portfolio completion strategies, and, where appropriate, the various sub-asset classes of each category. At reasonable intervals of not more than three to five years, the Board conducts a comprehensive review of its asset allocation plan and its underlying assumptions, including the Commonwealth's current and projected pension assets and liabilities, long-term capital markets rate of return assumptions, and the Board's risk tolerances. The comprehensive review identifies a reasonable time horizon and investment strategy for matching assets and liabilities, a fund-level total return target, and an optimal allocation among available asset classes and sub-asset classes. The Board examines the asset allocation plan annually and adjusts the plan as may be appropriate given the PRIT Fund's long-term nature and objectives. The target rate of return is 7.0%, which matches the investment return assumption adopted by PERAC on March 16, 2022. 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 17, 2022.

	PRIT Fund Asset Allocation					
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Target Ranges</u>
Global Equity	41.9%	43.2%	42.0%	42.7%	37.3%	33.0 – 43.0%
Core Fixed Income	12.8	13.6	15.7	15.3	14.5	12.0 – 18.0
Value-Added Fixed Income	8.0	7.9	7.5	6.9	6.8	5.0 – 11.0
Private Equity	10.8	11.3	11.4	14.5	18.4	12.0 – 18.0
Real Estate	9.0	9.4	9.2	8.3	10.6	7.0 – 13.0
Timber/Natural Resources	3.4	3.9	3.7	3.0	3.2	1.0 – 7.0
Portfolio Completion Strategies	13.4	10.0	9.7	8.3	8.6	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>
2022 (1)	(2.95%)	2017	13.20%
2021	29.91	2016	2.29
2020	2.38	2015	3.86
2019	6.12	2014	17.53
2018	9.97	2013	12.69
	3yr annualized (1)	8.88%	
	5yr annualized (1)	8.54%	
	10yr annualized (1)	9.15%	

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, 2021, the GIC had 50,840 state enrollees as of January 1, 2021. As of that date, the Commonwealth was responsible for the OPEB liability of 129,631 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 2019, the rate of return for assets in the OPEB trust was assumed to be 7.25%, consistent with the rate used for the Commonwealth’s pension trust, while the relevant municipal bond rate was 3.51%, resulting in a 3.69% blended discount rate, weighted towards the lower municipal bond rate due to the relatively low funding level of the OPEB trust in relation to the Commonwealth’s OPEB liability. GASB 75 requires governments to report in their statements of net position (or balance sheet) a net OPEB liability, defined as the difference between the total OPEB liability (the present value of projected benefit payments to retirees for certain health care benefits based on past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to retirees or their beneficiaries. The new standard also requires recognition in the statement of activities of net OPEB expense. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to make projected benefit payments and the OPEB plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated general obligation municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. This statement is similar to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions*, which was first implemented in the ACFR for fiscal 2015.

The GASB 74 actuarial valuation for fiscal year ended June 30, 2021, which was issued on January 28, 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 2.77%, was approximately \$15.999 billion as of June 30, 2021.

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, and 2022 the required transfer was modified to 10%, 30%, 10%, 10%, and 10% respectively, of annual tobacco settlement payments. The fiscal 2023 budget provides for the continued transfer of 10% of annual tobacco settlement payments. Commencing with fiscal 2014, the budget also included a provision that funded a portion of the scheduled transfer to the State Retiree Benefits Trust Fund from certain unspent appropriations, to the extent that they were available, with any balance to be made up through a transfer of tobacco settlement payments. State finance law also provides for annual deposits into the State Retiree Benefits Trust Fund in the amount of 5% of any capital gains tax revenues transferred to the Stabilization Fund in excess of the statutory capital gains threshold; however, legislation in fiscal 2020 suspended this requirement and all capital gains tax revenue was retained in the General Fund.

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The following table shows transfers to the State Retiree Benefits Trust Fund since fiscal 2013.

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⁽⁵⁾	-	-	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.
- (5) Preliminary and unaudited.

The plan net position as of June 30, 2021 was approximately \$1.911 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
2021	\$1,910,940	\$17,910,405	\$15,999,465	10.7%	\$5,586,955	286.4%
2020	1,414,312	22,105,511	20,691,199	6.4	5,625,684	367.8
2019 (3)	1,368,548	19,662,106	18,293,558	7.0	5,491,215	333.1
2018 (3)	1,187,569	19,761,333	18,573,764	6.0	5,296,859	350.7
2017	996,407	18,480,936	17,484,529	5.4	5,259,298	332.4

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

SOURCE: Office of the Comptroller.

- (1) Amounts are as of June 30 and prepared in accordance with GASB Statement No. 74, effective as of fiscal 2017.
- (2) Amounts are as of January 1 and prepared in accordance with GASB Statement No. 43, which was replaced by GASB Statement No. 74.
- (3) Certain amounts were restated due to errors in calculations during subsequent audit procedures as more fully described below.
- (4) Fiscal 2017 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable. Fiscal years prior to fiscal 2017 have not been restated and include such employees under funded payroll.

The following table shows the beginning and ending liabilities and assets for the State Retirees' Benefits Trust, as well as the unfunded OPEB liability, or net OPEB liability (NOL), with the NOL being the amount that the Commonwealth records on its Statement of Net Position as its unfunded OPEB liability, as required by GASB Statements No. 74 and No. 75, and as shown in the Audited Financial Statements for each fiscal year. The table also shows the components of the change in the NOL between the beginning (July 1) and end (June 30) for fiscal years 2017 to 2021.

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

GASB 74 Information for the State Retirees' Benefit Trust
Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Years 2021 through 2017
(in thousands, except for percentages)

	<u>Fiscal 2021</u>	<u>Fiscal 2020</u>	<u>Fiscal 2019 (6)</u>	<u>Fiscal 2018 (6)</u>	<u>Fiscal 2017</u>
Total OPEB liability (as of July 1)	\$22,105,511	\$19,662,106	\$19,761,333	\$18,480,936	\$19,821,600
Service cost	992,669	785,689	806,023	792,135	950,800
Interest	521,143	732,808	796,880	691,630	591,900
Differences between expected and actual experience	(2,926,517)	(600,057)	715,192	218,891	(48,600)
Changes of assumptions (1), (2), (3), (4)	(2,297,649)	2,050,139	(1,935,139)	21,504	(2,393,700)
Benefit payments, including refunds of member contributions	<u>(484,752)</u>	<u>(525,174)</u>	<u>(482,183)</u>	<u>(443,763)</u>	<u>(441,064)</u>
Net change in total OPEB liability	<u>(4,195,106)</u>	<u>2,443,405</u>	<u>(99,227)</u>	<u>1,280,397</u>	<u>(1,340,664)</u>
Total OPEB liability, June 30	<u>\$17,910,405</u>	<u>\$22,105,511</u>	<u>\$19,662,106</u>	<u>\$19,761,333</u>	<u>\$18,480,936</u>
Plan fiduciary net position, July 1	\$1,414,312	\$1,368,548	\$1,187,569	\$996,407	\$866,043
Contributions:					
Employer	569,989	547,611	594,916	542,896	465,449
Other additions	<u>200</u>	<u>122</u>	<u>188</u>	<u>133</u>	<u>784</u>
Total contributions	<u>570,189</u>	<u>547,733</u>	<u>595,104</u>	<u>543,029</u>	<u>466,233</u>
Net investment income	<u>411,438</u>	<u>23,380</u>	<u>68,229</u>	<u>93,308</u>	<u>105,822</u>
Benefit payments, including refunds of plan member contributions	(484,752)	(525,174)	(482,183)	(443,763)	(441,064)
Administrative expense	(247)	(175)	(171)	(150)	(127)
Other changes	=	=	=	<u>(1,262)</u>	<u>(500)</u>
Net change in plan fiduciary net position	<u>496,628</u>	<u>45,764</u>	<u>180,979</u>	<u>191,162</u>	<u>130,364</u>
Plan fiduciary net position, June 30	<u>\$1,910,940</u>	<u>\$1,414,312</u>	<u>\$1,368,548</u>	<u>\$1,187,569</u>	<u>\$996,407</u>
Plan net OPEB liability - June 30	<u>\$15,999,465</u>	<u>\$20,691,199</u>	<u>\$18,293,558</u>	<u>\$18,573,764</u>	<u>\$17,484,529</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.7%	6.4%	7.0%	6.0%	5.4%
Covered payroll (5)	<u>\$5,586,955</u>	<u>\$5,625,684</u>	<u>\$5,491,215</u>	<u>\$5,296,859</u>	<u>\$5,259,298</u>
Net OPEB liability as a percentage of covered employee payroll	286.4%	367.8%	333.1%	350.7%	332.4%

SOURCE: Office of the Comptroller.

- (1) The change in assumptions in fiscal 2017 was due to an increase in the investment rate of return (discount rate) from 2.80% to 3.63%.
- (2) The change in assumptions in fiscal 2018 was due to (i) a change in base OPEB rates for medical services and prescriptions, (ii) a decrease in the healthcare trend rate from 8.5% to 8.0%, (iii) a change in mortality for disabled members and (iv) an increase of the discount rate from 3.63% to 3.95%.
- (3) The change in assumptions in fiscal 2019 was due to (1) a change in base OPEB rates for medical services and prescriptions, (ii) a decrease in the healthcare trend rate from 8.0% to 7.5%, (iii) a change in medical plan election rates, (iv) a change in future retirees' plan participation rates and (v) a decrease in the discount rate from 3.95% to 3.69%.
- (4) The change in assumptions in fiscal 2020 was due to (i) removal of the excise tax, (ii) an update of the per capita claims costs, (iii) an update of the medical trend rate based on the SOA-Getzen trend rate model version 2020_b, (iv) change in the salary scale to be consistent with that of SERS, (v) a change in future retirees' plan participation rates, (vi) a change in medical plan election rates and (vii) a decrease in the discount rate from 3.63% to 2.28%.
- (5) Fiscal 2017 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable.
- (6) 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 2021 pursuant to GASB 75, as well as the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2021 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, 2020 is used in the ACFR for fiscal 2021. Additional information regarding the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2021 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 2021. See Exhibit C –Annual Comprehensive Financial Report for the year ended June 30, 2021.

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 2021 (1)

Service cost	\$785,689
Interest on the total OPEB liability	732,808
Projected earnings on plan investments	(100,017)
Recognized portion of difference between expected and actual experience	49,866
Recognized portion of difference in projected and actual earnings on investments	8,397
Recognized portion of assumption change	(390,888)
Administrative expense	175
Other changes, net	<u>(122)</u>
 OPEB Expense	 <u>\$1,085,908</u>

SOURCE: Office of the Comptroller.

(1) In conformance with GASB 75, OPEB valuation information as of June 30, 2020 is used in the ACFR for fiscal 2021.

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COMMONWEALTH CAPITAL INVESTMENT PLAN

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

The Executive Office for Administration and Finance also sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the “bond cap,” is to keep Commonwealth debt within affordable levels. On May 5, 2022, the Governor announced the five-year capital investment plan for fiscal years 2023 through 2027, with an administrative bond cap of \$2.780 billion for fiscal 2023. This represents a 4.7% increase over the administrative bond cap recommendation in fiscal 2022.

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 2023 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 2023.

Fiscal 2023 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	\$ 60.7	\$ 5.0	\$ -	\$ 31.1	\$ 96.8
Capital Asset Management	607.7	13.4	46.9	64.4	732.4
Education	21.9	-	-	16.8	38.6
Energy and Environmental Affairs	270.2	-	58.3	56.3	385.3
Housing and Community Development	260.8	-	-	1.0	261.8
Housing and Economic Development	245.5	-	0.3	28.9	274.6
Technology Services and Security	175.4	24.4	138.3	-	338.0
Public Safety	30.2	7.5	0.8	-	38.5
MassDOT	<u>1,107.7</u>	<u>-</u>	<u>808.0</u>	<u>780.4</u>	<u>2,696.0</u>
Total (1)	\$2,780.0	\$50.2	\$1,052.5	\$979.3	\$4,862.0

SOURCE: Executive Office for Administration and Finance as of May 5, 2022.

(1) Totals may not add due to rounding.

Climate Change Risk Mitigation

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

Pursuant to the Executive Order, the Commonwealth established the Municipal Vulnerability Preparedness (MVP) grant program in 2017 to provide support for cities and towns in Massachusetts to begin the process of

planning and adapting for resiliency. Under the MVP planning program, the Commonwealth awards funding to communities to complete vulnerability assessments and develop resiliency project implementation plans. Communities that complete the MVP planning program become designated as an MVP community and are eligible for follow-up MVP Action grant funding to implement the actions identified in their resiliency plans.

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

In March 2021, 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, 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, a mandate that all new vehicle sales be zero GHG emission by 2035, and the implementation of policies and programs to promote electric-vehicle adoption.

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 2023 Capital Budget table, include:

Administrative Bond Cap:	Commonwealth general obligation borrowing to support the regular capital program. The administrative bond cap is reviewed and subject to revision annually.
Project Financed:	General obligation bonds, the debt service for which is supported by savings or revenue related to the project; for example, energy efficiency improvements to Commonwealth facilities, the capital costs for which are expected to be reimbursed through operating savings as a result of reduced energy consumption.
Federal Funds:	Federal reimbursements for capital expenditures.
Other Funds:	<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.

Rail Enhancement Program (REP) – 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.

Pay-As-You-Go – Funding from current revenue for capital projects, including toll revenue.

Third Party Contributions – 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.

Next Generation Bridge GANs – Borrowing backed by federal highway grant anticipation notes (GANs) to support the MassDOT Highway Division’s bridge program.

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 2017 through fiscal 2021 according to these categories.

Commonwealth Historical Capital Spending (in millions) ⁽¹⁾

Investment Category:	<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>
Information technology	\$154	\$185	\$174	\$94	\$107
Infrastructure/facilities	510	417	441	399	438
Environment	202	217	210	222	233
Housing	213	242	253	197	218
Public safety	17	18	19	17	-
Transportation	1,895	1,889	1,869	2,030	2,048
Other	<u>269</u>	<u>280</u>	<u>294</u>	<u>211</u>	<u>177</u>
Total	<u>\$3,260</u>	<u>\$3,248</u>	<u>\$3,260</u>	<u>\$3,170</u>	<u>\$3,225</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 he considers advisable to finance such spending. The Committee consists of seven voting members, including the Secretary of Administration and Finance (who chairs the Committee), the State Treasurer, the Comptroller, the Secretary of Transportation, one appointee of the Governor and two appointees of the State Treasurer. The Committee also includes non-voting, legislative leaders, including the House and Senate chairs and the ranking minority members of the Committees on Bonding, Capital Expenditures and State Assets, and the Committees on Ways and Means.

On December 14, 2021, the Capital Debt Affordability Committee submitted to the Governor and the Legislature the Committee's advisory estimate of the total amount of new Commonwealth debt that prudently may be authorized for fiscal 2023. The Committee determined that \$2.78 billion of general obligation debt may prudently be issued by the Commonwealth for fiscal 2023. This amount represents an increase of 4.7% or \$125 million, over the Committee's recommended bond cap for fiscal 2022.

Cybersecurity

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

In August 2017 Governor Baker established the Executive Office of Technology Services and Security (EOTSS). EOTSS maintains much of the Executive Branch's enterprise infrastructure in the form of two datacenters that host agency and statewide business applications, the Commonwealth-wide area network, and internet service. Since its formation, EOTSS has been working to standardize the Commonwealth's IT infrastructure by adopting and implementing a standard operating environment, and strengthening the Commonwealth's cybersecurity posture. While several Executive Branch entities still operate distinct data centers and networks, EOTSS is working with these entities to transfer their enterprise infrastructure services to EOTSS. Enterprise Information Security Policies and Standards have been published for all Executive Offices and their agencies and other agencies that rely on EOTSS services, and the Executive Offices that maintain separate environments are obligated to adhere to these security policies and standards. EOTSS also has worked closely with each Executive Office to make critical improvements in the areas of IT policies, procedures, infrastructure and services. EOTSS provides annual cybersecurity awareness training for Commonwealth employees. 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 2023 capital budget includes \$175.4 million for EOTSS.

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

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

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LONG-TERM LIABILITIES

General Authority to Borrow

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

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

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

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

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

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

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

Statutory Limit on Direct Debt. Since December, 1989, state finance law has included a limit on the amount of outstanding “direct” bonds of the Commonwealth. For fiscal 2012, the debt limit was \$18.944 billion under the statute in place during fiscal 2012. In August 2012, state finance law was amended, effective January 1, 2013, to specify that the debt limit be calculated for fiscal years starting in fiscal 2013 using a fiscal 2012 base value of \$17.070 billion and increasing the limit for each subsequent fiscal year to 105% of the previous fiscal year’s limit. Based on this calculation, the statutory limit on “direct” bonds during fiscal 2021 is \$26.481 billion. Prior to June 10, 2013, this limit was calculated using a statutory definition that differed from GAAP in that the principal amount of outstanding bonds included the amount of any premium and was measured net of any discount, costs of issuance and other financing costs (“net proceeds”). On June 10, 2013, state finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal outstanding, a change that brings the outstanding debt definition in conformance with GAAP.

The debt limit law provides that bonds to be refunded from the proceeds of Commonwealth refunding bonds are to be excluded from outstanding “direct” bonds upon the issuance of the refunding bonds. Pursuant to special legislation enacted over the years, certain outstanding Commonwealth debt obligations are not counted in computing the amount of bonds subject to the limit, including Commonwealth refunding/restructuring bonds issued in September and October, 1991, federal grant anticipation notes, bonds issued to pay operating notes issued by the MBTA or to reimburse the Commonwealth for advances to the MBTA, bonds payable from the Central Artery and Statewide Road and Bridge Infrastructure Fund, bonds issued to finance the MSBA and bonds issued to finance the Commonwealth’s Accelerated Bridge Program. On August 10, 2016, the Governor approved legislation that exempts from the statutory debt limit bonds that are issued to finance the Commonwealth’s rail enhancement program.

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

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Calculation of the Debt Limit
(in thousands)

	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Preliminary Fiscal 2022 (4)</u>
Total principal balance	\$27,360,819	\$27,739,221	\$28,098,890	\$29,048,457	\$29,335,406
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)					
Accelerated bridge program	(1,680,555)	(1,665,205)	(1,663,350)	(1,555,219)	(1,537,604)
Rail enhancement program (2)	(1,131,105)	(1,104,610)	(1,260,565)	(1,637,221)	(1,958,461)
Federal grant anticipation notes (1)	(748,445)	(684,745)	(662,270)	(582,550)	(478,235)
MBTA forward funding	(207)	(207)	(207)	(207)	(207)
Transportation Infrastructure Fund	(1,036,935)	(1,013,492)	(945,574)	(847,789)	(691,378)
School Building Assistance (SBA)	(598,985)	(574,902)	(496,936)	(430,926)	(337,411)
Outstanding direct debt, principal (3)	\$21,507,247	\$22,087,495	\$22,510,443	\$23,486,513	\$23,878,435
Statutory Debt Limit	\$22,875,433	\$24,019,204	\$25,220,164	\$26,481,173	\$27,805,231

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 are as of June 30, 2022, preliminary and unaudited.

General Obligation Debt

As of August 31, 2022, the Commonwealth had \$24.5 billion in general obligation bonds outstanding, of which \$23.5 billion, or 96.1% was fixed rate debt and \$954.6 million, or 3.9%, was variable rate debt. As of August 31, 2022, \$20.3 billion, or 82.8%, of the Commonwealth's general obligation debt was tax-exempt and \$4.2 billion, or 17.2%, was taxable.

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

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The Commonwealth's outstanding general obligation variable rate debt as of August 31, 2022, consists of several variable rate structures. These structures include floating rate notes in various interest rate modes (\$132.4 million), direct purchase agreements in various interest rate modes (\$500.0 million), multi-modal bonds currently in the Term Mode (\$177.2 million), and college opportunity bonds (\$145.0 million). Of all Commonwealth variable rate debt outstanding, the interest rates on \$224.6 million, or approximately 0.9% of total outstanding general obligation debt, have been synthetically fixed by means of floating-to-fixed interest rate swap agreements. Prior to 2008, the Commonwealth had periodically entered into interest rate swap agreements for the sole purpose of hedging interest-rate risk on a portion of its outstanding variable rate bonds. See "Interest Rate Swaps." Under state finance law, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date constitute general obligations of the Commonwealth to which its full faith and credit are pledged. The remaining variable rate debt of \$730.0 million or approximately 3.0% of the total outstanding general obligation debt, is unhedged and, accordingly, floats with interest rates re-set on a periodic basis.

As of August 31, 2022, the Commonwealth had outstanding approximately \$145.0 million (\$74.8 million of original principal and including a discount equal to \$70.2 million) of variable rate COBS, sold in conjunction with a college savings program administered by the Massachusetts Educational Financing Authority ("MEFA"), which bear deferred interest at a rate equal to the percentage change in the consumer price index plus 2%, together with current interest at the rate of 0.5%. This debt is held directly by MEFA and has no secondary market.

The Commonwealth is authorized to issue short-term general obligation debt as revenue anticipation notes or bond anticipation notes. Fixed-rate revenue anticipation notes ("RANs") may be issued by the State Treasurer annually in anticipation of revenue receipts for the same fiscal year. Revenue anticipation notes must be repaid no later than the close of the fiscal year in which they are issued. Bond anticipation notes may be issued by the State Treasurer in anticipation of the issuance of bonds, including, in some circumstances, special obligation bonds. See "Special Obligation Debt" below. As of August 31, 2022, the Commonwealth did not have any RANs outstanding. The Commonwealth does not currently anticipate issuing RANs for fiscal year 2023.

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 issuance of \$1.876 billion of special obligation bonds secured by revenues in the Commonwealth Transportation Fund ("CTF Bonds") and \$1.108 billion of federal highway grant anticipation notes ("GANs") to finance the design, construction, reconstruction, and repair of or improvements to bridges and approaches. To date, the Commonwealth has financed \$2.952 billion of projects for the Accelerated Bridge Program with \$1.859 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 expects to

pay interest on the GANs supporting the ABP from state appropriations. As of August 31, 2022, \$478.2 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 capital expenditures of MassDOT, for the benefit of the MBTA and for other Rail Enhancement Program (“REP”) projects.

As of August 31, 2022, the Commonwealth had outstanding approximately \$3.5 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 \$2.0 billion of which have been issued in support of the REP.

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 \$5.4 billion is authorized for highway, rail and transit, planning and multi-modal transportation, transportation IT, and grant programs and local projects, and is eligible to be issued as either general obligation bonds or special obligation bonds. The remaining authorization includes \$4.4 billion for federally aided highway projects, with \$880 million eligible to be issued as either general obligation or special obligation bonds.

On August 10, 2022, “An Act Relative to Massachusetts’ Transportation Resources and Climate” (MassTRAC) was signed into law. The Bill 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 (the “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 \$6.204 billion in authorization to support the Commonwealth's core programs for Highway, Transit, 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 \$3.550 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.

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 August 31, 2022, the only bonds outstanding pursuant to such authorization are certain special obligation bonds issued in 2005 (the “Series 2005 Bonds”) currently outstanding in the amount of \$453.7 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 August 31, 2022, the balance of the trustee-held Convention Center Revenue Fund available for debt service was \$192.4 million and as of August 31, 2022 retained earnings in the Convention Center Fund was \$322.2 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 August 31, 2022, the balance of the Capital Reserve Fund was \$53.2 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 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. See "SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS."

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 August 31, 2022, \$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, \$156.4 million of the outstanding CTF Bonds consisted of RZEDBs and \$13.8 million of the outstanding GANs consisted of BABs.

The following table shows long-term debt of the Commonwealth issued and retired from fiscal 2018 through fiscal 2022, 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> (3)	<u>Preliminary Fiscal 2022</u> (3)
Beginning Balance as of July 1	\$26,445,665	\$27,360,819	\$27,739,221	\$28,098,890	\$29,048,457
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>
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>
Debt retired or defeased, exclusive of refunded debt	(1,389,419)	(1,295,322)	(1,383,670)	(1,284,183)	(1,394,122)
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>
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>

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) 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 2018</u>	<u>Fiscal 2019</u>	<u>Fiscal 2020</u>	<u>Fiscal 2021</u>	<u>Preliminary Fiscal 2022</u> (1)
General Obligation Debt	\$23,143,374	\$23,676,096	\$23,953,160	\$24,765,437	\$24,907,431
Special Obligation Debt	3,469,000	3,378,380	3,483,460	3,700,470	3,949,740
Federal Grant Anticipation Notes	<u>748,445</u>	<u>684,745</u>	<u>662,270</u>	<u>582,550</u>	<u>478,235</u>
TOTAL	<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>

SOURCE: Office of the Comptroller.

(1) Preliminary and unaudited.

Debt Service Requirements

The tables on the following pages set forth, as of August 31, 2022, 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 August 31, 2022 through Maturity (in thousands)

General Obligation Bonds

Federal Highway Grant Anticipation Notes

Period Ending	Principal	Gross Interest	CABs	Build America Bond Subsidies	Net Interest	Debt Service	Principal	Interest	Build America Bond Subsidies	Net Interest	Debt Service
6/30/2023	\$735,625	\$819,308	-	(\$19,513)	\$799,795	\$1,535,420	\$38,935	\$23,527	(\$122)	\$23,405	\$62,340
6/30/2024	1,097,035	971,725	\$4,606	(31,412)	940,313	2,041,954	89,510	21,965	-	21,965	111,475
6/30/2025	1,107,547	919,728	4,948	(31,177)	888,551	2,001,046	93,985	17,490	-	17,490	111,475
6/30/2026	1,043,700	869,621	5,396	(30,776)	838,845	1,887,942	122,185	12,790	-	12,790	134,975
6/30/2027	956,814	822,202	6,068	(30,203)	791,999	1,754,880	133,620	6,681	-	6,681	140,301
6/30/2028	963,677	779,398	6,225	(28,953)	750,445	1,720,347	-	-	-	-	-
6/30/2029	1,066,389	735,741	5,838	(26,687)	709,054	1,781,281	-	-	-	-	-
6/30/2030	1,075,085	687,363	5,663	(22,892)	664,471	1,745,219	-	-	-	-	-
6/30/2031	1,080,798	631,821	5,501	(16,808)	615,013	1,701,312	-	-	-	-	-
6/30/2032	1,062,003	586,241	5,546	(14,776)	571,465	1,639,015	-	-	-	-	-
6/30/2033	811,232	543,953	4,742	(12,440)	531,513	1,347,487	-	-	-	-	-
6/30/2034	785,376	508,466	4,026	(11,068)	497,398	1,286,800	-	-	-	-	-
6/30/2035	778,808	477,604	3,379	(9,647)	467,957	1,250,144	-	-	-	-	-
6/30/2036	819,895	446,176	2,770	(8,177)	437,999	1,260,665	-	-	-	-	-
6/30/2037	852,661	411,469	2,179	(6,654)	404,815	1,259,656	-	-	-	-	-
6/30/2038	862,103	375,810	1,568	(5,077)	370,733	1,234,403	-	-	-	-	-
6/30/2039	893,834	341,739	1,049	(3,445)	338,293	1,233,176	-	-	-	-	-
6/30/2040	852,815	306,454	492	(1,609)	304,846	1,158,152	-	-	-	-	-
6/30/2041	797,139	273,720	216	-	273,720	1,071,075	-	-	-	-	-
6/30/2042	808,499	245,939	75	-	245,939	1,054,512	-	-	-	-	-
6/30/2043	903,380	213,649	-	-	213,649	1,117,029	-	-	-	-	-
6/30/2044	823,990	181,682	-	-	181,682	1,005,672	-	-	-	-	-
6/30/2045	724,985	151,072	-	-	151,072	876,057	-	-	-	-	-
6/30/2046	725,820	119,806	-	-	119,806	845,626	-	-	-	-	-
6/30/2047	640,835	90,852	-	-	90,852	731,687	-	-	-	-	-
6/30/2048	479,835	67,709	-	-	67,709	547,544	-	-	-	-	-
6/30/2049	498,330	47,626	-	-	47,626	545,956	-	-	-	-	-
6/30/2050	580,000	26,763	-	-	26,763	606,763	-	-	-	-	-
6/30/2051	260,000	11,125	-	-	11,125	271,125	-	-	-	-	-
6/30/2052	100,000	2,500	-	-	2,500	102,500	-	-	-	-	-
Totals (1)	\$24,188,208	\$12,667,262	\$70,288	(\$311,315)	\$12,355,947	\$36,614,443	\$478,235	\$82,453	(\$122)	\$82,331	\$560,566

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
6/30/2023	\$27,440	\$12,476	\$39,916	\$30,245	\$77,504	(\$12,314)	\$65,190	\$95,435
6/30/2024	28,990	23,443	52,433	39,870	76,004	(12,314)	63,690	103,560
6/30/2025	30,625	21,848	52,473	51,720	74,013	(11,937)	62,076	113,796
6/30/2026	32,360	20,164	52,524	54,340	71,389	(11,529)	59,859	114,199
6/30/2027	34,190	18,384	52,574	56,420	68,530	(11,065)	57,465	113,885
6/30/2028	36,125	16,504	52,629	51,520	65,553	(10,575)	54,977	106,497
6/30/2029	38,170	14,517	52,687	49,475	62,859	(10,058)	52,801	102,276
6/30/2030	40,330	12,418	52,748	49,420	60,210	(9,512)	50,698	100,118
6/30/2031	42,610	10,199	52,809	60,350	57,555	(8,935)	48,619	108,969
6/30/2032	45,020	7,856	52,876	63,445	54,311	(8,316)	45,995	109,440
6/30/2033	47,565	5,380	52,945	61,415	50,901	(7,661)	43,239	104,654
6/30/2034	50,250	2,764	53,014	64,485	47,697	(6,970)	40,727	105,212
6/30/2035	-	-	-	64,320	44,400	(6,239)	38,161	102,481
6/30/2036	-	-	-	67,635	41,104	(5,466)	35,638	103,273
6/30/2037	-	-	-	75,415	37,636	(4,650)	32,985	108,400
6/30/2038	-	-	-	74,995	33,551	(3,718)	29,833	104,828
6/30/2039	-	-	-	79,130	29,636	(2,546)	27,089	106,219
6/30/2040	-	-	-	83,080	25,674	(1,308)	24,366	107,446
6/30/2041	-	-	-	87,640	21,152	-	21,152	108,792
6/30/2042	-	-	-	92,410	17,274	-	17,274	109,684
6/30/2043	-	-	-	96,155	13,310	-	13,310	109,465
6/30/2044	-	-	-	109,415	8,556	-	8,556	117,971
6/30/2045	-	-	-	13,034	3,146	-	3,146	16,180
6/30/2046	-	-	-	61,670	2,554	-	2,554	64,224
Totals (1)	\$453,675	\$165,953	\$619,628	\$1,537,604	\$1,044,518	(\$145,115)	\$899,403	\$2,437,007

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
6/30/2023	\$29,580	\$90,477	\$120,057
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)	\$1,958,461	\$1,909,158	\$3,867,619

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

Interest Rate Swaps

The Commonwealth previously entered into interest rate swap agreements for the sole purpose of hedging changes in the interest rates on a portion of its outstanding variable rate bonds, predicated on the assumption that the interest on such bonds, combined with the cost of the associated interest rate swaps, would produce lower aggregate interest costs than fixed-rate bonds. The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. In both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds providing the Commonwealth with long term budget certainty.

As of August 31, 2022, the only interest rate swap agreement that remains outstanding is an agreement with Barclays Bank PLC in a notional amount of \$224.6 million, relating certain variable rate bonds issued in 2016. Under the terms of this floating-to-fixed rate hedge agreement, the counterparty is obligated to pay the Commonwealth a payment based on a 67% of 3-month LIBOR, and the Commonwealth is obligated to pay the counterparty a stipulated fixed rate of 4.515%. The swap agreement has a final maturity of June 15, 2033. The floating rate received by the Commonwealth from the swap counterparty is used to offset the variable rate paid to bondholders. Only the net difference in interest payments is actually exchanged with the counterparty. The net payments made or received on these agreements are reported as part of interest expense in the Commonwealth's basic financial statements. In all cases, the Commonwealth remains responsible for making interest payments to the variable-rate bondholders.

As of August 31, 2022, the swap had a negative fair value equal to \$30.0 million, which means the Commonwealth owes the counterparty a net interest payment at each debt service payment date. If the swap had a positive market value, the counterparty would be required to post collateral in certain circumstances. The Commonwealth is not required to post collateral under the swap agreement.

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.

Liquidity Facilities

On May 11, 2020, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.75 billion from a syndicate of banks, which line of credit is available to be drawn for cash flow purposes. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. The line of credit was scheduled to expire on May 10, 2021 and was renegotiated with the same syndicate of banks in the amount of \$500

million for a term of three years, expiring on March 30, 2024. As of August 31, 2022, no amount was outstanding under the line of credit.

The Commonwealth has a note purchase agreement that allows for issuance of revenue anticipation notes or bond anticipation notes up to \$200 million. The agreement is with RBC Capital Markets, LLC (RBC) and has a termination date of February 8, 2024. Effective July 28, 2022, the Commonwealth executed \$200 million of directly placed bond anticipation notes (General Obligation Tax Exempt Bond Anticipation Notes Series A) with RBC under this agreement to refund the Series 2014D-2 Bonds, which had a mandatory tender date of August 1, 2022.

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 August 31, 2022.

Direct Purchase Agreements		
<u>Direct Purchase Bonds</u>	<u>Outstanding Principal Amount (in thousands)</u>	<u>Mandatory Tender Date</u>
2016 Series B	\$100,000	4/01/2026
2016 Series C	200,000	4/01/2024
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 with a maturity date of February, 8 2024. For a full description, please see the “Liquidity Facilities” section.

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 August 31, 2022, the Trust had approximately \$2.1 billion of bonds outstanding. Approximately 4.56% of the Trust's aggregate debt service is covered by Commonwealth contract assistance. Prior to August 2014, the Trust was known as the Massachusetts Water Pollution Abatement Trust.

Massachusetts Development Finance Agency. Under the infrastructure investment incentive act (sections 5 to 12 of Chapter 293 of the Acts of 2006, as amended to date), known as "I-Cubed," up to \$600 million of public infrastructure improvements to support significant new private developments may be financed by bonds issued by the Massachusetts Development Finance Agency (MassDevelopment) that are secured by and payable from contract assistance from the Commonwealth. The obligation of the Commonwealth to pay contract assistance is a general obligation of the Commonwealth. Until a related new private development is completed and occupied, the developer's property is assessed by the municipality in which the development is located in amounts equal to the debt service cost on the bonds and is applied to reimburse the Commonwealth for such cost. After each phase of the private development is completed and occupied, the municipality is required to reimburse the Commonwealth for any portion of the debt service cost on the bonds that is not covered by new state tax revenues generated from the related private development. The municipality's reimbursement obligation is secured by a general obligation pledge of the municipality, a local aid intercept and a reserve fund which must be funded in an amount equal to or greater than two years of debt service on the bonds. The obligation of the municipality ends when the Commonwealth has collected revenues sufficient to pay principal and interest payments to date, or in some cases to the next redemption date, plus all remaining principal payments due. Pursuant to this program, MassDevelopment has issued I-Cubed bonds to finance and refinance infrastructure projects associated with the Fan Pier development in Boston, the Assembly Row project in Somerville, the Chestnut Hill Square project in Newton, the Boston Landing project in Boston, the Van Ness project in Boston, the University Station project in Westwood, the North Point project in Cambridge and the Hub on Causeway project in Boston. As of August 31, 2022, total "I-Cubed" bonds were outstanding in the amount of approximately \$177.0 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 August 31, 2022, approximately \$21.2 million of such bonds were outstanding.

Social Innovation Financing Trust Fund. Legislation approved in 2012 established a Social Innovation Financing Trust Fund for the purpose of funding contracts to improve outcomes and lower costs for contracted government services, referred to as "pay for success contracts." The legislation authorized the Secretary of Administration and Finance to enter into pay for success contracts in which a substantial portion of Commonwealth payments, from amounts appropriated by the Legislature to the Trust Fund, would be conditioned on the achievement of specified performance outcomes. The Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. The first such contract was entered into in January 2014 (and amended in November 2016 and April 2020), to help young men leaving the juvenile justice system or on probation avoid re-offending. The contract obligated the Commonwealth to make up to \$28 million in success payments, in the aggregate, through fiscal 2024. The Commonwealth entered into a second such contract in December 2014, to address chronic individual homelessness through permanent stable, supportive housing. The contract obligated the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal 2021. The Commonwealth entered into a third such contract in June 2016, to assist individuals in Adult Basic Education (ABE) or English for Speakers of Other Languages (ESOL) programs transition to employment, higher wage jobs, and higher education. The contract obligates the Commonwealth to make up to \$15 million in success payments, in the aggregate, through fiscal 2023. The Commonwealth entered into a fourth such contract in July 2018 (and amended in October 2021 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.

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The following table sets forth the Commonwealth’s general obligation contract assistance requirements for all of fiscal 2023 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>
2023	63,384 (1)	125,000	10,579	7,000	205,963
2024	20,328	125,000	10,579	10,000	165,907
2025	15,981	125,000	10,594	-	151,575
2026	13,428	125,000	12,601	-	151,029
2027 through 2051	87,196 (2)	1,900,000 (3)	247,038 (5)	-	2,234,234
Total (6)	<u>\$200,317</u>	<u>\$2,400,000</u>	<u>\$291,391</u>	<u>\$17,000</u>	<u>\$2,908,708</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 \$28.774 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 2051.
- (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.

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Long-Term Operating Leases and Capital Leases

In addition to Commonwealth-owned buildings and facilities, the Commonwealth leases additional space from private parties. In certain circumstances, the Commonwealth has acquired certain types of capital assets under long-term capital leases; typically, these arrangements relate to computer and telecommunications equipment and to motor vehicles. Minimum future rental expenditure commitments of the Commonwealth under operating leases and long-term principal and interest obligations related to leases in effect as of June 30, 2021 are set forth in the table below.

Long-Term Leases (in thousands)	
<u>Fiscal Year</u>	<u>Leases (1)</u>
2022 (2)	\$231,718
2023	189,131
2024	162,737
2025	133,350
2026	98,699
2027	85,857
2028	76,967
2029	65,426
2030	44,410
2031 through 2050	<u>185,305</u>
Total	<u>\$1,273,600</u>

SOURCE: Office of the Comptroller.

- (1) Includes operating and capital leases. Leases with the institutions of higher education that are supported by tuition and fees are not included.
- (2) Fiscal 2022 numbers are preliminary, unaudited, and subject to change.

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 March 1, 2022, the MBTA had approximately \$110.2 million of such prior bonds outstanding. Such bonds are currently scheduled to mature annually through fiscal 2030.

Massachusetts Development Finance Agency. Under legislation approved in 2010 and amended in 2011, MassDevelopment is authorized to issue bonds for the benefit of nonprofit community hospitals and nonprofit community health centers. Such bonds are to be secured by capital reserve funds funded at the time of bond issuance in an amount equal to the maximum annual debt service on the bonds. The legislation provides that MassDevelopment is to notify the Governor if any such capital reserve fund needs to be replenished, and that the Legislature is to appropriate the amount necessary to restore the fund to its required level. The legislation contains no limit on the amount of such bonds that may be issued. Any project to be financed by such bonds must be approved by the Secretary of Health and Human Services, and any loan to a community hospital or community health center (and the issuance and terms of the related bonds) must be approved by the Secretary of Administration and Finance. If any such institution defaults on a loan, any moneys in the custody of the Commonwealth that are payable to the institution may be withheld by the Commonwealth and used to pay debt service or to replenish the applicable capital reserve fund. If, following a Commonwealth transfer to replenish a capital reserve fund, the

applicable institution fails to reimburse the Commonwealth within six months, the Commonwealth may withhold funds payable to the institution, and all contracts issued by the Group Insurance Commission, the Commonwealth Health Insurance Connector Authority and MassHealth to a third party for the purposes of providing health care insurance paid for by the Commonwealth are to provide that the third party is to withhold payments to the institution and transfer the withheld amounts to the Commonwealth. No bonds have ever been issued pursuant to this legislation.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. The Steamship Authority operates passenger and vehicle ferries to Martha's Vineyard and Nantucket. The Steamship Authority issues its own bonds and notes. Commonwealth support of the bonds and notes of the Steamship Authority includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide the Steamship Authority with funds sufficient to meet the principal of and interest on their bonds and notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to the Steamship Authority and the Commonwealth's payment, under applicable statutory provisions, of the net cost of service of the Steamship Authority. The Steamship Authority is currently self-supporting, requiring no net cost of service or contract assistance payments. As of August 31, 2022, the Steamship Authority had approximately \$65.9 million of bonds outstanding and is anticipating issuing bond anticipation notes in September 2022. 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. A RTA may issue revenue anticipation notes to be repaid from Federal Transit Administration operating subsidies, net cost of service payments from the Commonwealth, which are included in the Commonwealth's annual budget, and local government assessments. Commonwealth support of the revenue anticipation notes of an RTA includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide an RTA with funds sufficient to meet the principal of and interest on its notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to such RTA and the Commonwealth's payment, under applicable statutory provisions, of the net cost of service of RTA (current expenses, including debt service, minus current income). The Commonwealth assesses each of the cities and towns within the applicable RTA service area for a portion of the net cost of service. The Commonwealth Transportation Fund has an annual required \$15 million transfer to the RTAs for operations, and in fiscal 2022, the Commonwealth's budget includes a \$94.0 million transfer to the RTAs. The Commonwealth is also obligated to pay principal and interest on any revenue anticipation notes issued by an RTA which is not paid when due.

University of Massachusetts Building Authority. This authority, created to assist the University of Massachusetts, is permitted by its enabling act to have outstanding up to \$200 million in Commonwealth-guaranteed debt. The Commonwealth's guaranty of principal and interest is a general obligation of the Commonwealth for which its full faith and credit are pledged. In addition to such guaranty, certain revenues of the Building Authority, including dormitory rental income and student fees, are pledged to pay the Building Authority's bonds. As of November 30, 2021, the Building Authority has no Commonwealth-guaranteed debt outstanding.

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Authorized and Unissued Debt

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

Authorized and Unissued Debt (in thousands)

<u>Fiscal Year</u>	<u>Authorized and Unissued Debt</u>
2018	\$20,860,482
2019	28,417,839
2020	26,397,710
2021	38,964,565
2022	38,201,424

SOURCE: Office of the Comptroller.

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

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

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LEGAL MATTERS

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

Programs and Services

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

Chanice Lee, also on behalf of similarly situated individuals v. Commissioner of the Department of Early Education and Care, et al., Suffolk Superior Court. On December 9, 2019, the Department of Early Education and Care (EEC) received notice of a putative class action lawsuit challenging the denial to plaintiff of an income-eligible child care subsidy because plaintiff owed co-payment fees to a previous child care provider. Plaintiff claimed that the fee scale devised by EEC, upon which her co-payments were based, and the disqualification from receipt of the subsidy are unlawful under state and federal law governing childcare subsidies. Plaintiff sought: (i) certification as a class action; (ii) a declaration that EEC's fee scale is unlawful, in part because it was not promulgated as a regulation, as required by law; (iii) a declaration that EEC may not deny income-eligible subsidies to families based on outstanding fees; and (iv) an order requiring EEC to promulgate a new fee scale after public notice and comment.

EEC filed an answer to the complaint on February 3, 2020. Plaintiff's counsel served a motion for judgment on the pleadings on defendants in early August 2020, and a motion for class certification in November 2020. EEC served oppositions to both motions. Additionally, EEC has taken significant steps to promulgate a new fee scale. In December 2020, the Legislature granted EEC emergency authorization to immediately implement a new fee scale, provided that it initiated a public hearing process for the fee scale within 30 days of implementation. On February 8, 2021, EEC did establish a new fee scale that results in 98% of families paying a fee that is 7% or less of their income (the "2021 Fee Scale"), a model that was thoroughly discussed with plaintiff's counsel during monthly meetings over the past year. After public hearings, the 2021 Fee Scale was approved and implemented in June 2021.

On September 10, 2021, the Court allowed, in part, and denied, in part, plaintiff's motion for judgment on the pleadings. The Court determined in its ruling that: (1) the EEC Fee Scale in effect prior to February 2021 for parent fees for the Income Eligible Child Care Program was unlawful; (2) EEC may not deny eligibility for the Income Eligible Child Care Program to any family member of the certified class on the basis of outstanding parent fees accrued between March 2019 and February 2021 pursuant to the Pre-2021 Fee Scale; (3) EEC may not disqualify or otherwise sanction any family member of the certified class previously deemed eligible for the Income Eligible Child Care Program, based solely on accrued and owing parent fees assessed pursuant to the Pre-2021 Fee Scale for the period of March 2019 through February 2021; (4) plaintiff's request to order the Department to promulgate a new fee scale is moot; and (5) the February 2019 Updated Regulations are lawful, and EEC may exercise its executive discretion going forward to apply the Updated Regulations to the Income Eligible Child Care Program based on the 2021 Fee Scale. None of the parties appealed and this matter has now concluded.

Federal Audits and Regulatory Reviews

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The federal Health Care Financing Administration (now the Centers for Medicare and Medicaid Services (CMS)) asserted in June 2000 that the portion of the Medicaid program funded by the Commonwealth's Health Safety Net Trust Fund (formerly the Uncompensated Care Pool) might violate federal regulations regarding permissible taxes on health care providers. The Commonwealth believes that the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor,

the Health Safety Net Trust Fund, are within the federal law pertaining to health care-related taxes, but nevertheless sought federal waivers for the assessments as instructed by CMS. In 2017, a change in state law was made to the hospital assessment making a federal waiver for the hospital assessment unnecessary. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. The Commonwealth collected an estimated \$6.234 billion in acute hospital assessments between 1990 and the end of Health Safety Net fiscal year 2017 and will have collected an estimated \$3.695 billion in surcharge payments between 1998 and the end of Health Safety Net fiscal year 2022.

In re: Centers for Medicare and Medicaid Services: Disallowance Number MA/2018/001/MAP (1115(a) Demonstration Claiming Authority for Primary Care Payment Reform Initiative). On November 20, 2018, CMS issued to the Commonwealth a notice of disallowance in the amount of \$70.9 million in federal financial participation (FFP) for expenditures between March 31, 2014, and December 31, 2016, related to MassHealth's Primary Care Payment Reform Initiative (PCPRI). PCPRI was a payment model that bundled 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 \$80.3 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(ww), personal income tax and corporate excise tax credits and sales tax exemptions are available to qualifying taxpayers in the motion picture industry (commonly referred to as Film Credits). The Department of Revenue carefully examines and sometimes declines preliminary approval of applications from various taxpayers for Film Credits, against taxable income, in amounts that often exceed \$1 million. Currently, the Department of Revenue estimates a total potential revenue loss of approximately \$70.2 million, with one 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	823,000,000	300,000 (5)
2014	838,000,000	300,000 (5)
2015	935,000,000	300,000 (5)
2016	893,000,000	300,000 (5)
2017	889,000,000	300,000 (5)
2018	971,000,000 (1)	300,000 (5)
2019	1,200,000,000 (2)	300,000 (5)
2020	1,500,000,000 (3)	300,000 (5)
2021	1,600,000,000 (4)	300,000 (5)

- (1) Subject to revision until a final calculation in March 2023.
- (2) Subject to revision until a final calculation in March 2024.
- (3) Subject to revision until a final calculation in March 2025.
- (4) Subject to revision until a final calculation in March 2026.
- (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. More recently, the Suffolk County District Attorney’s

Office has sought to vacate additional convictions tied to the Boston laboratory, announcing that it was seeking to vacate all Suffolk County drug convictions for any individual whose drug certification was done at the Boston laboratory between May 2003 and August 2012. This action potentially impacts many more defendants.

Consequently, there are a number of ongoing civil actions, in both state and federal court, relating to the rights of those criminal defendants potentially affected by the malfeasance of the two chemists and the attorney misconduct described above, and more are expected. *See, e.g., Penate v. Kaczmarek et al.*, C.A. No. 3:17-cv-30119-KAR, United States District Court for the District of Massachusetts, in which the plaintiff alleges civil rights violations under 42 U.S.C. § 1983 and seeks approximately \$5.7 million in compensatory and punitive damages, interest, costs, and attorneys' fees. In *Penate*, the District Court dismissed claims against three Department of Public Health (DPH) defendants and two attorneys in January 2019 but denied motions to dismiss filed by two former DPH employees and a now-inactive attorney. The now-inactive attorney's interlocutory appeal in the First Circuit Court of Appeals was rejected on June 26, 2019. One of the DPH employees, the former supervisor of the Amherst laboratory, whose motion to dismiss was denied, also filed an interlocutory appeal in the Court of Appeals. On December 13, 2019, the Court of Appeals reversed the District Court's order denying the motion to dismiss the 42 U.S.C. § 1983 claim and vacated the District Court's denial of this DPH employee's motion to dismiss the intentional infliction of emotional distress state-law claim and remanded the matter for further proceedings consistent with its ruling, and the plaintiff has since dismissed all claims against this DPH employee. The plaintiff and the remaining defendants in the *Penate* case cross-moved for summary judgment, and the Court heard arguments on these motions on November 23, 2021. 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. The now-inactive attorney noticed an interlocutory appeal from the denial of her summary judgment motion on June 27, 2022. The potential claims of other criminal defendants against the Commonwealth and other officials are likely to range from: restitution for the fees and costs imposed on and incurred by the criminal defendants, including for uncompensated labor; erroneous conviction; negligence of the Commonwealth in supervising the laboratories and their employees; and potential civil rights violations under federal law.

In addition, plaintiffs have sought, and may in the future seek, compensatory as well as punitive damages, interest, costs, and attorneys' fees. In *Nelson v. Colorado*, 137 S. Ct. 1239 (2017), the United States Supreme Court declared that when a criminal conviction is invalidated by a reviewing court and no retrial will occur, a state is obliged to refund fees, court costs, and any restitution exacted from a defendant upon, and as a consequence of, the conviction. Based on this Supreme Court decision, a class action has been filed on behalf of the criminal defendants, whose convictions were vacated as the result of the potentially tainted drug tests in the two laboratories, seeking "refund of all Case-Related Payments, payment for all Uncompensated Labor, and return of all Forfeited Property." *Foster, et al. v. Commonwealth, et al.*, Docket No. 1:18-cv-10354-IT (D. Mass. filed Feb. 23, 2018). The plaintiffs in *Foster* have also filed a state court complaint covering the majority of the claims contained in the federal complaint, and their motion for class certification was allowed on May 13, 2020. *Foster et al. v. Commonwealth*, No. 1984CV03373 (Suffolk Super. Ct. filed Oct. 29, 2019). 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 is scheduled for October 6, 2022. In the federal *Foster* action, the District Court has stayed the action until 30 days after the state court approves the settlement agreement.

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

administration and maintenance fees, among other fees. The Superior Court denied the defendant's motion for fees and he appealed. The SJC overturned the Superior Court's decision with respect to a drug analysis fee but upheld the decision for all other fees the defendant was seeking as those fees were not being charged as a direct result of his vacated case.

There are tens of thousands of criminal cases potentially affected by misconduct at the two laboratories. In the *Foster* 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, but as yet undetermined, costs to the Commonwealth in remedying the alleged malfeasance, including vendor costs for information gathering and administration of exaction refunds; costs to investigate and defend the civil complaints alleging state liability in both state and federal courts, as described above; and the costs of settlements and judgments arising from the potential civil actions described above. The District Attorneys for both Middlesex and Suffolk Counties have separately filed motions asking that the SJC consider whether the remedies in response to the overall conduct and operation of the Boston and Amherst drug labs are sufficient, or whether convictions based on the drug analyses performed by all the chemists, in addition to the two identified chemists, should also be set aside. The motion of the Middlesex County District Attorney was denied without prejudice as premature. See *Commonwealth v. Ricky Simmons*, No. SJC-13114 (July 28, 2021). The motion of the Suffolk County District Attorney asked the Superior Court to report certain questions to the SJC. See *Commonwealth v. Justino Escobar*, 479 Mass. 1010, 94 N.E.3d 844 (2018). After the Superior Court denied the motion on October 6, 2021, the criminal defendant filed a notice of appeal and a petition for direct appellate review, which are pending. See *Commonwealth v. Justino Escobar*, No. 2021-P-0920; *Commonwealth v. Justino Escobar*, DAR-28550. The petition for direct appellate review was denied on January 6, 2022. Were the SJC to grant the relief sought in these or future motions and petitions, the number of affected defendants would be significantly increased. Based on the court decisions to date and depending on the outcomes of the additional cases filed to date and cases that may be filed in the future, the Commonwealth could be required to budget for millions of dollars' worth of refundable exactions, settlements, and administrative expenses.

Sniadach vs. Walsh, et al., No. 3:20-cv-30115 (D. Mass July 17, 2020). On July 17, 2020, a class action lawsuit was filed in Massachusetts District Court, Springfield, under the Fourteenth Amendment to the United States Constitution and 42 U.S.C. § 1983 (Section 1983). The suit seeks class certification and alleges civil rights violations by five former state employees, named in their individual capacity, related to the COVID-19 outbreak at the Holyoke Soldiers' Home in March 2020. The plaintiffs seek damages for residents (or their estates) who contracted COVID-19 at the Soldiers' Home during a three-month period starting in March 2020. On September 20, 2021, the suit was amended to add 16 named plaintiffs (primarily filing on behalf of estates), as well as adding a sixth defendant, also in such person's individual capacity.

The Commonwealth has agreed to indemnify the six defendants for defensive legal fees and costs and has agreed to fully indemnify four of the six defendants for settlements and judgments, pursuant to G.L. c. 258, § 9. In May 2022, the parties agreed to, and the United States District Court preliminarily approved, a class action settlement of \$56 million. The settlement would resolve all existing or potential claims against the Commonwealth, its employees and agents relating to the three-month period covered in the complaint. No potential class members have opted out of the settlement. The Legislature has enacted, and the Governor has approved, legislation that funds the full \$56 million settlement amount. A hearing on final approval of the settlement is scheduled for November 2022. Subject to the District Court's final approval, the Commonwealth anticipates that review and payment of claims will be complete by the end of calendar year 2022.

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CONTINUING DISCLOSURE

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

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

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

The Commonwealth failed to file an event notice in December 2017 when the insurer on certain insured special obligation bonds payable from the Convention Center Fund asked that the ratings on such bonds be withdrawn. The Commonwealth has filed a notice of such rating change with respect to the bonds that are currently outstanding.

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

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

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

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

MISCELLANEOUS

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

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

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

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

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

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

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AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding this Information Statement or requests for additional information concerning the Commonwealth should be directed to Susan E. Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Kaitlyn Connors, Assistant Secretary, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to this Information Statement should be directed to Poonam Patidar, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-3038.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Deborah B. Goldberg
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Secretary of Administration and Finance

September 21, 2022

EXHIBIT A

STATEMENT OF ECONOMIC INFORMATION AS OF AUGUST 17, 2022

Socioeconomic Indicators for Massachusetts

August 2022

UMassAmherst

Donahue Institute
Economic and
Public Policy Research

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

This report was prepared by the UMass Donahue Institute and the information in text, tables, charts and graphs are the most recently available information as of August 17, 2022.

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

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

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

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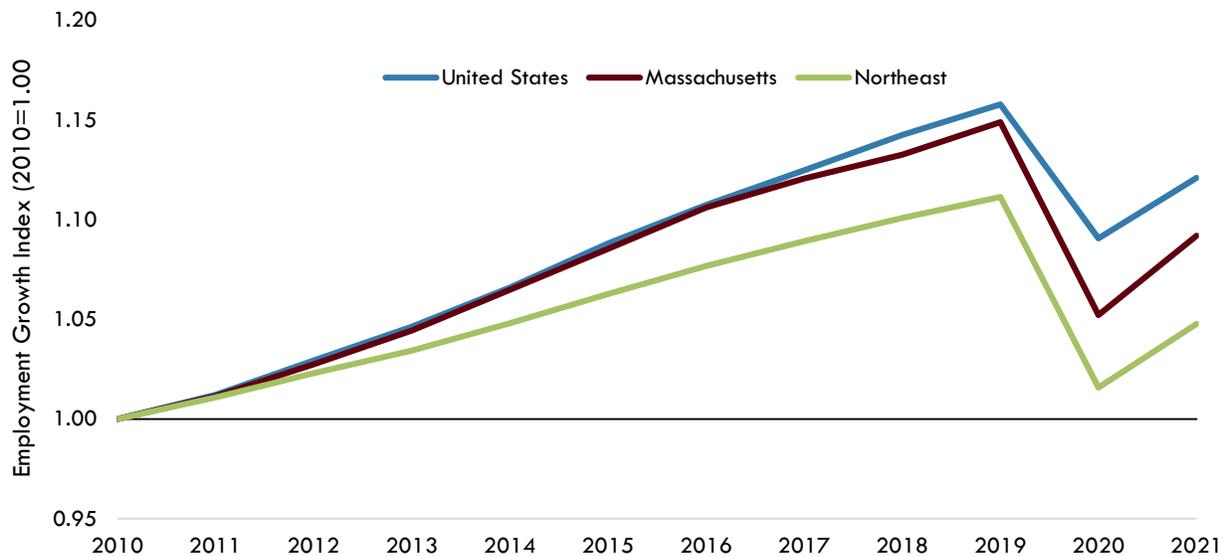
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Economy

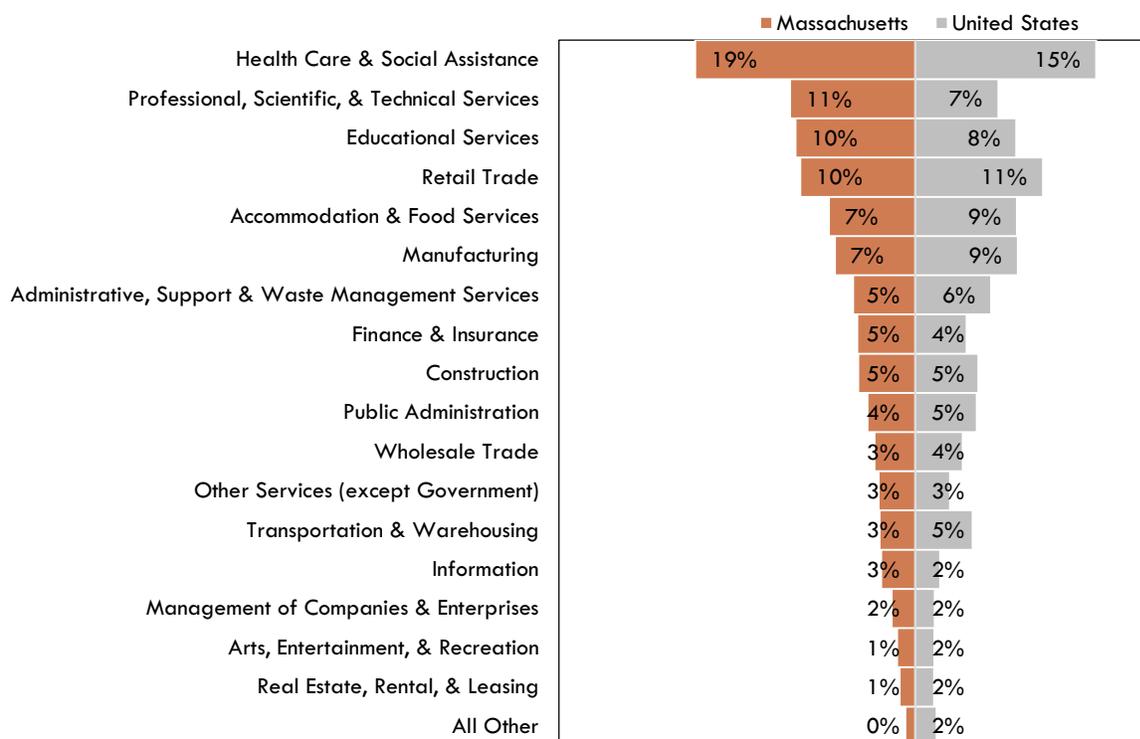
Over the past decade, Massachusetts has been a leader in job growth in the Northeast (Figure 1), driven largely by the state’s highly-educated workforce, the overall diversity of industries, and strengths in knowledge-based industries, such as health care, education, and professional services (Figure 2). Professional 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 2021, the industry accounted for 11 percent of jobs; the sector is 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, 2010-2021 (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, 2021 (Percent of Total Jobs)

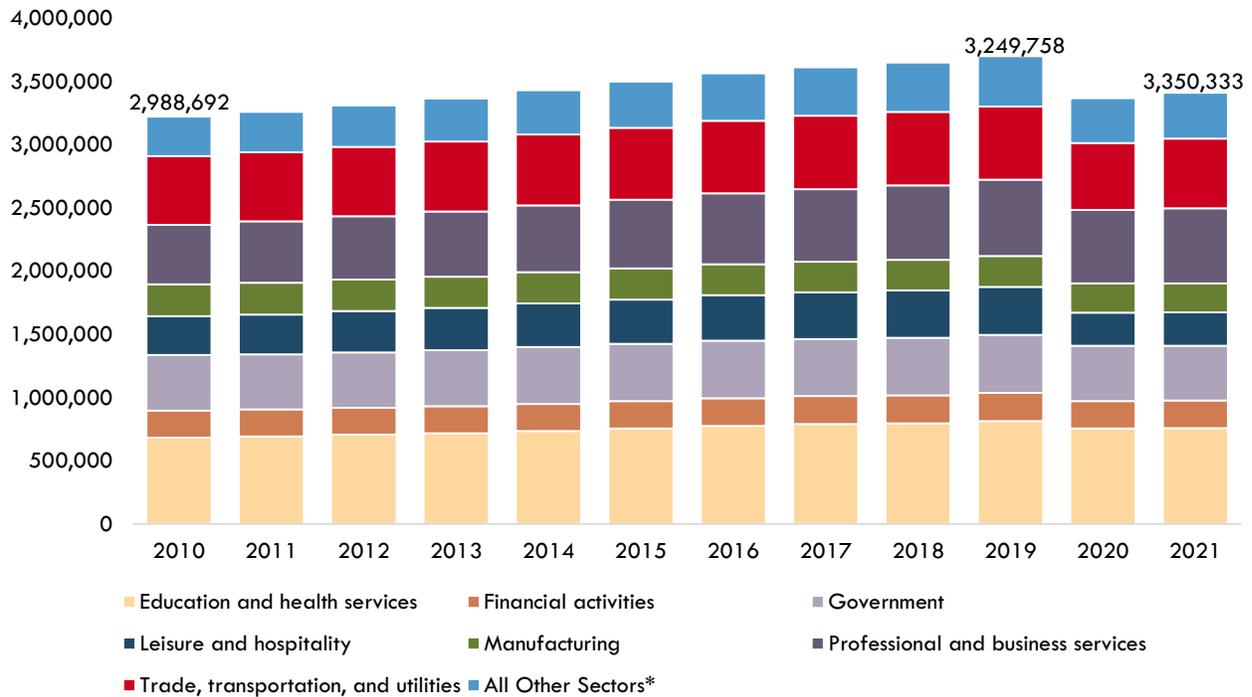


Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), UMDI analysis.
 Note: All Other includes: Utilities; Agriculture, Forestry, Fishing, & Hunting; and Mining, Quarrying, and Oil & Gas Extraction.

While sixth in terms of employment in 2021, 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. Since 1990, the earliest year for which NAICS data are available, manufacturing in Massachusetts went from 16 percent of the nonfarm payroll to 7 percent in 2021.

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, 2010-2021 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. The pandemic recovery continues, but as of July 2022, the state still has 60,000 fewer jobs than the peak in February 2020 (Figure 4). The growth of professional and technical services during the pandemic has occurred during a period when educational services, retail trade, and accommodations and food services all suffered losses in terms of jobs. Accommodation and food services is the slowest sector to recover both in terms of absolute number of jobs lost and as a share of jobs lost compared to levels prior to the pandemic (Figure 4).

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

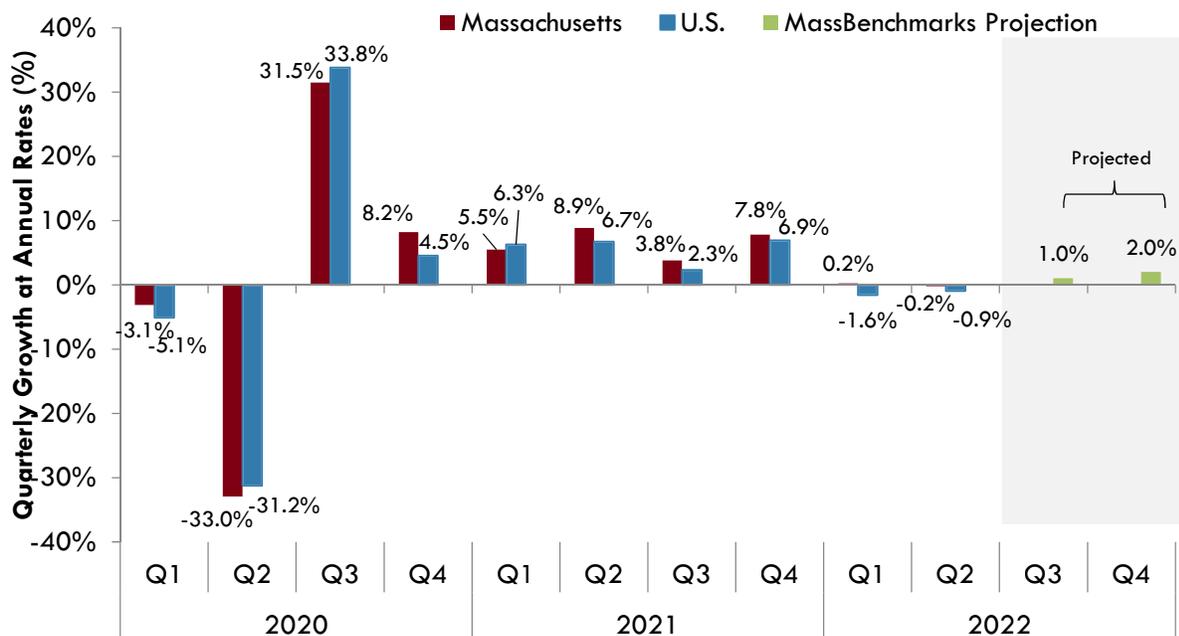
Industry	Feb-20	Jul-22	Change (N)	Change (%)
Accommodation and food services	322,500	275,300	(47,200)	(14.6%)
Retail trade	351,300	333,700	(17,600)	(5.0%)
Other services	139,000	128,800	(10,200)	(7.3%)
Government	460,300	450,500	(9,800)	(2.1%)
Health care and social assistance	646,600	637,300	(9,300)	(1.4%)
Finance and insurance	176,700	170,400	(6,300)	(3.6%)
Educational services	186,000	183,500	(2,500)	(1.3%)
Management of companies and enterprises	73,400	71,100	(2,300)	(3.1%)
Manufacturing	243,000	241,400	(1,600)	(0.7%)
Real estate and rental and leasing	48,800	47,400	(1,400)	(2.9%)
Administrative and waste services	186,500	185,800	(700)	(0.4%)
Arts, entertainment, and recreation	63,200	62,800	(400)	(0.6%)
Mining and logging	1,000	900	(100)	(10.0%)
Wholesale Trade	123,300	125,200	1,900	1.5%
Transportation, warehousing and utilities	105,600	110,000	4,400	4.2%
Information	95,500	100,600	5,100	5.3%
Construction	166,300	173,400	7,100	4.3%
Professional and technical services	351,100	382,000	30,900	8.8%
Total nonfarm	3,740,100	3,680,100	(60,000)	(1.6%)

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

Over the course of 2021, the state demonstrated continued economic recovery. However, the economy contracted at the first half of 2022 in the US and was largely stagnant in Massachusetts. 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 2022, Massachusetts real gross domestic product decreased at a 0.2 percent annualized rate while U.S. GDP decreased at a 0.9 percent rate according to the U.S. Bureau of Economic Analysis (BEA). In the first quarter of this year, according to the BEA, Massachusetts GDP grew at an annual rate of 0.2 percent while U.S. GDP declined at an annual rate of 1.6 percent. (Figure 5).

According to MassBenchmarks, the apparent paradox of slowed economic growth, a strong labor market, and a low unemployment rate can be explained by several conditions that are shared by both the nation and the state that have resulted in lower productivity per worker. First, job growth has been concentrated in relatively lower paid sectors, such as leisure and hospitality, that tend to employ lower-skilled workers. Second, as a response to the scarcity of labor in high demand fields, employers have been “labor hoarding” or holding on to workers despite slowdowns in demand and lower utilization of employees. As a third factor, COVID-19 has increased absences from work, whether for illness or care of a sick family member.

Figure 5. Growth in Real Product, Massachusetts and the United States, 2022 Q2



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

Inflation is also playing a role. Per-worker wages and salaries are not keeping up with inflation, and on average are falling in real terms. Total personal incomes, though rising, are just barely keeping up with inflation. This limits real consumer spending, which accounts for approximately two-thirds of all economic activity. Finally, rising interest rates are slowing the economy, reducing the demand for residential construction, and lowering asset prices, with predictable indirect effects on consumer and business confidence which can be expected to dampen current and future spending.

Wage and salary income continued to grow robustly in the second quarter of 2022. In Massachusetts, MassBenchmarks estimates that wage and salary income grew at a 12.9 percent annual rate, while wage and salary income in the U.S. grew at an 8.8 percent rate. These far exceed the growth in jobs and represents strong growth in average nominal per-worker wages and salaries. Year over year, MassBenchmarks estimates that wage and salary income grew 10.9 percent in Massachusetts and 11.2 percent in the U.S.

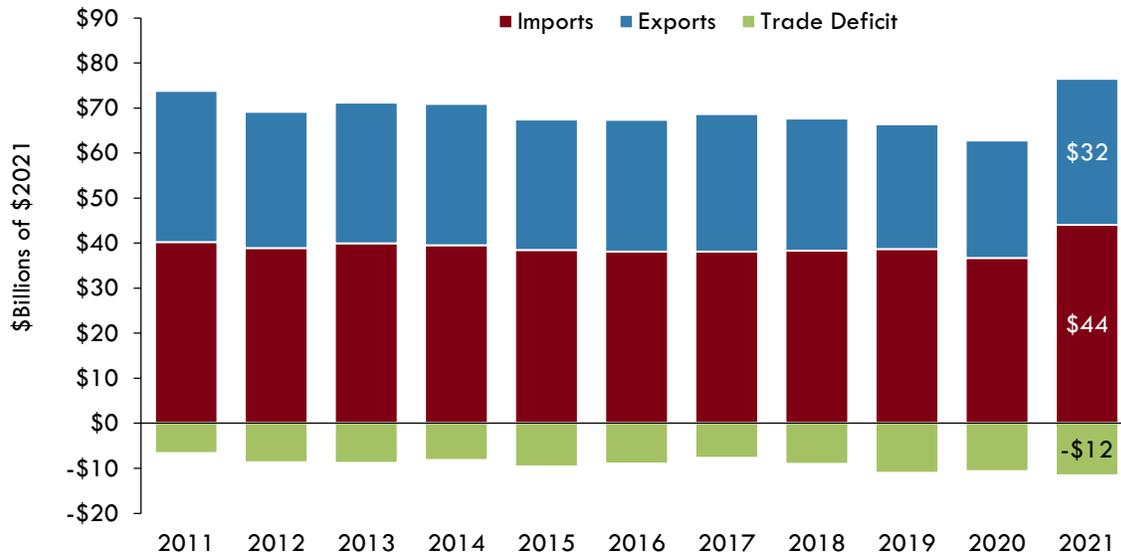
Although wage and salary income per worker has been growing briskly over the past year – 6.0 percent in Massachusetts and 6.8 percent in the U.S. from Q2 2021 through Q2 2022 – these incomes have not kept up with inflation. The Bureau of Labor Statistics’ measure of CPI inflation was 7.5 percent in the Boston Metropolitan Area and 8.6 percent in the U.S. from the second quarter of last year (the Boston measure was May 2021 to May 2022 – the survey is every other month in Boston). Thus, despite robust wage growth, real wage and salary income per worker in Q2 2022 was less than it was in Q1 2022.

The outlook for the rest of the year is for slow growth, but the level of uncertainty remains high. MassBenchmarks estimates the annualized rate of real GDP growth for Massachusetts will be 1.0 percent in the third quarter and 2.0 percent in the fourth quarter. The mean forecast from the July Wall Street Journal survey of economists for the U.S. is 1.5 percent in the third quarter and 1.1 percent in the fourth quarter. Measures of consumer confidence and business confidence, for example, from the Conference Board for the U.S.¹ and from the Associated Industries of Massachusetts for Massachusetts businesses, are falling, and various surveys of economists put the probability of a U.S. recession in the next 12 months at roughly 50 percent. Furthermore, most analysts see risks to growth as skewed towards the downside.

Massachusetts trade has rebounded since the pandemic declines. The Commonwealth's total trade volume (exports and imports) increased 21.9 percent from 2020, the total trade volume was \$76.5 billion in 2021 (Figure 6). Canada was by far our most valuable trading partner, with a trade volume of \$15.1 billion, 19.7 percent of the total state trade (Figure 7). The Massachusetts' trade deficit, \$11.6 billion, increased 9.0 percent in 2021. Massachusetts ranked 17th in the U.S. in 2021 and first in New England with \$32.5 billion in exports. This was a 24.5 percent increase from the previous year's export value, while national exports increased by 17.6 percent and total exports from New England increased by 15.6 percent (Figure 8). Canada was again our top export destination in 2021 with \$3.6 billion. Imports increased 20.0 percent to \$44.0 billion in 2020. Canada was also the largest source for Massachusetts imports in 2020, from which we imported \$11.4 billion, or 25.9 percent, of our total. Russia's invasion of Ukraine and the ensuing war and economic sanctions against Russia will undoubtedly affect Massachusetts trade but the scale is unknown. In 2021, Russia was ranked Massachusetts 29th trading partner and Ukraine was 75th. Another development that may have an impact on Massachusetts trade are the COVID-related restrictions and lockdowns in China. As our second largest export partner after Canada (Figure 7), China was the destination of 11 percent of Massachusetts' exports and the source of 10 percent of our imports in 2021.

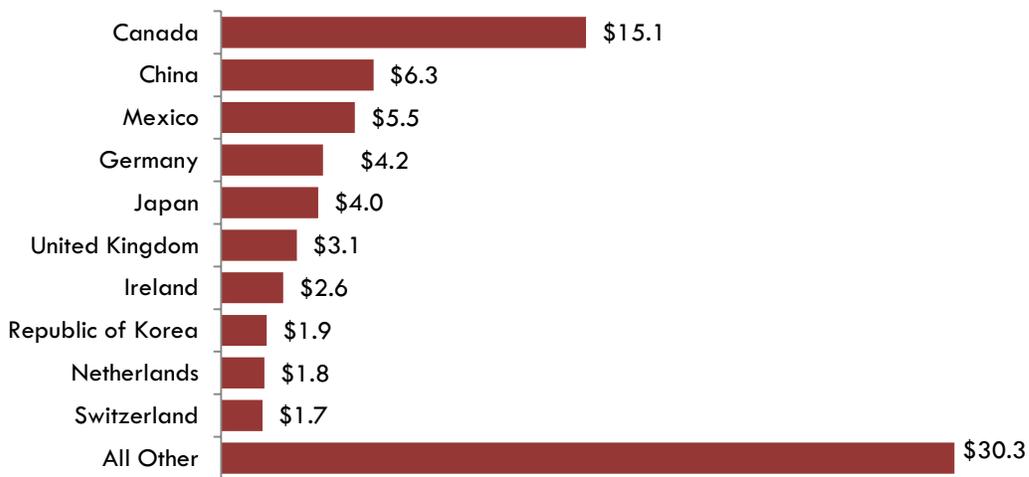
¹ The Conference Board is a non-profit, business membership and research group that publishes several economic indicators, including consumer confidence.

Figure 6. Massachusetts Imports, Exports, and Trade Deficit, 2011-2021 (in Billions of \$2021)



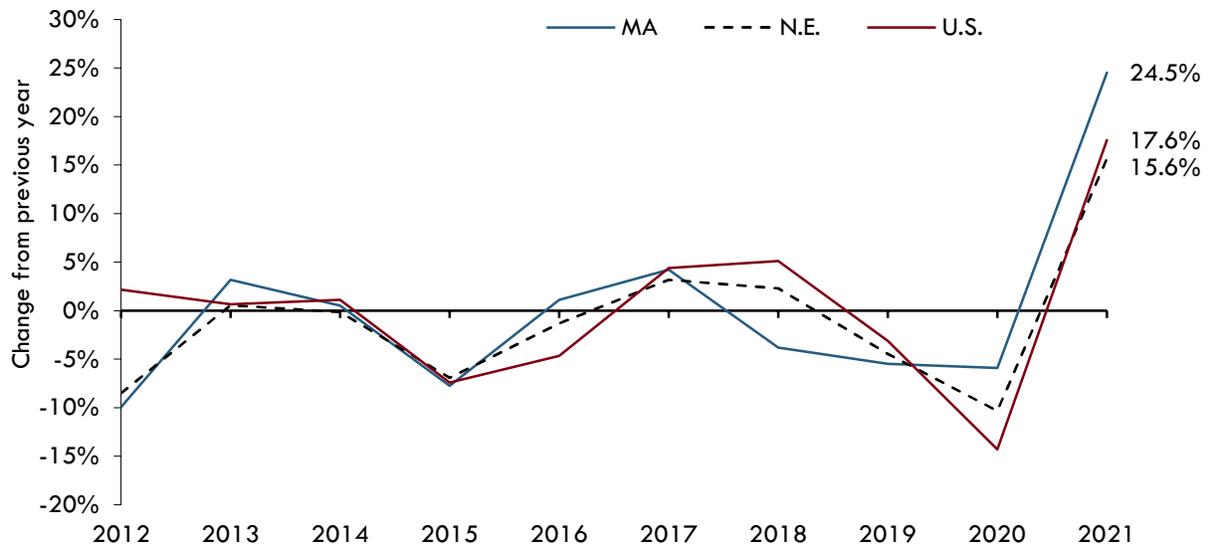
Source: WISERTrade.org; UMDI analysis

Figure 7. Massachusetts Top 10 Trade Partners in 2021 (in Billions of \$2021)



Source: WISERTrade.org; UMDI analysis

Figure 8. Export Growth for Massachusetts, the United States, and New England, 2012-2021

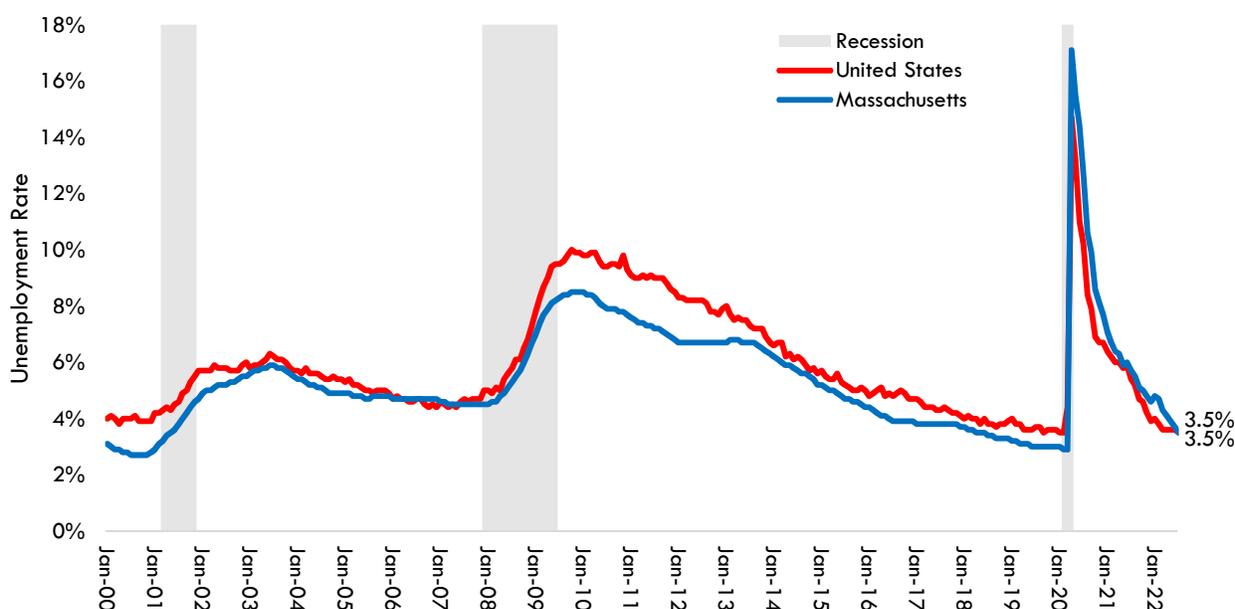


Source: WISERTrade.org; UMDI analysis

Workforce

In recent history, the Massachusetts economy has generally performed better than the U.S., with the state unemployment rate typically below the nation. This was especially the case during and the period following the Great Recession. The Commonwealth's mix of knowledge-based industries and well-educated workforce led to high levels of labor force participation and low levels of unemployment in the state overall. That said, the early outbreak of COVID-19 in the northeastern part of the U.S. coupled with proactive social distancing efforts by the Commonwealth in the spring and summer of 2020 led to significant job losses throughout the state. Massachusetts unemployment peaked at 17.1 percent in April 2020, while the U.S. peaked at 14.7 percent in the same month (Figure 9). As of July 2022, Massachusetts unemployment had fallen to match the national rate at 3.5 percent.

Figure 9. Unemployment Rates in Massachusetts and the United States as of July 2022 (Seasonally Adjusted)



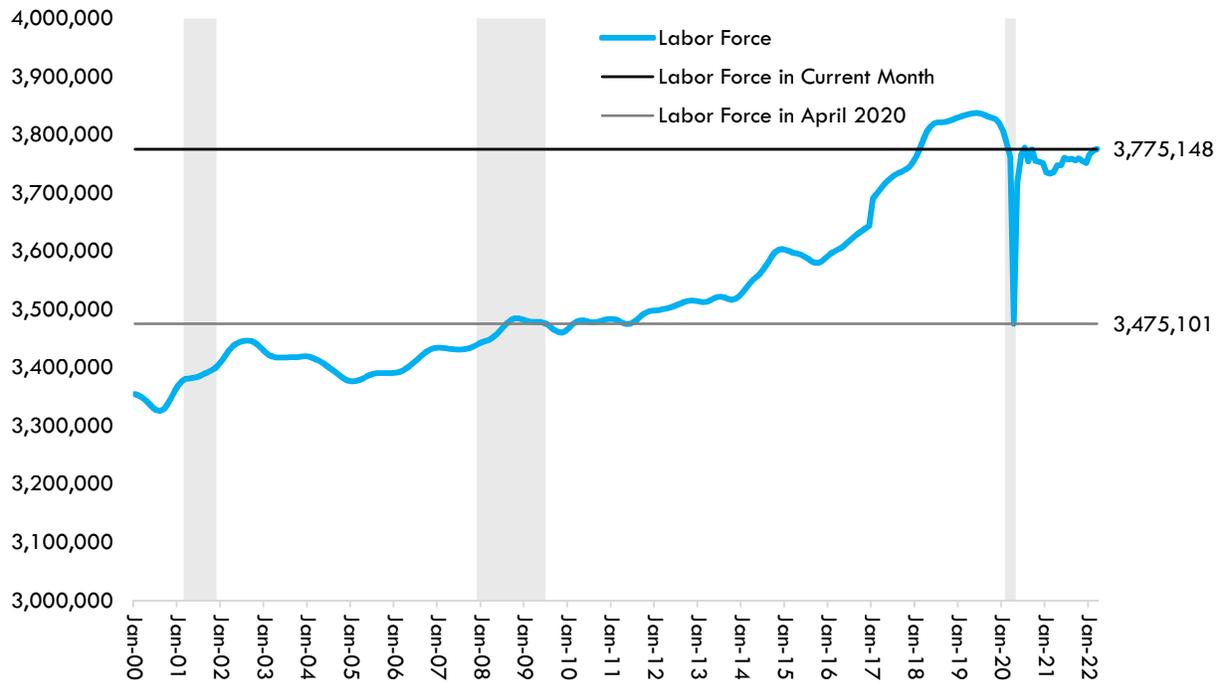
Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis

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

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

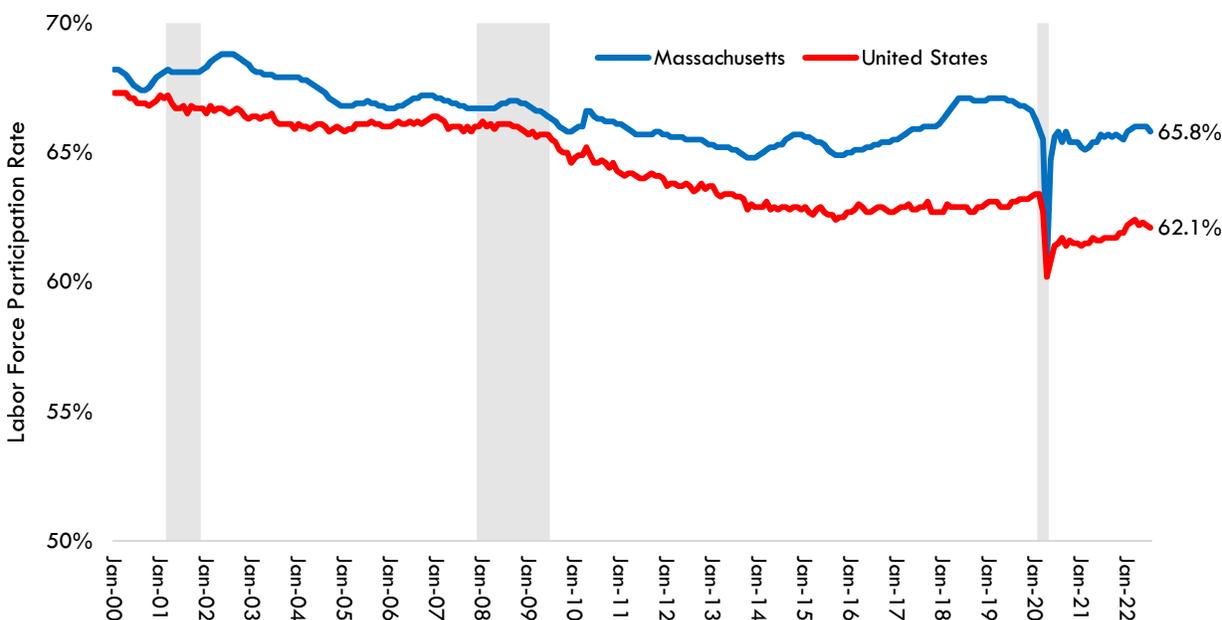
The size of the labor force in the state has largely recovered since the initial collapse at the start of the pandemic (Figure 10). Massachusetts has consistently maintained higher rates of labor force participation than the U.S. on a whole. As of July 2022, 65.8 percent of Massachusetts working-age residents were in the workforce (Figure 11). This is almost at the pre-pandemic level of 66.3 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 10. Massachusetts Labor Force, January 2000-July 2022 (Seasonally Adjusted)



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

Figure 11. Labor Force Participation Rates in Massachusetts and the United States, January 2000-July 2022 (Seasonally Adjusted)

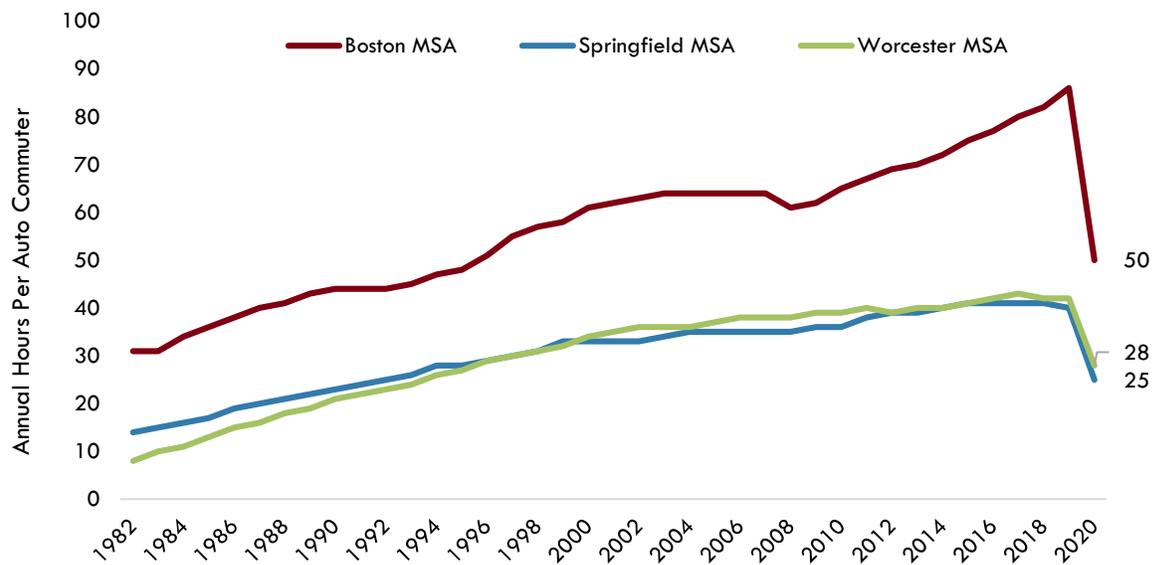


Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis

Even as the pandemic has shifted many jobs to remote or hybrid environments, transportation and mobility are essential to Massachusetts 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. Prior to the pandemic, the delays that Massachusetts drivers faced for their commutes had risen dramatically (Figure 12). For example, 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 ranked fifth in annual hours of delay in 2019 and Boston’s traffic congestion has outpaced other areas of the Commonwealth for this time 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.

Figure 12. Annual Hours of Delay per Auto Commuter for Boston, Springfield, and Worcester



Source: Texas A&M Transportation Institute

Note: Urban Area boundaries are decided by the Texas A&M Transportation Institute and are not equivalent to Metropolitan Statistical Area (MSA).

Freeway daily vehicle miles traveled (VMT) throughout the three most populous regions of the state thoroughly outpaced population growth for the time period of 1982-2019. Daily freeway VMT increased by roughly the same percentage (approximately 120 percent) for the Boston, Springfield, and Worcester urban areas (Figure 13), 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.

Figure 13: Change in Population Growth and Freeway Daily Vehicle Miles Traveled, 1982-2019

	Boston Urban Area	Springfield Urban Area	Worcester Urban Area
% Population Change (1982-2019)	32%	19%	49%
% Change in Freeway Daily VMT (1982-2019)	119%	123%	118%

Source: Texas A&M Transportation Institute.

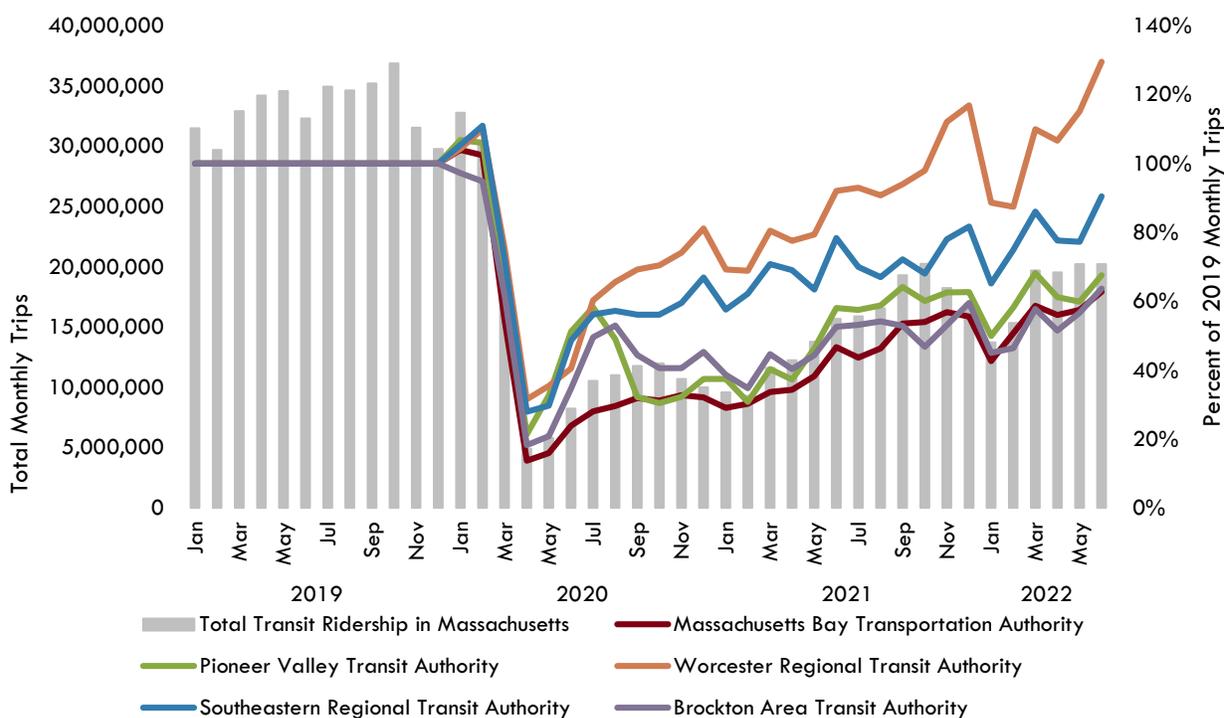
Note: Urban Area boundaries are decided by the Texas A&M Transportation Institute and are not equivalent to Metropolitan Statistical Area (MSA).

Vehicle miles traveled throughout the state dipped significantly in 2020 according to the Massachusetts Department of Transportation. Following the beginning of the COVID-19 pandemic in spring 2020, both weekday and weekend VMT plummeted only to bounce back relatively quickly through summer 2021. By November 2021, average weekday and weekend VMT hovered between 75-90 percent of their pre-pandemic March 2020 peaks.

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 14). 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 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), one is approaching its pre-pandemic ridership (Southeastern RTA), and the remaining three are around two thirds of 2019 ridership (Pioneer Valley Transit Authority, Brockton Area Transit Authority and the MBTA).

Figure 14. Monthly Transit Ridership, 2019-2022

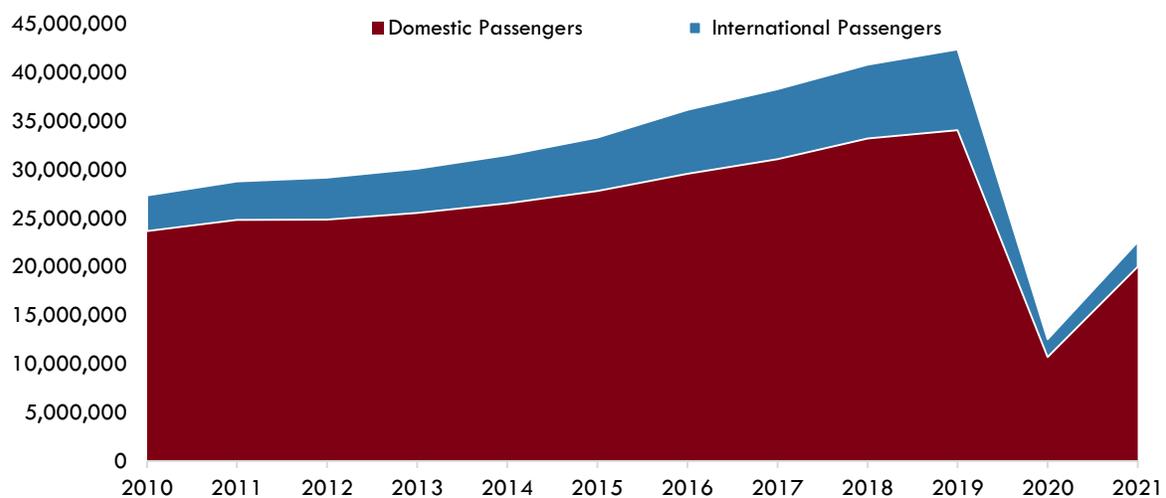


Source: National Transit Database. Note: total ridership is the sum of MBTA and Regional Transit Authority ridership per month. Top five transit authority by February 2020 ridership are shown as a share of their monthly ridership relative to the comparable month in 2019, e.g. September 2020 / September 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 Subway Extension is opening this year in phases; the Union Square Branch in Somerville opened in March 2022 and the Medford Branch is expected to follow in fall 2022. The Gateway Cities New Bedford and Fall River 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; 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, also logged a significant decline in passenger volume in 2020 and as of 2021 has not achieved the record passenger volumes seen in 2019 (Figure 15). After reaching over 42 million domestic and international passengers, following years of service expansions, passenger volumes collapsed to only about 13 million in 2020. Logan saw a strong recovery in 2021 with about 23 million passengers served, but this still only represented about half of the airport’s 2019 peak. Notably, international passenger volume shrank from 8.3 million in 2019 to 1.8 million in 2020. This number recovered slightly to 2.5 million in 2021, and lags behind the recent growth in domestic passengers (which fell from 34 million in 2019 to 10.7 million in 2020, then recovered to 20 million for 2021). A large number of 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 are still only a fraction of the 2019 peak. Going into 2022, there has been a resumption in some overseas service and passenger levels should continue their recovery. 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 15. Logan International Airport Passenger Volume



Source: MassPort.

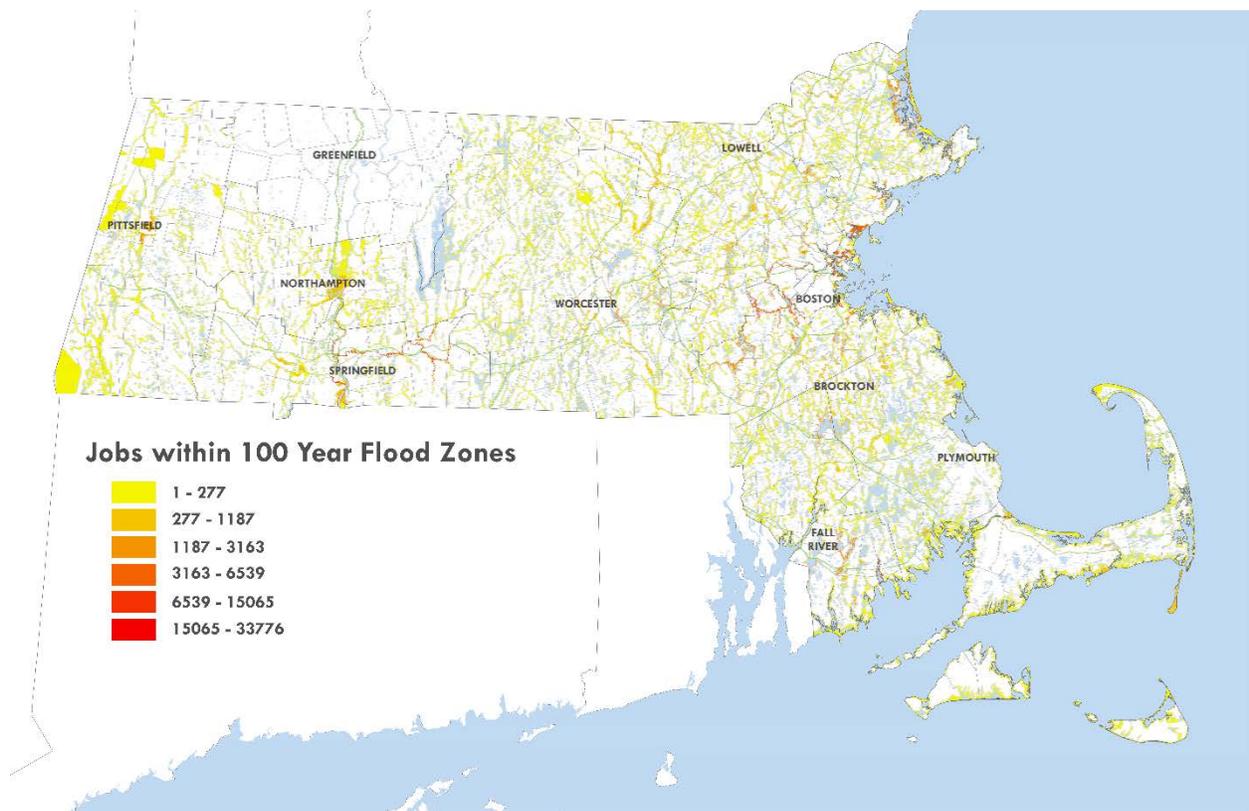
Environment

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 2019, approximately 500,000 jobs in Massachusetts were located in 100-year flood plains (Figure 16).² 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.³ 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 17).

² This estimate excludes jobs located in Franklin County because flood maps for Franklin County were not available.

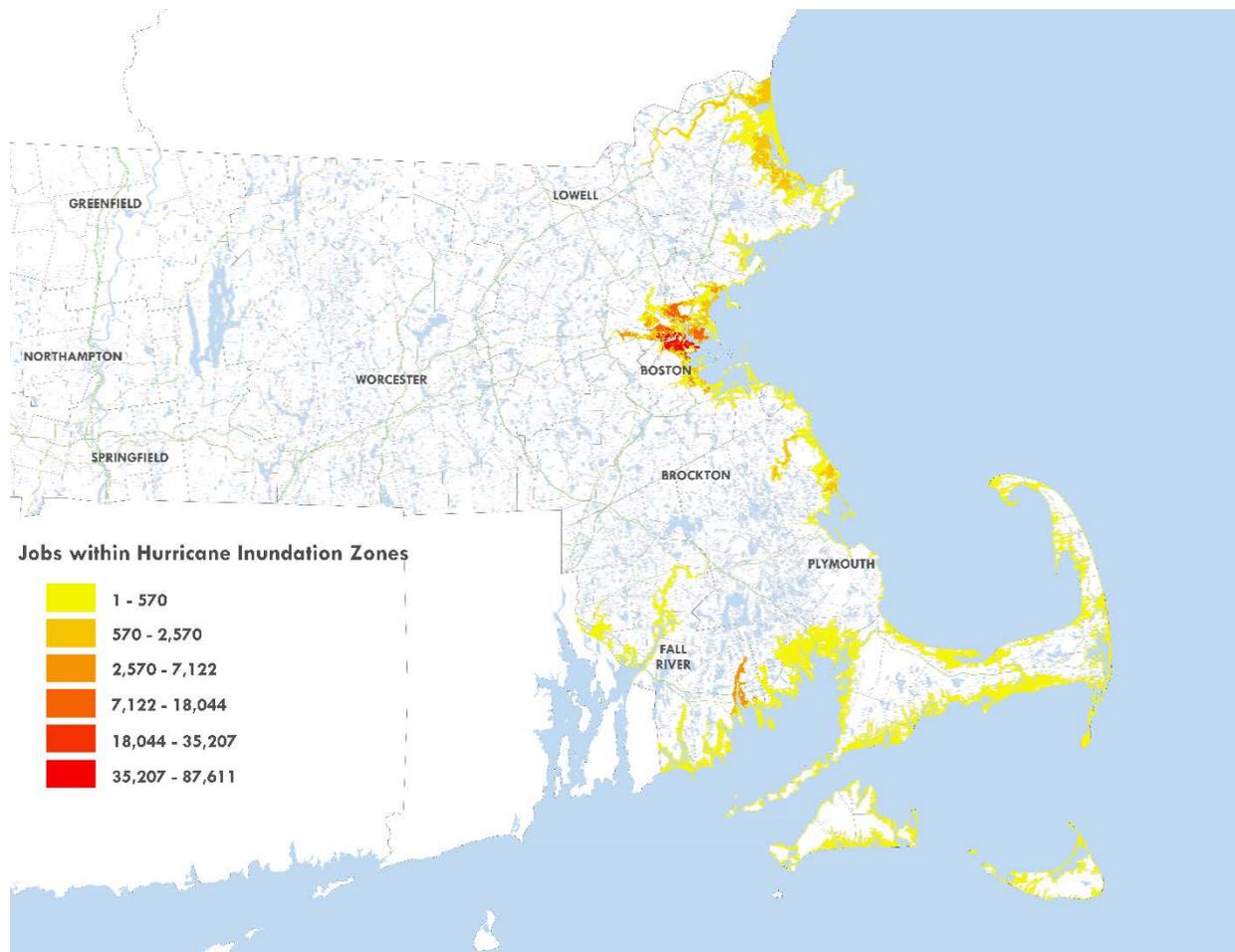
³ Gori, A., Lin, N., Xi, D. *et al.* Tropical cyclone climatology change greatly exacerbates US extreme rainfall–surge hazard. *Nat. Clim. Chang.* 12, 171–178 (2022). <https://doi.org/10.1038/s41558-021-01272-7>

Figure 16. Jobs Located in 100-Year Flood Zones



Source: FEMA National Flood Hazard Layer via MA GIS, U.S. Census Bureau 2019 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 17. Jobs Located in Hurricane Inundation Zones



Source: U.S. Army Corps of Engineers Hurricane Surge Inundation Zones via MA GIS, U.S. Census Bureau 2019 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,

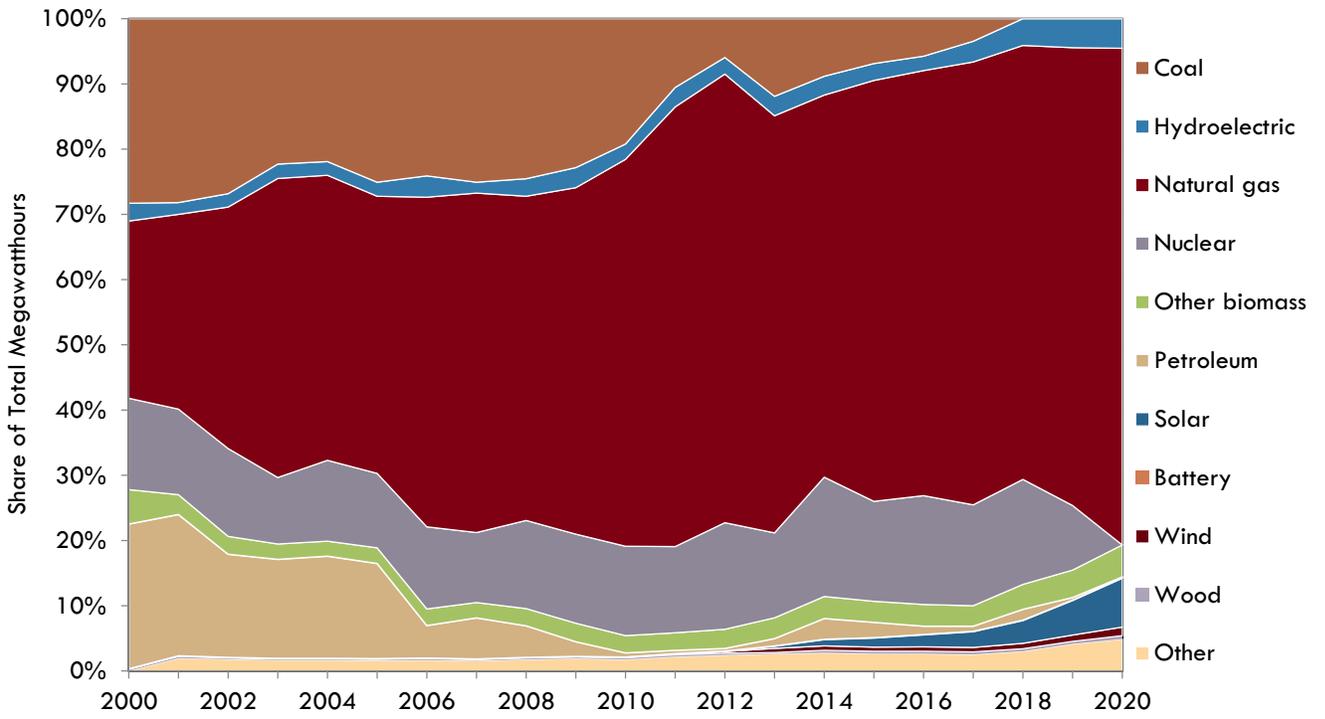
such as Asthma, and increase the presence of ticks that carry Lyme disease and mosquitoes carrying West Nile Virus. The risks vary across the state, within communities, and from resident to resident. Vulnerability to climate change is a function of exposure, sensitivity, and adaptive capacity. The most 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.

Citing the environmental risks of climate change, in March 2021, Governor Baker signed a net-zero emissions law setting the goal of Massachusetts achieving net-zero emissions by 2050. The law sets interim emission targets and sets targets for six sectors: electricity, transportation, commercial and industrial buildings, residential buildings, industrial processes, and natural gas distribution. Currently, Massachusetts consumes about 15 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 two other states, New York and California. Furthermore, according to the US Energy Information Administration, Massachusetts used less energy per capita than all but six other states in 2019.

Over the past 20 years, Massachusetts has increasingly been reliant on natural gas for electric power generation, with the share of electric power from natural gas more than doubling from 2001 to 2020; (Figure 18). 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 ninth in the U.S. in net generation from all solar in 2020. Electricity prices in Massachusetts are higher than in the nation as a whole. In December 2021, Massachusetts consumers faced the third highest electricity prices in the nation. Nationwide, energy prices rose in the first half of 2022 when the onset of the war in Ukraine and sanctions on Russia limited the supply of oil. While oil and gasoline prices have begun to decline, there is continued uncertainty and the U. S. Energy Information Administration forecasts continued growth in nominal residential electricity prices.

Figure 18. Electric Power Generation by Primary Energy Source, 2000-2020



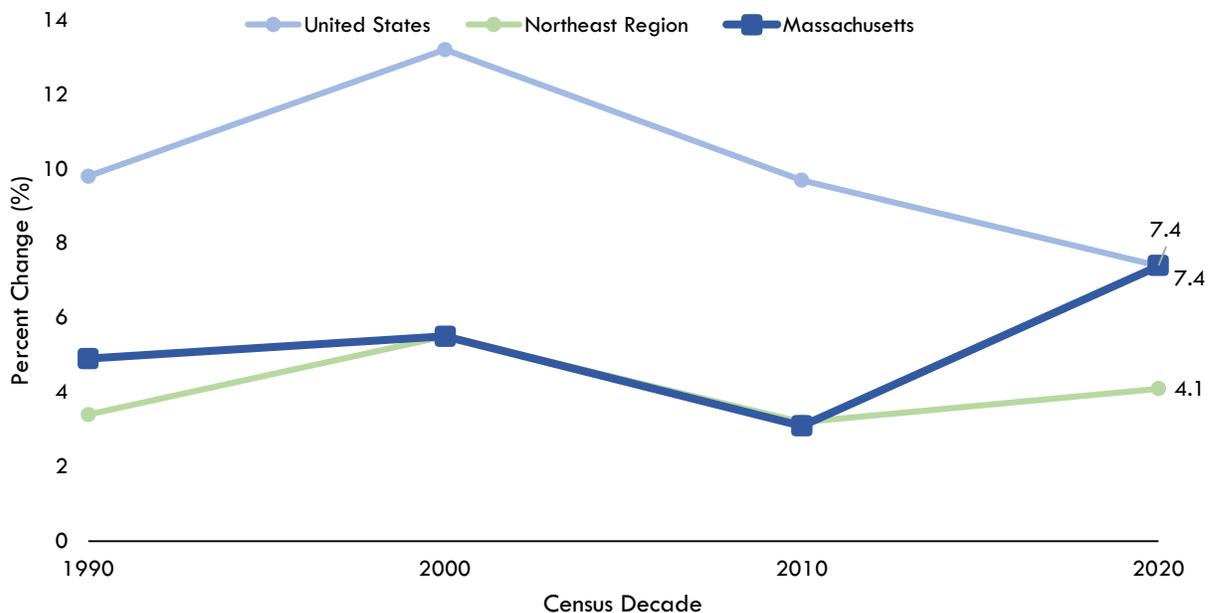
Source: U.S. Dept. of Energy, <http://www.eia.doe.gov/>; state electricity profiles.

Note: Other includes batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, tire-derived fuels and misc. technologies. Pumped storage is omitted from the graph because it represents the storage of power generated elsewhere rather than newly generated power.

Residents

Just over seven million residents called Massachusetts home in 2020, an increase of 7.4 percent since 2010, making it the fastest-growing state in the Northeast. The 2020 Decennial Census P.L. 94-171 Redistricting dataset, which was released in August 2021, provides a snapshot of Massachusetts' population and how it has changed over the past decade. From 2010-2020 the population increased by 482,288 people, from 6,547,629 to 7,029,917 (7.4%). In contrast, the average population growth in the Northeast was 4.1 percent (Figure 19).⁴

Figure 19. Change in Resident Population by Decade



Source: U.S. Census Bureau; UMDI analysis

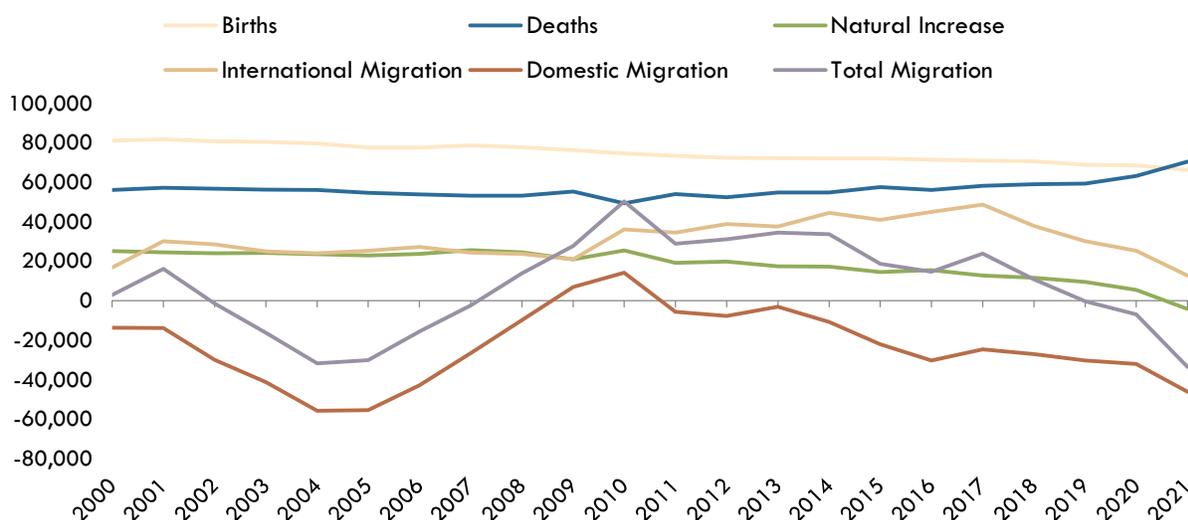
Increasing levels of international migration have driven population growth in Massachusetts over the last couple of decades. Conversely, migration from Massachusetts to other states has increased. Natural increases in the population have slowly declined largely due to an aging population and declining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

⁴ The Northeast includes: Maine, New Hampshire, Vermont, Massachusetts, New York, Connecticut, Rhode Island, Pennsylvania, and New Jersey.

Interestingly, a higher proportion of immigrants in the state hold a graduate degree (22%) than native-born residents (20%) (Figure 21).

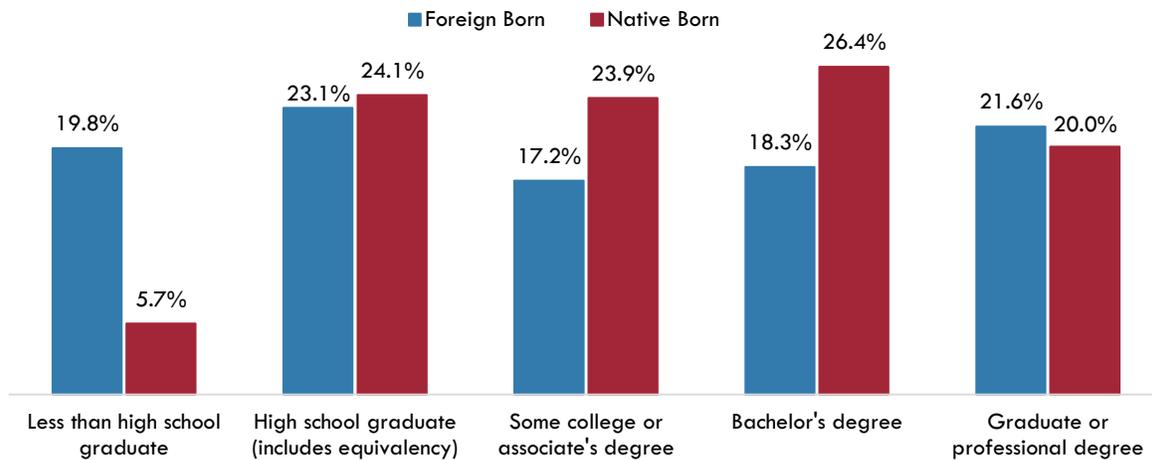
While the population in Massachusetts has grown strongly over the past decade, the latest population estimates showed a 0.6 percent decline in the state’s population from April 2020 to July 2021. This cumulative decrease is more substantial than other Northeast states, with the exception of New York,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

Figure 20. Massachusetts Estimated Components of Population Change, 2000-2021



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

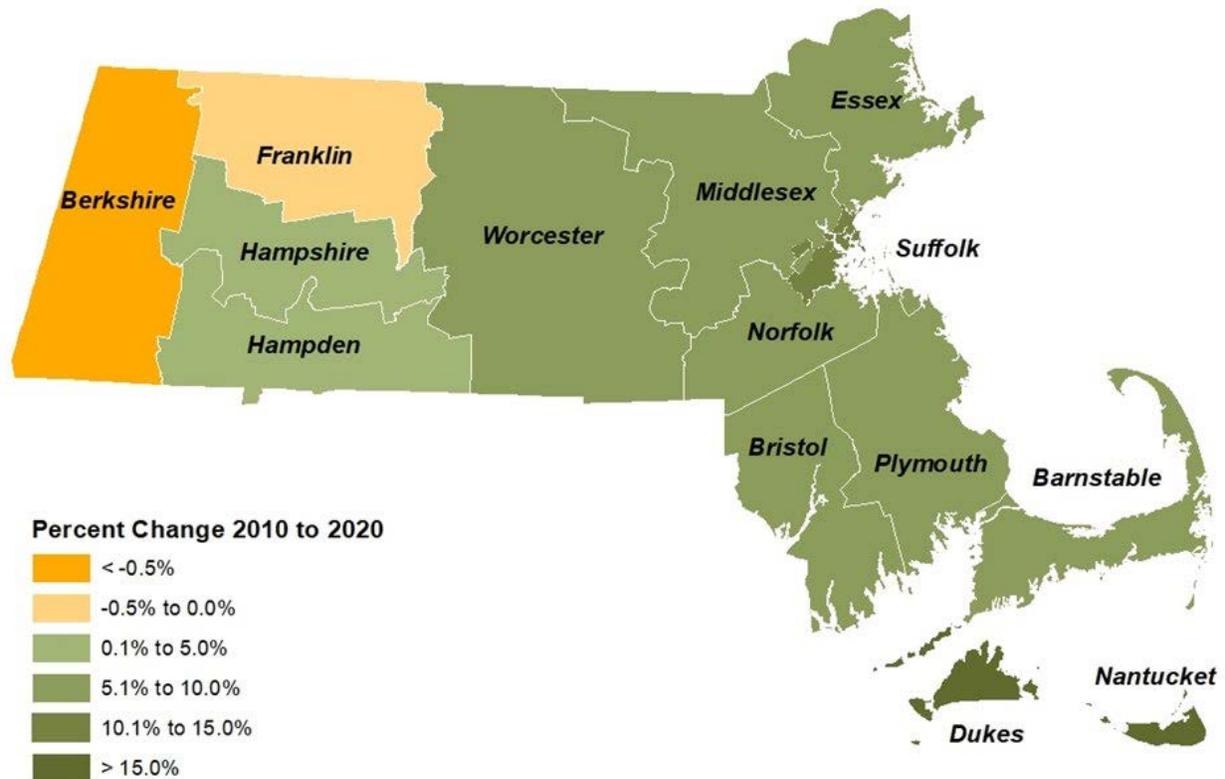
Figure 21. Educational Attainment of the Foreign Born in Massachusetts, 2019



Source: U.S. Census Bureau, 2019 1-Year American Community Survey; UMDI analysis. Note: Instead of providing the standard 1-year data products, the Census Bureau released experimental estimates from the 1-year data for 2020, thus we present 2019 estimates.

Overall, population growth in the state between 2010 and 2020 was uneven. Population growth, much like the previous decade, was strongest in the eastern part of the state, particularly in the Greater Boston region. Middlesex County saw the largest growth in absolute terms and grew at a rate of 8.6 percent. It was followed by Essex and Worcester Counties, which grew at rates of 9 and 8 percent respectively, all faster than the state as a whole. In terms of percentage change, the fastest population growth since Census 2010 was observed in the small island counties of Nantucket and Dukes, at 40.1 percent and 24.6 percent respectively. The two western-most counties, Franklin and Berkshire, saw small population declines over the last decade (Figure 22).

Figure 22. Percent Change in Massachusetts County Population, Census 2010 to Census 2020



Source: UMDI, U.S. Census Bureau

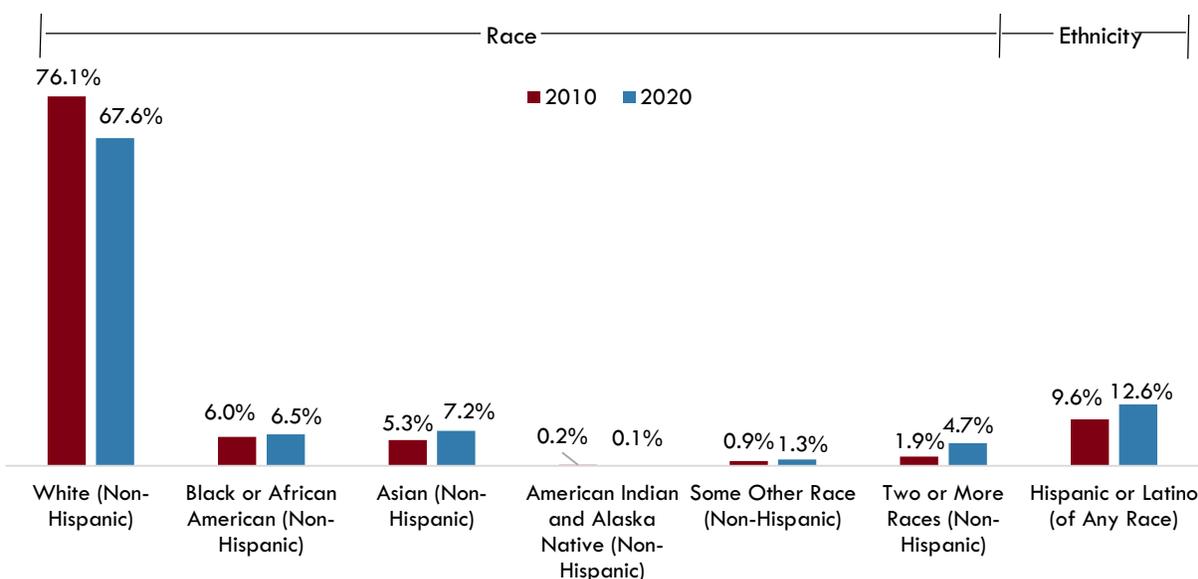
The population growth trends in Massachusetts reflect trends in the U.S. over the past decade. Metropolitan areas and urban and suburban counties grew much more rapidly than small places and rural counties. Similarly, in Massachusetts, population growth has been clustered around the Greater Boston area and Gateway Cities. The cities that grew the most in absolute terms were Boston, Worcester, Cambridge, Lawrence, and Brockton. In addition, all but two of Massachusetts’ 26 “Gateway Cities” showed Census 2020 population counts greater than the Vintage 2020 evaluation estimates⁵, which are based on the 2010 Census, suggesting that growth in these cities out-performed the Census Bureau’s estimates. The Gateway Cities account for 15 out of the 25 most populous places in Massachusetts, and 25 out of the top 40.

⁵ The UMass Donahue Institute Population Estimates Program produces population projections for the Commonwealth of Massachusetts, the most recent of which were developed in 2018 (referred to as Vintage estimates) and included estimates for 2020, for which we now have Decennial Census data. UMDI is currently producing new estimates, set for release later this year.

The four slowest growing Gateway Cities were all in Hampden County. Hampden County, along with Berkshire, Franklin, and Hampshire counties, is located in the Western Massachusetts region, which had a much slower rate of growth than Massachusetts as a whole, 0.5 percent. Furthermore, the region grew at a slower rate from 2010 to 2020 than it had from 2000 to 2010 (1.1% from 2000 to 2010; 0.5% from 2010 to 2020). Both Berkshire and Franklin counties have been declining in population since 2000, while Hampden and Hampshire counties have seen modest growth. In contrast the Cape and the Islands region has experienced a dramatic increase in population. The Island of Nantucket was the fastest growing place in Massachusetts followed by Martha’s Vineyard. Cape Cod also experienced increased growth compared to the prior decade, growing at a rate of 6.1 percent. The strong growth in these areas that had seen declines from 2000 to 2010 may be attributable to the pandemic, as more individuals could choose where to live untethered from where their employer was located. It is unclear whether this trend will continue.

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 23). The state’s population is older than the nation as a whole—the median age is 39.6 compared to 38.2 for the nation. The Commonwealth has the lowest median age in New England and, due to the presence of higher education institutions, young adults are somewhat overrepresented in the Commonwealth, 21 percent of residents are between the ages of 20-34 compared to 20 percent in the U.S.

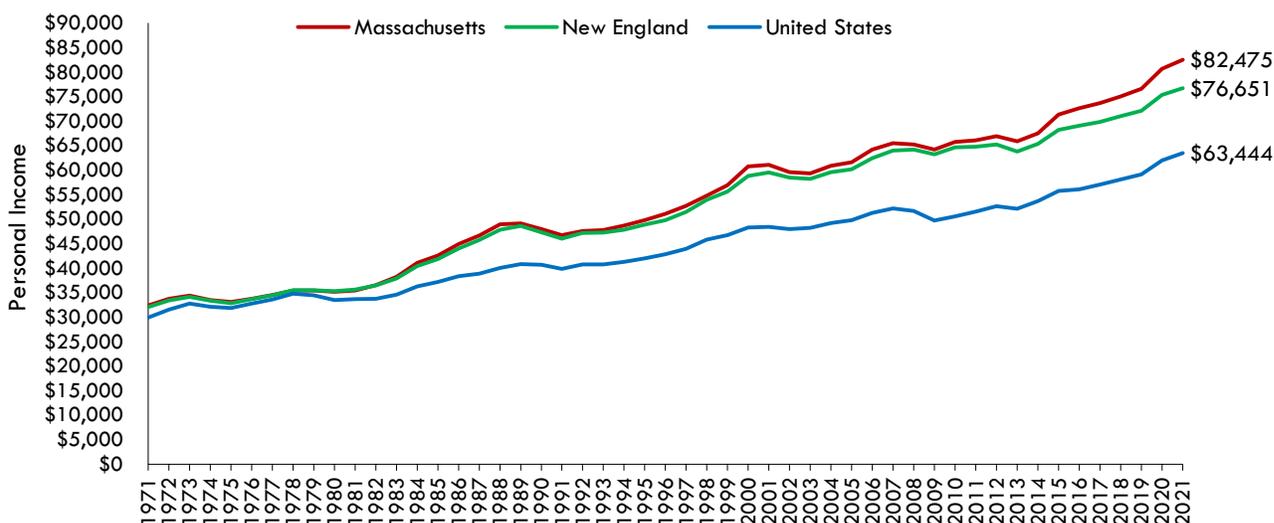
Figure 23. Share of Total Massachusetts Population by Race and Ethnicity in 2010 and 2020



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 2021, Massachusetts had the highest real per capita personal income in the nation, excluding the District of Columbia. The Commonwealth’s real per capita income was nearly \$82,500 compared to approximately \$77,000 in New England and just under \$63,000 in the U.S. (Figure 24). The relatively high-income levels reflect the high level of education and the concentration of high-wage industries such as, health care, professional services, and finance and insurance. The poverty rate is lower in Massachusetts than in the nation as a whole at 9.4 percent compared to 12.3 percent. However, in several cities the poverty rate exceeds the state average: Holyoke, Springfield, and Worcester, all Gateway cities, have poverty rates of 15.2 percent, 10.9 percent and 10.7 percent, respectively. Boston is slightly above the state average with a rate of 9.6 percent. Higher rates of poverty in these Gateway Cities and Boston are particularly concerning because Gateway Cities are home to a large share of the state’s communities of color and immigrant communities. Forty-one percent of all people of color in Massachusetts live in Gateway Cities and 18 percent live in Boston. Furthermore, 36 percent of Massachusetts immigrants live in Gateway Cities and 17 percent live in Boston. The concentration of poverty in these cities raises concerns about equity and quality of life.

Figure 24. Real Per Capita Personal Income in Massachusetts, the United States, and New England, 1971-2021 (in \$2021)

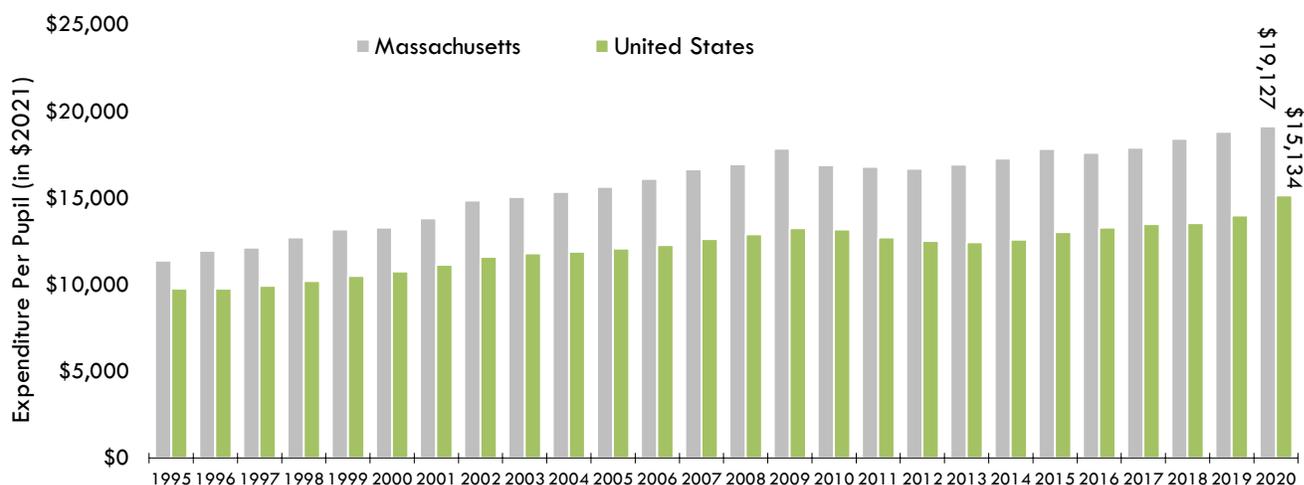


Source: U.S. Department of Commerce, Bureau of Economic Analysis

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 25). Furthermore, students in Massachusetts’ K-12 public schools consistently outperform their peers in the U.S. on national assessments. The state has the most well-educated population in the country, with 45 percent of all residents 25 years of age or older earning a bachelor’s degree or more. However, educational attainment varies significantly across racial groups: Black and Hispanic residents are less likely to have a bachelor’s degree than the state average, at 28 percent and 21 percent respectively. Forty-

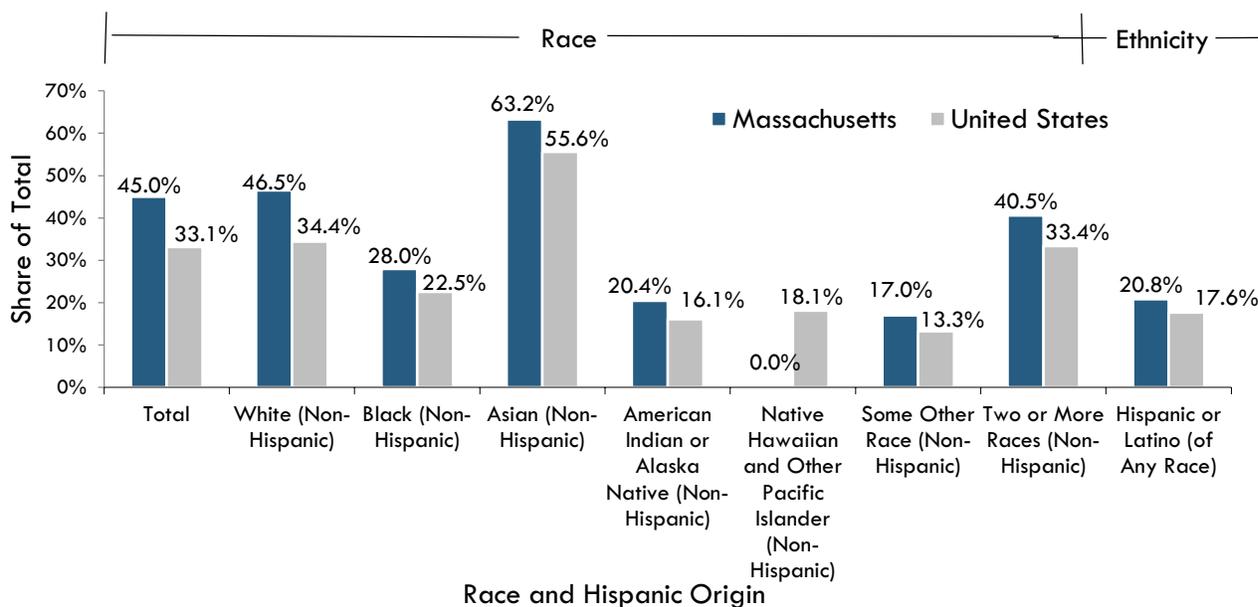
seven percent of white residents and 63 percent of Asian residents hold a bachelor's degree or higher. That said, across all racial groups, educational attainment rates are higher than the national average (Figure 26). The well-educated population supports and is a product of the concentration of elite 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 is down from nearly 74,000 in the 2019/2020 academic year to 66,200 students in the 2020/2021 academic year. This marks the first time since 2003 that enrollment of international students declined, this was likely due to pandemic-related travel restrictions and the temporary transition to remote learning in many higher education institutions.

Figure 25. Per Pupil Expenditure in Public Elementary and Secondary Schools (in \$2021)



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

Figure 26. Persons in Massachusetts and the United States 25 Years and Older with a Bachelor's Degree or Higher by Race and Ethnicity in 2019

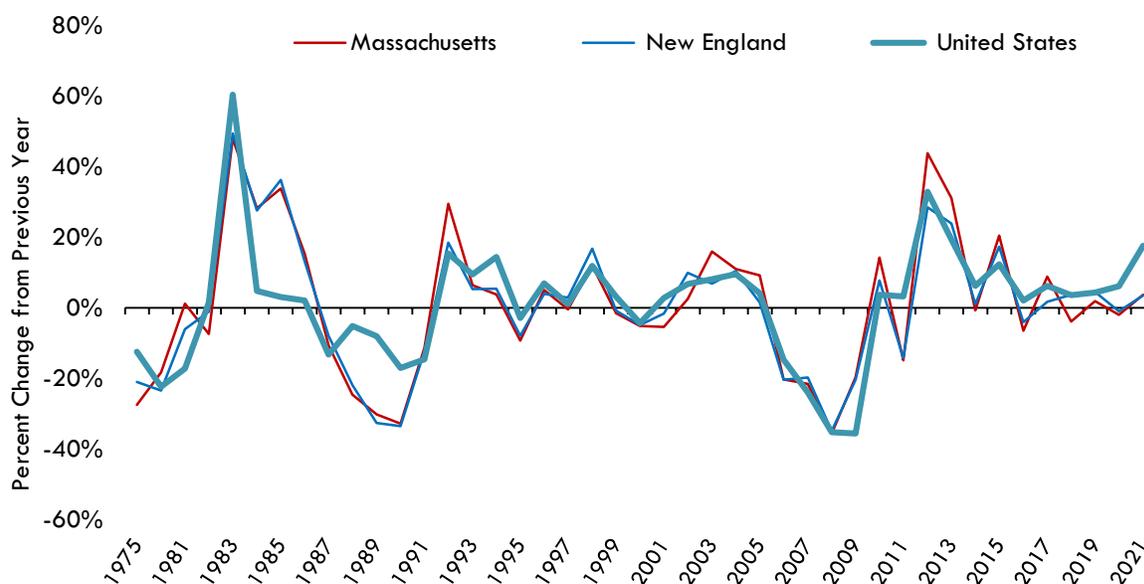


Source: U.S. Census Bureau, 2019 1-Year American Community Survey; UMDI analysis. Note: Instead of providing the standard 1-year data products, the Census Bureau released experimental estimates from the 1-year data for 2020, thus we present 2019 estimates.

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. Median sales price of existing homes increased to \$530,000 from

\$460,000 in 2020, a 15.2 percent increase. Prices have remained well above the national median of \$347,100. Construction is not keeping up with demand. Preliminary data shows that nationally, the number of building permits increased 17.6 percent from 2020 to 2021, but in Massachusetts permits only increased a modest 3.7 percent over the same period (Figure 27).

Figure 27. Housing Units Authorized by Building Permit, Percent Change from Previous Year



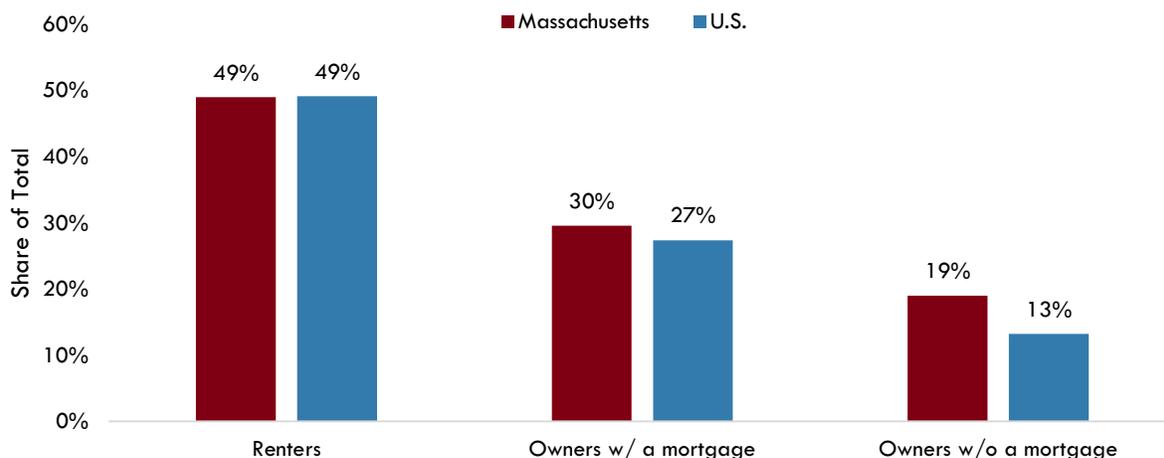
Source: U.S. Census Bureau; UMDI analysis

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

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 2020 compared to 5.8 percent nationally. Mirroring rates in the U.S., nearly half or renters are cost burdened, meaning they spend over 30 percent of their income on housing costs, and a quarter (24%) of Massachusetts renters are severely cost burdened, meaning they spend 50 percent or more of their income on housing (Figure 28). In contrast, 30 percent of owners with a mortgage are cost burdened and less than 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 48 percent of renters were cost burdened in 2020, compared to 53 percent in Springfield Metro, 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

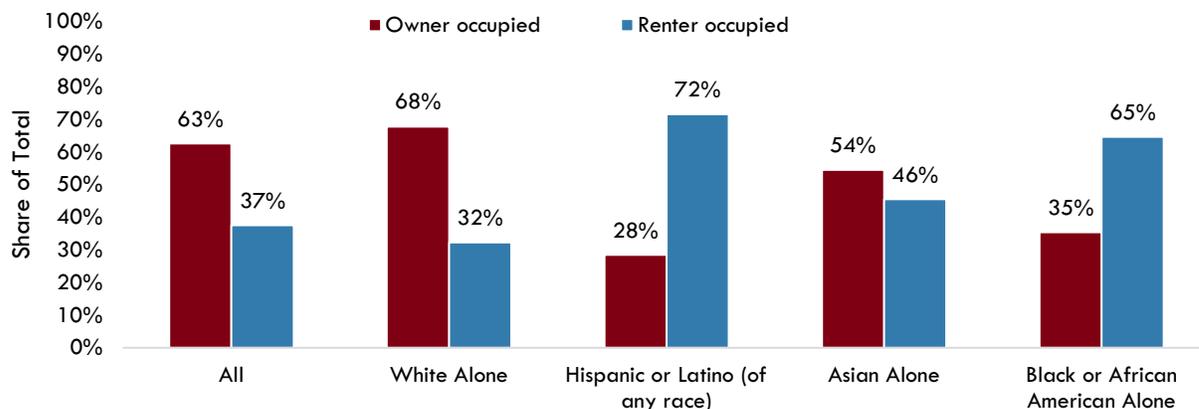
disproportionate rate that people of color rent, where they live, and their substantially lower levels of wealth than their white peers.

Figure 28. 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 2016-2020 5-Year Estimates, Table DP04, A through I.

Figure 29. Housing Tenure in Massachusetts in 2020 by Race and Ethnicity



Source: ACS 2016-2020 5-Year Estimates, Table B25003, A through I.

Overall, 63 percent of households in Massachusetts are owner-occupied and 37 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 29). 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. Governor Baker has proposed directing \$270 million in funds support housing production; however, the legislation remains under consideration by the legislature.

EXHIBIT B

STATUTORY BASIS FINANCIAL REPORT

Commonwealth of Massachusetts

STATUTORY BASIS FINANCIAL REPORT FISCAL YEAR ENDING JUNE 30, 2021

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

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

4' SHLDR
12'
12'
4' SHLDR

CENTER LINE,
YELLOW, 8" WIDE

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

133.8°

JURISDICTION
CHANNEL
(SHOULDER)
8" WIDE

Commonwealth of Massachusetts



Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2021

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

This document is available at the Comptroller's website: www.macomptroller.org

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

Best wishes on the occasion of your retirement.

Route 2 near Wheeler Brook, Savoy, Massachusetts

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Edited by the Office of the Comptroller

Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2021

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Introductory Section



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November 19, 2021

His Excellency Charles D. Baker
Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, MA 02133

Secretary Michael J. Heffernan
Executive Office for Administration & Finance
State House, Room 373
Boston, MA 02133

Honorable Aaron Michlewitz, Chair
House Ways and Means Committee
State House, Room 243
Boston, MA 02133

Honorable Michael J. Rodrigues, Chair
Senate Ways and Means Committee
State House, Room 212
Boston, MA 02133

Mr. Steven T. James
Clerk of the House of Representatives
State House, Room 145
Boston, MA 02133

Mr. Michael D. Hurley
Clerk of the Senate
State House, Room 335
Boston, MA 02133

Dear Sirs:

The Office of the Comptroller hereby files the Commonwealth's Statutory Basis Financial Report (SBFR) for Fiscal Year 2021, the 12-month period ended June 30, 2021.

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

Pursuant to M.G.L c. 7A, § 12, the Comptroller is required to file the SBFR with the Governor, the Secretary of Administration and Finance, the House and Senate Committees on Ways and Means, the Clerks of the House and Senate, and any other Parties specified in general or special law by October 31 of each year.

The October 31 due date was not achievable, given that the final FY2021 Supplemental Appropriations Act was enacted on October 20, 2021. This filing comes nearly three weeks after

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

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "William McNamara". The signature is written in a cursive style with a clear, legible font.

William McNamara
Comptroller of the Commonwealth

Report Summary

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

During FY21, budgeted fund tax revenues increased by \$4.159 billion, or 15.1%, from FY20, as the national and Massachusetts economies recovered from the COVID-19-induced recession. Before transfers between budgeted funds (which do not affect total budgeted fund balances), total budgeted fund revenues and other financing sources increased by \$9.566 billion, or 20.2%. Budgeted fund expenditures and other financing uses increased by \$2.098 billion, or 4.5%, primarily due to increases in Medicaid spending, additional payments to hospitals that care for the uninsured, and higher contributions to the state pension system to pay down the Commonwealth’s unfunded pension liability. A detailed analysis of revenue and spending changes, as well as the economic factors that affected the budget, is included in the sections that follow.

Overview of the Financial Statements

This report focuses primarily on the Commonwealth’s budgeted funds. For the budgeted funds, the activity (inflows and outflows) and balances (assets and liabilities) of each fund are presented separately. For all other funds included in this report, the activity – inflows and outflows – is presented in tabular form, but per statute, the full balance sheets for each fund are not shown.

The financial operations of these funds are maintained in the Massachusetts Management Accounting and Reporting System (MMARS), the statewide accounting system, which is operated by the Commonwealth and contains detailed information summarized in this report.

The SBFR satisfies the requirements of state finance law and to present the results of FY21 activity in the Commonwealth’s funds. The report contains computations required by state finance law, including the certification of the state’s consolidated net surplus and the balances in the Stabilization Fund.

Basis of Accounting and Definition of the Consolidated Net Surplus

The statutory (or budgetary) basis of accounting, as defined in Massachusetts law, is used to budget and control the Commonwealth’s fiscal operations. The statutory basis of accounting does not conform with accounting principles generally accepted in the United States of America (GAAP) as defined for governments by the Governmental Accounting Standards Board (GASB). In addition, per statute, the Commonwealth-managed fiduciary funds are not included in this presentation. The Comptroller’s Office will report the Commonwealth’s financial position on a GAAP basis in the State’s Annual Comprehensive Financial Report (ACFR). That report provides a basis for comparison with other jurisdictions, as the accounting rules for the ACFR are the same for all governments, whereas the statutory basis of accounting may differ across states. There are significant differences between what is contained in the SBFR and what will be presented in the GAAP-based ACFR, the major ones being that the ACFR

reflects capital assets and depreciation expense, all types of long-term obligations – including debt, pensions, and other post-employment benefits (or OPEB, which are mainly retirees’ health insurance benefits) – and in the ACFR the financial statements are presented in an all-encompassing, net position and net expense format. In addition, the statutory basis of accounting is mainly cash-based, with a two month accounts payable period for expenses and accounts receivable for revenues received from other government entities.

The Commonwealth’s statutory basis of accounting, as set out in [Chapter 29 of the Massachusetts General Laws](#) (MGL), defines the “consolidated net surplus” or CNS as the ending “undesignated”, or unreserved, balances in the budgeted funds, that is, those funds subject to the state’s annual appropriation process, though by statute several budgeted funds (including the Federal COVID-19 Response Fund) are excluded from the consolidated net surplus calculation. State finance law defines a “balanced budget” as a consolidated net surplus of \$0 or greater. The largest of the budgeted funds are the General Fund and the Commonwealth Transportation Fund, which in FY21 together accounted for approximately 94.4% and 4.0%, respectively, of total budgeted fund expenditures and other financing uses. The remaining approximately 1.6% of budgeted fund activity comprises fifteen other funds, nine of which by statute are excluded from the consolidated net surplus calculations.

In accordance with Section 12 of Chapter 7A of the MGL, the Office of the Comptroller is required to transmit the SBFR by October 31st. However, due to the fact that the final FY21 supplemental budget bill was not enacted and signed into law until mid-October, this SBFR is being transmitted on November 19, 2021 in order to provide sufficient time to accurately incorporate the bill’s provisions into this report and have it reviewed by the Commonwealth’s independent auditor.

The SBFR for the fiscal year ended June 30, 2021 is reviewed, not audited, by the state’s independent auditor, CliftonLarsonAllen, and represents the closing of the Commonwealth’s books for the fiscal year.

The Economic Context

The funding available to the Commonwealth to finance its programs is determined largely by the performance of the state’s economy, particularly growth in employment and wages, which drive the personal income tax, the state’s largest revenue source, and the sales tax, which depends on the amount of income Massachusetts residents have available to spend. In FY21, the Commonwealth’s economy began to recover from the economic impact of the global Coronavirus or COVID-19 pandemic. Between June 2020 and June 2021, employment increased by approximately 294,600 jobs, or 9.3%, compared to an increase in employment of 5.8% for the United States as a whole. With the relatively rapid growth of the Commonwealth’s economy over the past year, as of June 2021 the Massachusetts unemployment rate was 4.9%, compared to 5.9% nationally.

The Budgeted Funds

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

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

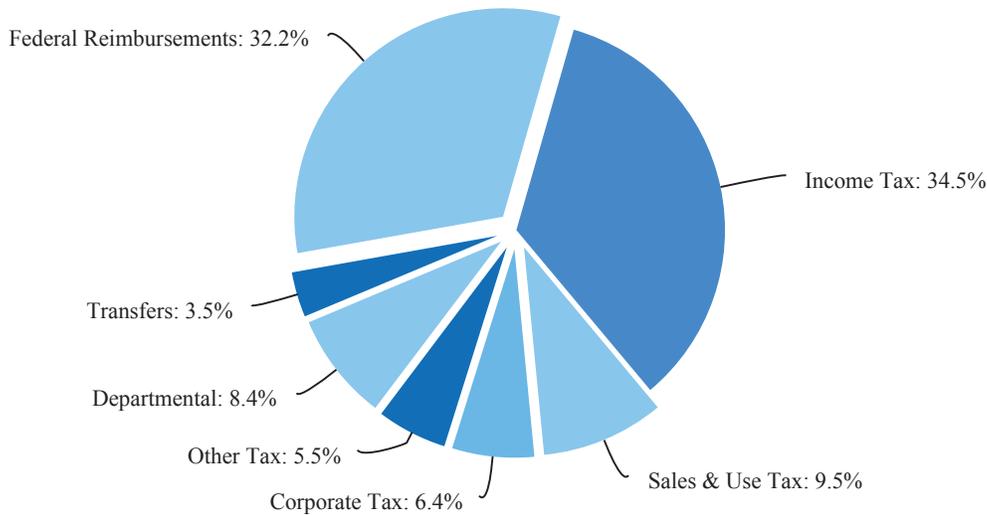
FY21 tax revenues ended the year at \$34.156 billion (including \$44 million in tax settlements exceeding \$10 million each), of which \$31.772 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds increased by \$4.159 billion, or 15.1%, from FY20, \$5.864 billion above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

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

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

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

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



FY21 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$56.882 billion, an increase of \$9.566 billion, or 20.2%, from FY20. Tax revenue growth picked up in FY21 as the Massachusetts economy reopened following a decline in FY20 due to the pandemic, with total taxes receipts increasing by \$4.159 billion, or 15.1% from FY20. All major tax types grew strongly in FY21. Total income tax collections increased by \$2.258 billion, or 13.0%, with personal income tax withholding growing by \$983 million, or 7.2%, non-withheld personal income tax increased by \$1.225 billion, or 35.9%, the latter driven in large part by growth in capital gains tax revenue, which totaled \$2.533 billion an increase of \$873 million, or 52.6%, from FY20. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) increased by \$1.206 billion, or 40.9% (with approximately \$50 million of that increase due to businesses taking advantage of a delay in the tax payment deadline from the first half of calendar year 2020 to July 2021, which shifted payments from FY20 to FY21) and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax) increased by \$629 million, or 13.1%, despite a \$131 million, or 12.1% decline in sales and meals taxes as the pandemic cut into restaurant dining. Other notable tax revenue changes include deeds excise revenues, which increased by \$83 million, or 26.4%, as the real estate market staged a strong recovery, cannabis sales and excise taxes, which also increase by \$83 million, or 116.8%, as the number of cannabis dispensaries expanded, and estate and inheritance taxes, which grew by \$88 million, 12.6%.

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

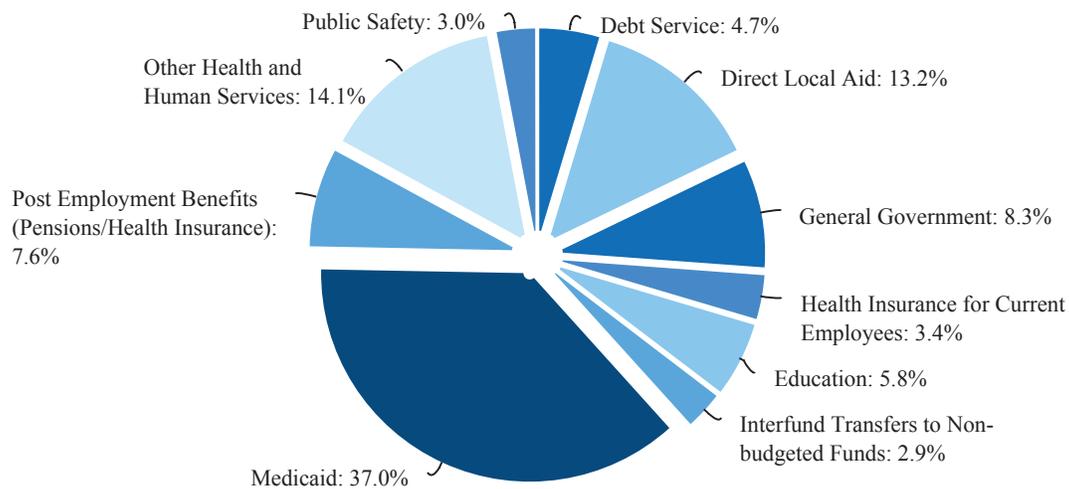
Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.776 billion, a decrease of \$145 million, or 2.9%, from FY20, with the largest revenue declines being a reduction of \$90 million in one-time health insurance assessments received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

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

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$1.996 billion, an increase of \$8 million, or 0.4%, from FY20, including a \$121 million, or 21.0% decrease in fringe benefit assessments resulting from reductions in payroll in higher education (which accounts for a significant share of the Commonwealth's a fringe benefit recoveries) as well as reduced non-budgeted personnel spending in coronavirus-related accounts. These reductions were offset by a \$123 million, or 12.7% increase in Lottery Fund transfers to the General Fund as Lottery profits recovered in FY21 from their coronavirus-induced slump in the fourth quarter of FY20 (see *Lottery and Gaming* section on page 10).

The Commonwealth continues to receive revenues, as it will in perpetuity, from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses. In FY21, the Commonwealth received \$246 million in tobacco settlement funds, an increase of \$16 million compared to FY20. Statute requires that a portion of tobacco settlement proceeds be transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds is deposited in the SRBTF in FY2022 and after. For FY21, the statutorily required transfer was 90% of tobacco settlement revenues; however, FY21 budget actions reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 90% to 10%. That action reduced the FY21 transfer to approximately \$25 million, compared to the statutorily required amount of \$221 million.

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



FY21 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$49.078 billion, an increase of \$2.098 billion, or 4.5%, from FY20, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$41.593 billion, an increase of \$1.726 billion, or 4.3%, from FY20. Medicaid expenditures totaled \$18.122 billion, an increase of \$1.100 billion, or 6.5%, from FY20, due to an approximate 10% increase in caseload during the coronavirus epidemic, when disenrollment of beneficiaries was suspended as long as a federally-declared public health emergency is in effect. Spending for direct local aid (both

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

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

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

In conducting the budget process, the Commonwealth excludes from its forecast those “interfund” transactions within the budgeted funds that are included in this report; these transactions by their nature have no impact on the combined fund balance of the budgeted funds. The Budgeted Funds - Operations table isolates this “interfund” activity from the budgeted sources and subtracts this revenue and spending to align forecasts prepared during the budget process and in bond disclosure documents to actual amounts in this report. In FY21, transfers among the Budgeted Funds totaled \$3.100 billion, an increase of \$2.087 billion, or 205.9%, from FY20, primarily due to transfers of \$1.116 billion in capital gains tax revenue deposited in the Stabilization Fund (there were no such transfers in FY20) and the \$1.460 billion to the Transitional Escrow Fund, which were partially offset by the expiration of annual transfers from the General Fund to the Commonwealth Transportation Fund and smaller deficit elimination transfers between the budgeted funds at fiscal year-end.

A detailed list of these interfund transfers is included in [Note 3](#) of the financial statements and [Schedule C](#) of the Supplemental Information section of this report.

Budgeted Funds - Operations
(Amounts in thousands)

	2021	2020
Beginning fund balances:		
Reserved and designated	\$ 776,645	\$ 521,274
Reserved for Stabilization Fund	3,501,181	3,424,376
Undesignated	17,379	13,547
Total	4,295,205	3,959,197
Revenues and other financing sources:		
Taxes	31,771,947	27,612,766
Federal reimbursements	18,338,990	12,794,687
Departmental and other revenues, including tobacco settlement	4,775,501	4,920,247
Interfund transfers from non-budgeted funds and other financing sources	1,996,000	1,988,432
Budgeted revenues and other financing sources	56,882,438	47,316,132
Intragovernmental Service Fund revenues	441,643	441,353
Interfund transfers among budgeted funds and other financing sources	2,658,449	571,925
Total revenues and other financing sources	59,982,530	48,329,410
Expenditures and other financing uses:		
Programs and services	41,592,766	39,866,322
Debt service	2,289,446	2,410,163
Post employment benefits	3,751,854	3,304,975
Interfund transfers to non-budgeted funds and other financing uses	1,444,400	1,398,664
Budgeted expenditures and other financing uses	49,078,466	46,980,124
Intragovernmental Service Fund expenditures	441,643	441,353
Interfund transfers among budgeted funds and other financing uses	2,658,449	571,925
Total expenditures and other financing uses	52,178,558	47,993,402
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	7,803,972	336,008
Ending fund balances:		
Reserved for Prior Appropriations Continued and Designated for Debt Service ..	1,099,338	776,645
Reserved for Stabilization Fund	4,626,419	3,501,181
Undesignated in Federal COVID-19 Response Fund	4,891,987	—
Undesignated in Transitional Escrow Fund	1,460,324	—
Other Undesignated	21,107	17,379
Total	\$ 12,099,175	\$ 4,295,205

***Budgeted Funds – Fund Balance (Including Stabilization Fund)
(Amounts in millions)***



The graph of Budgeted Funds - Fund Balance above portrays the combined fund balance in the budgeted funds for the past five years.

As of June 30, 2021, the ending balance is comprised mainly of the \$1.057 billion fund balance of the General Fund, \$4.892 billion in the Federal COVID-19 Response Fund, \$4.626 billion in the Stabilization Fund and \$1.460 billion in the Transitional Escrow Fund. Due to designations of fund balances, \$1.099 billion of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY21. The remaining \$21 million is undesignated in the budgeted environmental and other funds that are not included in the consolidated net surplus calculation and therefore was not transferred to the Transitional Escrow Fund at the close of FY21.

Lottery and Gaming

FY21 Lottery revenues and profits recovered from the decline caused by the coronavirus pandemic in the second half FY20. Gross Lottery revenues (including revenues from the Arts Lottery) grew from \$5.396 billion in FY20 to \$5.959 billion in FY21, an increase of \$564 million, or 10.4%. Lottery profits, after deducting administrative expenses and fringe benefit charges to reimburse the Commonwealth’s General Fund for pension and employee health insurance benefits, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gambling appropriations as mandated in the FY21 budget, totaled \$1.113 billion, an increase of \$126 million, or 12.7%, from FY20. Of that \$1.113 billion in profits, and as mandated in the FY21 General Appropriation Act, approximately \$1.014 billion was transferred to the General Fund to fund so-called Unrestricted General Government Aid (formerly Lottery Local Aid), \$18 million funded the Massachusetts Cultural Council appropriation, and \$1 million reimbursed a compulsive gambling program appropriation.

FY21 gaming revenues also recovered from the FY20 decline caused by the pandemic. FY21 budgeted fund tax revenues remitted to the Commonwealth by the Plainridge slot machine parlor, which are equal to 40% of gross profits (or “gross gaming revenues”) from slot machines, totaled approximately \$49 million, an increase of approximately \$11 million, or 27.6% from FY20, but still well below the FY19 pre-pandemic revenue of \$68 million. An additional \$11 million in non-budgeted fund revenue, equal to 9% of gross gaming revenue from the slot machines, was earmarked for the advancement of horse racing. Revenues from the Springfield casino (equal to 25% of gross gaming revenue) totaled \$51 million, an increase of \$7 million, or 16.6%, from FY20. Taxes from the first

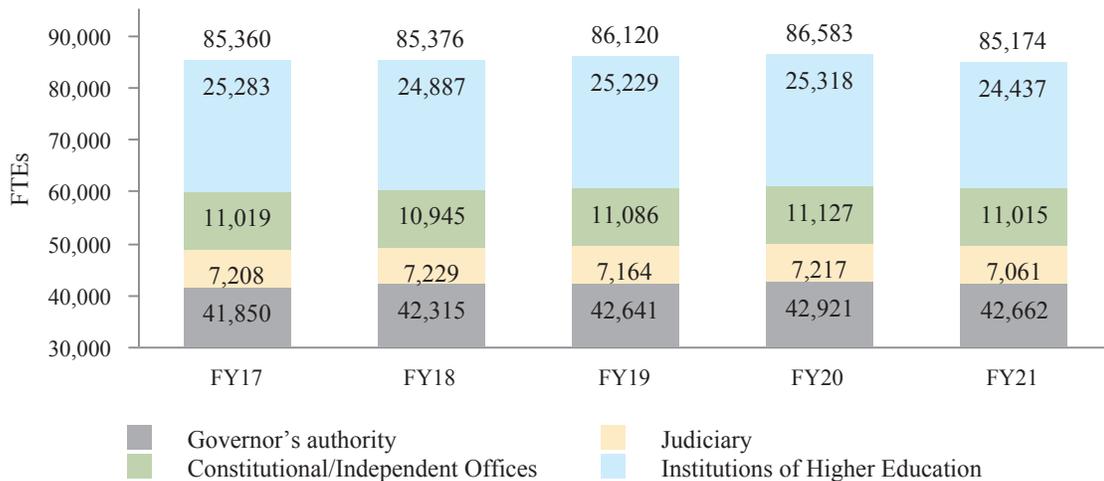
fully fiscal year of gaming operations of the Everett casino (also equal to 25% of gross gaming revenues) totaled \$123 million during FY21, up \$18 million, or 17.2%, from FY20 .

Statute requires that all tax revenues from the Plainridge slots parlor and a portion of the tax revenues from the Springfield and Everett casinos are allocated to fund unrestricted local aid. The FY21 General Appropriation Act allocated \$114 million in gaming revenues to local aid, but taxes on gaming revenues deposited in the Gaming Local Aid Fund generated only \$84 million, with the remaining \$30 million funded by the Commonwealth’s other budgeted funds.

Full-Time Equivalent Employment

The chart below shows the Commonwealth’s full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2021, the number of Commonwealth employees decreased by a net of 1,409 full-time equivalent employees (FTEs) from June 30, 2020, to a total of 85,174. The largest decreases were in the Higher Education system, where FTEs declined by 1,308, with the University of Massachusetts dropping by 847, Community Colleges dropping by 244 FTEs, and State Universities declining by 217 due to furloughs, attrition, and layoffs in response to the declines in fee revenue caused by the COVID-19 pandemic. The Executive Office of Health and Human Services also reduced its FTE count by 430 compared to June 30, 2020.

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



The Stabilization Fund

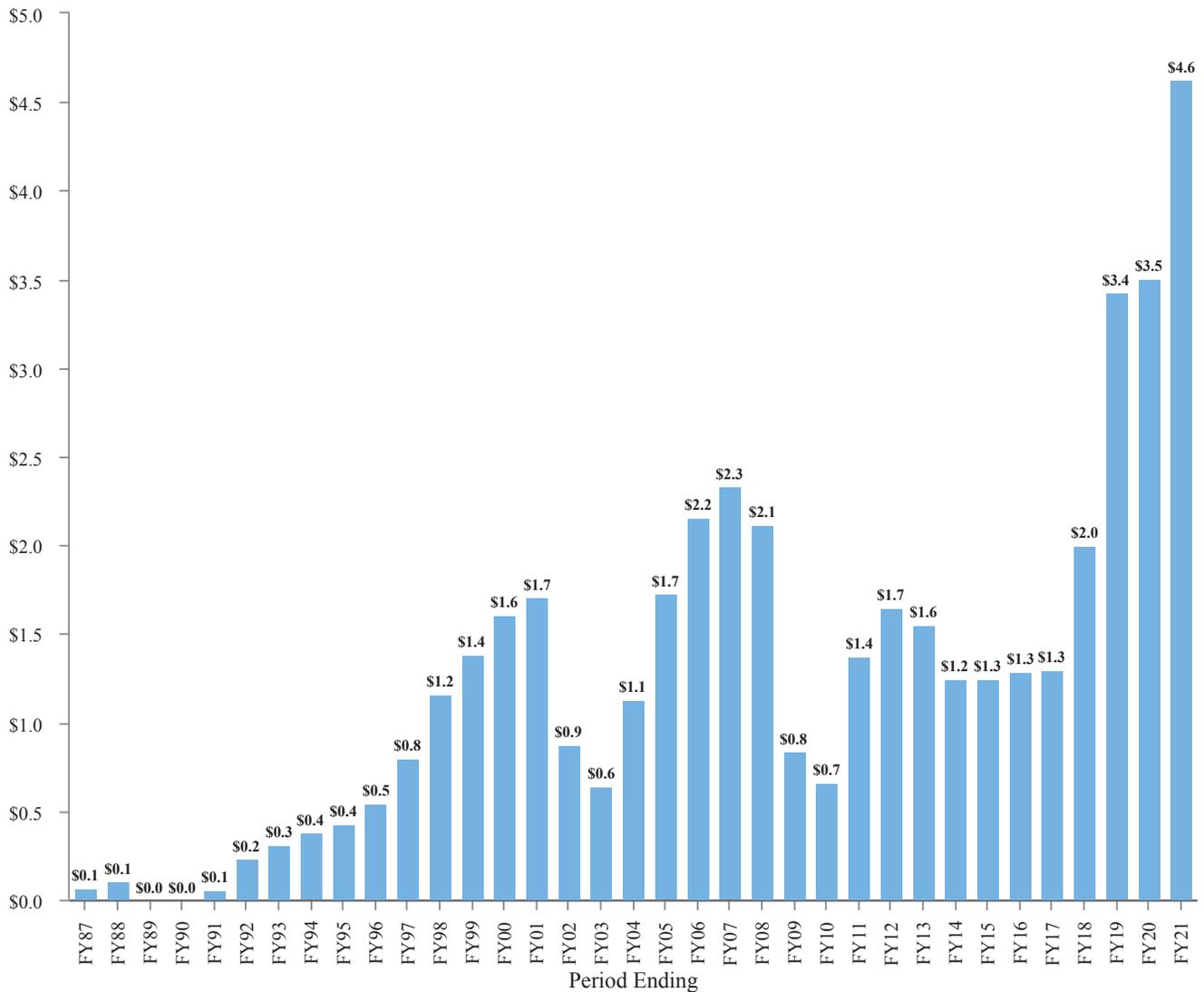
The Stabilization (or rainy day) Fund provides a reserve to be used in the event of an economic downturn or other fiscal emergency. The balance of the Stabilization Fund increased by \$1.125 billion, to \$4.626 billion, between FY20 and FY21, with the main sources of growth being the transfer of capital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

Massachusetts state finance law includes a statutory requirement to transfer tax revenue attributable to capital gains above an annual threshold to the Stabilization Fund, State Pension Liability Fund, and State Retiree Benefits Trust Fund. The FY21 capital gains tax threshold, as determined by the Department of Revenue, was \$1.312 billion. In July 2021, the Department of Revenue certified that FY21 tax collections attributable to capital gains totaled \$2.533

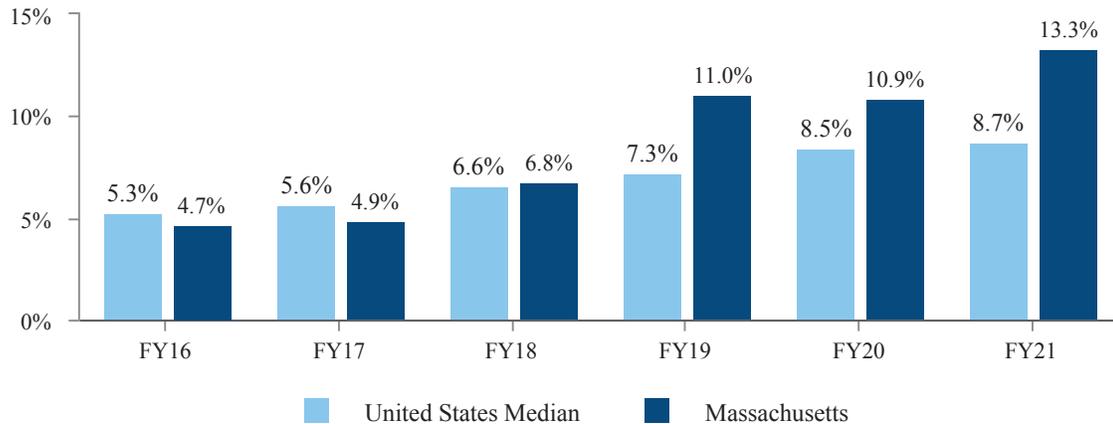
billion, 90%, or \$1.098 billion of which was transferred to the Stabilization Fund, with the remaining \$122 million divided equally between the Commonwealth pension fund and State Retiree Benefits Trust Fund (which funds post employee health benefits). During the fiscal year, the Stabilization Fund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

The following two charts show the end of fiscal year Stabilization Fund balances since the inception of the fund in FY87, and the Stabilization Fund balance as a percentage of General Funds own-source expenditures over the past five fiscal years, compared to the median of all states.

Stabilization Fund Balance
(Amounts in billions)



**Stabilization Fund Balance as a Percentage of General Fund Own-Source Expenditures
Massachusetts vs. Median of all U.S. States**



Rainy day fund balances are typically measured both in terms of the absolute size of those funds and the funds’ balances as a percentage of General Fund expenditures, with the latter calculation taking into account a state’s level of spending that stabilization funds are required to cover when economic downturns cause unanticipated declines in states’ tax revenues and increases in demand for state services. According to The National Association of State Budget Officers’ (NASBO) *Spring 2021 Fiscal Survey of the States*, at the close of FY20 (the most recent year for which final rainy day fund balances were available for all states), the Commonwealth Stabilization Fund’s balance of \$3.501 billion was the third largest in the nation in absolute terms, and Massachusetts will again have the third largest Stabilization Fund balance at the end of FY21. As a percentage of total General Fund expenditures (after subtracting federally reimbursed General Fund expenditures, since all other states in the NASBO survey exclude such spending from their General Fund totals, making their Stabilization Fund percentage calculations a proportion of “own-source” General Fund expenditures), the Commonwealth’s FY20 Stabilization Fund balance of 10.9% as a percentage of General Fund own-source expenditures was well above the national median of 8.5%. For FY21, the Commonwealth’s Stabilization Fund balance as a percentage of General Fund own source expenditures was 13.3%, well above the projected national median of 8.7% as reported in the NASBO Spring survey.

With the \$1.125 billion added to the Stabilization Fund balance in FY21, the Fund’s balance has risen to its highest level since its creation in FY87.

The Non-Budgeted Funds

The Non-Budgeted Funds represent operations in which the government has imposed its sovereign authority but has excluded these operations from the annual budget process. During FY21, the Commonwealth maintained 125 non-budgeted funds, while another 40 were inactive.

The largest non-budgeted funds in terms of operating revenues include the State Lottery and Gaming Fund, the Federal Grants Fund, the MBTA State and Local Contribution Trust Fund (which accounts for sales tax revenue dedicated to and transferred to the MBTA), Coronavirus Relief Fund (established in FY20, which accounts for revenue received from the federal government under the Coronavirus Aid, Relief, and Economic Security, or CARES, Act), the School Modernization Trust Fund (which accounts for sales tax revenue dedicated to and transferred to Massachusetts School Building Authority), the Commonwealth Care Trust Fund, the Medical Assistance Trust Fund, the Health Safety Net Trust Fund, the MassHealth Delivery System Reform Trust Fund, the Convention and Exhibition Center Fund and the Massachusetts Transportation Trust Fund. Other funds that show large inflows include the Grant Anticipation Notes Trust Fund, which is funded by federal highway spending reimbursements.

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Commonwealth received \$2.461 billion in federal revenue during FY20, of which \$761 million was spent in during that fiscal year and \$1.309 billion was expended spent in FY21, allocated to eligible COVID-19 related expenditures. (The Coronavirus Relief Fund financial statement is shown on page 134 of this report.) FY21, the Commonwealth received an additional \$5.286 billion in federal American Rescue Plan Act (ARPA) funds, of which \$4.892 billion was transferred to the newly established Federal COVID-19 Response Fund (a budgetary fund, subject to appropriation) and carried forward for allocation in FY22, \$109 million was distributed to certain cities and towns to equalize COVID-19 aid under the CARES Act, \$10 million was allocated to the Lottery for a program to encourage COVID-19 vaccinations, \$75 million was transferred to the COVID-19 Emergency Paid Sick Leave Fund, and \$200 million remained in the Federal Grants Fund for spending on other COVID-19 relief programs. In addition to the CARES Act and ARPA funding, approximately \$1.314 billion in coronavirus-related expenses were incurred by programs in the Commonwealth's non-budgetary Federal Grants Fund.

The table on the following page, Non-Budgeted Special Revenue Funds - Operations, summarizes the FY21 non-budgeted funds. A Statement of Revenues, Expenditures and Changes in Fund Balance is presented in a table within this report for each of the individual non-budgeted funds in the financial section of this report. The table includes the State Lottery Funds, where Lottery revenues and expenditures occur prior to Lottery profits being transferred to the General Fund to reimburse it for local aid and other appropriations. The \$257 million FY21 operating deficit in the non-budgeted funds is primarily due to the fact that the Coronavirus Relief Fund spent down revenues that it received in FY20.

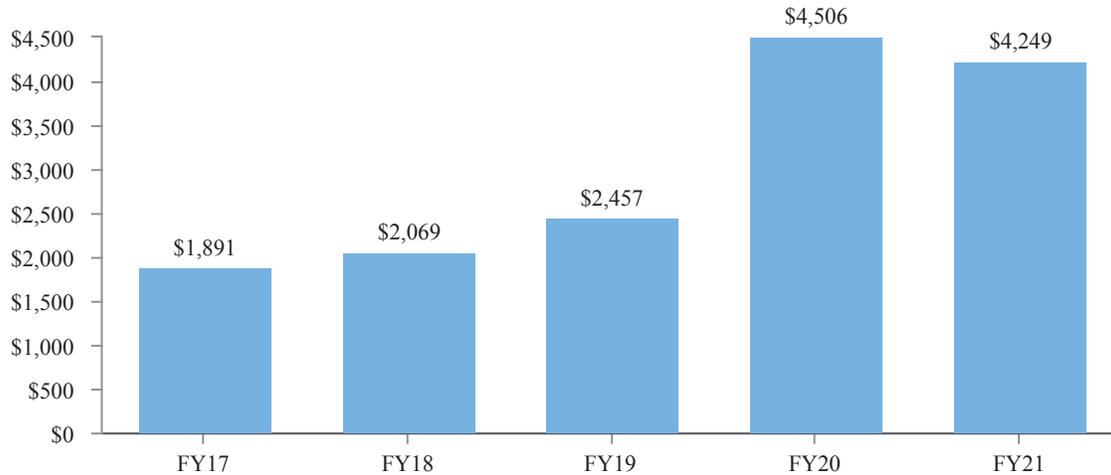
Non-Budgeted Special Revenue Funds - Operations
(Amounts in thousands)

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

In FY21, \$80 million of the Commonwealth's federal transportation funds were used to repay prior year expenditures, which were financed through Federal Grant Anticipation Notes (GANs). In addition, approximately \$33 million in interest payments for the GANs were funded by a General Fund appropriation.

The following chart, Non-Budgeted Special Revenue Funds - Fund Balance, shows the combined fund balance in the Non-Budgeted Special Revenue funds for the past five years.

Non-Budgeted Special Revenue Funds – Fund Balance
(Amounts in millions)



Individual non-budgeted funds that represent approximately 78% of total non-budgeted fund FY21 year-end balances include:

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

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

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

As noted in previous years, the Government Land Bank Fund has a continuing structural fund deficit. The FY21 deficit balance of approximately \$35 million remains an unbudgeted drain on the Commonwealth’s cash pool. While steps have been taken to stop the growth in this deficit, the Fund should be abolished and the deficit transferred to the General Fund. More consolidation and elimination is needed for the non-budgeted special revenue funds generally.

The Capital Projects Funds

The purpose of the capital project funds is to account for the construction or acquisition of capital assets. The Governor may propose capital outlay budgets which, upon enactment by the Legislature and approval by the Governor, become capital outlay acts. Capital outlay acts financed through the sale of debt require a two-thirds vote of the Legislature. Numerous acts may be combined for reporting in an individual capital projects fund, but each act is accounted for separately within the fund. These accounts record authorizations for expenditures in itemized capital appropriation accounts and equivalent authorizations to issue bonds or notes.

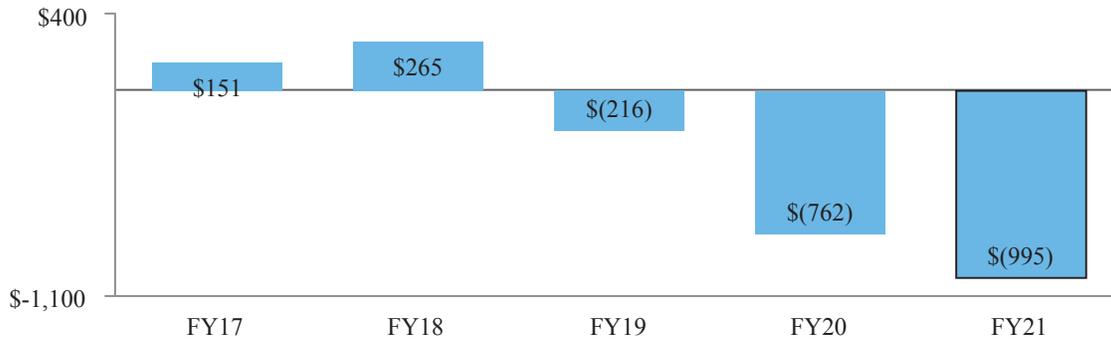
The structure of these funds is such that each capital outlay authorization is in balance, creating authorization for inflows (which may be from sales of bonds, federal reimbursements or other revenues) and expenditures. Imbalances due to timing differences develop when the expenditure precedes the inflow of funds from the sale of bonds or federal reimbursements. Due to restrictions imposed by federal tax arbitrage rules, tax exempt bonds are not routinely sold in anticipation of expenditures.

To fund the FY21 capital budget, the Commonwealth borrowed by issuing \$2.382 billion in new money long-term bonds; \$1.982 billion of which was general obligation debt and \$400 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. In addition, the Commonwealth issued \$1.766 billion in debt to refund already existing obligations, taking advantage of continued low interest rates in FY21.

The following graph Capital Projects Funds - Fund Balance/(Deficit) shows the combined fund balance in the capital projects funds for the past five years. Typically, the combined ending balance in the capital projects funds is negative, as capital spending occurs prior to bonds being issued by the Commonwealth. At the end of FY21, the capital projects funds had a \$995 million deficit balance (including \$841 million in accounts payable), as the

Commonwealth had not yet reimbursed itself for capital spending that it typically funds in arrears through subsequent bond issues.

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



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

Capital Projects Funds - Operations
(Amounts in thousands)

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

The Administration oversees a coordinated fiscal strategy for the management of the capital projects funds. This strategy includes a five-year capital budget linked to debt management and capital management. The focus of this strategy is to manage capital spending within outstanding debt levels and debt service obligations the Administration considers appropriate for the Commonwealth. An important part of the strategy is to control capital spending within an administrative “cap.”

During FY21, significant capital spending included:

- \$649 million in support for rail enhancement projects and MBTA projects, including investment in reducing the MBTA’s State of Good Repair backlog, acquisition of new vehicles for the Red and Orange Lines, the Green Line extension, and South Coast Rail;
- \$433 million for state-owned facilities including higher education campuses, trial courts, and state health care facilities;
- \$273 million for affordable housing development and public housing;
- \$208 million in Chapter 90 reimbursements to municipalities for local road and bridge projects;
- \$119 million in spending for the Department of Conservation and Recreation, including improvements to roadways, parks, and for environmental spending;
- \$111 million for the MassWorks economic development initiative, which provides infrastructure grants to municipalities;
- \$51 million to directly address climate change, including funds for repairing and rebuilding seawalls and inland dams, helping cities and towns plan for and protect against the impact of a changing climate, and energy efficiency improvements in public housing, some of which are also included in categories above;
- \$43 million for the Life Sciences Capital program, providing grants to promote job growth, business expansion, discovery, and innovation in the industry and the Commonwealth economy;
- \$22 million for the Food Security Infrastructure program, which provides grants to enhance food security for the people of the Commonwealth and to enhance access and production of local food;
- \$20 million for construction and planning grants from the Board of Library Commissioners to public library systems;
- \$19 million for the Workforce Mobility programs, providing software and device deployment to support the ability to securely deliver government services including from remote work locations;
- \$17 million for the Workforce Skills capital grants to educational institutions;
- \$10 million in bridge repair projects under the Commonwealth’s Municipal Bridge Program; and
- \$8 million for aid to towns in western Massachusetts to extend high-speed broadband networks.

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

The Non-Appropriated Funds of Higher Education

The statistical section of this SBFR includes data on the financial operations of the non-appropriated funds of the 25 institutions of higher education as reported on MMARS. Each institution of higher education is authorized and directed in its enabling statute to collect, retain and expend certain fees, rents, sales, donations, federal financial participation and other types of revenue through campus-based systems. These financial resources are integral parts

of the total financial activity of each campus. They also represent resources in addition to amounts made available from Commonwealth appropriations.

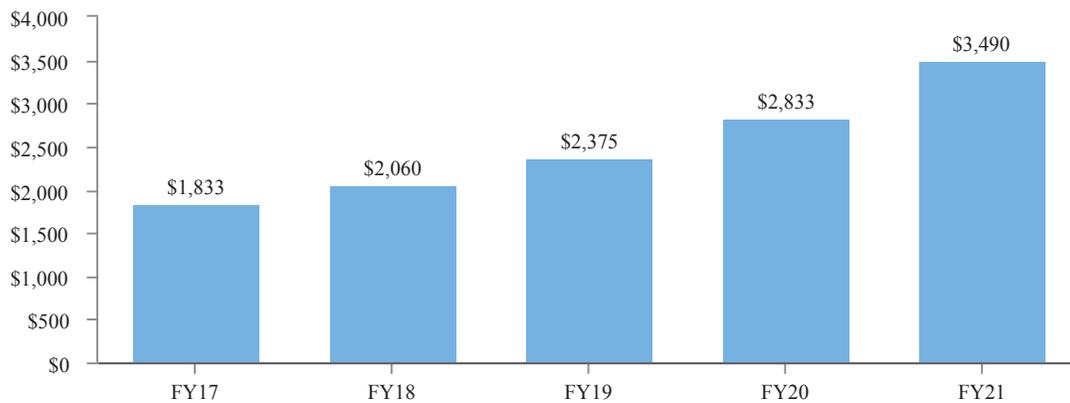
The following table, Non-Appropriated Funds of Higher Education – Operations, includes the FY21 activity in the higher education funds, summarized and compared to FY20. Financial statements for each of the individual funds are included in the statistical section of this report.

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

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

The following chart, Non-Appropriated Funds of Higher Education - Fund Balance, shows the combined fund balance for the past five years. The combined balance represents approximately \$1.879 billion fund balance for the University of Massachusetts, approximately \$969 million fund balance for the State University System and approximately \$642 million fund balance for the Community Colleges.

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



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Lieutenant Governor

William F. Galvin
Secretary of State

Maura Healey
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

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President of the Senate

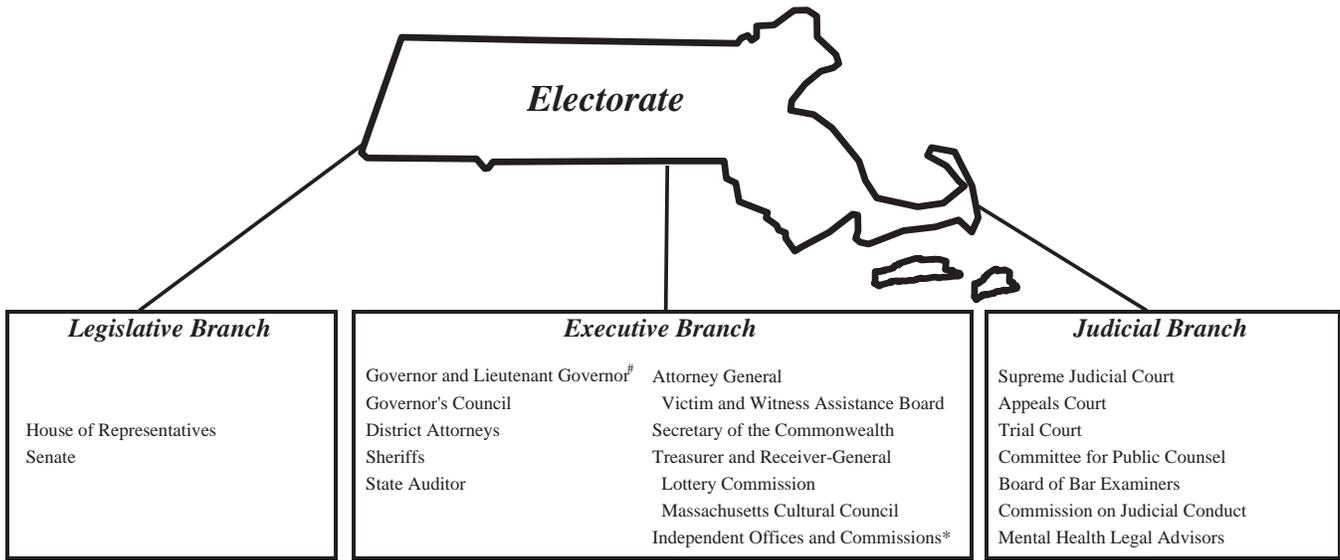
Ronald Mariano
Speaker of the House

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Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



Executive Branch Independent Offices and Commissions*

Board of Library Commissioners	Commission on the Status of Women	Office of the Inspector General
Campaign and Political Finance	Disabled Persons Protection Commission	State Ethics Commission
Cannabis Control Commission	Massachusetts Gaming Commission	State Retiree Benefits Trust Fund Board
Center for Health Information & Analysis	Office of the Child Advocate	University of Massachusetts System
Commission Against Discrimination	Office of the Comptroller	

Executive Departments Under Gubernatorial Authority[#]

<p><u>Administration and Finance</u></p> <p>Executive Office for Administration and Finance</p> <p>Appellate Tax Board</p> <p>Bureau of the State House</p> <p>Civil Service Commission</p> <p>Department of Revenue</p> <p>Developmental Disabilities Council</p> <p>Division of Administrative Law Appeals</p> <p>Division of Capital Asset Management and Maintenance</p> <p>George Fingold Library</p> <p>Group Insurance Commission</p> <p>Health Policy Commission</p> <p>Human Resource Division</p> <p>Massachusetts Office on Disability</p> <p>Massachusetts Teachers' Retirement System</p> <p>Operational Services Division</p> <p>Public Employee Retirement Administration Commission</p> <p><u>Education</u></p> <p>Executive Office of Education</p> <p>Department of Early Education and Care</p> <p>Department of Elementary and Secondary Education</p> <p>Department of Higher Education</p> <p>Community Colleges</p> <p>State Universities</p>	<p><u>Housing and Economic Development</u></p> <p>Executive Office of Housing and Economic Development</p> <p>Department of Business Development</p> <p>Office of Consumer Affairs & Business Regulations</p> <p>Massachusetts Marketing Partnership</p> <p>Department of Housing & Community Development</p> <p>Department of Telecommunications and Cable</p> <p>Division of Banks</p> <p>Division of Insurance</p> <p>Division of Professional Licensure</p> <p>Division of Standards</p> <p><u>Energy and Environmental Affairs</u></p> <p>Executive Office of Energy and Environmental Affairs</p> <p>Department of Agricultural Resources</p> <p>Department of Conservation and Recreation</p> <p>Department of Energy Resources</p> <p>Department of Environmental Protection</p> <p>Department of Fish and Game</p> <p>Department of Public Utilities</p> <p>State Reclamation Board</p> <p><u>Technology and Security</u></p> <p>Executive Office of Technology Services and Security</p> <p><u>Transportation and Public Works</u></p> <p>Massachusetts Department of Transportation (MassDOT)</p>	<p><u>Executive Office of Labor and Workforce Development</u></p> <p><u>Health and Human Services</u></p> <p>Executive Office of Health and Human Services</p> <p>Executive Office of Elder Affairs</p> <p>Department of Children and Families</p> <p>Department of Developmental Services</p> <p>Department of Mental Health</p> <p>Department of Public Health</p> <p>Department of Transitional Assistance</p> <p>Department of Veterans' Services</p> <p>Department of Youth Services</p> <p>Massachusetts Commission for the Blind</p> <p>Massachusetts Commission for the Deaf and Hard of Hearing</p> <p>Massachusetts Rehabilitation Commission</p> <p>Office for Refugees and Immigrants</p> <p>Soldiers' Home, Holyoke</p> <p>Soldiers' Home, Massachusetts</p> <p><u>Public Safety</u></p> <p>Executive Office of Public Safety and Security</p> <p>Chief Medical Examiner</p> <p>Department of Criminal Justice Information Services</p> <p>Department of Correction</p> <p>Department of Fire Services</p> <p>Department of State Police</p> <p>Massachusetts Emergency Management Agency</p> <p>Military Division/ Massachusetts National Guard</p> <p>Municipal Police Training Committee</p> <p>Parole Board</p> <p>Sex Offender Registry</p>
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ADVISORY BOARD TO THE COMPTROLLER

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

Suzanne Bump
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

John A. Bello
Chief Administrator, Trial Court

Maura Healey
Attorney General

Michael Esmond
Chief Financial Officer
Massachusetts Convention Center Authority
Gubernatorial Appointee

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

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller (FY20/21)

Statewide Financial Reporting Team

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Chief Financial Reporting Officer

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Accountant

Wagdy Rizk
Accountant

Nana Law, CPA
Accountant

Brian Johnson
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Cathy Hunter
Program Coordinator



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Financial Section



Independent Accountants' Review Report
Combined Financial Statements - Statutory Basis
Notes to Combined Financial Statements - Statutory Basis
Combining and Individual Fund Financial Statements - Statutory Basis



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts

We have reviewed the accompanying combined financial statements—statutory basis of the Commonwealth of Massachusetts as of June 30, 2021, and the related notes to the combined financial statements—statutory basis as listed in the accompanying table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Commonwealth of Massachusetts' management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements—statutory basis as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements-statutory basis in accordance with Section 12 of Chapter 7A of the Massachusetts General Laws, as amended, and the budgetary principles of the Commonwealth of Massachusetts (hereinafter referred to as the Statutory Basis of Accounting) as described in Notes 1 and 2, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements-statutory basis that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the combined financial statements-statutory basis for them to be in accordance with the Statutory Basis of Accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined financial statements-statutory basis in order for them to be in accordance with the statutory basis of accounting as described in Notes 1 and 2.

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts

Basis of Accounting

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

Other Matters

The combining and individual fund financial statements—statutory basis and supplemental information are presented for the purpose of additional analysis and are not required parts of the combined financial statements—statutory basis. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements—statutory basis. Such information has been subjected to the review procedures applied in our review of the combined financial statements—statutory basis. We are not aware of any material modifications that should be made to the combining and individual fund financial statements—statutory basis and supplemental information. We have not audited the combining and individual fund financial statements—statutory basis and supplemental information and do not express an opinion on such information.

The introductory and statistical sections have not been subjected to the review procedures applied in our review of the combined financial statements—statutory basis. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on such information.

Restriction on Use

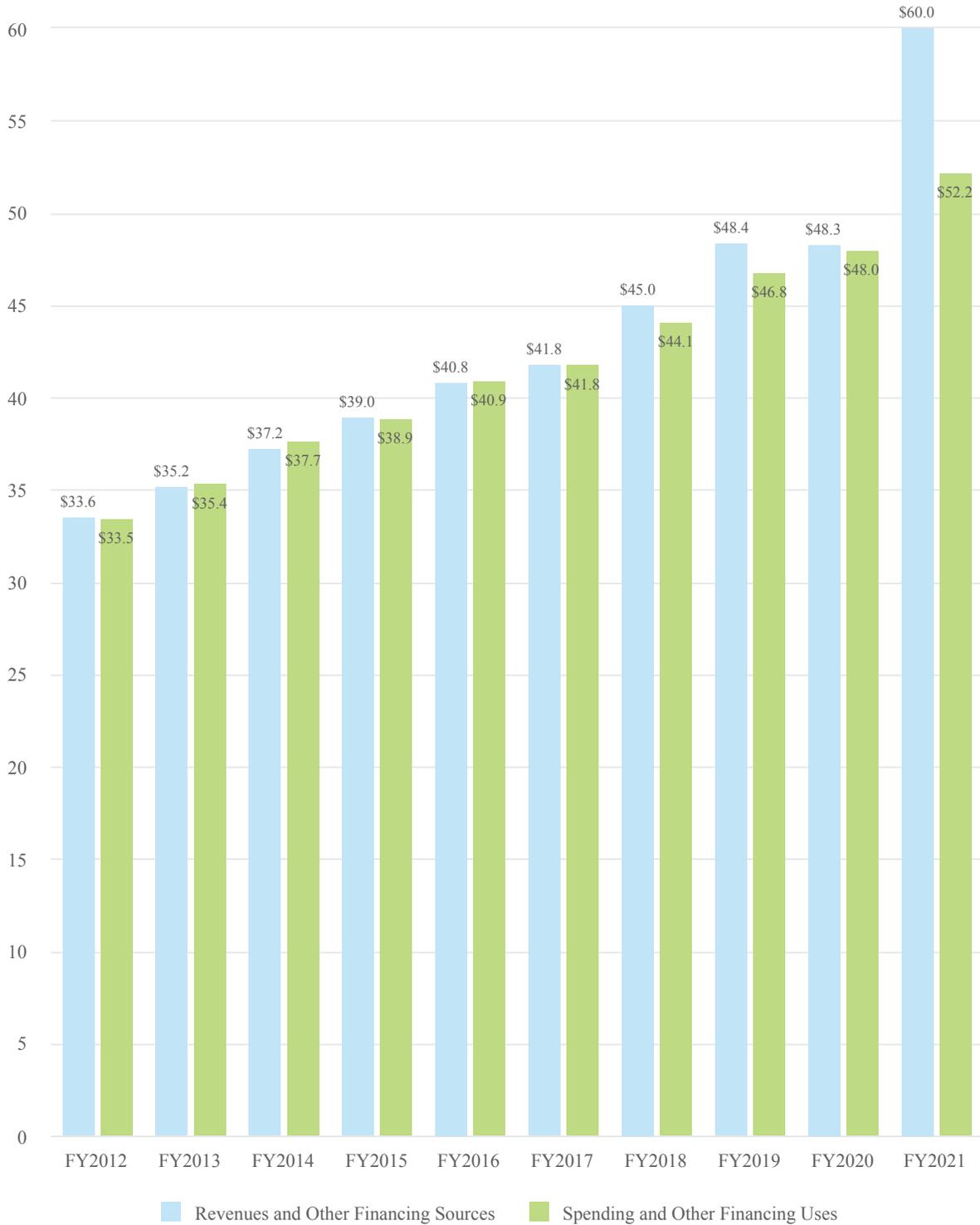
This report is intended solely for the information and use of management and elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Boston, Massachusetts
November 19, 2021

THE BIG PICTURE: HISTORICAL CONTEXT
Budgeted Fund Revenues and Other Financing Sources vs.
Expenditures and Other Financing Uses
Last Ten Fiscal Years
(Amounts in \$ Billions)





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Combined Financial Statements - Statutory Basis

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

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

See accompanying notes to financial statements and accountants' review report

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

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

See accompanying notes to financial statements and accountants' review report

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

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

See accompanying notes to financial statements and accountants' review report

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1. FINANCIAL STATEMENT PRESENTATION

A. INTRODUCTION

The accompanying combined financial statements (Statutory Basis Financial Report or SBFR) of the Commonwealth of Massachusetts (the Commonwealth) are presented in accordance with the requirements of Section 12 of Chapter 7A as amended by Section 4 of Chapter 88 of the Acts of 1997 of the Massachusetts General Laws, as amended most recently by Chapter 26, Section 4 of the Acts of 2009. The Office of the Comptroller also publishes the Commonwealth's Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America for governments.

The SBFR includes the budgeted, non-budgeted, special revenue, and capital projects funds of the Commonwealth, as recorded by the Office of the Comptroller in compliance with Massachusetts General Laws (MGL) and in accordance with the Commonwealth's budgetary principles.

The SBFR's financial statements are not intended to include independent authorities, non-appropriated funds of higher education, or other organizations included in the Commonwealth's reporting entity as it would be defined under GAAP.

B. GOVERNMENTAL FUND TYPES

The fund types are organized as follows:

Governmental fund types account for the general governmental activities of the Commonwealth.

Budgeted Funds - are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions, i.e., those subject to the annual appropriation process. Major budgeted funds include the General, Commonwealth Transportation and Stabilization Funds, and the newly created Federal COVID-19 Response Fund, which are identified by the Comptroller as the operating funds of the Commonwealth. In addition, there are 12 other budgeted funds, the Intragovernmental Services Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Underground Storage Tank Petroleum Product Cleanup Fund, the Public Safety Training Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund, and the Behavioral Health Outreach Access and Support Trust Fund. At the close of FY21 the Legislature also created the budgeted Transitional Escrow Fund, into which was transferred the FY21 consolidated net surplus for appropriation in FY22.

Non-Budgeted Special Revenue Funds - are established by law to account for revenue sources that have been segregated from the budgeted funds to support specific governmental activities such as federal grants, the operations of the state lottery and funds related to the Massachusetts Gaming Commission.

Capital Projects Funds - account for financial resources used to acquire or construct major capital assets and to finance local capital projects. These resources are derived almost entirely from proceeds of bonds and other obligations, which are generally received after related expenditures have been incurred, operating transfers authorized by the Legislature, and from federal reimbursements. Deficit balances in the capital projects funds represent amounts to be financed, primarily through future bond sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. STATUTORY BASIS OF ACCOUNTING

The SBFR is prepared from the Commonwealth's books and records and other official reports that are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (statutory basis). The statutory basis emphasizes accountability and budgetary control of appropriations. The SBFR is not intended to present the Commonwealth's financial condition and results of operations in conformity with GAAP.

Under the statutory basis of accounting, revenues generally are recognized when cash deposits are received by the Treasury. However, revenues receivable for federal grants and reimbursements generally are recognized when related expenditures are incurred, provided that the related revenues are received by the Commonwealth by August 31, the end of the statutory accounts receivable period. For FY20, the statutory accounts receivable definition was modified by the Massachusetts Legislature in response to the Coronavirus pandemic and the Department of Revenue's granting of payment extensions to individual income taxpayers from April 15, 2020 to July 15, 2020, which resulted in the deferral of more than \$2.3 billion in net tax revenue (payments minus refunds) from the April through June 2020 period to July and August 2020. The Legislature required that the Comptroller record these income tax payments as statutory receivables (i.e., FY20 revenue) for the purpose of calculating the FY20 consolidated net surplus. In addition, the Legislature modified the statutory receivable definition to include an estimate of the reimbursements to be received from the Federal Emergency Management Agency (FEMA) after June 30, 2020 for coronavirus-related expenses incurred during FY20; those estimated reimbursements totaled \$350 million and were recorded in the FY20 financial statements. For FY21, the Commonwealth reverted to its traditional statutory receivable definition, as described above.

Amounts due from political subdivisions of the Commonwealth are recognized when considered measurable and available. These are largely payments from municipalities reimbursing for pension costs paid by the Commonwealth on their behalf, authorized under Section 3(8)c of Chapter 32 of the MGL, provided that the revenues are received by August 31.

Under the statutory basis of accounting, expenditures are generally recorded when the related cash disbursement occurs. At year-end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, for goods or services received by June 30, and payment made by August 31. Costs incurred under the federally-sponsored Medicaid program, amounts required to settle claims and judgments against the Commonwealth, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment. In some cases the liabilities will have been incurred prior to June 30, but recorded when paid in the following fiscal year, not as statutory payables.

The accounting policies followed in preparing the accompanying statutory basis financial report are described in the remainder of this section.

B. CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS

The Commonwealth follows the practice of pooling cash and cash equivalents, except for balances in the Commonwealth Stabilization Fund, which are sequestered. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other governmental funds.

During FY20, the Commonwealth reported approximately \$1.5 billion in the budgeted funds as a deficiency in cash and short-term investments. This was primarily due to a change in the filing deadline for the state personal income tax payments with returns and estimated payments from April 15, 2020 to July 15, 2020 that was implemented by the Department of Revenue in response to the COVID-19 pandemic, aligning the Commonwealth's deadline with the delayed deadline implemented by the Internal Revenue Service for federal income taxes. Because this payment delay resulted in a shift in cash payments from the fourth quarter of FY20 (April through June 2020) to July and August 2020, the Legislature enacted a provision that required the Commonwealth to record an FY20 statutory receivable (accrued revenue) for the delayed income tax as of June 30, 2020 in these financial statements. As a result, the general fund reported a deficit cash balance in FY20 and a statutory receivable of approximately \$2.33

billion attributable to personal income taxes received in July and August 2020. For financial reporting purposes, any negative cash balance is reclassified to a liability on the balance sheet.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT). MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Fund. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost, which approximates fair value. The Short Term Bond Fund investments are carried at fair value.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333. The statements can also be downloaded from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. MGL Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

C. DEDICATED REVENUE AND PLEDGES

The Commonwealth has a number of bond programs in which bonds are secured by a pledge of dedicated revenues provided to bondholders, pursuant to trust agreements, as well as pledges of revenue for general operations. Like the Commonwealth, certain state authorities have also issued special obligation bonds secured by specific Commonwealth revenues. These other authorities' debts are not included in the SBFR, but are included in the ACFR.

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal years 2011, 2014, 2015, 2017 and 2018. The Commonwealth had no GANs in FY21. As of June 30, 2021, total principal remaining to be paid was approximately \$583 million. Maturities are from FY22 through FY27. Debt service paid during FY21 was approximately \$113 million.

In FY21, the Commonwealth issued approximately \$400 million in new money special obligation bonds under the Rail Enhancement Program (REP) and \$289 million to refund special obligation bonds under the Accelerated Bridge Program (ABP). These bonds mature from FY22 to FY49 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the Commonwealth Transportation Fund (CTF). These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in the senior lien. As of June 30, 2021, approximately \$1.555 billion and \$1.637 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$965 million and \$1.497 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

The ABP projected interest costs are net of federal subsidies under the Build America Bond (BABs) program. BABs is a temporary program under which the Commonwealth and other state and local governments issued taxable bonds in calendar 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% (depending on whether the proceeds are used for projects in economically distressed areas) of the interest costs on the bonds.

Other special obligation bonds for highway construction purposes are secured by a pledge of 6.86 cents of the 24 cent per gallon gasoline tax, with no new debt issued during FY21. As of June 30, 2021, bonds secured by these pledged funds totaled approximately \$28 million of principal. These bonds were issued in multiple series and those outstanding mature in FY22. Principal and interest paid during FY21 amounted to approximately \$27 million and \$3 million, respectively. The lien on these bonds has been closed, meaning that no additional new-money bonds can be issued against these revenues under this trust agreement.

A portion of the Commonwealth's receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MBTA is the amount raised by a 1.0% sales tax (not including meals), subject to an inflation-adjusted floor. A comparable amount, though without the floor, is

dedicated to the MSBA beginning in fiscal 2010, with lesser amounts having been dedicated to the MSBA from fiscal 2005 through fiscal 2009.

Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by \$160 million annually, starting in fiscal 2015. The \$160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor were intended to replace the \$160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014. In FY21, total dedicated sales tax revenue that was directed to the MBTA was approximately \$1.261 billion. Dedicated revenues to the MBTA increase by the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0% and a ceiling of 3.0%.

The MSBA also receives a pledge starting in FY11 of a 1.0% sales tax (not including meals) but with no annual floor or ceiling. In FY21, approximately \$1.101 billion of the dedicated sales tax revenue stream was directed to the MSBA.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2021, taxes within the Convention Center districts support approximately \$480 million of outstanding principal and approximately \$205 million of interest on debts related to these Convention Centers. Taxes collected in FY21 were approximately \$46 million, while debt service on the bonds was approximately \$52 million.

The Transportation Modernization Act of 2009, as amended, eliminated the pledges of sales tax revenue to MassDOT through the Commonwealth Transportation Fund (CTF). Beginning in FY14, motor vehicle sales tax collections were shifted from the General Fund to the CTF while also eliminating the 0.385% pledge of regular and meals sales tax. During FY21, approximately \$577 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$90 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

D. INTERFUND/INTRAFUND TRANSACTIONS

Transactions of a buyer/seller nature between departments within a fund are not eliminated.

Transfers in and out net to approximately \$1 million due to higher education non-appropriated fund activity, which is not included in the combined statements - statutory basis.

E. CURRENT EMPLOYEE BENEFITS

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay (not accrued on a statutory basis).

F. FRINGE BENEFIT COST RECOVERY

The Commonwealth pays the fringe benefit costs of its employees and retirees through the General Fund. These fringe benefits include the costs of employees' health insurance, pensions, unemployment compensation, and other costs necessary to support the state work force. As directed by Chapter 29, Sections 5D and 6B(f) of the MGL, these costs are assessed to other funds based on their payroll costs, net of credits for direct payments.

Since these fringe benefit costs and pensions are not appropriated in the budget, the required assessment creates a variance between budget and actual expenditures at year-end. The fringe benefit cost recoveries of approximately \$453 million in the General Fund results from cost assessments from the other budgeted funds, non-budgeted special revenue funds, capital projects funds, non-appropriated activities of higher education, expendable trust, and agency funds.

G. LOTTERY REVENUE AND PRIZES

Ticket revenues are recognized when sold and prizes awarded by the Massachusetts State Lottery Commission are recognized as drawings are held. Games expenditures are accrued at year-end only for open jackpots for Mega Millions, Powerball and Megabucks.

H. RECEIVABLES

Reimbursements due to the Commonwealth for its expenditures on federally funded reimbursement and grant programs are reported as "Due from federal government." Other receivables include reimbursement of fringe benefit assessments from authorities and the institutions of higher education along with other departmental receivables.

I. DUE FROM CITIES AND TOWNS

"Due from Cities and Towns" represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

J. RISK MANAGEMENT

The Commonwealth is self-insured for state employees' workers' compensation, casualty, theft, tort claims and other losses. Such liabilities are not recognized in the governmental funds on the statutory basis until encumbered and/or processed for payment. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division.

For personal injury or property damages, Chapter 258 of the MGL limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

The Group Insurance Commission administers contributory health care and other insurance programs for the Commonwealth's employees and retirees.

K. ENCUMBRANCES

Encumbrance accounting is utilized in the Governmental Funds as a significant aspect of budgetary control. The full amounts of purchase orders, contracts and other commitments of appropriated resources are encumbered and recorded as deductions from appropriations prior to actual expenditure, ensuring that such commitments do not exceed appropriations. Encumbrances outstanding at year-end for goods or services received on or before June 30, but paid after, are reported as expenditures and statutory basis liabilities as a component of accounts payable.

L. FUND BALANCES

Fund balance has been reserved as follows:

"Reserved for continuing appropriations" - are unexpended amounts in appropriations, which the Legislature has specifically authorized to be carried into the next fiscal year.

"Reserved for Commonwealth Stabilization" - are amounts set aside in the Commonwealth Stabilization Fund in accordance with Section 5C of Chapter 29 of the MGL.

"Reserved for debt service" - are amounts held by fiscal agents or the Commonwealth to fund future debt service obligations.

The remainder of fund balance is unreserved and undesignated and consists of cumulative surplus or deficits of the fund not otherwise designated.

M. TOTAL COLUMN - MEMORANDUM ONLY

Total and subtotal columns on the combined financial statements - statutory basis are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations, or changes in financial position. Interfund eliminations have not been made in the aggregation of these data.

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the Commonwealth's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

N. ESTIMATES

The preparation of the SBFR requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. BUDGETARY CONTROL

State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act.

Before signing the appropriations act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations act may be made via supplemental appropriation acts or other legislative acts. These must also be signed by the Governor and are subject to the line item veto.

In addition, MGL authorizes the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds, which effectively reduce the affected accounts' expenditure budgets.

The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs that are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference from separately published budget documents, which eliminate some interfund activity. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the Commonwealth is required to pay certain Medicaid expenses regardless of appropriations, due to superseding federal law.

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003) amended Section 9C, of Chapter 29, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any

reductions in spending. This proposal must be delivered to the Legislature 15 days before any reductions take effect. Alternatively, funds from the Stabilization Fund may be used to cure the deficiency, subject to appropriation.

The following table summarizes budgetary activity for FY21 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2020:		
Direct appropriations	\$ 43,641,100	\$ 45,730,612
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2020	—	2,166,957
Total original budget	43,641,100	47,897,569
Supplemental Acts of 2020:		
Chapter 316	—	47
Supplemental Acts of 2021:		
Chapter 29	—	259,008
Chapter 76	—	333,575
Total budgeted revenues and expenditures per Legislative action	—	592,631
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,115,177	4,393,419
Budgeted revenues and expenditures as reported	<u>\$ 46,756,277</u>	<u>\$ 52,883,619</u>

The following table identifies the interfund activity from budgeted sources and uses to reconcile forecasts prepared during the budget process to the results presented in these statements (amounts in thousands):

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Actual as presented in the combined budget and actual statement - statutory basis	\$ 59,982,530	\$ 52,178,558
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(441,643)	(441,643)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(17,029)	(17,029)
Transfer of surplus revenues from the Intragovernmental Service Fund to the General Fund	(13,580)	(13,580)
RMV license plates	(4,394)	(4,394)
Transfers from General Fund to the Stabilization Fund	(1,098,140)	(1,098,140)
CNS Transfers from budgeted funds to the Transitional Escrow Fund	(1,460,324)	(1,460,324)
Other fund deficit support	(30,068)	(30,068)
Other	(34,914)	(34,914)
Adjusted actuals pertaining to the budgeted funds	<u>\$ 56,882,438</u>	<u>\$ 49,078,466</u>

The section divider for the budgeted funds contains a list of budgeted funds grouped by categories.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Budgetary control is exercised through the state accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Encumbrances and expenditures are not allowed to exceed the appropriation account's spending authorization.

4. MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT)

MassDOT is a legally separate entity from the Commonwealth. MassDOT operations are reported separately in the non-budgeted special revenue funds section of this report, which includes all of the Commonwealth's highway and turnpike-related operations as well as the activity of the Registry of Motor Vehicles. MassDOT capital spending and revenue activity are reported in the capital funds section of this report, in the General Capital Projects Fund, Central Artery Statewide Road and Bridge Infrastructure Fund, the Highway Capital Projects Fund, and the Federal Highway Construction Program Fund.

MassDOT financial activity is included in this report in order to reflect all activity reported on the Commonwealth's MMARS accounting system. For the SBFR, MassDOT is treated as an agency or department of the Commonwealth, as specified in Massachusetts General Laws. However, for GAAP reporting purposes, as reflected in the Commonwealth's ACFR, MassDOT is reported as a discretely presented component unit of the Commonwealth.

5. INDIVIDUAL FUND DEFICITS

The following non-budgeted special revenue and capital projects funds are included in the combined totals and have individual fund deficits at June 30, 2021, as follows (amounts in thousands) (excludes MassDOT):

Non-budgeted special revenue:	
Other:	
Government Land Bank Fund.....	\$ (35,033)
Capital projects:	
General Capital Projects Fund.....	(481,298)
Highway Capital Projects Fund.....	(592,720)
Government Land Bank Capital Projects Fund.....	(500)
Total Capital Projects Funds.....	(1,074,518)
Total.....	<u>\$ (1,109,551)</u>

None of the funds detailed above were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by MGL.

6. MEDICAID COSTS

Approximately 43.6% of the Commonwealth's budgeted fund spending for programs and services is devoted to Medicaid. It is the largest and has been one of the fastest growing items in the Commonwealth's budget. For the fiscal year ended June 30, 2021, the General Fund includes approximately \$18.122 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis includes Medicaid claims processed but unpaid at June 30, 2021 of approximately \$97 million as accounts payable.



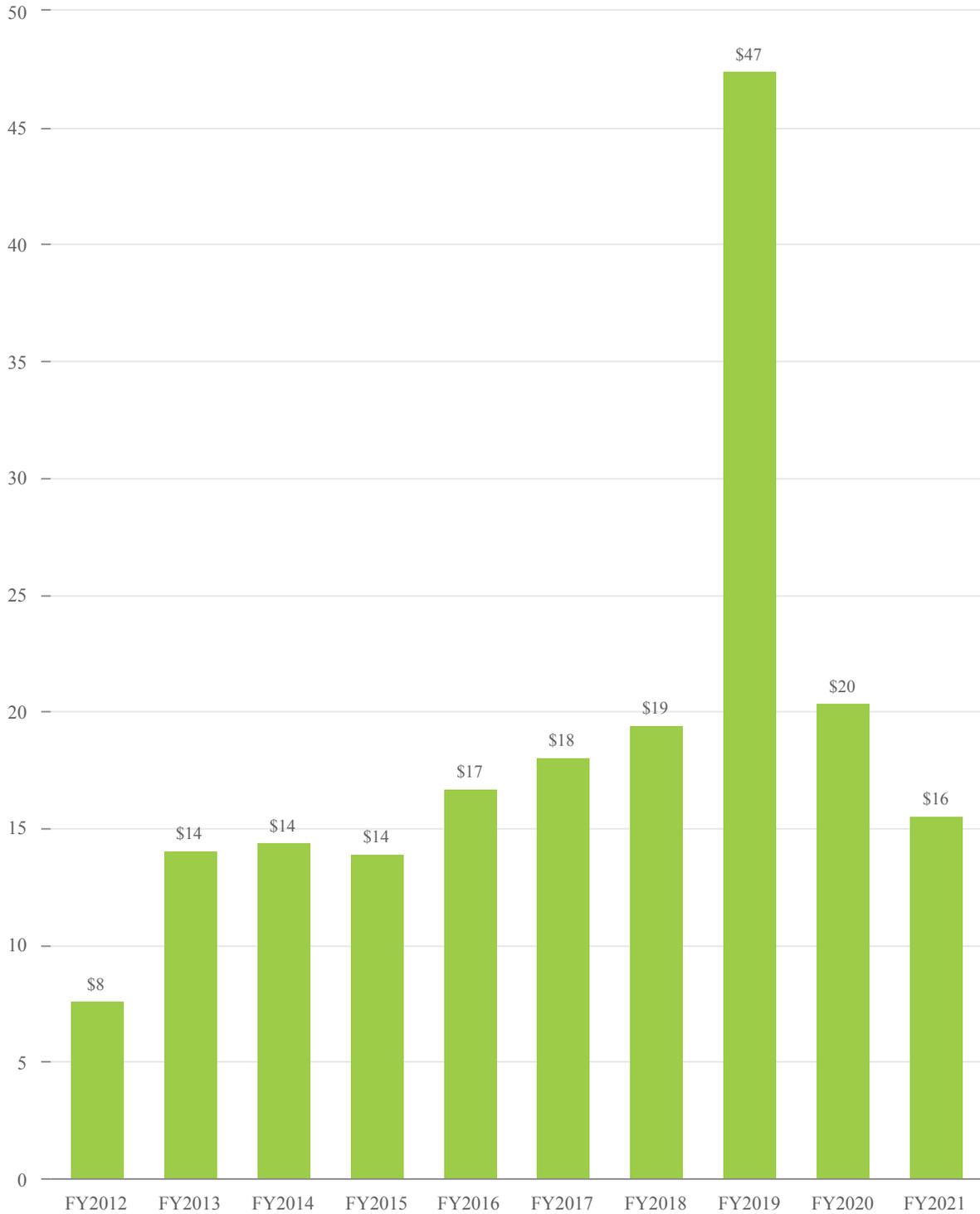
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*Combining and Individual
Fund Financial Statements -
Statutory Basis*



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



Individual Budgeted Funds

Budgeted funds are those funds subject to appropriation in either the annual General Appropriation Act (GAA) or other appropriations bills. Unless otherwise specified, budgeted funds are also subject to Section 5C of Chapter 29 of the Massachusetts General Laws (MGL) which defines the “consolidated net surplus” calculation (and determines whether the annual budget is in balance) as well as year-end transfers to eliminate deficits in budgeted funds.

MAJOR BUDGETED FUNDS:

The General Fund - The General Fund is the Commonwealth’s primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, constitutional offices, Judiciary, institutions of higher education and independent commissions are paid from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes and the full amount of most other governmental taxes.

Commonwealth Transportation Fund - to account for revenues from motor fuels taxes and all fees and fines received by the Registry of Motor Vehicles relating to the use and operation of motor vehicles and trailers. Spending is for debt service on general and special obligation debt, as well as for amounts, subject to appropriation, to fund the programs and services of the Massachusetts Department of Transportation.

The Commonwealth Stabilization Fund - to account for amounts calculated in accordance with state finance law and to maintain a reserve to enhance the Commonwealth’s fiscal stability. Tax revenues from certain lottery winners selling their stream of future winnings in exchange for current payments are recorded in this fund. In addition, transfers are required for fiscal year capital gains tax revenues exceeding \$1 billion (adjusted annually for economic growth), judgments and settlements of more than \$10 million that exceed the previous 5 years average of judgments and settlements, and a portion of the gaming tax revenues. Any excess undesignated fund balance as calculated by Section 5C of Chapter 29 of the MGL, are also transferred to this fund.

ADMINISTRATIVE CONTROL FUND:

This fund accounts for the revenues generated by certain administrative functions of government, for which the Legislature has required a separate fund be established.

Intragovernmental Service Fund - to account for the charges of any state agency for services provided to another state agency.

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

BUDGETED ENVIRONMENTAL FUNDS:

Inland Fisheries and Game Fund - to account for revenues from license and permit fees for inland fishing, hunting, trapping, and sporting licenses and revenue producing stamps or the sales of land, rights and properties, gifts, interest, and federal grant reimbursements; used for developing, maintaining and operating the Division of Fisheries and Wildlife. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Marine Recreational Fisheries Development Fund - to account for salt water permit fees collected, funds, grants and gifts received as authorized, including investment income; used for development and administration of

recreational saltwater fishing improvement programs. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Underground Storage Tank Petroleum Product Cleanup Fund - to account for fees, appropriations, grants, gifts or other contributions, and investment income. Annually, the fund is to receive the first \$30 million in underground petroleum storage fees. Expenditures are to provide reimbursements for cleanup and other expenses as a result of damage caused by underground storage tanks and systems.

OTHER BUDGETED FUNDS:

These funds account for a variety of miscellaneous taxes, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Public Safety Training Fund - to account for certain surcharge revenues imposed by MGL. Expenditures are for the instruction and recruitment of public safety personnel. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Local Capital Projects Fund - to account for funds generated by the casino license fees and by the tax imposed on revenues generated by casinos (but not the slots parlor).

Gaming Local Aid Fund - to account for gaming tax revenues imposed on casino revenues. The fund is used to finance local aid distributions to cities and towns.

Education Fund - to account for a portion of the funds generated by the tax imposed on casino revenue (but not slots parlor) revenue. 35% of the funds received shall be appropriated for higher education purposes. Any expenditures for either higher education or K-12 education from this fund are required to supplement, not offset, General Appropriation Act spending.

Local Aid Stabilization Fund - to account for funds generated by the tax imposed on casino revenues. Monies are used to supplement local aid distributions to cities and towns. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Gaming Economic Development Fund - to account for a portion of the funds generated by the tax imposed on casino (but not slots parlor) revenue. Expenditures from the are to be used to support economic development and job growth.

Marijuana Regulation Fund - to account for tax, application, civil penalties and interest revenues generated by the licensing and regulation of marijuana establishments. The fund is used to administer the operations of the Cannabis Control Commission and other departments to carry out marijuana regulations.

Behavioral Outreach, Access and Support Trust Fund - to account for appropriations, grants, gifts or other contributions, investment income, and certain Federal Financial Participation (FFP) revenues. Funds shall be used to increase access to behavioral health professionals, ensure equal access to behavioral health services, ensure a complete continuum of behavioral health services and promote awareness and encourage the use of available behavioral health services. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

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

The following funds have been enacted in legislation but had no activity in FY21 and are not presented in this report:

Temporary Holding Fund - to account for cumulative tax revenues during the fiscal year in excess of permissible tax revenues as defined in Chapter 62F, Section 6A of the MGL. The fund balance in the fund closes annually to the Stabilization Fund to the extent of expenditures from that fund. Any remaining balance transfers to the General

Fund. The mechanism transferring tax revenues to the fund was repealed effective January 1, 2013, but the fund itself was not repealed.

Tax Reduction Fund - to account for the maintenance of a reserve, which shall be used only to reduce personal income taxes.

Substance Abuse Prevention and Treatment Fund - to account for sales tax revenues (non-dedicated) collected from the sale of alcoholic beverages, with the funds used for substance abuse treatment and prevention services. In November 2010, the sales tax on alcoholic beverages was repealed via referendum, effective January 1, 2011, but the fund itself was not repealed.

International Educational and Foreign Language Grant Program Fund - to account for appropriations, bond proceeds or other monies authorized to be used to support programs and activities that advance cultural awareness, to support international education programs and promote the study of foreign languages.

Dam Safety Trust Fund - to account for all revenues generated through agreements with public or private entities for dam safety purposes, and all fines, costs, expenses and interest imposed. Revenues over \$250,000 in a fiscal year shall be credited to the General Fund.

Children and Families Protection Fund - to account for any penalties collected for violations of the Massachusetts Pesticide Control Act, amounts credited to the fund are used for the implementation and enforcement of said Act.

Community First Trust Fund - The secretary of health and human services may expend amounts in excess of the \$16 million collected from federal reimbursements in the nonbudgeted Community First Trust Fund to ensure compliance with the state balancing incentive payment program. Monies deposited in the fund are used for non-institutionally-based long-term services and support. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Home and Community-based Services Policy Lab Fund - to account for appropriations and any additional nonstate-sourced funds such as federal or private grants or donations. The fund is used to support research and analysis to enhance the development, evaluation, design and continued improvement of programs to individuals who need long-term services and support.

Regional Water Entity Reimbursement Fund - to account for amounts to reimburse the Massachusetts Water Resources Authority for costs to provide financial assistance to cities and towns to rehabilitate collection systems.

Manufacturing Fund - to account for a portion of gaming facility license fees.

Community College Fund - to account for a portion of gaming license fees.

Agricultural Reserve and Security Fund - to account for gifts, grants, donations, federal reimbursements and grants plus any interest earnings. Expenditures are to be used to foster agriculture in the Commonwealth and other purposes of the Department of Agricultural Resources.

School Improvement Fund - to account for appropriations allocated in each fiscal year to the fund which are to be used to improve the quality of education at the school building level.



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

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

See accountants' review report

Administrative Control	Environmental			Budgeted Other				
Transitional Escrow	Inland Fisheries and Game	Marine Recreational Fisheries Development	Underground Storage Tank Petroleum Product Cleanup	Public Safety Training	Local Capital Projects	Gaming Local Aid	Education	Local Aid Stabilization
\$ 1,460,324	\$ 10,724	\$ 3,866	\$ 3,787	\$ 387	\$ 2,500	\$ —	\$ —	\$ 50
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 1,460,324</u>	<u>\$ 10,724</u>	<u>\$ 3,866</u>	<u>\$ 3,787</u>	<u>\$ 387</u>	<u>\$ 2,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	412	91	51	—	—	—	—	—
—	302	37	40	—	—	—	—	—
—	714	128	91	—	—	—	—	—
—	—	—	3,696	—	2,500	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,460,324	10,010	3,738	—	387	—	—	—	50
1,460,324	10,010	3,738	3,696	387	2,500	—	—	50
<u>\$ 1,460,324</u>	<u>\$ 10,724</u>	<u>\$ 3,866</u>	<u>\$ 3,787</u>	<u>\$ 387</u>	<u>\$ 2,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>

continued

Budgeted Funds
Combining Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

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

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

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

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

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

See accountants' review report

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

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

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

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

See accountants' review report

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

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

See accountants' review report

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

	Budgeted Other					
	Gaming Local Aid			Education		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	79,427	84,351	4,924	23,948	24,441	493
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	30,068	30,068	—	—	—
Total other financing sources	79,427	114,419	34,992	23,948	24,441	493
Total revenues and other financing sources	79,427	114,419	34,992	23,948	24,441	493
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	4,484	4,484	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	114,442	114,419	23	15,323	15,319	4
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	114,442	114,419	23	19,807	19,803	4
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	1,629	(1,629)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	2,948	(2,948)
Other fund deficit support	—	—	—	—	61	(61)
Total other financing uses	—	—	—	—	4,638	(4,638)
Total expenditures and other financing uses	114,442	114,419	23	19,807	24,441	(4,634)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (35,015)	—	\$ 35,015	\$ 4,141	—	\$ (4,141)
Fund balance/(deficit) at beginning of year	—	—	—	—	—	—
Fund balance/(deficit) at end of year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

See accountants' review report

Budgeted Funds

Combining Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Budgeted Other					
	Behavioral Health Outreach, Access and Support Trust			Federal COVID-19 Response Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	4,891,987	4,891,987
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	4,891,987	4,891,987
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	10,000	10,000	—	—	—
Stabilization transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	10,000	10,000	—	—	—
Total revenues and other financing sources	—	10,000	10,000	—	4,891,987	4,891,987
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	5,795	609	5,186	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	5,795	609	5,186	—	—	—
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Transfer for transitional escrow	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	—
Total expenditures and other financing uses	5,795	609	5,186	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (5,795)	9,391	\$ 15,186	\$ —	4,891,987	\$ 4,891,987
Fund balance/(deficit) at beginning of year	—	2,500	—	—	—	—
Fund balance/(deficit) at end of year	—	\$ 11,891	—	—	\$ 4,891,987	—

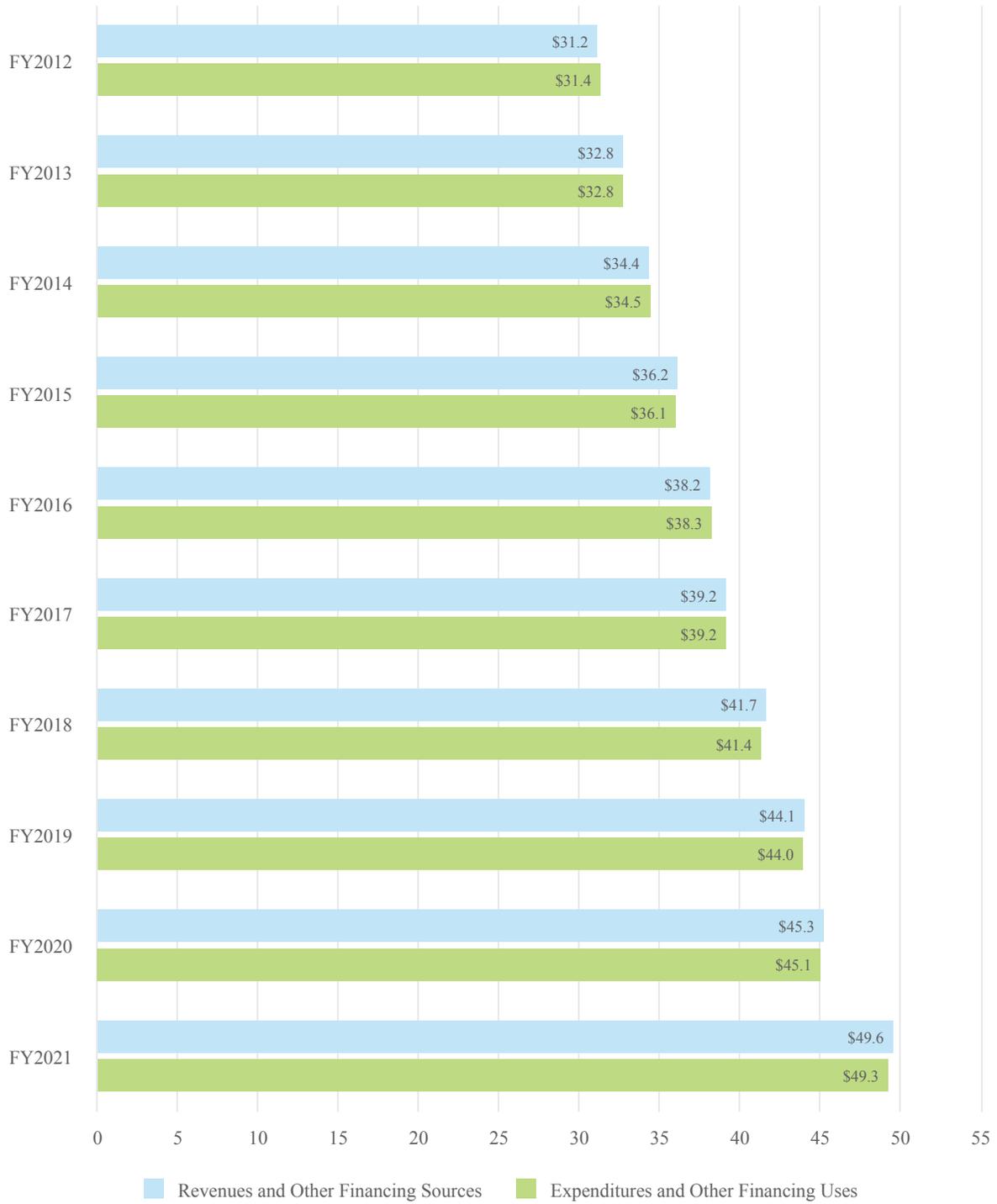
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Totals (Memorandum only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 25,908,200	\$ 31,771,947	\$ 5,863,747
454,453	423,025	(31,428)
13,875,876	18,338,990	4,463,114
261,482	245,636	(15,846)
3,744,448	4,255,760	511,312
467,603	292,723	(174,880)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



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



General Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

General Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

General Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

continued

See accountants' review report



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Commonwealth Transportation Fund

Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Commonwealth Transportation Fund
Statement of Revenues, Expenditures And Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Commonwealth Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Commonwealth Stabilization Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Intragovernmental Service Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

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

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

See accountants' review report

Transitional Escrow Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

Transitional Escrow Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Inland Fisheries And Game Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Inland Fisheries And Game Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Marine Recreational Fisheries Development Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Marine Recreational Fisheries Development Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

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

See accountants' review report

Public Safety Training Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Public Safety Training Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Local Capital Projects Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Local Capital Projects Fund

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

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

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

See accountants' review report

Gaming Local Aid Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Gaming Local Aid Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

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

See accountants' review report

Education Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Local Aid Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Local Aid Stabilization Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	2021 Budget	2021 Actual	Variance Favorable (Unfavorable)	2020 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>—</u>
Fund balance/(deficit) at beginning of year		<u>50</u>		<u>50</u>
Fund balance/(deficit) at end of year		<u>\$ 50</u>		<u>\$ 50</u>

See accountants' review report

Gaming Economic Development Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Gaming Economic Development Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Marijuana Regulation Fund
Balance Sheet - Statutory Basis

As of June 30, 2021
(Amounts in thousands)

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

See accountants' review report

Marijuana Regulation Fund

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Behavioral Health Outreach, Access and Support Trust

Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

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

(Amounts in thousands)

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

See accountants' review report

Federal COVID-19 Response Fund
Balance Sheet - Statutory Basis

As of June 30, 2021

(Amounts in thousands)

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

See accountants' review report

Federal COVID-19 Response Fund

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

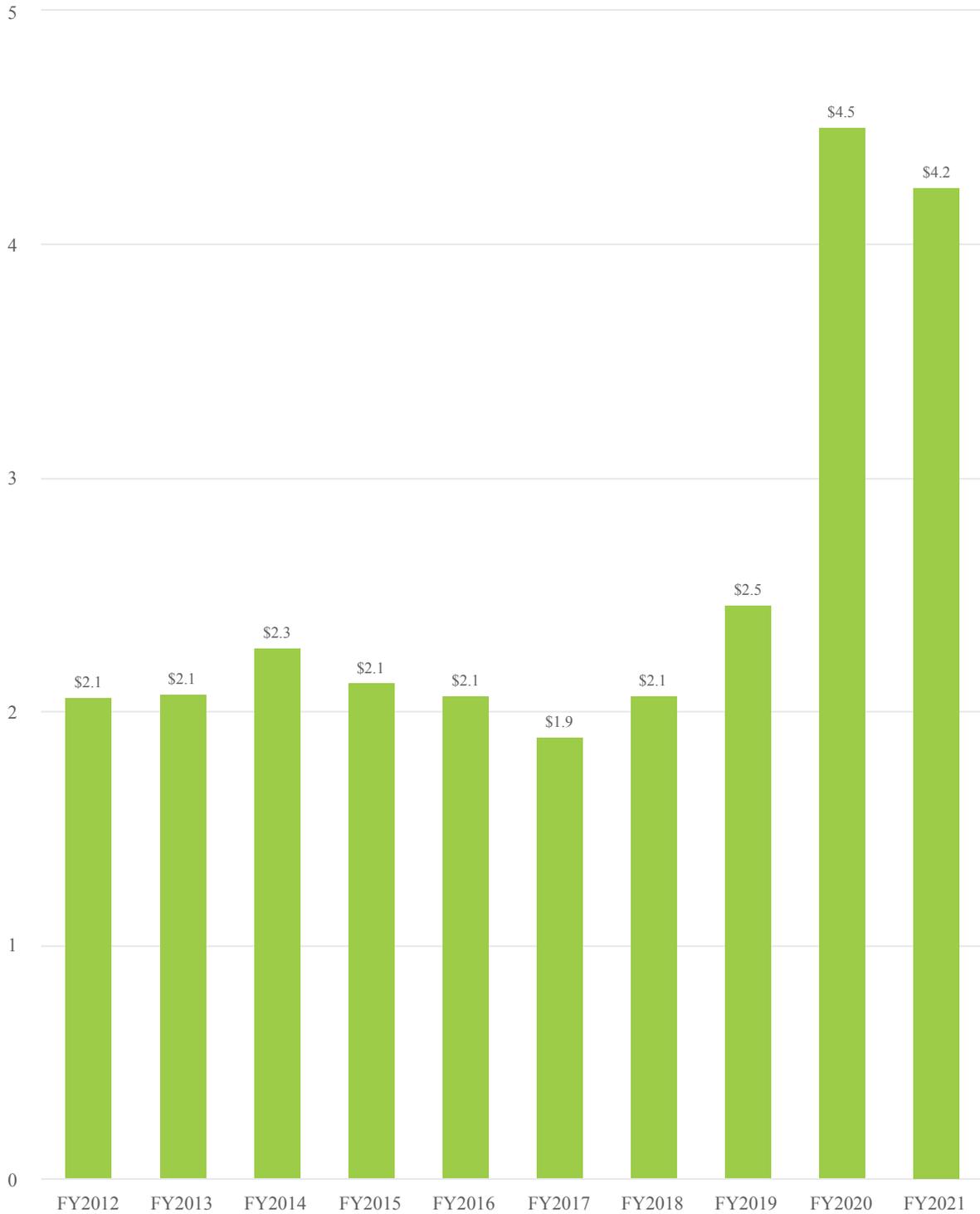
Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

See accountants' review report

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



Non-Budgeted Special *Revenue Funds*

These funds account for the proceeds of specific revenue sources that are restricted to finance specific functions. Funds that are not subject to appropriation are considered Non-Budgeted Special Revenue Funds.

Federal Grants Fund - to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

LOTTERY FUNDS:

The two lottery funds account for the operations of the State and Arts Lotteries.

State Lottery and Gaming Fund - to account for revenue from the sale of lottery tickets and for the payment of prizes, expenses of the State Lottery Commission and the distribution to municipalities and school districts. Transfers are made from lottery profits to the General Fund.

Arts Lottery Fund - to account for revenues from the sale of lottery tickets, for payment of prizes and the expenses of the State Lottery Commission, and for the administration of the Arts Lottery Council. Residual fund balance transfers are made to the General Fund at the end of the fiscal year.

GAMING FUNDS:

Massachusetts Gaming Control Fund - to account for all gaming fees and assessments not recorded in other funds by legislative mandate and other monies authorized by the General Court. Expenditures are to finance the activities of the Massachusetts Gaming Commission (MGC).

Gaming Revenue Fund - to account for revenues collected from taxes on gross gaming revenue received from gaming licenses. The revenues shall be transferred to other funds to finance the activities of those funds.

OTHER FUNDS:

The other special revenue funds account for a variety of miscellaneous taxes, assessments, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Catastrophic Illness in Children Relief Fund - to account for a portion of an employer's unemployment health insurance contribution and certain Federal Financial Participation (FFP). The funds are for medical expenses of childhood catastrophic illnesses not covered by any other state and federal program.

Commonwealth Care Trust Fund - to collect fair share employer assessments, free rider surcharges, cigarette tax revenues, transfers from the Health Safety Net Trust Fund and any funds that may be appropriated or transferred into the fund for the purpose of increasing health care coverage, including subsidized health insurance to low - income residents. Funds may be transferred to the Health Safety Net Trust Fund.

Medical Assistance Trust Fund - to account for any funds from public entities and federal revenues related to medical assistance; to be used to provide supplemental Medicaid payments to certain safety net hospitals.

Health Safety Net Trust Fund - to account for reimbursing hospitals and community health centers for a portion of the cost of reimbursable health services provided to low-income, uninsured or underinsured residents of the Commonwealth. Revenues are from surcharges and assessments in health care services.

Community First Trust Fund - To account for revenues received from FFP earned on any qualifying expenditures from the fund. Expenditures are for non - institutionally - based long-term service and support and may be made for services provided in prior fiscal years, but may not exceed more than \$16 million.

Money Follows the Person Rebalancing Demonstration Grant Trust Fund - to account for funds used for expenses that primarily benefit individuals who have disabilities or long-term illnesses or who are elders. Monies equal to the amount of FFP collected from the previous quarter shall be transferred to the fund.

Public Health Trust Fund - to account for fees assessed on slot machines and all other monies credited or transferred to the fund from any other source under law. Funds shall be expended to assist social service and public health programs dedicated to addressing problems associated with compulsive gambling.

Healthcare Payment Reform Fund - to account for a portion of gaming license fees, 5% of the acute hospital assessments and any monies credited or transferred to the fund from any other fund or source. Funds are used to improve the quality and reduce the cost of health care in the Commonwealth.

Distressed Hospital Trust Fund - to account for gifts, grants and donations, interest earnings, 60% of the acute hospital assessments, and any funds provided from other sources. Expenditures support efforts to meet the health care cost growth benchmark and any activities funded by the e-Health Institute, the Healthcare Payment Reform Fund, other health related purposes.

Prevention and Wellness Trust Fund - to account for appropriations or other monies authorized to be credited to the fund, fines and penalties gifts, grants and donations, interest earnings, and any funds provided from other sources. Also, 26 2/3% of the acute hospital assessments shall be credited to this fund. Expenditures shall support the state's efforts to meet the health care cost growth benchmark and any activities funded by the Healthcare Payment Reform Fund and other health related purposes.

MassHealth Delivery System Reform Trust Fund - to account for any transfers from the Health Safety Net Trust Fund, FFP revenues, appropriations; and any interest earned. The monies will be expended for approved Medicaid payments, reimbursements for services delivered to MassHealth beneficiaries; and for enhanced service and incentive payments to acute hospitals, and other providers or care organizations.

Community Hospital Reinvestment Trust Fund - to account for gifts, grants, donations, and interest earned. To be used to provide financial support to eligible acute care hospitals.

Non-acute Care Hospital Reimbursement Trust Fund - to account for assessments on acute care hospitals, FFP revenues, appropriations, and interest income. Funds shall be expended for Medicaid payments to non-acute, nonpublic hospitals licensed by the Department of Public Health.

Substance Use Disorder Federal Reinvestment Trust Fund - to account for FFP revenues, other federal reimbursements, grants, premiums, gifts, interest income and any other funds specifically designated to the fund. Funds shall be used to implement MassHealth's substance use disorder waiver demonstration project and to enhance and expand substance use disorder services.

Safety Net Provider Trust Fund - to account for operating transfers and any income designated to the fund by legislation. Funds shall be expended for payments to qualifying provider under an approved federal waiver.

Home Care Technology Trust Fund - to account for fees, appropriations, transfers, federal reimbursements, grants, premiums, gifts or other contributions from any source, investment income, and any other revenues. Funds shall be used to provide technological support for the aging service access points network.

Dam and Seawall Repair or Removal Fund - to account for federal grants, loan repayments, and investment earnings. Funds shall be used to provide grants or loans to local governmental entities, charitable organizations and private dam owners to finance or refinance costs related to dams and flood or wave control repair or remediation projects.

Department of Telecommunication and Energy Trust Fund - to account for assessments on interstate operating revenue of electric companies and investment income. The expenditures are for activities of the Department related to the regulation of electric companies.

Fingerprint-Based Background Check Trust Fund - to account for any appropriations and other monies including any private donations. Expenditures shall be for the sole purpose of carrying out state and national criminal background checks and verifications.

Liability Management and Reduction Fund - to account for chargebacks assessed to departments as premiums for the provision of insurance coverage for state agencies to cover payment of judgments, settlements and litigation costs in tort claims.

Dockside Testing Trust Fund - to account for fees collected from harvesters of molluscan shellfish on Georges Bank in the amount of \$35,000 per vessel. Expenditures shall be for the administrative costs of the operations and programs related to regulating and monitoring the shellfish harvesters, including the testing of shellfish as necessary to ensure that they are safe for human consumption.

Commonwealth of Massachusetts Civil Monetary Penalty (CMP) Fund - to account for civil monetary penalties paid by nursing homes participating in the medical program for the protection of health and property of residents in a nursing home if the facility is found deficient.

MBTA State and Local Contribution Fund - to account for the transfer of dedicated sales tax revenue and the Massachusetts Bay Transportation Authority (MBTA) service area assessments from the Commonwealth to the MBTA .

Massachusetts Community Preservation Trust Fund - to account for surcharges from the registry of deeds, public and private sources as gifts, grants and donations, from damages, penalties costs from litigation settlements and surcharge on municipal liens imposed by the cities and towns that accept funds from the trust, to further community open space preservation programs.

Health Insurance Portability and Accountability Act Fund - to account for revenues received from Federal reimbursements under the Social Security Act, other Federal reimbursements, grants, gifts or other contributions to meet the costs of compliance with the Federal Health Insurance Portability and Accountability Act (HIPPA) of 1996.

State Racing Fund - to account for racing-related taxes and assessments, to be used for expenditures governing simulcasting and to provide certain relief to the racing industry in the Commonwealth.

Division of Professional Licensure Trust Fund - to support programs and administrative costs of the Division of Professional Licensure. Revenues are from professional registration fees. Moneys deposited into the trust fund that are unexpended at the end of the fiscal year, and that total not more than 50% of the division's expenditures for the previous fiscal year, shall not revert to the General Fund.

Victims of Drunk Driving Trust Fund - to account for fines collected from individuals convicted of driving under the influence of various substances defined by the law. Expenditures are for grants to community based programs to provide counseling and support services to victims of accidents.

State Athletic Commission Fund - to account for licensing fees, other fees and fines collected up to a maximum of \$200,000 per year. All revenues in excess of \$200,000 shall be transferred to the General Fund. Expenditures are for the administration of the State Athletic Commission, including payments for officials and referees of athletic events sanctioned by the Commission.

Organ and Tissue Donor Registration Fund - to account for funds received from public and private donations, fees, and interest revenue; for the purpose of registration of residents of the Commonwealth as organ and tissue donors.

Department of Fire Services Hazardous Materials Emergency Mitigation Response Recovery Trust Fund - to account for monies received from fees, fines and investment income up to a maximum of \$250,000 per year. Any unexpended funds in excess of \$250,000 at the end of a fiscal year are transferred to the General Fund. Expenditures are for emergency hazardous materials response and mitigation costs.

Registers Technological Fund - to account for funds received from deed surcharges for the benefit of abolished counties. Expenditures are for technological improvements at the registries of deeds in those counties.

County Registers Technological Fund - to account for monies received from deed surcharges for Barnstable, Bristol, Dukes, Norfolk, Plymouth and Nantucket Counties. Expenditures are for technical improvements at those counties.

State Election Campaign Fund - to account for the costs of quadrennial statewide elections provided for through contributions from citizens.

Enhanced 911 Fund - to account for expenditures by the State Police and the Executive Office of Public Safety and Security to automatically identify a telephone number used to place or route a 911 call.

Counsel for Indigent Salary Enhancement Trust Fund - to account for fees collected for private applications for criminal complaints for misdemeanors in Commonwealth courts, including investment income. Expenditures are for rate enhancements for advocates for the indigent. Any amounts received in excess of \$12 million in any fiscal year shall be credited to the General Fund.

Special Projects Permitting and Oversight Fund - to account for environmental permitting fees. Expenditures are for permitting, technical assistance, compliance and other activities related to environmental oversight.

Division of Energy Resources Credit Trust Fund - to account for the receipt, retention, redemption, sale or transfer of energy conservation credits, renewable energy certificates or credits, emission credits and similar allowances. The Division of Energy Resources may expend these funds for the implementation of programs for energy reliability, renewable energy, public procurement of energy and energy efficiency and climate change.

School Modernization and Reconstruction Trust Fund - to account for dedicated sales tax revenues to support the School Building Assistance Program.

Roche Community Rink Fund - to account for the residual net revenues of the privately operated ice skating rink located in the West Roxbury section of the City of Boston.

Health Care Workforce Transformation Fund - to account for appropriations, gifts, grants, loan repayments and interest income. Expenditures of not more than 10% of the amount held in the fund in any one year shall be used for the combined cost of program administration, technical assistance to grantees and program evaluation. Funds of not less than 20% may be transferred to the Department of Public Health and up to 10% may be transferred to the Massachusetts Nursing and Allied Health Workforce Development Trust Fund. Funds remaining shall be expended for various healthcare related jobs programs.

Workforce Competitiveness Trust Fund - to account for funds to support the development and implementation of employer and work responsive programs to enhance worker skills, income, productivity and retention and to increase the quality and competitiveness of Massachusetts firms.

Fire Prevention and Public Safety Fund - to account for all penalties recovered under the Cigarette Fire Safety Regulation Act to be used for fire safety and prevention programs.

Cigarette Fire Safety and Firefighter Protection Act Enforcement Fund - to account for the fire safety certification fees submitted by cigarette manufacturers. The fund is used solely to support state processing, testing, enforcement and oversight activities related to implementation of the cigarette fire safety regulations.

Massachusetts Nursing and Allied Health Workforce Development Trust Fund - to account for appropriations, grants, loans or private donations received to increase the number of public and private higher education faculty and students who participate in programs that support careers in fields related to nursing and allied health.

Health Information Technology Trust Fund - to account for federal reimbursements received under the Health Information Technology for Economic and Clinical Health Act and other revenues. Expenditures are for incentive payments to eligible Massachusetts Medicaid health care providers and for the promotion of electronic health record adoption and health information exchange in the Commonwealth.

Build America Bonds Subsidy Trust Fund - to account for subsidies from the United States Treasury related to debt service payable on Build America bonds issued by the Commonwealth. Expenditures are used to pay debt service related to these bonds.

Housing Preservation and Stabilization Fund - to account for appropriations, transfers, and all interest earnings. Expenditures shall be made for providing affordable housing for low-income families and individuals in the commonwealth, particularly those most at risk of becoming homeless.

Office of Refugees and Immigrants Trust Fund - to account for grants, bequests, gifts or contributions. Expenditures shall be made only for operating costs of the office for refugees and immigrants and costs associated with refugee and immigrant-related programs, grants and initiatives of the director.

Veterans Independence Plus Initiative Trust Fund - to account for reimbursements collected from the US Department of Veterans Affairs. Expenditures from the fund shall be for the administration of the Veterans Independence Plus Initiative Program.

Massachusetts Environmental Police Trust Fund - to account for certain administrative surcharges, a 10% maintenance fee charged on private details, any bond proceeds or appropriations, interest or investment earnings, and all other amounts credited or transferred to the fund. Funds may be expended on programs and costs related to the division of law enforcement.

Domestic and Sexual Violence Prevention and Victim Assistance Fund - to support innovative practices to prevent domestic and sexual violence and provide assistance to victims of domestic violence in the commonwealth. The fund shall be credited any appropriations, bond proceeds or other monies authorized.

Massachusetts Seafood Marketing Program Fund - to account for a portion of the monies from the sale of commercial harvester and dealer permits issued not to exceed \$250,000 per fiscal year; any appropriations, grants, gifts or other monies authorized; and any investment income. All amounts credited to the fund shall be for the purpose of developing and administering the seafood marketing program.

Government Land Bank Fund - to account for proceeds from disposition, conversion and redevelopment of land used for industrial and low income housing developments to fund payments of principal and interest on bonds and notes of the Massachusetts Development Finance Agency.

Natural Heritage and Endangered Species Fund - to account for revenues from public and private sources and/or the federal government as reimbursements, grants, donations or other receipts and investment income; used to acquire by purchase, lease, easement or license land critical to nongame wildlife and endangered species for purposes of protecting and enhancing nongame wildlife.

Massachusetts Mathematics, Science, Technology and Engineering Grant Fund (STEM Pipeline Fund) - to account for support provided to Massachusetts students who participate in programs that support careers in fields related to mathematics, science, technology and engineering.

Regional Greenhouse Gas Initiatives (RGGI) Auction Trust Fund - to account for auction proceeds under the carbon dioxide cap and trade program. Expenditures shall be made to adopt rules and regulations establishing a carbon dioxide cap to limit and reduce carbon dioxide emissions released by electricity-generating stations.

Mosquito and Greenhead Fly Control Fund - to account for assessments to cities and towns of various mosquito control districts; to support activities designed to control mosquitoes and/or “greenhead” flies.

Ocean Resources and Waterways Trust Fund - to account for appropriations, investment income, and grants or ocean development mitigation fees; for use in restoring or enhancing marine habitat and resources affected by project developments.

Off Highway Vehicle Program Fund - to account for fees, fines and investment income collected for use in enforcement and environmental development, repair and restorations of trails and facilities.

Workforce Training Trust Fund - to account for the 0.075% unemployment surcharge on taxable wages on employers; to provide grants to employers, employer groups, labor organizations and training providers for projects to provide education and training to existing employees and newly hired workers.

Oil Overcharge Fund - to account for the fines and penalties collected under federal litigation from certain oil companies; used to provide fuel assistance and home insulation for low-income residents.

Victims of Human Trafficking Trust Fund - to account for the proceeds of assets seized and forfeited, fines and assessments and interest earnings. Funds shall be transferred to the Victim and Witness Assistance Board to administer grants to public, private non-profit or community-based programs in the Commonwealth.

Department of Public Utilities Storm Trust Fund - to account for assessments charged against each electric company under the jurisdictional control of the Department of Public Utilities and any investment income. Funds shall be used in investigating the preparation for and response to storm and other emergency events by electric companies in the Commonwealth.

Homeless Animal Prevention and Care Fund - to offset costs associated with the vaccination, spaying and neutering of homeless dogs and cats owned by low-income residents and to assist with the training of animal control officers. The fund shall consist of voluntary tax check-off donations, gifts, grants, donations and investment income.

Horseneck Beach Reservation Trust Fund - to account for the long-term preservation, maintenance, nourishment and public safety of Horseneck Beach in the Town of Westport. Revenues shall consist of a surcharge of \$1 imposed by on admission to and parking in the Horseneck Beach Reservation. Expenditures for public safety may be made available to the Town of Westport's police, fire, ambulance and emergency personnel.

Environmental Trust Fund - to account for fines, gifts, grants and investment income used for restoration, protection and improvement of the quality of Boston Harbor, Lynn Harbor, Massachusetts Bay, Buzzards Bay and Cape Cod Bay.

Social Innovation Financing Trust Fund - to account for appropriations used to fund contracts to improve outcomes and lower costs for contracted government services.

Children's Trust Fund - to account for gifts, grants, interest and donations to the Child Abuse Prevention Board and certain appropriations; used for support programs to raise awareness of child abuse and prevention programs.

Child Support Enforcement Fund - to account for child support payments, fees and penalties c, federal monies and any related interest earnings. Expenditures are for child-support related activities.

Massachusetts Military Family Relief Fund - to account for revenues received from voluntary tax check-off donations, gifts, grants, donations and investment income; to help members of the Massachusetts National Guard and Massachusetts residents who are members of the U. S. Armed Forces and who were called to active duty after September 11, 2001.

Department of Industrial Accidents Special Fund - to account for assessments to employers and cities and towns for workers' compensation insurance premiums and penalties assessed against employers who fail to insure for workers' compensation; used to reimburse the General Fund for the operating account of the Department of Industrial Accidents and for administrative overhead.

Logan Airport Health Study Trust Fund - to account for monies allocated by the Massachusetts Port Authority or any other public or private entity. Funds shall be expended for administration and project management activities and for direct support to community health centers within the study area.

Massachusetts State Public Health HIV and Hepatitis Fund - to account for revenues received from voluntary tax check-off donations from public and private sources as gifts, grants, and donations; used for research, treatment, and education related to acquired immune deficiency syndrome.

Head Injury Treatment Services Trust Fund - to account for revenues from a surcharge on fines resulting from “driving under the influence” convictions and investment income; funds shall be used to develop and maintain non-residential rehabilitation services for head injured persons.

Board of Registration in Medicine Trust Fund - to account for licensing fees of medical professionals. Expenditures are for the administration and operation of the Board.

Water Pollution Abatement and Drinking Water Projects Administration Fund - to account for transfers from the Massachusetts Clean Water Trust and general obligation bond proceeds; used for the administration of the Department of Environmental Protection to fund water pollution abatement projects.

Child Care Quality Fund - to account for revenues from the sale of “Invest in Children” distinctive license plates; funds are used for providing grants for not-for-profit childcare organizations for the purpose of improving childcare services.

Convention and Exhibition Center Fund - to account for certain rooms and sales and use taxes, surcharges imposed on tourist tickets, including cruises and land-based sightseeing located in the Commonwealth; used to finance the construction and operating expenses of the Boston Convention Center and convention centers in Worcester and Springfield.

Firearms Fingerprint Identity Verification Trust Fund - to account for firearm registration fees for the purpose of financing fingerprint identification verifications with the fingerprint records maintained by the Federal Bureau of Investigations or any other federal agency for the verification of firearms license application identities.

Grant Anticipation Note Trust Fund - to account for proceeds to cover federal grant anticipation note expenditures and pay the related debt service.

Race Horse Development Fund - to account for the daily assessment of 9% of gross gaming revenues collected by slot machine-only venues. Expenditures from this fund shall be made to each licensee to support the operations of thoroughbred racing in the Commonwealth.

Community Mitigation Fund - to account for gaming tax revenue transferred from the Gaming Revenue Fund and all other monies credited or transferred to the fund from any other fund or source. Funds shall be expended to assist the communities in offsetting costs related to the construction and operation of a gaming establishment.

Massachusetts Tourism Trust Fund - to account for the \$10,000,000 collected from the room occupancy excise and revenues under the Gaming Revenue Fund designated by legislation. Spending from the fund will be as follows; 40% to the Massachusetts marketing partnership and 60% to regional tourism councils to promote tourism and for related administrative costs.

Long-Term Facility Quality Improvement Fund - to account for income from legislatively mandated fines and penalties imposed by the department of public health on long-term care facilities, revenues from appropriations: gifts, grants, donations rebates and settlements. Spending will be used to improve safety and enhance the quality of care provided in long-term care facilities.

Sexual Assault Nurse Examiner Trust Fund - to account for gifts, grants, donations, bequests, cash, securities and property contributions from any source. Spending will be used to support the sexual assault nurse examiner program costs and provide services for sexual assault patients.

Transportation Infrastructure Enhancement Trust Fund - to account for assessments based on the number of annual rides in a fiscal year by each transportation network company within the commonwealth; ½ of the funds are proportionately distributed to cities and towns, ¼ of the funds are distributed to the Massachusetts Development Finance Agency, and the final ¼ is distributed to the Commonwealth Transportation Fund.

Nickerson State Park Trust Fund - to account for a \$5 surcharge on admission for out-of-state campers in Nickerson State Park. Expenditures shall be made for the long-term preservation and maintenance of the Nickerson State Park.

Massachusetts United States Olympic Fund - to account for revenues from the sale of distinctive vehicle license plates, voluntary tax check-off donations, and public and private gifts, grants and donations. Funds shall be used for assisting commonwealth athletes in paying all or part of the costs associated with participating on the United States Olympic or Paralympic teams.

State House Special Event Fund - to account for the fees collected from nongovernmental individuals, entities and groups and the related expenditures for using the state house for meetings, receptions or exhibits.

Quality in Health Professions Trust Fund - to account for the license or registration fees of health professionals issued by department of public health. Funds shall be used for the administrative costs of the operations and programs of the health licensing board.

Nantasket Beach Reservation Trust Fund - to account for the surcharge for admission into parking at Nantasket Beach Reservation. Funds shall be used for the preservation, maintenance, and safety of Nantasket Beach.

Milk Producers Security Fund - to account for revenues from commonwealth milk dealers imposed on the volume of milk purchases, transfers and investment income. The fund shall be for reimbursing Massachusetts producers who sold milk to a dealer when the dealer has defaulted in the timely payment for the milk under regulations issued.

Commonwealth Security Trust Fund - to account for fees from the sale of United We Stand distinctive license plates and interest earnings. Funds shall be used for grants to local police and fire departments to enhance emergency response including responses to acts of terrorism; and the design, construction and maintenance of memorials dedicated to those killed in the line of duty.

Organ Transplant Fund - to account for revenues collected from voluntary tax check-off donations, public and private gifts, grants, and donations, and from the federal government. Funds shall assist residents in paying all or part of any costs associated with a medically required organ transplant.

Municipal Police Training Fund - to account for a \$2 surcharge (not to exceed \$10 million in a calendar year; any excess surcharge is deposited to the general fund) on each rental car contract in the commonwealth, any interest earned, appropriations, any public and private gifts, grants, and donations, and any transfers from the Marijuana Regulation Fund or the Public Safety Training Fund. Funds shall be used for operating expenses of the municipal police training committee and for the training programs for police officers.

Department of Public Utilities Energy Facilities Siting Board Trust Fund - to account for application fees to construct an electricity generating facility and any interest earned. Funds shall be used by the department for the operation of the energy facilities siting board.

Department of Public Utilities Unified Carrier Registration Trust Fund - to account for registration fees from motor vehicle interstate carriers and any interest earned. Funds shall be used for the regulation of motor carriers.

Municipal Naloxone Bulk Purchase Trust Fund - to account for revenues collected from municipalities and non-profit organizations purchasing naloxone, any appropriations authorized, and any public and private gifts, grants, and donations. Funds are used to provide price reductions for municipalities purchasing naloxone through the program, in addition to any discounts procured through bulk purchasing.

Debt and Long-Term Liability Reduction Trust Fund - to account for the transfer of 10% of category 1 license revenues from the Gaming Revenue Fund. Funds shall be used for the payment and prepayment of commonwealth debt and other long-term liabilities.

Public Health Grant Trust Fund - to account for money received from public and private sources. Funds shall be used to collaborate with nonprofit organizations to participate in competitive grant opportunities that further the mission of the department.

Commonwealth Facility Trust for Energy Efficiency Fund - to account for an initial transfer of \$500,000 from the Energy Credit, Efficiency and Sustainable Design Trust Fund, monies received as reimbursements for projects funded by this fund, and any monies specifically authorized. Funds are used for funding certain small and medium energy and water efficiency projects at state facilities.

Garden of Peace Trust Fund - to account for any monies specifically authorized for transfer into the fund and any public and private gifts, grants and donations for the operation of the Garden of Peace.

Community Behavioral Health Promotion and Prevention Trust Fund - to account for any transfers into the fund, 30% of the excise tax on electronic nicotine delivery systems, and any public and private gifts, grants and donations. Funds shall be used to promote positive mental, emotional and behavioral health and to prevent substance use disorders among children and young adults.

Chestnut Hill Reservation Improvement Fund - to account for \$25,000 of the fair market value of an easement, any public and private gifts, grants and donations, transfers from other funds, and interest earned. Funds shall be used to make improvements to the Chestnut Hill Reservation. This fund will expire on December 30, 2020 and any funds remaining revert to the General Fund.

Civics Project Trust Fund - to account for monies specifically authorized for the fund, any public and private gifts, grants and donations, and interest earned. Funds shall be used to provide support to educators for teaching subjects promoting civic service.

Childhood Lead Poisoning Prevention Trust Fund - to account for certain surcharges, appropriations, any public and private sources, gifts, grants, donations, and settlements. Funds shall be used to produce and distribute educational materials, train lead paint inspectors and homeowners to abate or contain lead paint.

Cultural and Performing Arts Mitigation Trust Fund - to account monies transferred from the Gaming Revenue Fund, investment income and another monies to be credited to the fund. Funds shall be used to support programs of the Massachusetts Cultural Council.

Twenty-first Century Education Trust Fund - To account for certain appropriations, public and private gifts, grants, and donations, and investment income. Funds shall be used to address persistent disparities in achievement among student subgroups, improve educational opportunities for all students, sharing best practices for improving classroom learning and supporting efficiencies within and across school districts.

Massachusetts Coronavirus Relief Fund - to account for federal funds authorized under the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Funds shall be used in accordance with requirements and guidance in the CARES Act issued by the federal government.

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

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

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

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

Opioid Recovery and Remediation Trust Fund - to account for settlements received from claims arising from the manufacture, marketing, distribution or dispensing of opioids, appropriations, gifts, grants, donations, rebates and settlements and investment income. The fund shall be used to mitigate the impacts of the opioid epidemic, including, expanding access to opioid use disorder prevention, intervention, treatment and recovery options.

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

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUNDS:

Massachusetts Transportation Trust Fund - to account for assessments, federal grants, departmental revenues, transfers and expenditures related to MassDOT.

Central Artery/Tunnel Project Repair and Maintenance Trust Fund - to account for any costs incurred in connection with the repairs and maintenance of the Central Artery and the Ted Williams Tunnel.

Motor Vehicle Safety Inspection Trust Fund - to account for motor vehicle inspection fees for administration and operation of safety inspection programs by the Registry of Motor Vehicles.

Transportation Infrastructure and Development Fund - to account for monies transferred from the Gaming Revenue Fund and all other monies credited or transferred to the fund from any other fund or source and proceeds from the investment of such funds. Any expenditures from this fund shall be solely for the purpose of transportation and related infrastructure projects.

The following funds have been enacted in legislation but were inactive in FY21 and are not presented in this report:

Medical Marijuana Trust Fund - to account for revenues generated from fees collected after July 1, 2013, as authorized by the MGL. Expenditures from the fund shall be for the administrative costs of operations and programs regulating medical marijuana use in the Commonwealth.

Essex Regional Emergency Communication Center Fund - The fund shall be used for the operation of the Regional Emergency Communications Center (RECC) to provide centralized emergency communication services to participating communities. There shall be credited to the fund a per capita assessment, any other funding, including, but not limited to, appropriations, gifts, grants, contributions, transfers or investment income.

MBTA Infrastructure Renovation Fund - to account for supplemental appropriations beyond the MBTA State and Local Contribution Fund for certain MBTA infrastructure improvements. Funds are to be used for, but not limited to, compliance with the American with Disabilities Act, elevator and escalator improvements, waterproofing, fare gates, signage, lighting and structural improvements.

Smart Growth Housing Trust Fund - to account for revenues from state surplus property sold for between \$25 million to \$50 million, appropriations, and monetary sanctions imposed by the department. Expenditures are for payments to communities for zoning incentive and density bonus payments related to smart growth or starter home zoning districts.

Essential Community Provider Trust Fund - to account for amounts appropriated for transfers and interest earned by the fund; used for payments to acute care hospitals and community health centers.

Department of Mental Retardation Trust Fund - to account for any receipts from assessments, transfers for public facilities and any other FFP. Expenditures are for operating the intermediate care facilities and community residences serving individuals with mental retardation.

Agricultural Inspection and Infrastructure Trust Fund - to account for agricultural inspection fees, interest or investment earnings; and all other monies credited or transferred to the fund by law. Expenditures shall be for agricultural programs and costs related to the Agricultural Innovation Center.

Massachusetts Board of Higher Education Scholar-Internship Match Fund - to provide a match not to exceed \$5,000 per student, for industry scholarships given to Massachusetts students going on to study for a post-secondary degree at Massachusetts public higher education institutions.

District Local Technical Assistance Fund - to account for grants to regional planning agencies for technical assistance to municipalities and to develop a statewide permitting model. Technical assistance services funded by these grants shall include services for zoning, land use planning, conservation, public safety planning, information technology and statistical trend modeling.

Educational Rewards Grant Program Fund - to account for grants to students in accredited post-secondary certificate or vocational technology programs or associate degrees in targeted high-demand occupations.

Housing and Economic Development Trust Fund - to account for grants, bequests, gifts or contributions of cash or securities, or contributions of services or property in kind and all interest earned on monies in the trust. Expenditures shall be for operating costs of the executive office of housing and community development, operating costs of the Massachusetts marketing partnership, and costs associated with housing and economic development programs, grants and initiatives.

Climate Change Adaptation Infrastructure Investment Fund - to account for amounts credited or transferred to the fund, federal grants, loan repayments, investment earnings and any other amounts required to be credited to the fund. Amounts credited to the fund may be used for the operations of the division of waterways and the office of dam safety, the department of environmental protection, the department of fish and game and the office of coastal zone management and to provide grants or loans to agencies of the Commonwealth and local governmental bodies to finance or refinance costs of certain environmental or coastal projects.

Massachusetts Alternative and Clean Energy Investment Trust Fund - to account for any funds invested in clean energy technology research and issued as seed grants to companies, universities and nonprofits to encourage the creation of clean technology ventures and the training of workers to perform associated green jobs.

Substance Abuse Services Fund - to account for funds used to expand inpatient treatment facilities and ongoing case management for civilly committed individuals.

Human Service Salary Reserve Fund - to account for funds transferred from the General Fund to provide a one-time subsidy to personnel earning less than \$40,000 in annual compensation who are employed by private human service providers that deliver human and social services under contracts with departments within the Executive Office of Health and Human Services and the Executive Office of Elder Affairs.

Commonwealth Sewer Rate Relief Fund - to account for transfers of amounts from the General Fund or other funds; used for the purpose of mitigating sewer rate increases and making sewer rate relief grants to municipalities.

Gaming Licensing Fund - to account for the licensing fees of all gaming establishments but excluding initial application fees. Monies from this fund shall be transferred to various funds. This fund expired on December 31, 2015.

Massachusetts Health Information Exchange Fund - to account for expenditures to support the dissemination and development of the statewide health information exchange. There shall be credited to the fund any appropriations, proceeds of any bonds or notes of the commonwealth issued for the purpose, federal grants or loans; private gifts, grants or donations, and investment income.

Capital Needs Investment Fund - to account for funds appropriated. The funds shall be for the restoration costs of the Mayflower II and the construction of a public safety building in the Town of Barre.

Securities Fraud Prosecution Fund - to account for criminal penalties, fines and settlements and any income from the investment of amounts credited to the fund. Expenditures from this fund are for investigations, enforcement of and dissemination of information about the Uniform Securities Act.

Flood Control Compact Fund - to account for any funds authorized and specifically designated to the fund plus any interest or investment earnings on any such monies. Expenditures shall be made for costs arising under any compact authorized by the general court, which may include reimbursing cities and towns or other states for flood control costs.

Public Records Assistance Fund - to account for revenues collected from punitive damages fines assessed to agencies or municipalities in violation of certain public record laws, appropriations, bond proceeds, gifts, grants, private contributions, operating transfers and earned investment income. To be used to provide grants to municipalities to support information technology capabilities and improve access to public records.

Olmsted Park Improvement Fund - to account for expenditures by the Department of Conservation & Recreation for the purposes of providing rehabilitation and improvement grants to cities and towns with an Olmsted Park within its municipal boundaries. The fund shall consist of public and private sources such as gifts, grants and donations, interest earned on revenues from gifts, grants and donations and any funds provided from other sources.

Municipal Epinephrine Bulk Purchase Trust Fund - to account for payments from participating cities and towns, appropriations, gifts, grants, donations, rebates and settlements. Funds shall be used for the purchase and distribution of epinephrine to first responder departments and the elementary and secondary schools in participating cities and towns.

State Parks Preservation Trust Fund - to account for revenues received from public and private gifts, grants, and donations, and from the federal government for preservation efforts. Funds shall be used for the purposes of maintaining and preserving all state-owned parks.

Abandoned Vessel Trust Fund - to account for revenues generated from the sale of abandoned vessels and any appropriations from the General Fund. Funds shall be used for removing abandoned vessels from public waterways.

Endowment Incentive Holding Fund - to account for the collection of private contributions into each higher education institution's recognized foundation. The commonwealth shall contribute funds to each institution's recognized foundation in an amount necessary to match private contributions in the current fiscal year.

Technical Rescue Services Fund - to account for compensation received under specific contracts, cost reimbursements, any monies specifically authorized for the fund, any public and private gifts, grants and donations, and interest earned. Funds shall be used for the maintenance and operation of technical rescue regions, technical rescue services and training, and the acquisition of technical rescue equipment.

Massachusetts Veterans and Warriors to Agriculture Program Fund - to account for appropriations, any public and private gifts, grants and donations, and interest earned. Funds shall be used to enhance the education, training, employment, income, productivity and retention of veterans currently working or aspiring to work in the agricultural field.

Global Warming Solutions Trust Fund - to account for appropriations, any public and private gifts, grants and donations, rebates, settlements, interest earned and any other revenues specifically credited to the fund. The fund is used to issue grants or loans to governmental, quasi-governmental or non-profit entities for costs incurred implementing the Clean Energy and Climate Plan related to climate change mitigation and adaptation.

Transfer of Development Rights Revolving Fund - to account for appropriations, any public and private gifts, grants and donations, rebates, settlements, interest earned and any other revenues specifically credited to the fund. Expenditures from the fund are to provide loans to municipalities for the acquisition of transferable development rights to protect conservation values and encourage development.

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

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

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

Early Education Care Public-Private Trust Fund - to account for appropriations, public and private gifts, grants, donations, and interest income. Funds are to provide support for childcare providers through state, philanthropic and private partnership efforts.

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

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

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

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

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

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

See accountants' review report

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

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

See accountants' review report

Non-Budgeted Other Funds

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

continued

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

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

See accountants' review report

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

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

See accountants' review report

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

	Non-Budgeted Other Funds					
	Workforce Training Trust	Oil Overcharge	Victims of Human Trafficking Trust	Department of Public Utilities Storm Trust	Homeless Animal Prevention and Care	Horseneck Beach Reservation Trust
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ 21,363	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	220	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Departmental	—	—	—	—	502	41
Miscellaneous	—	—	—	—	—	—
Total revenues	<u>21,363</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>502</u>	<u>41</u>
Other financing sources:						
Issuance of current refunding bonds	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—
Total revenues and other financing sources	<u>21,363</u>	<u>—</u>	<u>—</u>	<u>220</u>	<u>502</u>	<u>41</u>
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
Attorney General	—	—	86	—	—	—
District Attorney	—	—	28	—	—	—
Sheriffs' Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	1	—	359	315	45
Health and Human Services	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	10,197	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	<u>10,197</u>	<u>1</u>	<u>114</u>	<u>359</u>	<u>315</u>	<u>45</u>
Other financing uses:						
Principal on current refundings	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	100	32	—
Lottery operating reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers out	1	—	—	13	—	—
Stabilization transfer	—	—	—	—	—	—
Total other financing uses	<u>1</u>	<u>—</u>	<u>—</u>	<u>113</u>	<u>32</u>	<u>—</u>
Total expenditures and other financing uses	<u>10,198</u>	<u>1</u>	<u>114</u>	<u>472</u>	<u>347</u>	<u>45</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	11,165	(1)	(114)	(252)	155	(4)
Fund balances/(deficits) at beginning of year	49,963	394	158	372	328	30
Fund balances/(deficits) at end of year	<u>\$ 61,128</u>	<u>\$ 393</u>	<u>\$ 44</u>	<u>\$ 120</u>	<u>\$ 483</u>	<u>\$ 26</u>

See accountants' review report

Non-Budgeted Other Funds

Environmental Trust	Social Innovation Financing Trust	Children's Trust	Child Support Enforcement	Military Family Relief	Department of Industrial Accidents Special	Logan Airport Health Study Trust	State Public Health HIV and Hepatitis	Head Injury Treatment Services Trust	Board of Registration in Medicine Trust
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	18,134	—	—	—	—
—	—	—	27,351	—	—	—	—	—	—
639	—	—	6,191	294	3,839	—	157	3,571	9,918
3	—	—	24	—	5	1	—	1	—
642	—	—	33,566	294	21,978	1	157	3,572	9,918
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	5,300	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	5,300	—	—	—	—	—	—	—	—
642	5,300	—	33,566	294	21,978	1	157	3,572	9,918
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	15	—	—	—	—	—	—
—	—	—	186	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	4,269	—	25,337	—	—	—	—	—	—
861	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	94	1,412	7,609
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	2	—	—	—	—	—	—	—
—	—	—	—	350	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	1,943	—	—	—	—
—	—	—	—	—	—	—	—	—	—
861	4,269	2	25,538	350	1,943	—	94	1,412	7,609
—	—	—	—	—	—	—	—	—	—
95	—	—	515	—	4,415	—	—	—	1,773
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
34	—	—	185	—	17,797	—	—	—	627
—	—	—	—	—	—	—	—	—	—
129	—	—	700	—	22,212	—	—	—	2,400
990	4,269	2	26,238	350	24,155	—	94	1,412	10,009
(348)	1,031	(2)	7,328	(56)	(2,177)	1	63	2,160	(91)
1,325	8,231	189	11,689	831	11,860	14	241	5,755	6,668
\$ 977	\$ 9,262	\$ 187	\$ 19,017	\$ 775	\$ 9,683	\$ 15	\$ 304	\$ 7,915	\$ 6,577

continued

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

	Non-Budgeted Other Funds						
	Water Pollution Abatement and Drinking Water Projects Administration	Child Care Quality	Convention and Exhibition Center	Firearms Fingerprint Identity Verification Trust	Grant Anticipation Note Trust	Race Horse Development	Community Mitigation
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ 45,744	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	6,818	—	—	—	715,140	—	—
Departmental	—	154	—	2,758	—	11,033	—
Miscellaneous	—	—	79	—	424	—	—
Total revenues	6,818	154	45,823	2,758	715,564	11,033	—
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	—	—	—	—	26,271	4,364	11,351
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	26,271	4,364	11,351
Total revenues and other financing sources	6,818	154	45,823	2,758	741,835	15,397	11,351
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	5
Sheriffs' Departments	—	—	—	—	—	—	400
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	12,175	2,664
Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	42,344	—	—	—	—
Energy and Environmental Affairs	3,925	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	—	31	—	—	—	—	220
Public Safety and Security	—	—	—	1,371	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	24,610	—	79,720	—	—
Interest and fiscal charges	—	—	27,673	—	32,648	—	—
Total expenditures	3,925	31	94,627	1,371	112,368	12,175	3,289
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	1,307	—	—	—	—	—	56
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	1,686	—	71,000	—	632,766	—	26
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	2,993	—	71,000	—	632,766	—	82
Total expenditures and other financing uses	6,918	31	165,627	1,371	745,134	12,175	3,371
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	(100)	123	(119,804)	1,387	(3,299)	3,222	7,980
Fund balances/(deficits) at beginning of year	1,583	1,368	313,305	1,900	90,929	17,042	23,106
Fund balances/(deficits) at end of year	\$ 1,483	\$ 1,491	\$ 193,501	\$ 3,287	\$ 87,630	\$ 20,264	\$ 31,086

See accountants' review report

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

	Non-Budgeted Other Funds						
	Milk Producers Security	Commonwealth Security Trust	Organ Transplant	Municipal Police Training	Energy Facilities Siting Board Trust	Unified Carrier Registration Trust	Municipal Naloxone Bulk Purchase Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	—	85	206	3,241	—	2,311	692
Miscellaneous	—	—	—	—	—	—	—
Total revenues	—	85	206	3,241	—	2,311	692
Other financing sources:							
Issuance of current refunding bonds	—	—	—	—	—	—	—
Bond premiums/(discounts) on current refunding bonds	—	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—	100
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	100
Total revenues and other financing sources	—	85	206	3,241	—	2,311	792
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—
Sheriffs' Departments	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	1	—	—	—	1	—	—
Energy and Environmental Affairs	—	—	—	—	—	1,279	—
Health and Human Services	—	—	19	—	—	—	392
Executive Office of Technology Services and Security	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—
Public Safety and Security	—	72	—	2,964	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	1	72	19	2,964	1	1,279	392
Other financing uses:							
Principal on current refundings	—	—	—	—	—	—	—
Fringe benefit cost assessment	—	—	—	—	—	408	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	260	—	43	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	—	260	—	451	—
Total expenditures and other financing uses	1	72	19	3,224	1	1,730	392
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(1)	13	187	17	(1)	581	400
Fund balances/(deficits) at beginning of year	1,218	424	1,288	5,573	247	1,605	347
Fund balances/(deficits) at end of year	\$ 1,217	\$ 437	\$ 1,475	\$ 5,590	\$ 246	\$ 2,186	\$ 747

See accountants' review report

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

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

See accountants' review report

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



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Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets of the Commonwealth and to finance local governmental capital projects.

General Capital Projects Fund - to account for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes.

Convention and Exhibition Center Project Fund - to account for proceeds of bonds to finance the construction of a convention center in the City of Boston.

Capital Improvements and Investment Trust Fund - to account for the Commonwealth's reimbursement to cities and towns for expenses incurred for projects for construction and reconstruction of town and county ways.

Highway Capital Projects Fund - to account for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of Federally sponsored highway construction.

Federal Highway Construction Program - to account for federal highway construction grants which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

OTHER FUNDS:

Government Land Bank Capital Projects Fund - to account for proceeds of bonds used to finance the acquisition, holding, protection, maintenance, repair or use of lands and for personnel and the administrative costs of the Massachusetts Development Finance Agency.

Local Aid Capital Projects Fund - to account for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUND:

Central Artery Statewide Road and Bridge Infrastructure Fund - to account for bond proceeds, certain revenues from Registry of Motor Vehicle fees, (net of debt service expenditures) and payments from authorities. The purpose of expenditures from the fund is to meet the estimated additional costs associated with the Central Artery/Ted Williams Tunnel Project and for costs of the statewide road and bridge program.

The following funds have been enacted in legislation but were inactive in FY21 and are not presented in this report:

Capital Investment Trust Fund - to account for a transfer from the General Fund to finance appropriated items of a capital nature.

Capital Projects Funds

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

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

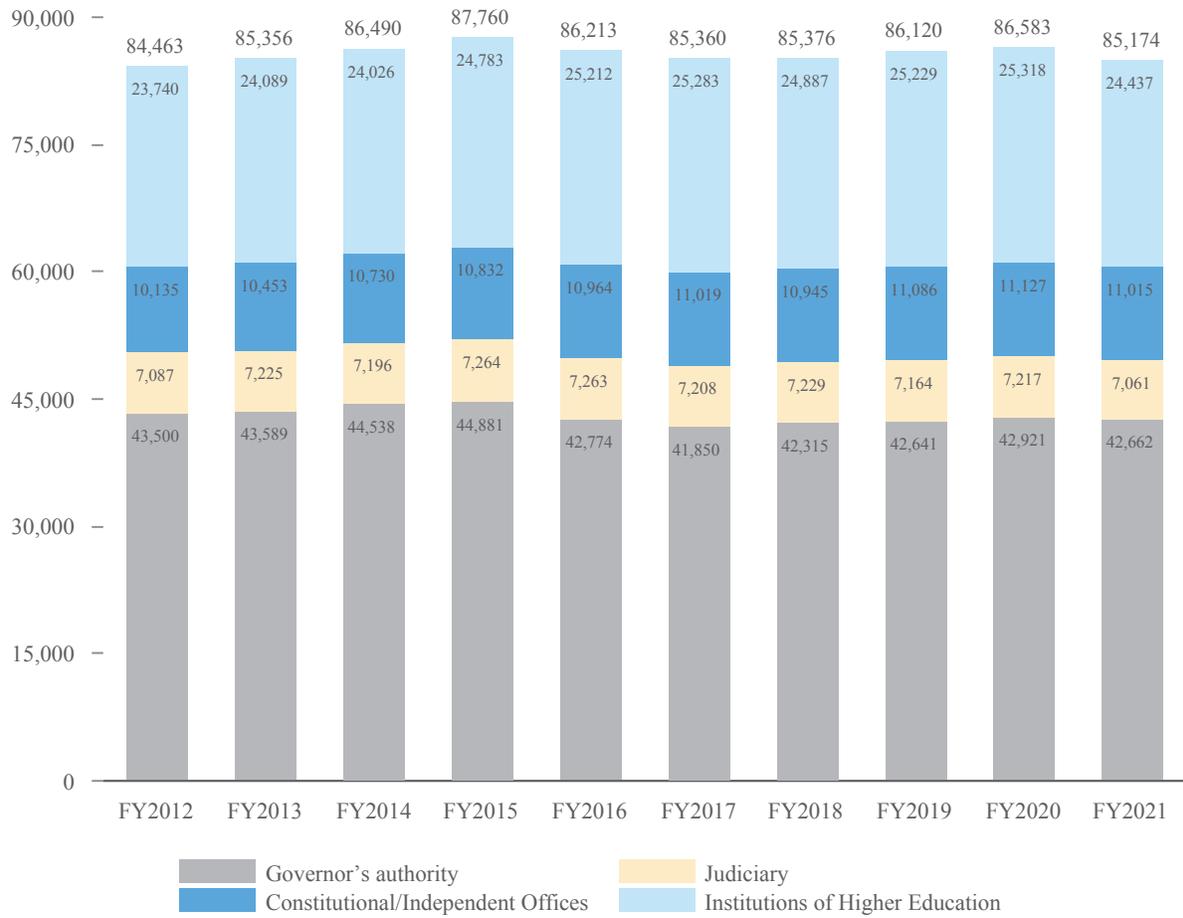
See accountant's review report

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

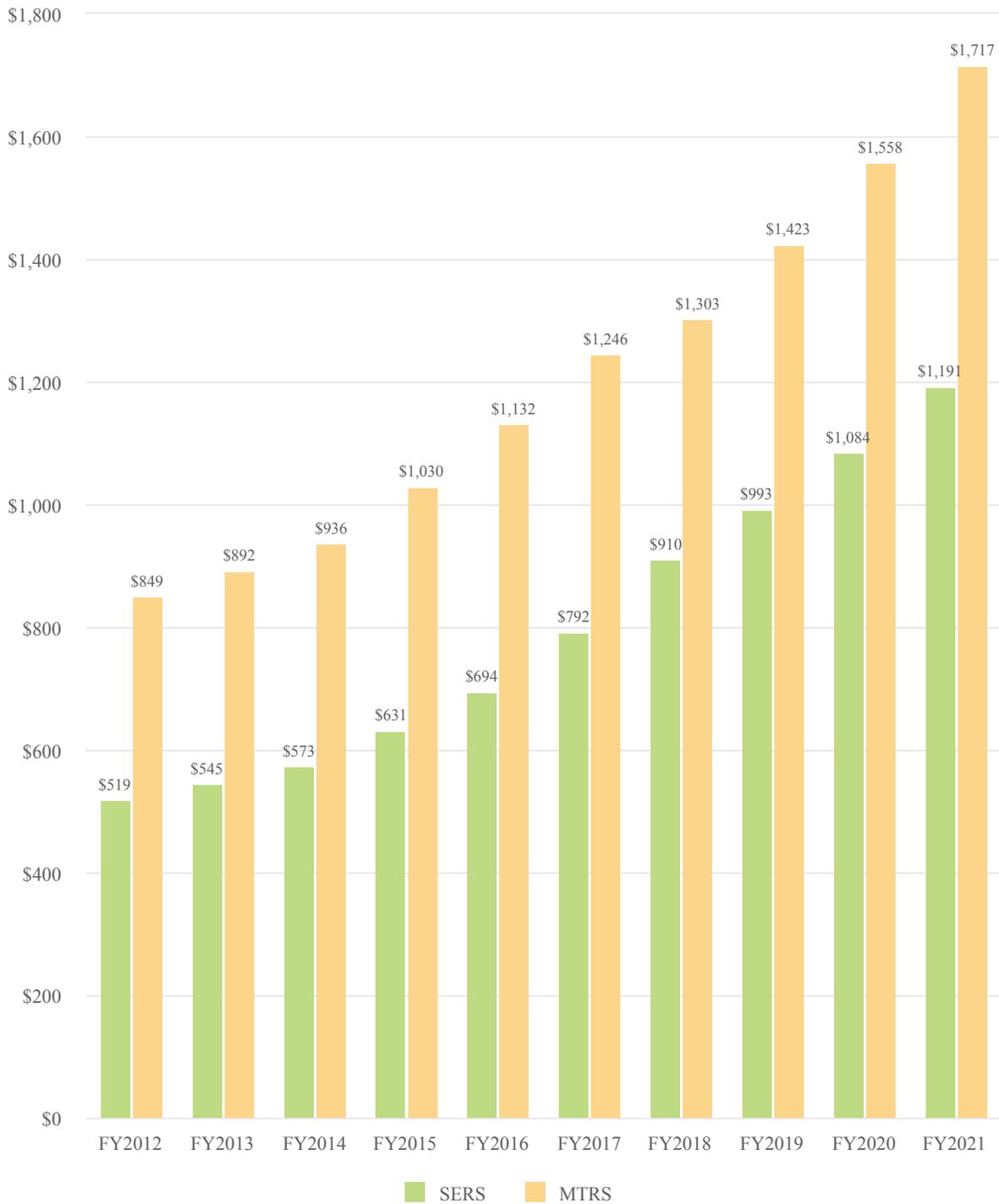


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THE BIG PICTURE: HISTORICAL CONTEXT
Full-Time Equivalent Workforce
Last Ten Fiscal Years



THE BIG PICTURE: HISTORICAL CONTEXT
Annual Pension Funding
State Employees' Retirement System (SERS) and
Massachusetts Teachers' Retirement System (MTRS)
Last Ten Fiscal Years
(Amounts in \$ Millions)



Supplemental Information



Calculation of Transfers, Transitional Escrow Fund and Stabilization Fund Reconciliation
Calculation of Transfers – Tax Reduction Fund
Schedule A – FY2021 Tax Revenues by Revenue Class
Schedule B – Calculation of Cap on Stabilization Fund
Schedule C – Detail of Elimination of Budgetary Inter Fund Activity
Non-Tax Revenue Initiatives
Schedule of Pension and Post Employment Health Benefits – Last Six Fiscal Years

See accountants' review report

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

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

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

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

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

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

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

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

Note: Details may not add to totals due to rounding

Calculation of Transfers: Tax Reduction Fund

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

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

Part 2: Status of Stabilization Fund after transfers:

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

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	\$ —
Transfers from Stabilization Fund	<u>—</u>
Tax Reduction Fund balance after transfers	<u>\$ —</u>

Schedule A
FY2021 Tax Revenues by Revenue Class

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

This schedule is prepared on the statutory basis of accounting. It presents tax revenues as reported in the governmental funds of the Commonwealth. It differs from the schedule of tax collections prepared by the Comptroller, Commissioner of Revenue and State Auditor for calculations in accordance with Chapter 62F of the General Laws, as amended. The differences are due to 2/5ths of Beano revenue and the health care coverage penalty in the Commonwealth Care Fund, both of which are recognized on the statutory basis of accounting but are not accounted for on the schedule of tax collections prepared by the Department of Revenue.

Schedule B
Calculation of Cap on Stabilization Fund

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

Calculation of Stabilization Fund Cap as defined by Massachusetts General Laws Chapter 29 Section 2H.

Schedule C
Detail of Elimination of Budgetary Inter Fund Activity

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

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

Non-Tax Revenue Initiatives

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

Chapter 653 of the Acts of 1989, amended Chapter 29 of the Massachusetts General Laws by adding Sections 29D and 29E, which authorize certain non-tax revenue initiatives and require reporting thereon, as follows.

I. Debt Collection:

Pursuant to Massachusetts General Laws Chapter 29, Section D, Chapter 7A Section 8, allows private debt collection agencies to engage in debt collection for the Commonwealth. The fees paid are contingency-based from the proceeds collected. Collections and fees paid during FY21 were (amounts in thousands):

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

Under the same program, the following amounts were collected and fees paid for the Institutions of Higher Education (these figures are as subset of the above) (amounts in thousands):

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

II. Cost Avoidance:

The Comptroller's appropriation authorizes contract arrangements engaged on a contingent fee basis for the purpose of identification and pursuit of cost saving/avoidance opportunities. During FY21, the following amounts were generated (amounts in thousands):

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

III. Intercept:

Intercept is authorized by M.G.L. Chapter 7A Section 3 and 815 CMR 9:06. Intercept is an automated process that offsets Commonwealth payments to delinquent receivables that have been approved by the Office of the State Comptroller. FY21 activity (amounts in thousands):

Total Commonwealth intercepts	<u>\$ 19,063</u>
Amounts included above that were intercepted on behalf of the Institutions of Higher Education	<u>\$ 8,100</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, 2021	\$ 30,370,096	\$ 45,704,298	15,334,202	66.5 %	\$ 6,544,575	234.3 %
Actuarial Valuation as of January 1, 2019	27,136,639	42,595,224	15,458,585	63.7 %	6,354,473	243.3 %
Actuarial Valuation as of January 1, 2018	26,248,250	40,456,611	14,208,361	64.9 %	6,155,194	230.8 %
Actuarial Valuation as of January 1, 2017	24,773,042	38,316,719	13,543,677	64.7 %	5,927,012	228.5 %
Actuarial Valuation as of January 1, 2016	23,465,963	36,966,278	13,500,315	63.5 %	5,792,288	233.1 %
Actuarial Valuation as of January 1, 2015	22,720,160	33,679,150	10,958,990	67.5 %	5,591,911	196.0 %
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2021	\$ 31,170,723	\$ 58,829,999	27,659,276	53.0 %	\$ 7,670,306	360.6 %
Actuarial Valuation as of January 1, 2019	27,854,444	53,864,141	26,009,697	51.7 %	7,074,960	367.6 %
Actuarial Valuation as of January 1, 2018	27,057,700	51,653,285	24,595,585	52.4 %	6,829,012	360.2 %
Actuarial Valuation as of January 1, 2017	25,638,136	49,193,503	23,555,367	52.1 %	6,583,871	357.8 %
Actuarial Valuation as of January 1, 2016	24,593,787	46,562,807	21,969,020	52.8 %	6,388,732	343.9 %
Actuarial Valuation as of January 1, 2015	23,946,759	44,115,769	20,169,010	54.3 %	6,204,274	325.1 %

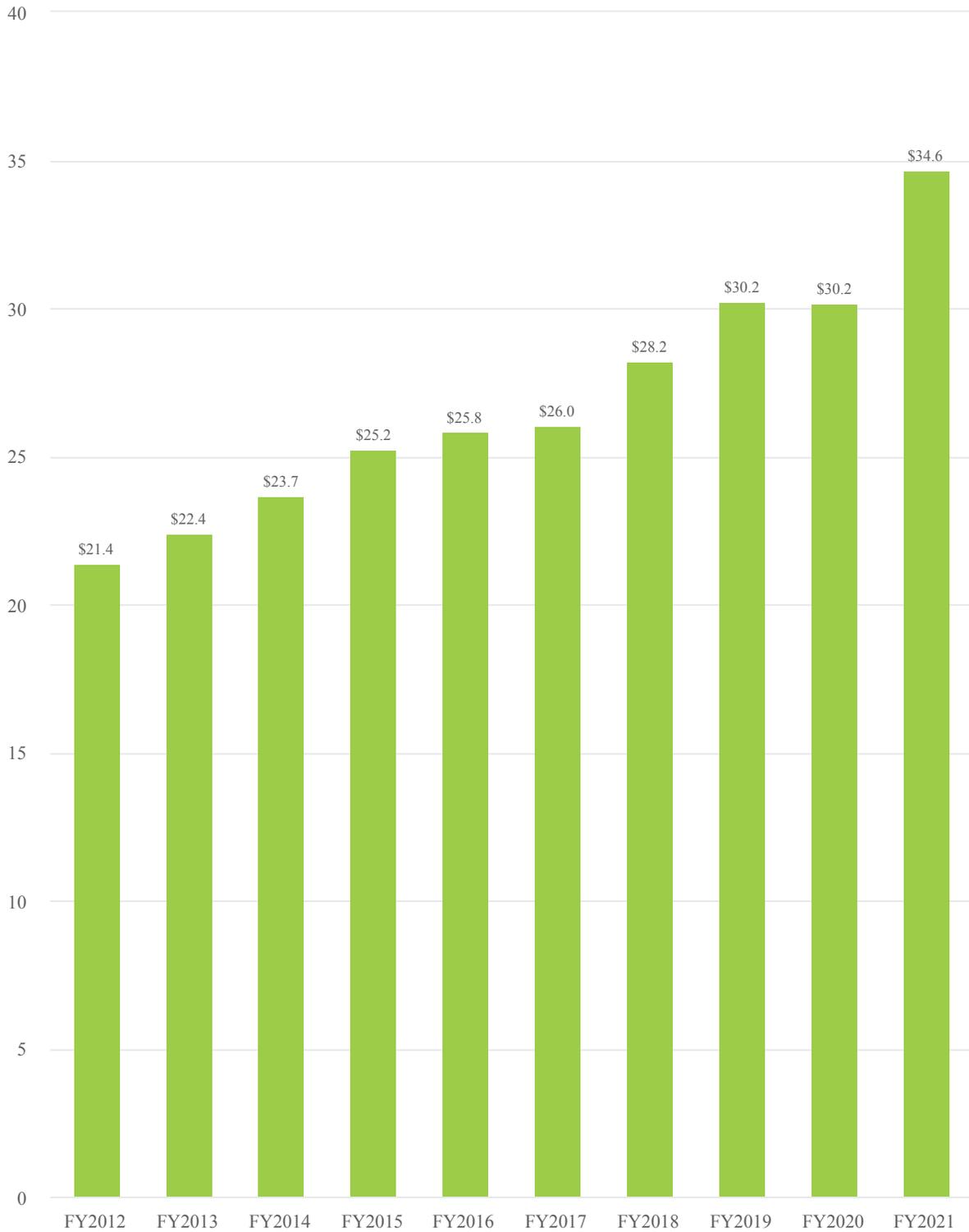
*A pension funding actuarial valuation as of January 1, 2020 was not performed for SERS and MTRS. GASB 67 compliant pension valuations will be presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

For a complete analysis of the Commonwealth's actuarial valuation report, please go to <http://www.mass.gov/perac>. Alternatively, copies of the Commonwealth's actuarial valuation may be obtained by contacting the Massachusetts Public Employee Retirement Administration Commission, 5 Middlesex Avenue, Suite 304, Somerville, MA 02145. Telephone number: (617) 666-4446.

State Retiree Benefits Trust

The results of the January 1, 2020 Other Post-Employment Benefits (OPEB) Actuarial Valuation will be presented in the ACFR due to changes in accounting standards.

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





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Statistical Section



Ten-Year Schedules – Statutory Basis
Higher Education Non-appropriated Funds – Statutory Basis

See accountants' review report

Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Statutory Basis

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

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

2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 25,800	42.7	\$ 25,239	44.4	\$ 23,665	43.6	\$ 22,396	43.8	\$ 21,384	42.7
11,528	19.1	10,287	18.1	9,265	17.1	9,078	17.8	8,931	17.8
2,363	3.9	2,269	4.0	2,328	4.3	2,396	4.7	2,655	5.3
5,407	8.9	5,194	9.1	5,050	9.3	5,043	9.9	4,941	9.9
1,058	1.7	1,033	1.8	1,079	2.0	1,018	2.0	986	2.0
546	0.9	546	1.0	495	0.9	487	1.0	474	0.9
5,016	8.3	4,409	7.8	4,252	7.9	3,858	7.5	3,580	7.2
3,003	5.0	3,404	6.0	2,262	4.2	1,512	3.0	1,921	3.8
1,674	2.8	707	1.2	722	1.3	231	0.5	480	1.0
4,067	6.7	3,748	6.6	5,093	9.4	4,982	9.8	4,731	9.4
<u>\$ 60,462</u>	<u>100.0</u>	<u>\$ 56,836</u>	<u>100.0</u>	<u>\$ 54,211</u>	<u>100.0</u>	<u>\$ 51,001</u>	<u>100.0</u>	<u>\$ 50,083</u>	<u>100.0</u>

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

Fiscal Year Ended June 30, 2021

(Amounts in millions)

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

2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$ 14,394	55.9	\$ 14,449	57.2	\$ 13,202	55.8	\$ 12,831	57.3	\$ 11,911	55.6
6,090	23.6	5,804	23.0	5,519	23.3	5,184	23.1	5,079	23.8
2,333	9.0	2,227	8.8	2,195	9.3	1,888	8.4	2,002	9.4
767	3.0	756	3.0	732	3.1	651	2.9	662	3.1
641	2.5	647	2.6	661	2.8	558	2.6	574	2.6
369	1.4	333	1.3	316	1.3	373	1.7	318	1.5
399	1.5	341	1.4	402	1.7	313	1.4	293	1.4
83	0.3	80	0.3	79	0.3	77	0.3	77	0.4
724	2.8	602	2.4	559	2.4	521	2.3	468	2.2
<u>\$ 25,800</u>	<u>100.0</u>	<u>\$ 25,239</u>	<u>100.0</u>	<u>\$ 23,665</u>	<u>100.0</u>	<u>\$ 22,396</u>	<u>100.0</u>	<u>\$ 21,384</u>	<u>100.0</u>

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

Fiscal Year Ended June 30, 2021

(Amounts in millions)

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

Schedule reflects changes in accordance with Article 87 reorganizations of the Massachusetts Constitution at various times over the last ten years at point of implementation.

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

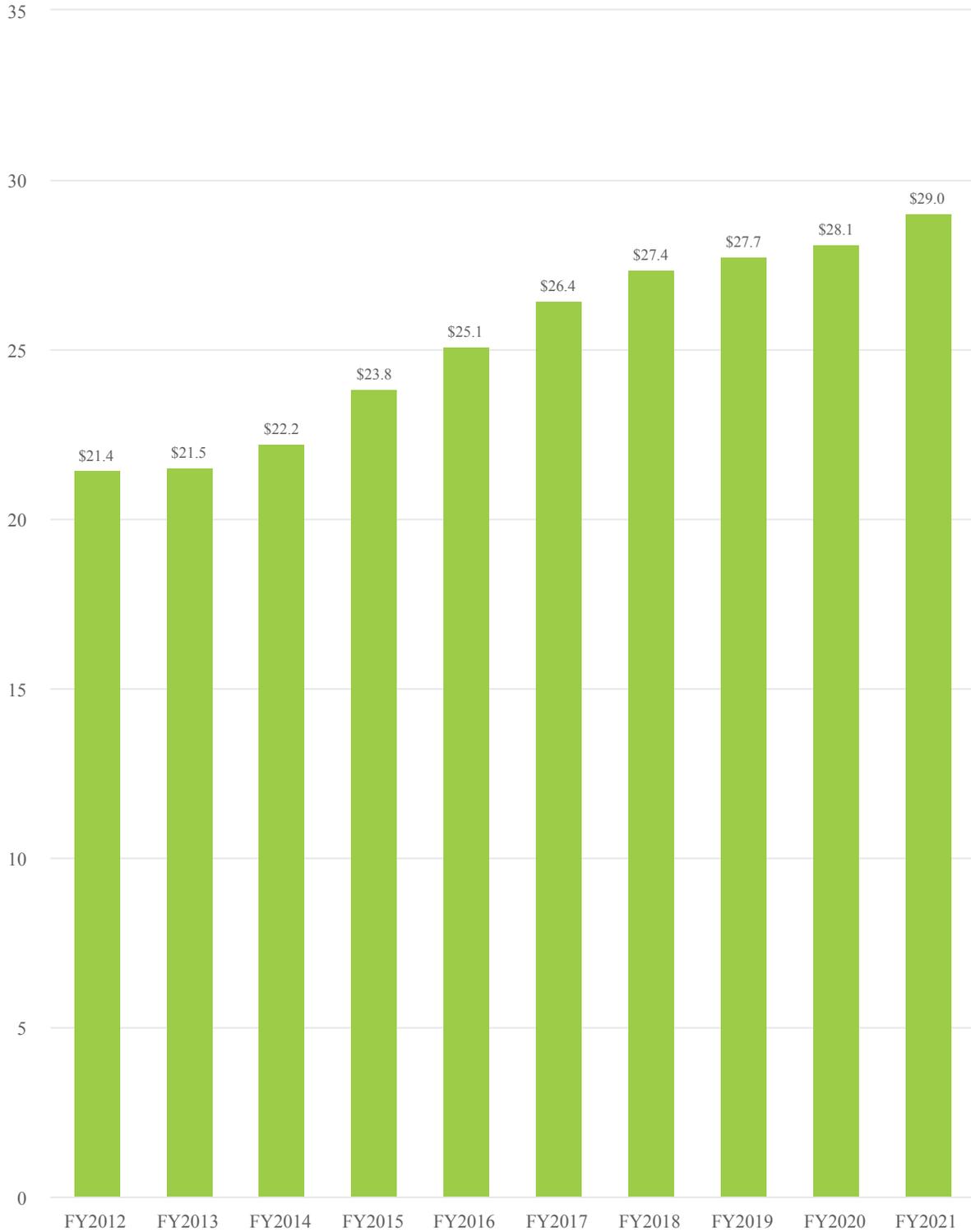
**Ten-Year Schedule of Budgeted Funds Expenditures and Other Financing Uses by
Major Program Category**

Fiscal Year Ended June 30, 2021

(Amounts in millions)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Direct local aid	\$ 6,482	\$ 6,376	\$ 6,075	\$ 5,886	\$ 5,703	\$ 5,568	\$ 5,420	\$ 5,292	\$ 5,116	\$ 4,929
Medicaid	18,122	17,023	16,521	15,745	15,252	14,851	13,655	11,901	10,800	10,431
Other Health and Human Services	6,800	6,625	6,210	5,931	5,600	5,433	5,301	4,980	4,769	4,711
Elementary and Secondary Education	717	665	605	552	523	539	515	515	489	436
Higher Education	1,337	1,317	1,284	1,173	1,168	1,194	1,162	1,092	991	937
Early Education and Care	785	712	607	564	540	548	538	510	483	494
Public Safety and Security	1,410	1,479	1,168	1,102	1,060	1,066	1,041	1,010	960	930
Energy and Environmental Affairs	303	283	255	230	222	221	225	215	202	187
Post employment benefits	3,752	3,305	3,110	2,900	2,660	2,503	2,287	2,109	1,990	1,892
Group health insurance	1,721	1,662	1,644	1,634	1,663	1,630	1,665	1,403	1,278	1,206
Debt service	2,289	2,410	2,327	2,323	2,285	2,174	2,190	2,133	2,117	1,923
Major programs	<u>43,718</u>	<u>41,857</u>	<u>39,806</u>	<u>38,039</u>	<u>36,676</u>	<u>35,727</u>	<u>33,999</u>	<u>31,160</u>	<u>29,195</u>	<u>28,076</u>
Other program expenditures	3,916	2,762	3,563	3,113	3,235	3,241	3,326	3,294	3,007	2,899
Interfund transfers and other financing uses	4,545	3,374	3,434	2,945	1,908	1,959	1,527	3,200	3,149	2,515
Total expenditures and other financing uses	<u>\$ 52,179</u>	<u>\$ 47,993</u>	<u>\$ 46,803</u>	<u>\$ 44,097</u>	<u>\$ 41,819</u>	<u>\$ 40,927</u>	<u>\$ 38,852</u>	<u>\$ 37,654</u>	<u>\$ 35,351</u>	<u>\$ 33,490</u>

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



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

As of June 30, 2021
(Amounts in millions)

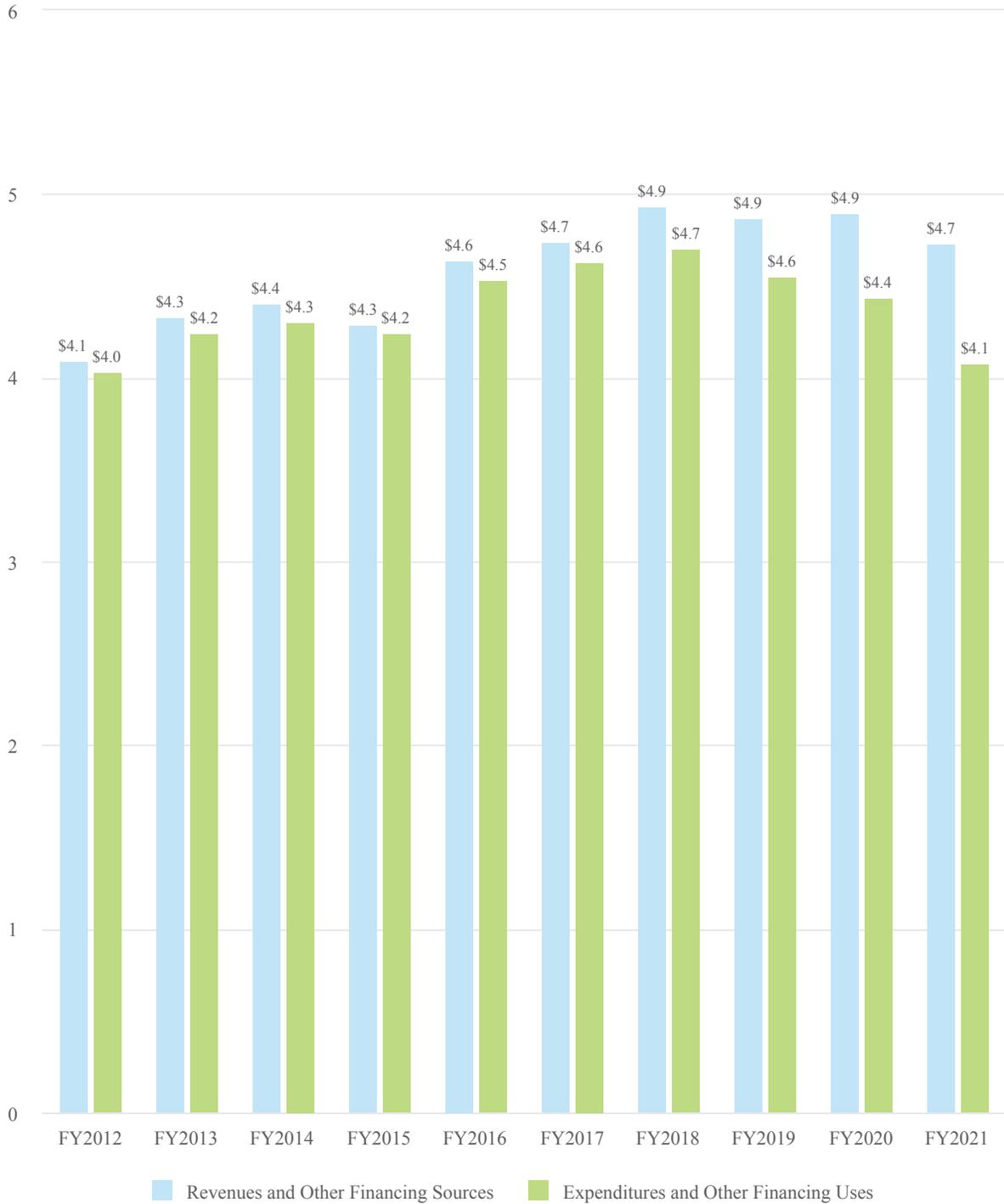
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General obligation bonds	\$ 24,765	\$ 23,953	\$ 23,676	\$ 23,144	\$ 22,717	\$ 21,668	\$ 20,802	\$ 19,387	\$ 19,140	\$ 18,852
Grant anticipation notes*	583	662	685	748	738	657	700	531	449	610
Special obligation bonds	3,700	3,483	3,378	3,469	2,991	2,754	2,324	2,292	1,924	1,972
Commonwealth long-term bonds ...	<u>\$ 29,048</u>	<u>\$ 28,098</u>	<u>\$ 27,739</u>	<u>\$ 27,361</u>	<u>\$ 26,446</u>	<u>\$ 25,079</u>	<u>\$ 23,826</u>	<u>\$ 22,210</u>	<u>\$ 21,513</u>	<u>\$ 21,434</u>

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

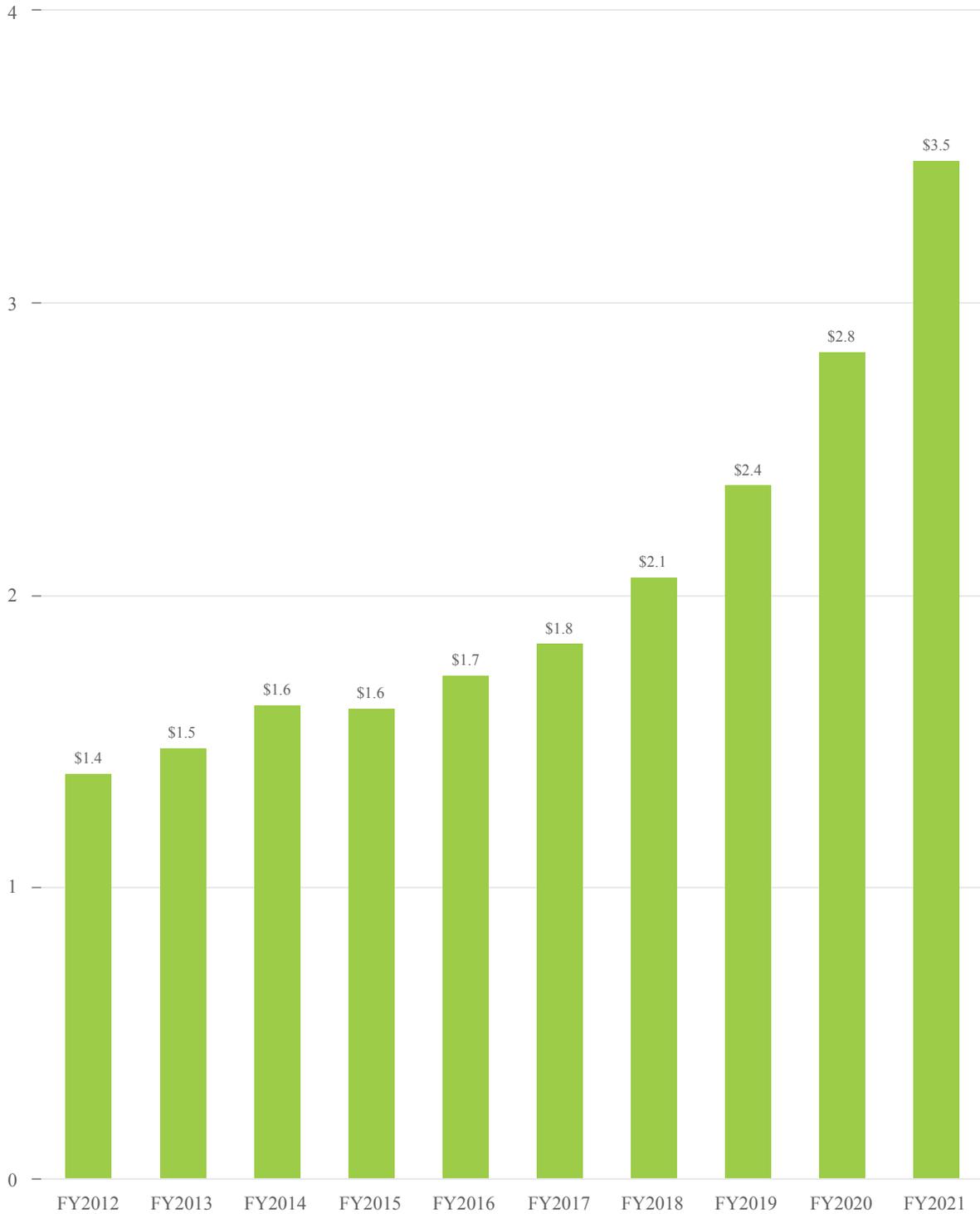


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THE BIG PICTURE: HISTORICAL CONTEXT
Revenues & Other Financing Sources vs.
Expenditures & Other Financing Uses
Combined Institutions of Higher Education
Last Ten Fiscal Years
(Amounts in \$ Billions)



THE BIG PICTURE: HISTORICAL CONTEXT
Non-Appropriated Funds of Higher Education
Ending Fund Balance
Last Ten Fiscal Years
(Amounts in \$ Billions)



HIGHER EDUCATION

NON-APPROPRIATED ACTIVITY

The Commonwealth's Public Institutions of Higher Education are allowed, by their enabling statutes, to collect, retain, and expend certain fees, rents, donations and other types of revenue. These financial resources are important elements in the overall financial operations of the respective institutions, and are in addition to amounts made available from appropriations. The Public Institutions of Higher Education include:

University of Massachusetts System - The University system includes the campuses at Amherst, Worcester, Boston, Lowell, Dartmouth and certain institutes and programs operated by the Office of the University President.

State University Systems - The State College and University Systems include the three state colleges, and six state universities, which provide four-year post-secondary education programs. These include:

- Bridgewater State University
- Framingham State University
- Fitchburg State University
- Massachusetts College of Art & Design
- Massachusetts Maritime Academy
- Massachusetts College of Liberal Arts
- Salem State University
- Worcester State University
- Westfield State University

Community College System - The Community College System includes the fifteen community colleges, which provide two-year post secondary education programs.

- Berkshire Community College
- Bunker Hill Community College
- Bristol Community College
- Cape Cod Community College
- Greenfield Community College
- Holyoke Community College
- Massasoit Community College
- Massachusetts Bay Community College
- Middlesex Community College
- Mount Wachusett Community College
- Northern Essex Community College
- North Shore Community College
- Quinsigamond Community College
- Roxbury Community College
- Springfield Technical Community College



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Higher Education System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

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

Note: Details might not add up due to rounding

University of Massachusetts
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

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

Note: Details might not add up due to rounding

State University and College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

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

Note: Details might not add up due to rounding

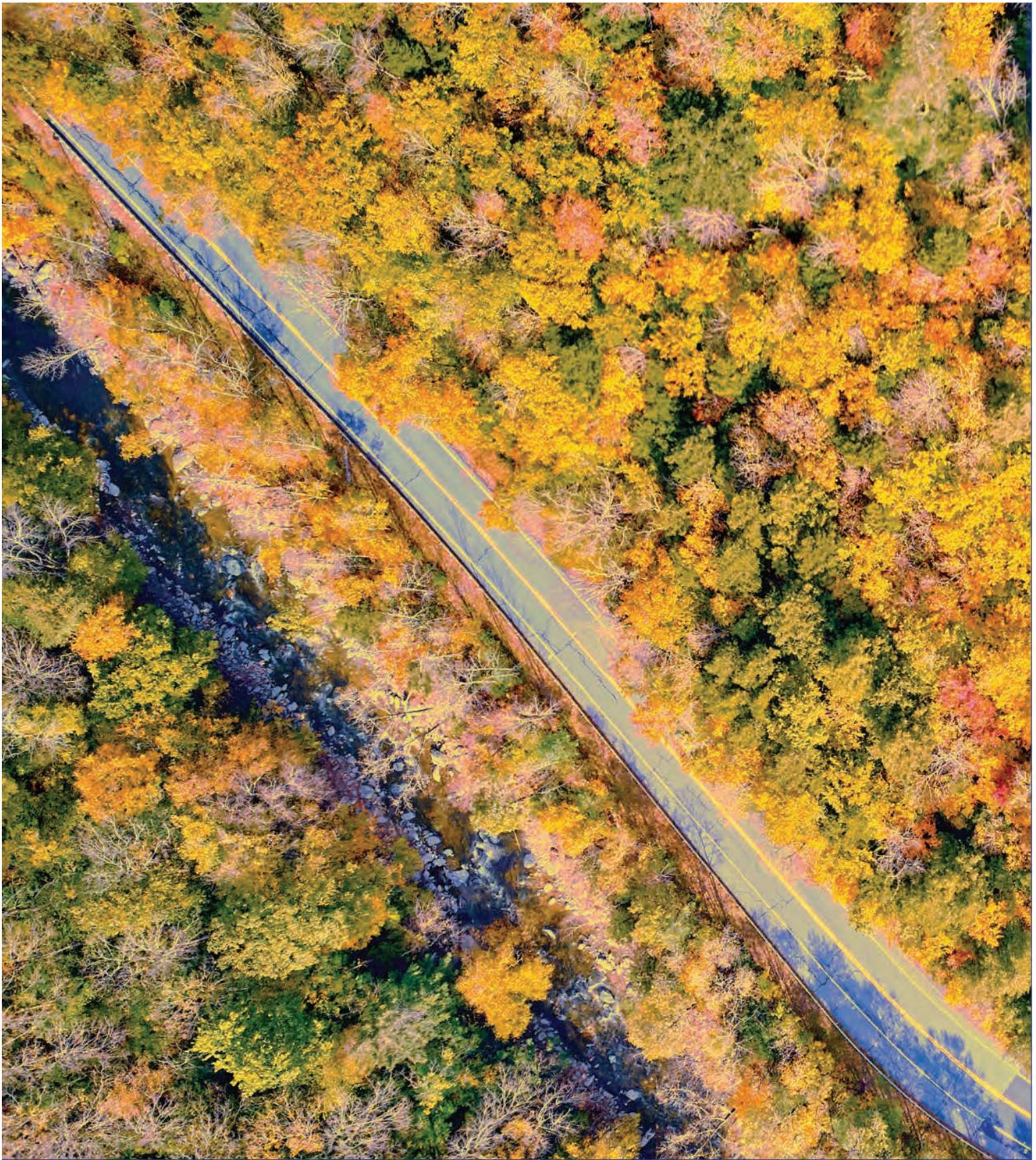
Massachusetts Maritime Academy	Massachusetts College of Liberal Arts	Salem State University	Worcester State University	Westfield State University	Totals	
					2021	2020
\$ 1,358	\$ 2,481	\$ 11,281	\$ 7,343	\$ 7,771	\$ 79,441	\$ 65,422
31,904	16,998	111,922	65,660	78,258	596,965	618,549
8,833	11,153	43,236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

Community College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

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

Note: Details might not add up due to rounding

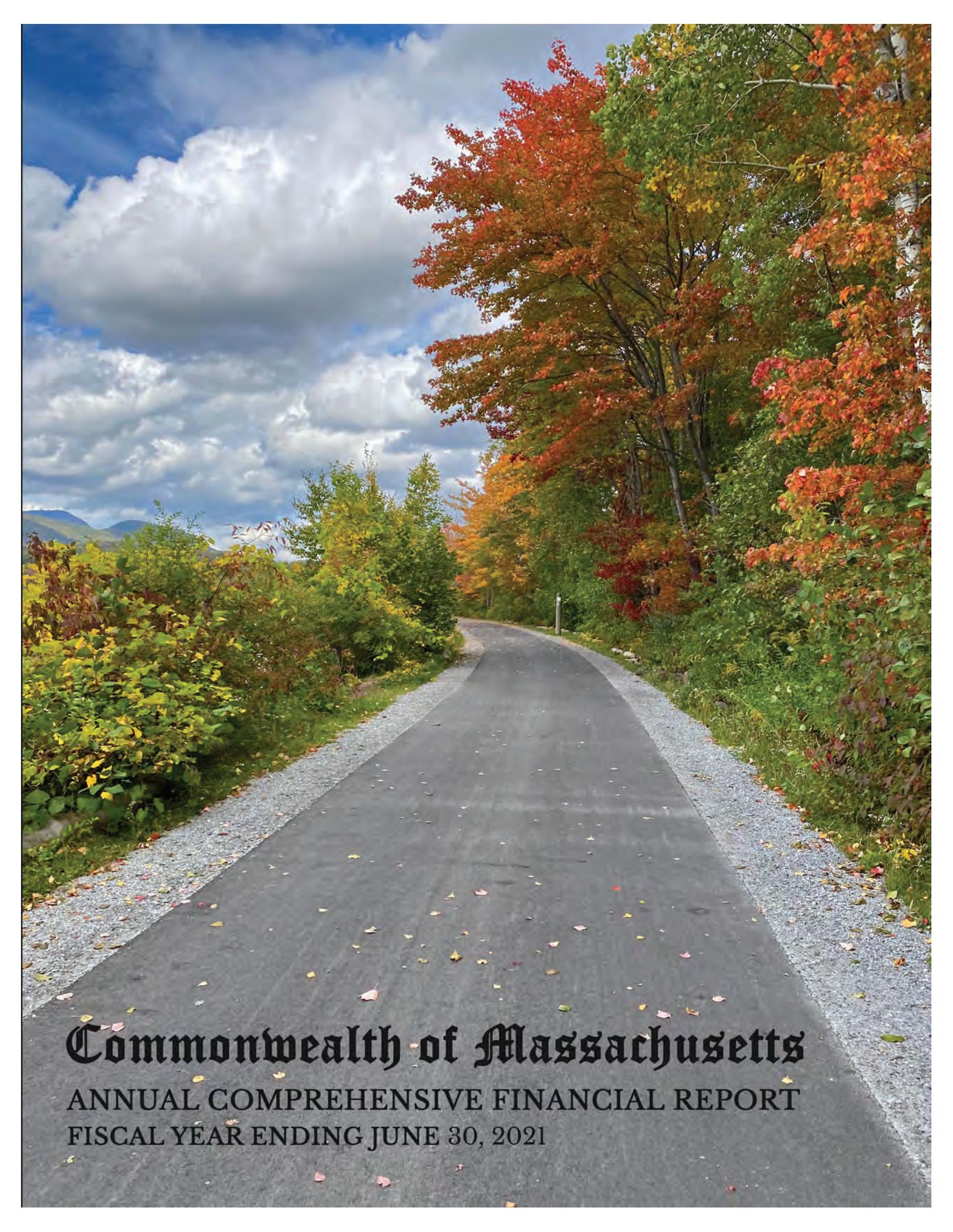
	Massachusetts Bay Community College	Middlesex Community College	Mount Wachusett Community College	Northern Essex Community College	North Shore Community College	Quinsigamond Community College	Roxbury Community College	Springfield Technical Community College	Totals	
									2021	2020
\$	9,127	\$ 15,786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



PREPARED BY
THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH

EXHIBIT C

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Commonwealth of Massachusetts

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2021

Commonwealth of Massachusetts



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

This document is available at the Comptroller's website: www.macomptroller.org

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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

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Introductory Section

(Unaudited)

Letter of Transmittal
Constitutional Officers
Commonwealth Organizational Structure
Advisory Board to the Comptroller
Acknowledgments
Certificate of Achievement





WILLIAM MCNAMARA
COMPTROLLER

Commonwealth of Massachusetts

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April 28, 2022

*To His Excellency Governor Charles D. Baker,
Honorable Members of the General Court,
and the People of the Commonwealth of Massachusetts*

I am pleased to provide this Letter of Transmittal for the Commonwealth's fiscal year 2021 (FY21) Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The objective of this report is to provide a clear financial picture of our government as a single, unified entity.

This document presents the Commonwealth's financial information on three bases of accounting, each serving a different purpose. The report includes "required supplementary information" in the form of budgetary basis statements, which are prepared in accordance with the Commonwealth's budgetary or statutory basis of accounting and summarized by Commonwealth branch and agency. This information is aggregated from FY21 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 FY21 are found in the Statutory Basis Financial Report (SBFR) issued separately on November 19, 2021. 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 November 19, 2021; 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, 2021	
Budgeted fund balance	\$ 12,099.2
Non-budgeted special revenue fund balance	4,249.0
Capital projects fund balance	<u>(994.9)</u>
Governmental Fund Balance - Statutory Basis, June 30, 2021.....	\$ 15,353.3
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes	675.1
Less: Massachusetts Department of Transportation Funds.....	<u>(1,563.5)</u>
Adjusted Statutory Governmental fund balance	14,464.9
Reclassification of funds due to implementation of GASB Statement No. 84.....	44.9
Short-term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements	2,580.4
Tobacco settlement agreement receivable	106.0
Medicaid.....	(193.5)
Other short-term accruals:	
Assessments and other receivables	1,376.9
Amounts due to authorities and municipalities, net	(752.4)
Claims, judgments and other risks.....	(13.3)
Amounts due to health care providers and insurers.....	(19.1)
Workers' compensation and group insurance	(168.7)
Other accruals, net.....	<u>(5,392.5)</u>
Net increase to governmental fund balances.....	(2,431.3)
Massachusetts School Building Authority fund balance	<u>1,783.7</u>
Total changes to governmental funds	<u>(647.6)</u>
Governmental fund balance (fund perspective)	13,817.3
Plus: Capital assets including infrastructure, net of accumulated depreciation	5,053.8
Deferred revenue, net of other eliminations	570.2
Long-term receivables.....	28.0
Long-term accruals:	
Net pension liability	(46,159.8)
Net deferred (inflows)/outflows of resources related to pension	8,229.1
Net OPEB liability	(18,434.7)
Net deferred (inflows)/outflows of resources related to OPEB	607.4
Environmental remediation liability	(595.3)
Massachusetts School Building Authority debt and school construction payables	(6,640.9)
Long-term debt, unamortized premiums and net deferrals on debt refundings	(33,217.7)
Compensated absences.....	(754.1)
Capital leases.....	(14.3)
Accrued interest on bonds.....	(441.4)
Other long-term liabilities.....	<u>(1,103.5)</u>
Total governmental activities net position (entity wide perspective).....	<u>\$ (79,055.9)</u>

The deficit of \$79.056 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 20 and 24 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 FY21 with a positive net position of \$29.464 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, 2021, the net pension liability in governmental activities totaled \$46.160 billion, offset by GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$8.229 billion; resulting in a reduction in governmental activities net position of \$37.931 billion. The governmental activities' net OPEB liability totaled \$18.435 billion.

The net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance, the Family and Employment Security Trust and Higher Education) increased by \$1.379 billion between June 30, 2020 and June 30, 2021. The most significant changes were as follows:

- The Commonwealth's current assets increased by \$9.178 billion, primarily as a result of increased cash on hand primarily due to strong tax revenue growth in FY21 and provision of federal government financial aid under the American Rescue Plan Act of 2021 (ARPA), which provided the state with \$5.286 billion in aid to offset the impacts of the COVID-19 pandemic. None of that ARPA revenue was expended in FY21 so remains on the balance sheet and is available for use in future years, but offset current assets since it was classified an "unearned revenue" liability on the balance sheet as of June 20, 2021 and remain so classified until it is expended.
- The Commonwealth's other net post-employment benefits (OPEB) liability, after taking into account deferrals of the liability decrease caused by lower than projected retiree medical costs and a change in the discount rate by which OPEB liabilities are calculated, increased by \$485 million between FY20 and FY21.
- Commonwealth long-term debt outstanding increased by \$1.084 billion from June 30, 2020 as debt issuance to fund FY21 capital spending exceeded the amount of debt retired.
- The Commonwealth's net pension liability, after taking into account deferrals of FY21 investment gains and other adjustments that will be recognized over the next several years, increased by \$2.873 billion, primarily due to a reduction, from 7.25%, to 7.15%, in the rate used to discount liabilities.
- As noted above and explained in more detail in the MD&A, the Commonwealth continues to fund, through its own debt, transportation-related assets owned by the Massachusetts Department of Transportation (MassDOT), Institutions of Higher Education, cities and towns and quasi-public authorities. In FY21, approximately \$2.508 billion of the more than \$3.062 billion in state-funded capital spending generated assets not owned by the Commonwealth. As a result of this capital spending on assets owned by entities other than the Commonwealth, the amount of debt outstanding increased by \$1.859 billion while the Commonwealth's governmental activities capital assets net of depreciation increased by only \$165 million.

The net deficit in the primary government, in addition to governmental activities, includes the Commonwealth's business-type activities of the Unemployment Insurance system, Family and Employment Security Trust and Higher Education institutions, increased by \$858 million from FY20, due primarily to an increased liabilities for pension and post-employment (health insurance) benefits for state employees, which together increased by a total of \$1.612 billion, and decrease in net position of business-type activities of \$521 million, caused by a reduction of \$202 million in the Unemployment Insurance fund balance, partially offset by an increase of \$767 million in Family and

Employment Security Trust and smaller surpluses in Higher Education. These changes are explained in more detail on pages 22 through 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 150 departments. These departments include the various agencies, boards, and commissions, the 25 Institutions of Higher Education, the judicial and legislative branches of government, and constitutional offices. The departments record their daily financial operations in the state accounting system, MMARS, operated by the Office of the Comptroller.

In addition, the financial statements include 41 independent public authorities. These entities are defined as component units and meet the criteria for inclusion in the Commonwealth's reporting entity in accordance with GAAP. They are further described in [Note 14](#) to the basic financial statements. The Massachusetts School Building Authority (MSBA) is blended into the Commonwealth's operations.

INDEPENDENT AUDIT

The Commonwealth's independent auditors, CliftonLarsonAllen, LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2021. 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 Chief Financial Reporting Officer Pauline Lieu and the Reporting team, Chief Accounting Officer, Kristin Lacroix and the Statewide Accounting Team, and 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 every manager and employee for their professionalism and hard work.

Sincerely,



William McNamara
Comptroller of the Commonwealth

CONSTITUTIONAL OFFICERS

Charles D. Baker
Governor

Karyn E. Polito
Lieutenant Governor

William F. Galvin
Secretary of State

Maura Healey
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka
Senate President

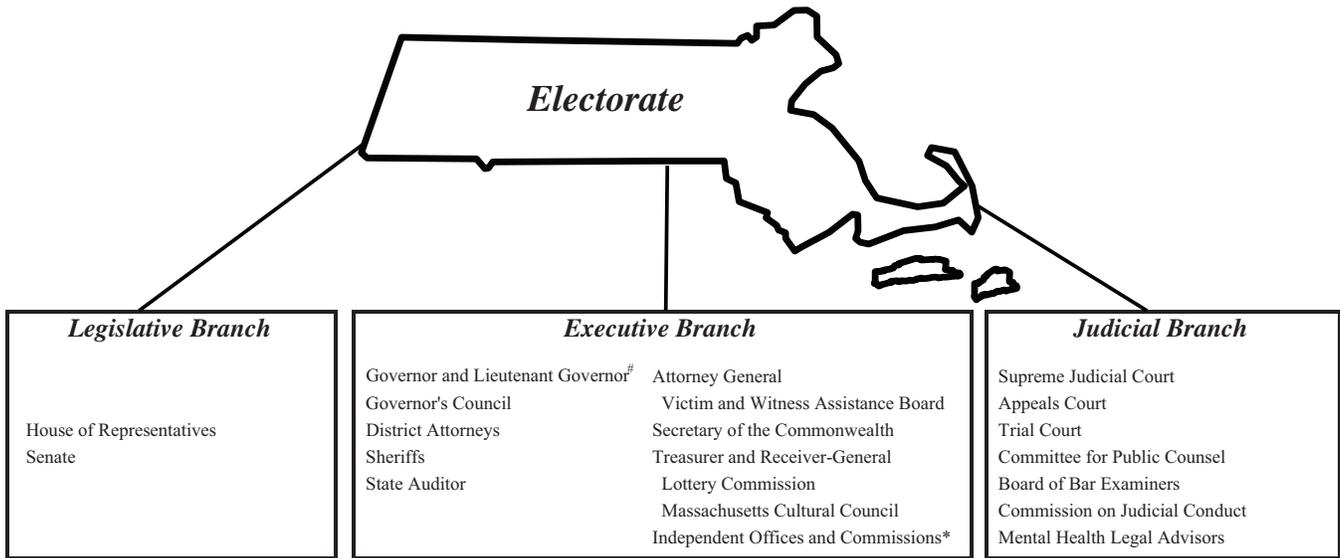
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



Executive Branch Independent Offices and Commissions*

Board of Library Commissioners	Commission on the Status of Women	Office of the Inspector General
Campaign and Political Finance	Disabled Persons Protection Commission	State Ethics Commission
Cannabis Control Commission	Massachusetts Gaming Commission	State Retiree Benefits Trust Fund Board
Center for Health Information & Analysis	Office of the Child Advocate	University of Massachusetts System
Commission Against Discrimination	Office of the Comptroller	

Executive Departments Under Gubernatorial Authority #

<p><u>Administration and Finance</u></p> <p>Executive Office for Administration and Finance</p> <p>Appellate Tax Board</p> <p>Bureau of the State House</p> <p>Civil Service Commission</p> <p>Department of Revenue</p> <p>Developmental Disabilities Council</p> <p>Division of Administrative Law Appeals</p> <p>Division of Capital Asset Management and Maintenance</p> <p>George Fingold Library</p> <p>Group Insurance Commission</p> <p>Health Policy Commission</p> <p>Human Resource Division</p> <p>Massachusetts Office on Disability</p> <p>Massachusetts Teachers' Retirement System</p> <p>Operational Services Division</p> <p>Public Employee Retirement Administration Commission</p> <p><u>Education</u></p> <p>Executive Office of Education</p> <p>Department of Early Education and Care</p> <p>Department of Elementary and Secondary Education</p> <p>Department of Higher Education</p> <p>Community Colleges</p> <p>State Universities</p>	<p><u>Housing and Economic Development</u></p> <p>Executive Office of Housing and Economic Development</p> <p>Department of Business Development</p> <p>Office of Consumer Affairs & Business Regulations</p> <p>Massachusetts Marketing Partnership</p> <p>Department of Housing & Community Development</p> <p>Department of Telecommunications and Cable</p> <p>Division of Banks</p> <p>Division of Insurance</p> <p>Division of Professional Licensure</p> <p>Division of Standards</p> <p><u>Energy and Environmental Affairs</u></p> <p>Executive Office of Energy and Environmental Affairs</p> <p>Department of Agricultural Resources</p> <p>Department of Conservation and Recreation</p> <p>Department of Energy Resources</p> <p>Department of Environmental Protection</p> <p>Department of Fish and Game</p> <p>Department of Public Utilities</p> <p>State Reclamation Board</p> <p><u>Technology and Security</u></p> <p>Executive Office of Technology Services and Security</p> <p><u>Transportation and Public Works</u></p> <p>Massachusetts Department of Transportation (MassDOT)</p>	<p><u>Executive Office of Labor and Workforce Development</u></p> <p><u>Health and Human Services</u></p> <p>Executive Office of Health and Human Services</p> <p>Executive Office of Elder Affairs</p> <p>Department of Children and Families</p> <p>Department of Developmental Services</p> <p>Department of Mental Health</p> <p>Department of Public Health</p> <p>Department of Transitional Assistance</p> <p>Department of Veterans' Services</p> <p>Department of Youth Services</p> <p>Massachusetts Commission for the Blind</p> <p>Massachusetts Commission for the Deaf and Hard of Hearing</p> <p>Massachusetts Rehabilitation Commission</p> <p>Office for Refugees and Immigrants</p> <p>Soldiers' Home, Holyoke</p> <p>Soldiers' Home, Massachusetts</p> <p><u>Public Safety</u></p> <p>Executive Office of Public Safety and Security</p> <p>Chief Medical Examiner</p> <p>Department of Criminal Justice Information Services</p> <p>Department of Correction</p> <p>Department of Fire Services</p> <p>Department of State Police</p> <p>Massachusetts Emergency Management Agency</p> <p>Military Division/ Massachusetts National Guard</p> <p>Municipal Police Training Committee</p> <p>Parole Board</p> <p>Sex Offender Registry</p>
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ADVISORY BOARD TO THE COMPTROLLER

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

Suzanne Bump
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

John A. Bello
Chief Administrator, Trial Court

Maura Healey
Attorney General

Michael Esmond
Chief Financial Officer
Massachusetts Convention Center Authority
Gubernatorial Appointee

Natalie Monroe
First Assistant Inspector General
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Gubernatorial Appointee

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Financial Report
for the Fiscal Year Ended

June 30, 2020

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (Commonwealth), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.

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	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Lotteries Fund; Massachusetts School Building Authority Fund	5.83%	9.82%
Business-Type Activities	University of Massachusetts; State Universities; Community Colleges	71.83%	16.96%
Lotteries Fund	Lotteries Fund	6.63%	100.00%
Massachusetts School Building Authority Fund	Massachusetts School Building Authority Fund	100.00%	100.00%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
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%
Aggregate Remaining Fund Information	External Investment Trust Funds	24.92%	40.39%
Aggregate Discretely Presented Component Units	Massachusetts Department of Transportation; Commonwealth Health Insurance Connector; Massachusetts Clean Water Trust; 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	100.00%	100.00%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Massachusetts Municipal Depository Trust and the Massachusetts Growth Capital Corporation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts as of June 30, 2021, 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.

Emphasis of Matters

As discussed in Note 1T to the financial statements, an error related to the classification of custodial funds resulted in an understatement of the lotteries (major governmental fund) fund balance. Accordingly, an adjustment has been made to beginning fund balance of the lotteries fund. Also as discussed in Note 1T to the financial statements, the Massachusetts Department of Transportation (MassDOT), a discretely presented component unit, adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As a result, MassDOT reported a restatement for the change in accounting principle. Our auditors' opinions are not modified with respect to these matters.

Other Matters

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 table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, other supplementary information and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, 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
April 28, 2022

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, 2021 (FY21). 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 FY21 by \$73.858 billion, an increase in the net deficit of \$858 million from FY20.

Of the \$73.858 billion deficit, “unrestricted net position” has a deficit of \$79.290 billion and there is a \$2.203 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth’s negative unrestricted net position:

- In FY10, the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately \$15.521 billion, net of depreciation, as of the date of the transfer. These and subsequently constructed road and bridge assets were valued at \$25.918 billion as of June 30, 2021. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$13.930 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$4.857 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA).
- The Commonwealth, through debt issuances, also pays for non-transportation capital assets held by quasi-public entities, local governments, and housing authorities.
- With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which was effective starting in FY15, the Commonwealth was required to place on its books the full amount of its unfunded pension liability (known as the “net pension liability”), which totaled \$47.142 billion as of June 30, 2021 (based on a June 30, 2020 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 \$19.694 billion as of June 30, 2021 (based on a June 30, 2020 valuation, per GASB 75).

At the end of FY21, the Commonwealth also held \$3.229 billion in “restricted net position”, which are assets restricted primarily for payment of debt service, unemployment insurance benefits, and the Institutions of Higher Education. Approximately \$919 million was restricted for debt retirement (of which \$891 million was restricted for MSBA debt retirement), \$312 million was restricted for Higher Education, and \$402 million was restricted for other governmental purposes.

The Commonwealth’s governmental activity (which excludes the “business-type activities” of the Institutions of Higher Education, Family and Employment Security Trust and Unemployment Insurance) net deficit increased by

\$1,379 million, to \$79.056 billion, and its governmental activities unrestricted net deficit increased by approximately \$1,203 million, to \$78.718 billion, as of June 30, 2021.

Total revenues of the primary government increased by \$17.740 billion, or 23.2% in FY21, to \$94.323 billion due to strong revenue growth as the economy recovered from coronavirus pandemic and the receipt of additional federal aid from the American Rescue Plan Act of 2021 (ARPA). Total expenses of the primary government increased by \$14.579 billion, or approximately 18.1%, to \$95.182 billion,. Details on revenues and expenses for the primary government can be found on pages 22–29.

The net position of business–type activities increased by \$521 million, due to surpluses of \$767 million in the Family and Employment Security Trust Fund (as assessments were collected for all of FY21 entire but benefits began only in the second half of the fiscal year) and \$376 million in Higher Education, which offset a deficit of \$622 million in the Unemployment Insurance program (as unemployment benefits continued at an elevated rate due to the pandemic).

On a "funds perspective" basis, at June 30, 2021, the Commonwealth's governmental funds reported a combined ending fund balance of \$13.817 billion, an increase of \$3.905 billion from June 30, 2020. Of the ending balances:

- There are \$755 million nonspendable balances, \$1.321 billion is restricted, \$6.806 billion is committed, \$2.047 billion is assigned, and \$2.889 billion is unassigned fund balance (a full discussion of these classifications is included in [Note 1](#) to the basic financial statements, on pages 67-71).
- The MSBA's fund balance of \$1.784 billion is blended with the Commonwealth. Within this fund balance is \$1.713 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY21 and previous fiscal years, less approximately \$57 million in liabilities. In FY21, \$1.072 billion was dedicated to the MSBA from Commonwealth sales taxes, and the MSBA issued \$1.761 billion in long-term dedicated sales tax bonds.

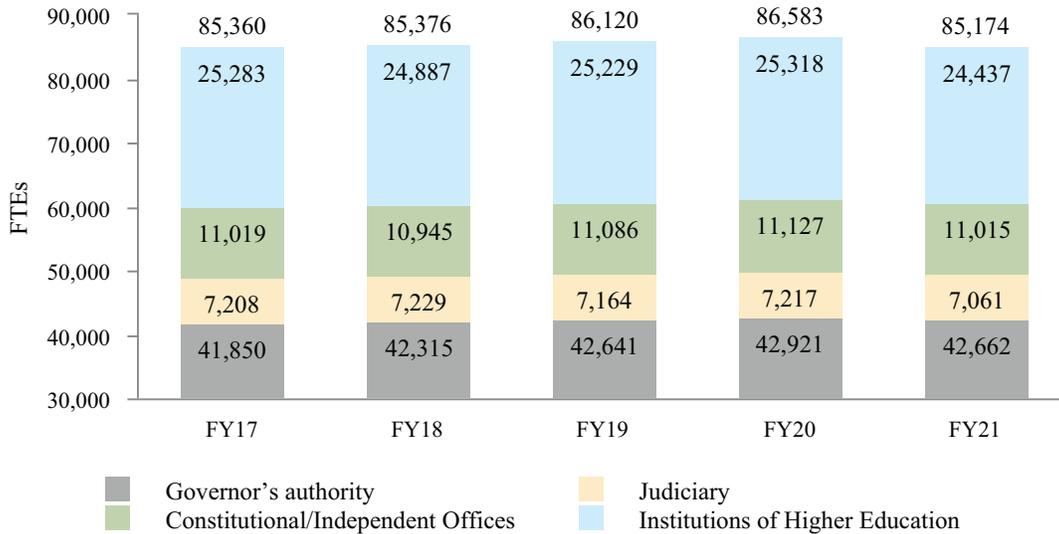
Other highlights of FY21 financial operations include:

- Tobacco settlement proceeds for the year were approximately \$226 million on a GAAP basis, an increase of approximately \$4 million from FY20. Approximately \$106 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY22. In FY21 approximately \$25 million, or the equivalent of 10% of tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. Per statute, the proportion of tobacco settlement revenues transferred to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY23, although the requirement to transfer increasing percentages of tobacco settlement proceeds was modified for FY21 with the percentage reduced to 10%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$15.370 billion in bond authorizations, with the major items being approximately \$10.405 billion for transportation-related projects, \$2.975 billion for state financial assistance to municipalities for improvements projects, \$660 million for technology and telecommunication infrastructure, \$421 million provided funding to component units. 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 FY21 were \$5.829 billion, an increase of approximately \$434 million, or 8.0%, from FY20, as ticket sales recovered from the coronavirus-induced FY20 sales decline. Prizes were approximately \$4.721 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 FY21 budget, totaled \$1.108 billion an increase of \$123 million, or 12.5%, from FY20. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.208 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, 2021, the number of Commonwealth employees decreased by a net of 1,409 full-time equivalent employees (FTEs) from June 30, 2020, to a total of 85,174. The largest decreases were in the University of Massachusetts (483 FTEs), the Executive Office of Health and Human Services (232 FTE's), the Community Colleges (205 FTEs), the State Universities (192 FTEs), Judiciary (156 FTE's), and the Executive Office of Public Safety (106 FTE's).

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



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 63-140](#).

The required supplementary information section includes a budgetary comparison schedule for the General Fund, along with a reconciliation comparing the original General Appropriation Act and supplemental appropriations to actual budgetary spending. A variance column is also provided. A further reconciliation schedule of the budgeted revenues and expenses to governmental fund perspective revenues and expenditures for the General Fund is also provided. Required pension and OPEB schedules are also presented in this section.

Other supplementary information is not required, but is included to present combining schedules of various nonmajor funds, fiduciary funds, and component units.

GOVERNMENT-WIDE ANALYSIS

The primary government’s combined net position (governmental and business-type activities) showed a net deficit of \$73.858 billion at the end of FY21, an increase in the net deficit of \$858 million from the end of FY20. Government-wide unrestricted net position is negative by \$79.290 billion. As explained previously, in addition to the \$47.142 billion government-wide net pension liability and the \$19.694 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.....	\$ 4,856,518
Outstanding bonds issued to fund the MBTA.....	207
Debt related to MassDOT assets.....	<u>13,930,475</u>
Effects on governmental unrestricted net position of items unique to the Commonwealth.....	<u>\$ 18,787,200</u>

Of the Commonwealth’s approximately \$3.062 billion in FY21 state funded capital spending, about \$2.508 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.657 billion in transportation spending (with \$492 million in grants and other financial assistance to cities and towns), \$166 million for Institutions of Higher Education (which are included in the Commonwealth’s business-type activities) and approximately \$669 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY21 the Commonwealth’s capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$29.580 billion. These include:

- Higher Education capital projects totaling approximately \$2.361 billion
- Capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$14.722 billion
- Transportation-related financial assistance to local governments totaling more than \$4.707 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 \$7.606 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, 2021, the Commonwealth’s government-wide current unrestricted cash and cash equivalents totaled \$21.663 billion, an increase of \$13.783 billion from June 30, 2020 due primarily to strong tax revenue growth and increased federal coronavirus relief aid. Total current assets were \$31.815 billion, an increase of \$12.644 billion from June 30, 2020. As of June 30, 2021, the Commonwealth’s current liabilities were \$20.544 billion, an increase of \$8.596 billion from June 30, 2020, primarily due to a \$4.436 billion increase in unexpended federal coronavirus relief classified as "unearned revenue" under GASB rules and an increase of \$2.140 billion in bonds payable.

As of June 30, 2021, the primary government’s non-current assets increased by \$84 million from June 30, 2020, to \$17.422 billion, due mainly to an increase of \$444 million in restricted assets in the long-term investments of higher

Education Institutions.

The Commonwealth holds \$13.048 billion in traditional capital assets such as land, construction in process, buildings, infrastructure, and equipment, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

The following table shows the Commonwealth's net position. Restricted net position represents resources that are subject to external constraints.

Net Position as of June 30, 2021 and 2020 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current assets	\$ 25,032,305	\$ 15,854,027	\$ 6,783,016	\$ 3,316,988	\$ 31,815,321	\$ 19,171,015
Non-capital non-current assets	2,512,822	2,745,184	1,861,255	1,709,859	4,374,077	4,455,043
Capital assets	5,053,814	4,922,839	7,994,110	7,960,376	13,047,924	12,883,215
Total assets	32,598,941	23,522,050	16,638,381	12,987,223	49,237,322	36,509,273
Deferred outflows of resources	11,907,792	8,088,490	811,733	758,472	12,719,525	8,846,962
Total assets and deferred outflows	44,506,733	31,610,540	17,450,114	13,745,695	61,956,847	45,356,235
Current liabilities	15,946,066	10,543,756	4,598,127	1,404,078	20,544,193	11,947,834
Long term liabilities	103,645,738	94,540,163	6,869,625	7,100,293	110,515,363	101,640,456
Total liabilities	119,591,804	105,083,919	11,467,752	8,504,371	131,059,556	113,588,290
Deferred inflows of resources	3,970,829	4,203,986	784,709	564,173	4,755,538	4,768,159
Total liabilities and deferred inflows	123,562,633	109,287,905	12,252,461	9,068,544	135,815,094	118,356,449
Net Position:						
Net investment in capital assets	(1,658,414)	(1,705,745)	3,861,405	3,938,922	2,202,991	2,233,177
Restricted	1,320,793	1,543,264	1,908,348	1,319,929	3,229,141	2,863,193
Unrestricted	(78,718,279)	(77,514,884)	(572,100)	(581,700)	(79,290,379)	(78,096,584)
Total Net Position	\$ (79,055,900)	\$ (77,677,365)	\$ 5,197,653	\$ 4,677,151	\$ (73,858,247)	\$ (73,000,214)

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit increased by approximately \$858 million between FY20 and FY21, to \$73.858 billion. The main reasons for the increase in the net deficit were the \$1.379 billion loss in governmental activities primarily due to increases of \$2.961 billion in the Commonwealth's net pension liability (net of deferrals) and a \$1.562 billion increase in the Commonwealth's bonds payable and unamortized premiums, which offset strong operating gains due to tax revenue growth.

The following table shows the major categories of government-wide revenues and expenses for FY20 and FY21, as well as net position for the two fiscal years. In FY21, approximately 37.1% of the total revenue for governmental activities came from taxes, while the remainder resulted from programmatic revenues, including charges for services

and grants and contributions, the majority of which was federal aid. FY21 revenues totaled \$94.323 billion, an increase of \$17.740 billion, or 23.2% from FY20, with tax revenue totaling \$34.947 billion, an increase of \$4.465 billion, or 14.6%, from FY20. All major tax sources benefited from the economic recovery, with income tax increasing by \$2.707 billion, or 15.5%, sales tax revenue grew by \$669 million, or 9.6%, and corporate excise tax increased by \$925 million, or 33.9%.

**Revenue from Taxation
FY12 - FY21**



Changes in Net Position during the Fiscal Years Ended June 30, 2021 and 2020

(in thousands of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021 Distribution	June 30, 2020 Distribution	21 to '20 % Change
Revenues									
Program Revenues:									
Charges for services	\$ 11,942,508	\$ 11,077,441	\$ 4,952,602	\$ 5,384,806	\$ 16,895,110	\$ 16,462,247	17.9 %	21.5 %	(16.7)%
Operating grants and contributions	22,611,465	18,661,840	18,546,091	9,250,714	41,157,556	27,912,554	43.6 %	36.4 %	19.8 %
Capital grants and contributions	77,259	77,964	174,851	145,646	252,110	223,610	0.3 %	0.3 %	— %
General Revenues:									
Taxes	34,947,335	30,482,040	—	—	34,947,335	30,482,040	37.1 %	39.8 %	(6.8)%
Other	697,132	1,169,416	374,249	333,608	1,071,381	1,503,024	1.1 %	2.0 %	(45.0)%
Total Revenues	70,275,699	61,468,701	24,047,793	15,114,774	94,323,492	76,583,475	100.0 %	100.0 %	
Expenses									
Medicaid	20,208,100	19,206,749	—	—	20,208,100	19,206,749	21.2 %	23.9 %	(11.3)%
Direct local aid	6,499,305	6,390,233	—	—	6,499,305	6,390,233	6.8 %	7.9 %	(13.9)%
Health and human services	11,658,328	9,645,198	—	—	11,658,328	9,645,198	12.2 %	12.0 %	1.7 %
Lottery	4,617,789	4,306,512	—	—	4,617,789	4,306,512	4.9 %	5.3 %	(7.5)%
Higher education	—	—	5,369,639	5,484,490	5,369,639	5,484,490	5.6 %	6.8 %	(17.6)%
Early elementary and secondary education	7,687,798	6,618,282	—	—	7,687,798	6,618,282	8.1 %	8.2 %	(1.2)%
Unemployment compensation	—	—	19,438,890	11,948,319	19,438,890	11,948,319	20.4 %	14.8 %	37.8 %
Family and employment security trust	—	—	236,361	5,434	236,361	5,434	0.2 %	— %	— %
Other	19,465,315	16,997,557	—	—	19,465,315	16,997,557	20.5 %	21.1 %	(2.8)%
Total Expenses	70,136,635	63,164,531	25,044,890	17,438,243	95,181,525	80,602,774	99.9 %	100.0 %	
Excess/(Deficiency)									
before transfers	139,064	(1,695,830)	(997,097)	(2,323,469)	(858,033)	(4,019,299)			
Transfers	(1,517,599)	(1,404,336)	1,517,599	1,404,336	—	—			
Change in net position (deficits)	(1,378,535)	(3,100,166)	520,502	(919,133)	(858,033)	(4,019,299)			
Net position/(deficits) - beginning, as restated	(77,677,365)	(74,577,199)	4,677,151	5,596,284	(73,000,214)	(68,980,915)			
Net position/(deficits) - ending	<u>\$ (79,055,900)</u>	<u>\$ (77,677,365)</u>	<u>\$ 5,197,653</u>	<u>\$ 4,677,151</u>	<u>(\$73,858,247)</u>	<u>(\$73,000,214)</u>			

Operating grants and contributions (including federal revenue for Medicaid, coronavirus relief, and Unemployment Insurance) totaled \$41.158 billion, an increase of \$13.245 billion, or 47.5%, in FY21, with federal revenue for the Unemployment Compensation program growing from \$8.320 billion in FY20 to \$17.208 billion in FY21, as federal supplementary aid for expanded and extended unemployment insurance benefits was delivered to the Commonwealth. The remainder of the increase in operating grants and contributions was primarily due to additional federal coronavirus relief delivered to the state and growth in Medicaid revenues.

Charges for services totaled \$16.895 billion increasing \$433 million, or 2.6% from FY20, with the increase resulting primarily from growth in Health and Human Services \$754 million and Lottery charges \$436 million, with offsetting decreases in General Government \$180 million, Labor and Workforce Development \$147 million, and Medicaid \$116 million.

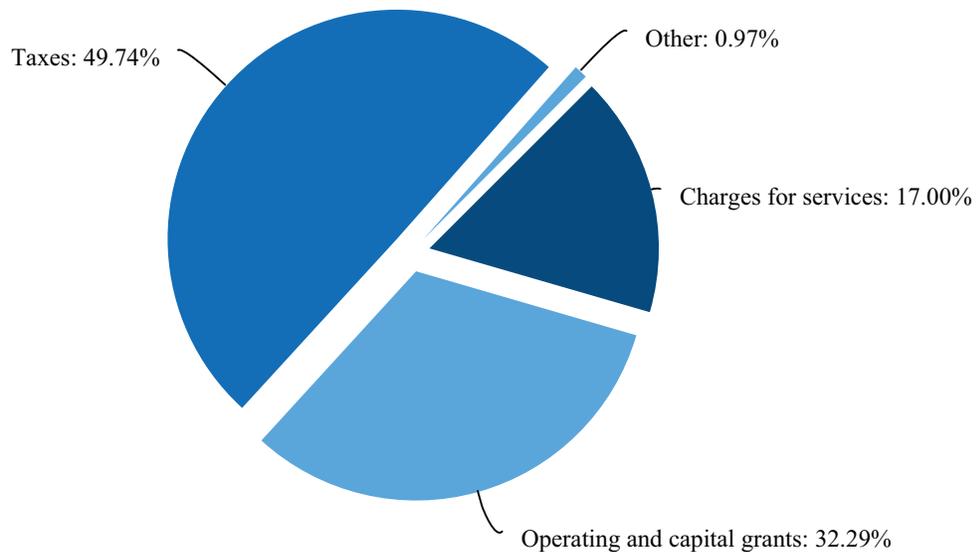
As of June 30, 2021, government-wide restricted net position totaled \$3.229 billion, an increase of \$366 million, with the majority of the increase due to assets restricted for the Paid Family Leave program.

Primary government spending totaled \$95.182 billion, an increase of \$14.579 billion, or 18.1%, from FY20, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$70.137 billion, an increase of \$6.972 billion, or 11.0%, and business-type activities spending totaling \$25.045 billion, an increase of \$7.607 billion, or 43.6%. Medicaid expenses totaled

\$20.208 billion, an increase of \$1.001 billion, or 5.2%, from FY20, with the increase due to higher spending on responses to the coronavirus pandemic. Health and Human services spending totaled \$11.658 billion, an increase of \$2.013 billion or 20.9%, transportation and public works spending totaled \$3.283 billion, an increase of \$476 million, or 17.0%, early and secondary education spending totaled \$7.688 billion, an increase of \$1.070 billion, or 16.2%, public safety and homeland security spending totaled \$3.717 billion, a decrease of \$245 million, or 6.2%, and general government expenses totaled \$3.523 billion, an increase of \$599 million, or 20.5%. In addition, direct local aid spending totaled \$6.499 billion, an increase of \$109 million, or 1.7% as the Commonwealth continued its commitment to allocating a proportionate increase in projected budgetary tax revenues to local assistance. Included in these increases across these functions and programs (especially those with large numbers of employees) is \$3.370 billion in higher expenditures due to growth in pension and OPEB liabilities in FY21 compared to FY20. In business-type activities, unemployment insurance compensation expenditures totaled \$19.439 billion, an increase of \$7.491 billion, or 62.7%, in the form of expanded benefits mandated by the federal government due to increased unemployment caused by the pandemic.

Income taxes comprise the majority of tax revenue. Of the \$34.947 billion in FY21 tax revenue within governmental activities, \$20.121 billion, or approximately 57.6%, of total taxes, was from income taxes, \$7.627 billion, or 21.8%, was from sales taxes, \$3.652 billion, or 10.5%, was from corporate taxes, \$667 million, or 1.9%, was from motor fuels taxes and \$2.881 billion, or 8.2%, was from other forms of taxation. Lottery revenues of \$5.828 billion made up 48.8% of the Commonwealth’s governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$12.320 billion, or approximately 54.5%, of all grants, other health and human services grants of \$4.584 billion, or 20.3% of all grants, and education grants of \$1.520 billion, or 6.7% 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.

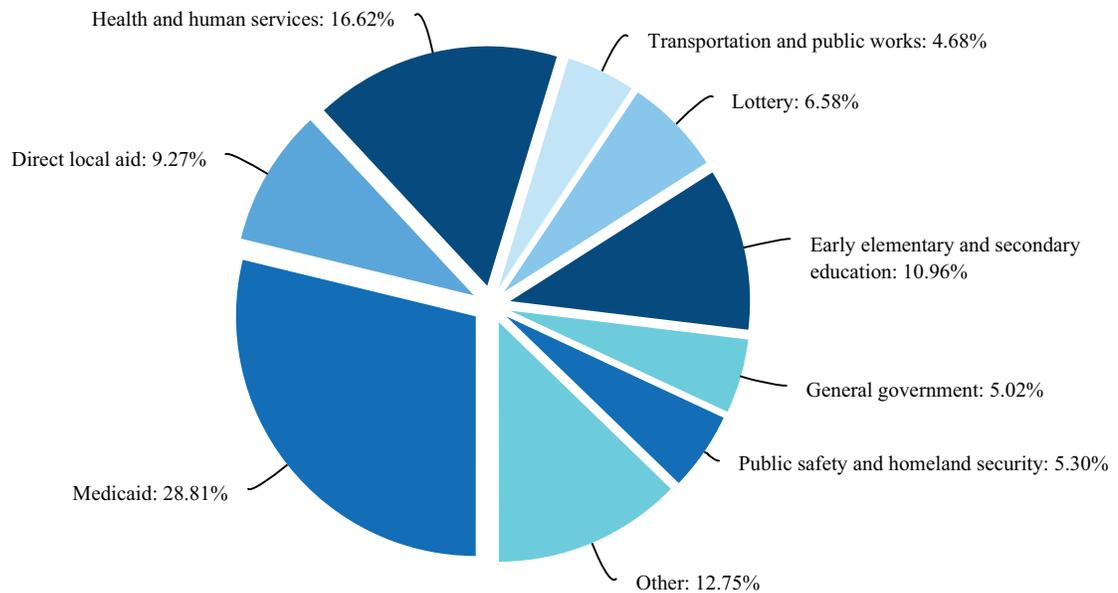
**Revenue—Governmental Activities
Fiscal Year Ending June 30, 2021**



Medicaid expenses of \$20.208 billion accounted for 28.8% 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 \$6.499 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$11.658 billion, accounting for 16.6% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$7.688 billion, accounting for 11.0% of governmental expenses and public safety and homeland security costs of approximately \$3.717 billion, accounting for 5.3% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$5.010 billion.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2021**



Business—Type Activities

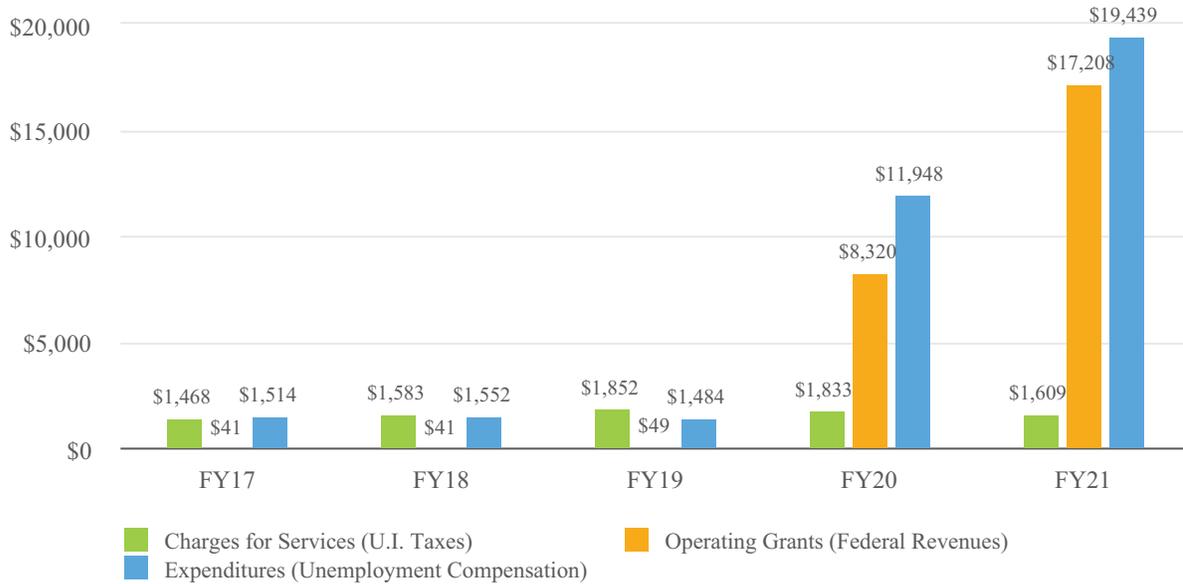
Business—type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation; GASB standards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

As of June 30, 2021, business-type activities' net position totaled \$5.198 billion, an increase of \$521 million, or 11.1%, from FY20, with the net position of the Family and Medical Leave program increasing by \$767 million and \$376 million in the Institutions of Higher Education partially offset by declines in the net position of \$622 million in the Unemployment Insurance program. Program revenues of business-type activities totaled \$23.674 billion an increase of \$8.892 billion, or 60.2%, resulting almost entirely from higher operating grants and contributions, which totaled \$18.546 billion, an increase of \$9.295 billion, or 100.5%, mainly the result of an increase in federal aid for unemployment insurance benefits due to the pandemic. Federal unemployment insurance aid totaled \$17.208 billion an increase of \$8.888 billion from FY20. The two charts on the following page show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years.

**Unemployment Compensation Trust Fund
Net Position
Fiscal Years 2017 - 2021
(amounts in millions)**



**Unemployment Insurance Compensation Revenues and Expenses
(amounts in millions)**



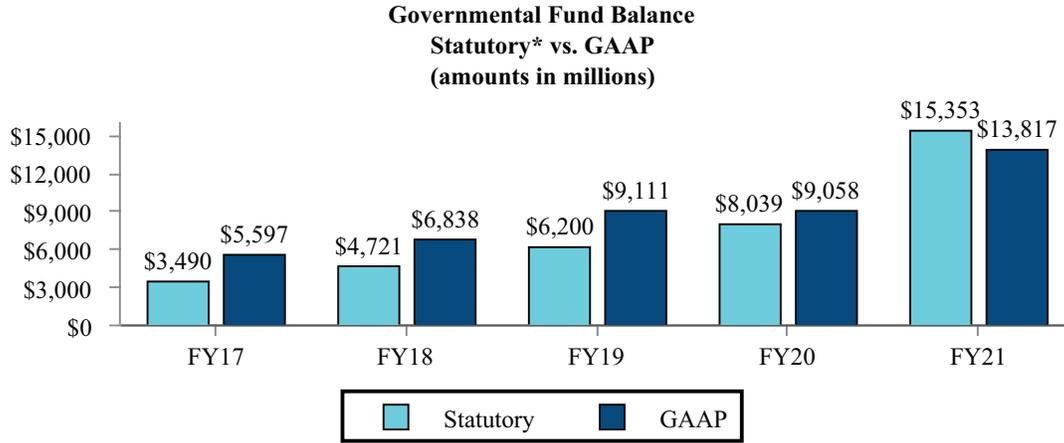
FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

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

Governmental Funds

Governmental funds account for the near term inflows, outflows, and balances of expendable resources of the Commonwealth's core functions and services. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The General Fund is the primary operating fund of the Commonwealth. At the end of FY21, the fund balance of the General Fund was \$9.742 billion. Of this amount, \$4.626 billion represents the balance in the Commonwealth's Stabilization Fund, \$1.071 billion was classified as assigned for continuing appropriations from FY21 into FY22 and \$4.045 billion was unassigned.



*Statutory basis includes the Massachusetts Department of Transportation (MassDOT) and excludes expendable trust funds

**Governmental Fund Operations - GAAP Basis - Fund Perspective
(amounts in thousands)**

	FY21*	FY20*	FY19	FY18	FY17
Beginning fund balances	\$ 9,912,839	\$ 9,165,887	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746
Revenues and other financing sources	84,720,267	72,506,995	69,775,850	68,990,424	68,437,190
Expenditures and other financing uses	80,815,761	72,615,366	67,502,959	67,749,362	68,113,554
Excess/(deficiency)	3,904,506	(108,371)	2,272,891	1,241,062	323,636
Ending fund balances	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>

* - Beginning balance restated due to early implementation of new accounting standards in FY20; reclassification of custodial fund activity presented in error in FY20.

FY21 governmental fund revenues and other financing sources totaled \$84.720 billion, an increase of \$12.213 billion, or 16.8%, from FY20, with an increase of \$860 million in Massachusetts School Building Authority (MSBA) long term debt and commercial paper issuance, an increase of \$11.414 billion, or 16.2%, in non-MSBA revenues and other financing sources. Tax revenues totaled \$34.955 billion, an increase of \$4.688 billion, or 15.5%, as the Massachusetts economy recovered strongly from the coronavirus-induced recession. Federal grants and reimbursements totaled \$22.953 billion, an increase of \$4.478 billion, mainly due to growth in revenue from Medicaid spending reimbursements and from a full fiscal year of the 6.2% increase in the federal Medicaid reimbursement rate implemented to provide states with an infusion of cash to offset the fiscal impacts of the pandemic, an increase of \$548 million in CARES Act revenue that was received in FY20 but under GAAP rules recognized in FY21 as it was spent, as well as an increase of \$2.468 billion in Federal Grants Fund revenue, primarily the result of additional federal program aid provided under the CARES Act and American Rescue Plan Act (ARPA) as well as a \$1.154 billion increase in Supplemental Nutrition Assistance Program (SNAP) benefits, or food stamps, during the pandemic. It should be noted that while federal aid from ARPA totaled \$5.286 billion, GAAP requirements specify that only the revenues that were expended in FY21 be recognized on the Statement of Revenues and Expenditures, with the balance of \$5.659 billion classified on the balance sheet as "unearned revenue"

as it had yet to be expended by June 30, 2021.

Assessments, fees, and investment earnings totaled \$13.473 billion, an increase of \$659 million, or 5.1%. Revenues from other financing sources totaled \$13.339 billion, an increase of \$2.388 billion, or 21.8% due almost entirely to the net growth of \$2.480 billion in new and refunding bond issuance at the MSBA.

FY21 governmental fund expenditures and other financing uses totaled \$80.816 billion, an increase of \$8.200 billion, or 11.3% from FY20, with the \$7.366 billion of that growth in programmatic spending (as opposed to "other financing uses). Medicaid expenditures totaled \$20.208 billion, an increase of \$1.001 billion, or 5.2% from FY20. Other changes in programmatic expenditures include increases of \$1.885 billion, or 21.4%, in Health and Human Services expenditures, an increase of \$1.154 billion, or 82.2% in food stamp expenditures in response to the pandemic, a \$1.217 billion, or 99.4% increase in mostly pandemic related Housing and Economic Development relief spending) as well as an increase of \$725 million, or 16.8%, in Executive Office of Education spending, and \$622 million, or 10.4% Treasury and Receivable General Spending, due primarily to increases in Lottery prize payments. Other financing uses totaled \$10.555 billion, an increase of \$835 million, or 8.6%, with \$717 million of that amount due to an increase in debt service-related expenditures, all of which was the result of payments to an escrow agent in support of an advanced bond refunding. Factoring out that refunding payments, FY21 debt service expenditures declined compared to FY20.

As of June 30, 2021 the Commonwealth's governmental funds reported combined ending fund balance of \$13.817 billion, an increase of \$3.905 billion, or 39.4%, from the previous year.

Governmental Funds - Fund Balance Classification
(amounts in thousands)

	2021	2020	Change	% Change
<u>Nonspendable/Restricted:</u>				
Nonspendable	\$ 755,378	\$ —	\$ 755,378	100.0%
Restricted	\$ 1,320,793	\$ 1,294,124	\$ 26,669	2.1%
Total Nonspendable/Restricted	2,076,171	1,294,124	782,047	60.4%
<u>Unrestricted:</u>				
Committed	6,805,570	5,325,797	1,479,773	27.8%
Assigned	2,046,997	1,682,922	364,075	21.6%
Unassigned	2,888,607	754,673	2,133,934	282.8%
Total Unrestricted	11,741,174	7,763,392	3,977,782	51.2%
Total fund balances	\$ 13,817,345	\$ 9,057,516	\$ 4,759,829	52.6%

GAAP requires that fund balances be classified by the degree of restriction placed upon their use by constitutional, statutory, or contractual requirements, and these classifications are shown in the table above. Restricted fund balances represent amounts restricted for Commonwealth and MSBA debt service or restricted by bond covenants, funds that are restricted in capital projects and special revenue funds, balances in the federal grants funds, and some balances held in expendable trusts. Unrestricted amounts include fund balances classified as committed, including those generated by revenue sources directed to specific purposes but with a lower level of constraint on their use than restricted balances, as well the fund balance of the Stabilization Fund. Unrestricted amounts also included prior appropriations continued, and residual balances in the General Fund, both of which are classified as unassigned. The \$1.480 billion, or 27.8%, increase in committed balances results primarily from growth in balances in numerous non-budgetary funds which Legislature has designated for specific purposes. Assigned fund balance increased by \$364 million or 21.6%, due primarily to \$339 million growth in budgetary fund "prior appropriations continued", or PACs, where the Legislature allocated FY21 funding for expenditure in FY22, 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 \$2.134 billion, or 282.8%, increase in unassigned balances is due mainly to a \$1.460 billion balance in the newly established Transitional Escrow Fund (which is combined with the General Fund in financial statements) which holds the FY21 statutory surplus for appropriations in FY22, and as surpluses in the General Fund. 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 [68-72](#).

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 page 29, the business-type activities increased the Commonwealth's net position by approximately \$521 million.

BUDGETARY HIGHLIGHTS

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

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

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

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

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

- \$252 million to fund collective bargaining costs of state employees;
- \$131 million to fund childcare services;
- \$32 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$28 million for aid to families with dependent children;
- \$26 million to fund Sheriffs' personnel costs;
- \$20 million for additional aid to local schools;

- \$17 million for homeless services;
- \$13 million to fund services provided by the Massachusetts National Guard;
- \$13 million to fund police reform initiatives;
- \$11 million to fund State Police operations.

FY21 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$56.882 billion, an increase of \$9.566 billion, or 20.2%, from FY20. Tax revenue growth picked up in FY21 as the Massachusetts economy reopened following a decline in FY20 due to the pandemic, with total taxes receipts increasing by \$4.159 billion, or 15.1% from FY20. All major tax types grew strongly in FY21. Total income tax collections increased by \$2.258 billion, or 13.0%, with personal income tax withholding growing by \$983 million, or 7.2%, non-withheld personal income tax increased by \$1.225 billion, or 35.9%, the latter driven in large part by growth in capital gains tax revenue, which totaled \$2.533 billion an increase of \$873 million, or 52.6%, from FY20. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) increased by \$1.206 billion, or 40.9% (with approximately \$50 million of that increase due to businesses taking advantage of a delay in the tax payment deadline from the first half of calendar year 2020 to July 2021, which shifted payments from FY20 to FY21) and sales and use tax (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax) increased by \$629 million, or 13.1%, despite a \$131 million, or 12.1% decline in sales and meals taxes as the pandemic cut into restaurant dining. Other notable tax revenue changes include deeds excise revenues, which increased by \$83 million, or 26.4%, as the real estate market staged a strong recovery, cannabis sales and excise taxes, which also increase by \$83 million, or 116.8%, as the number of cannabis dispensaries expanded, and estate and inheritance taxes, which grew by \$88 million, 12.6%.

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

Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.776 billion, a decrease of \$145 million, or 2.9%, from FY20, with the largest revenue declines being a reduction of \$90 million in one-time health insurance assessments received in FY20 and a drop of \$98 million, or 8.1%, in Medicaid manufacturer prescription drug rebates. These declines were partly offset by growth in several other revenue sources, the most significant of which was an increase motor vehicle license and registration revenues, which rose by \$67 million, or 13.8%.

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$1.996 billion, an increase of \$8 million, or 0.4%, from FY20, including a \$121 million, or 21.0% decrease in fringe benefit assessments resulting from reductions in payroll in higher education (which accounts for a significant share of the Commonwealth's a fringe benefit recoveries) as well as reduced non-budgeted personnel spending in coronavirus-related accounts. These reductions were offset by a \$123 million, or 12.7% increase in Lottery Fund transfers to the General Fund as Lottery profits recovered in FY21 from their coronavirus-induced slump in the fourth quarter of FY20.

The Commonwealth continues to receive revenues, as it will in perpetuity, from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses. In FY21, the Commonwealth received \$246 million in tobacco settlement funds, an increase of \$16 million compared to FY20. Statute requires that a portion of tobacco settlement proceeds be transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds is deposited in the SRBTF in FY22 and after. For FY21, the statutorily required transfer was 90% of tobacco settlement revenues; however, FY21 budget actions

reduced the percentage of tobacco settlement revenues deposited to the SRBTF from 90% to 10%. That action reduced the FY21 transfer to approximately \$25 million, compared to the statutorily required amount of \$221 million.

FY21 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$49.078 billion, an increase of \$2.098 billion, or 4.5%, from FY20, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$41.593 billion, an increase of \$1.726 billion, or 4.3%, from FY20. Medicaid expenditures totaled \$18.122 billion, an increase of \$1.100 billion, or 6.5%, from FY20, due to an approximate 10% increase in caseload during the coronavirus epidemic, when disenrollment of beneficiaries was suspended as long as a federally-declared public health emergency is in effect. Spending for direct local aid (both education aid and unrestricted aid), at \$6.482 billion, was up \$106 million, or 1.7%, from FY20. Other significant spending included \$46 million in new spending for economic recovery from COVID-19, \$50 million for a homeless prevention program (an increase of \$32 million from FY20),

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

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

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, 2021 amounts to approximately \$24.494 billion, with accumulated depreciation of approximately \$11.447 billion, leaving a net book value of \$13.048 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 2020 to 2021 was approximately \$165 million, with a \$131 million increase in governmental activities and a \$34 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		Business - Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land.....	\$ 957,406	\$ 941,961	\$ 230,569	\$ 228,778	\$ 1,187,975	\$ 1,170,739
Historical treasures.....	—	—	2,136	19,429	2,136	19,429
Construction in process.....	892,334	713,719	435,656	536,054	1,327,990	1,249,773
Buildings.....	2,573,982	2,634,834	7,055,127	6,895,081	9,629,109	9,529,915
Machinery and equipment.....	468,765	462,852	240,703	240,247	709,468	703,099
Infrastructure, excluding central artery.....	161,327	169,473	—	—	161,327	169,473
Library collections.....	—	—	29,919	40,787	29,919	40,787
Total.....	\$ 5,053,814	\$ 4,922,839	\$ 7,994,110	\$ 7,960,376	\$ 13,047,924	\$ 12,883,215

Additional detail on the Commonwealth's FY21 capital asset activity can be found in [Note 5](#) to the basic financial statements ("Capital Assets") on pages 94–95.

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 FY21 capital budget, the Commonwealth borrowed by issuing \$1.982 billion in long-term bonds, which was new money general obligation debt and \$400 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued \$1.766 billion in debt to refund already existing debt, taking advantage of continued low interest rates in FY21. During the year, the Commonwealth also issued \$1.500 billion in Revenue Anticipation Notes (RANs) in two separate \$500 million series and one \$400 million series. The two \$500 million notes were retired in April and May, 2020 while the \$400 million note was retired in June 2021. In addition, during FY20 the Commonwealth drew down \$500 million from working capital agreements. This was repaid in August 2020. Finally, to meet cash needs the Department of Unemployment, \$2.108 billion was borrowed in FY21 under [Title XII of the Social Security Act](#), for a total of \$2.268 billion outstanding as of June 30, 2021.

Approximately 6.4% of the Commonwealth's \$24.765 billion in general obligation debt outstanding as of June 30, 2021 was issued as variable rate bonds. During fiscal 2021 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)

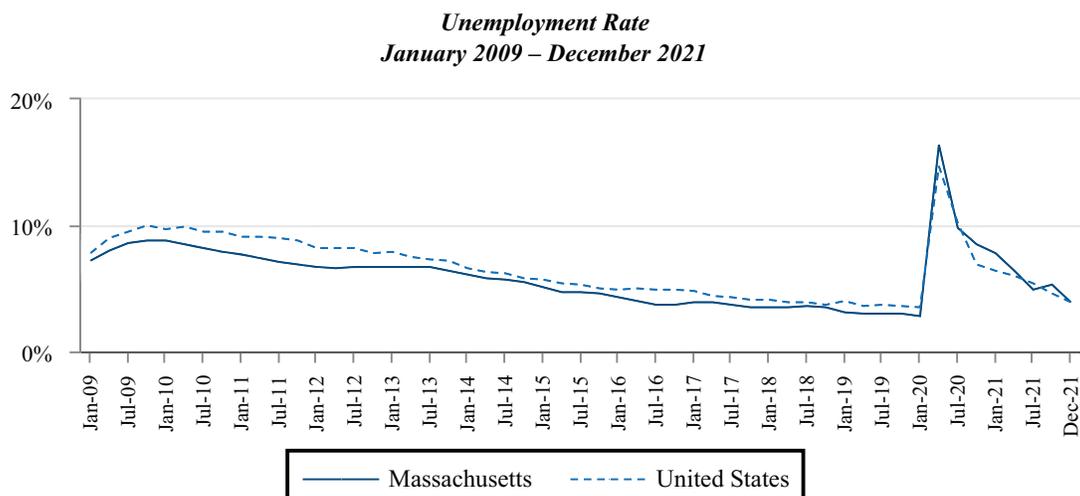
	Governmental Activities		Business - Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 24,765,437	\$ 23,953,160	\$ —	\$ —	\$ 24,765,437	\$ 23,953,160
Special obligation bonds (excluding GANs)....	3,700,470	3,483,460	—	—	3,700,470	3,483,460
Revenue obligation bonds	—	—	4,574,415	4,508,010	4,574,415	4,508,010
Federal unemployment insurance borrowing...	—	—	2,268,015	159,907	2,268,015	159,907
Grant anticipation notes	582,550	662,270	—	—	582,550	662,270
Subtotal	29,048,457	28,098,890	6,842,430	4,667,917	35,890,887	32,766,807
Massachusetts School Building Authority	6,104,240	6,053,947	—	—	6,104,240	6,053,947
Total	\$ 35,152,697	\$ 34,152,837	\$ 6,842,430	\$ 4,667,917	\$ 41,995,127	\$ 38,820,754

Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on pages 95–96 and [Note 7](#) (“Long-Term Obligations”) on pages 96–111.

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2022 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 7.8%, compared to the national rate of 6.4%, but by July 2021, the Massachusetts rate was 4.9% versus a national rate of 5.4%. Since then the two rates have converged with the Massachusetts rate only equal to the national rate in December 2021, at 3.9%.



The FY22 General Appropriation Act (GAA) is based on an FY22 tax revenue estimate of approximately \$34.541 billion, an increase of \$385 million, or 1.2%, from FY21 actual tax collections. Of that amount, \$28.789 billion represents taxes available for budget after adjusting for \$5.752 billion in tax revenue that is allocated to state pension contributions (\$3.415 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.236 billion), the Massachusetts School Building Authority (\$1.076 billion), and revenue allocated to the non-budgetary Workforce Training Fund (\$25 million).

With tax revenues through December 2021 \$2.142 billion above the year-to-date tax revenue benchmark, on January 15, 2022, the Secretary of Administration and Finance raised the FY21 tax revenue estimate by \$700 million. Through January 31, 2022, FY22 year-to-date tax collections totaled \$21.872 billion, up \$4.219 billion, or 23.9%, from the same period in FY21, \$1.450 billion 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, 2021

(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	\$ 16,813,248	\$ 4,849,496	\$ 21,662,744	\$ 4,795,788
Restricted cash with fiscal agent	248,690	—	248,690	—
Short-term investments	304,140	783,464	1,087,604	—
Assets held in trust	—	—	—	130,188
Receivables, net of allowance for uncollectibles:				
Taxes	4,087,398	—	4,087,398	—
Federal grants and reimbursements receivable	2,307,778	60,616	2,368,394	355,578
Loans	6,859	6,876	13,735	513,696
Other receivables	1,242,332	1,022,349	2,264,681	380,493
Due from cities and towns	21,263	—	21,263	—
Due from component units	597	352	949	—
Due from primary government	—	—	—	634,205
Other current assets	—	59,863	59,863	91,359
Total current assets	25,032,305	6,783,016	31,815,321	6,901,307
Noncurrent assets:				
Cash and cash equivalents - restricted	—	247,256	247,256	905,862
Long-term investments	—	1,438,047	1,438,047	1,563,299
Investments, restricted investments and annuity contracts	1,832,078	1,110	1,833,188	84,338
Receivables, net of allowance for uncollectibles:				
Taxes	435,544	—	435,544	—
Federal grants and reimbursements receivable	380	—	380	—
Loans	73,366	31,011	104,377	4,284,897
Other receivables	162,253	16,874	179,127	47,559
Due from component units	6,198	—	6,198	—
Due from primary government	—	—	—	3,906
Non-depreciable capital assets	1,849,740	668,361	2,518,101	15,798,496
Depreciable capital assets, net	3,204,074	7,325,749	10,529,823	25,007,308
Other noncurrent assets	—	126,957	126,957	46,154
Other noncurrent assets - restricted	3,003	—	3,003	—
Total noncurrent assets	7,566,636	9,855,365	17,422,001	47,741,819
Total assets	32,598,941	16,638,381	49,237,322	54,643,126
Deferred outflows of resources:				
Deferred change in fair value of interest rate swaps	88,793	1,204	89,997	114,666
Deferred loss on refunding	95,806	169,076	264,882	216,950
Deferred outflows related to pension	8,709,458	277,125	8,986,583	384,224
Deferred outflows related to OPEB	3,013,735	362,691	3,376,426	434,446
Certain asset retirement obligations	—	1,158	1,158	—
MSCBA bond restructure	—	479	479	—
Total deferred outflows of resources	11,907,792	811,733	12,719,525	1,150,286
Total assets and deferred outflows	44,506,733	17,450,114	61,956,847	55,793,412
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	4,109,262	699,386	4,808,648	1,465,512
Accrued payroll	179,478	239,716	419,194	2,835
Compensated absences	530,368	168,861	699,229	36,769
Accrued interest payable	441,358	21,345	462,703	188,770
Tax refunds and abatements payable	1,453,334	693,390	2,146,724	—
Due to component units	673,272	7	673,279	—
Due to primary government	—	—	—	949
Due to federal government	506,638	152,226	658,864	—
Claims and judgments	13,271	—	13,271	—
Unearned revenue	6,134,899	37,409	6,172,308	347,327
Prizes payable	124,362	—	124,362	—

(continued)

Statement of Net Position

June 30, 2021

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	138,229	138,229	—
School construction grants payable	141,370	—	141,370	—
Capital leases	3,231	2,952	6,183	—
Massachusetts School Building Authority bonds and unamortized premiums	186,651	—	186,651	—
Notes payable	—	—	—	—
Bonds payable and unamortized premiums	1,440,282	2,444,606	3,884,888	1,144,459
Environmental remediation liability	8,290	—	8,290	—
Total current liabilities	15,946,066	4,598,127	20,544,193	3,186,621
Noncurrent liabilities:				
Compensated absences	223,779	61,927	285,706	23,111
Accrued interest payable	—	—	—	171,456
Due to component units	3,906	—	3,906	—
Due to primary government	—	—	—	6,198
Due to federal government - grants	—	3,887	3,887	—
Claims and judgments	20,000	—	20,000	—
Unearned revenue	—	—	—	35,941
Prizes payable	631,016	—	631,016	—
Capital leases	11,029	5,772	16,801	72,796
Bonds payable and unamortized premiums	30,789,031	4,397,824	35,186,855	10,116,576
Massachusetts School Building Authority bonds and unamortized premiums	6,321,734	—	6,321,734	—
School construction grants payable	37,929	—	37,929	—
Environmental remediation liability	586,985	—	586,985	—
Liability for derivative instruments	88,793	1,204	89,997	143,041
Net pension liability	46,159,763	982,015	47,141,778	2,299,007
Net OPEB liability	18,434,733	1,259,744	19,694,477	3,200,799
Other noncurrent liabilities	337,040	157,252	494,292	232,782
Total noncurrent liabilities	103,645,738	6,869,625	110,515,363	16,301,707
Total liabilities	119,591,804	11,467,752	131,059,556	19,488,328
Deferred inflows of resources:				
Deferred service concession arrangements	—	13,585	13,585	296
Deferred gain on refunding	1,084,179	7,957	1,092,136	64,191
Deferred advance subsidies	—	—	—	—
Deferred inflows related to pension	480,355	72,150	552,505	185,472
Deferred inflows related to OPEB	2,406,295	631,573	3,037,868	693,978
Governmental voluntary nonexchange transaction	—	59,333	59,333	—
MSCBA bond restructure	—	111	111	—
Total deferred inflows of resources	3,970,829	784,709	4,755,538	943,937
Total liabilities and deferred inflows	123,562,633	12,252,461	135,815,094	20,432,265
NET POSITION				
Net investment in capital assets	(1,658,414)	3,861,405	2,202,991	34,512,326
Restricted for:				
Family and employment security	—	1,596,367	1,596,367	—
Retirement of indebtedness	918,907	—	918,907	—
Higher education endowment funds	—	22,925	22,925	—
Higher education academic support and programs	—	5,553	5,553	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,142	3,142	—
Expendable	—	20,878	20,878	—
Higher education capital projects - expendable purposes	—	1,706	1,706	—
Grants and gifts	401,886	257,777	659,663	—
Other purposes	—	—	—	4,693,134
Unrestricted (deficits)	(78,718,279)	(572,100)	(79,290,379)	(3,844,313)
Total net position	\$ (79,055,900)	\$ 5,197,653	\$ (73,858,247)	\$ 35,361,147

The notes to the financial statements are an integral part of this statement.

(concluded)

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

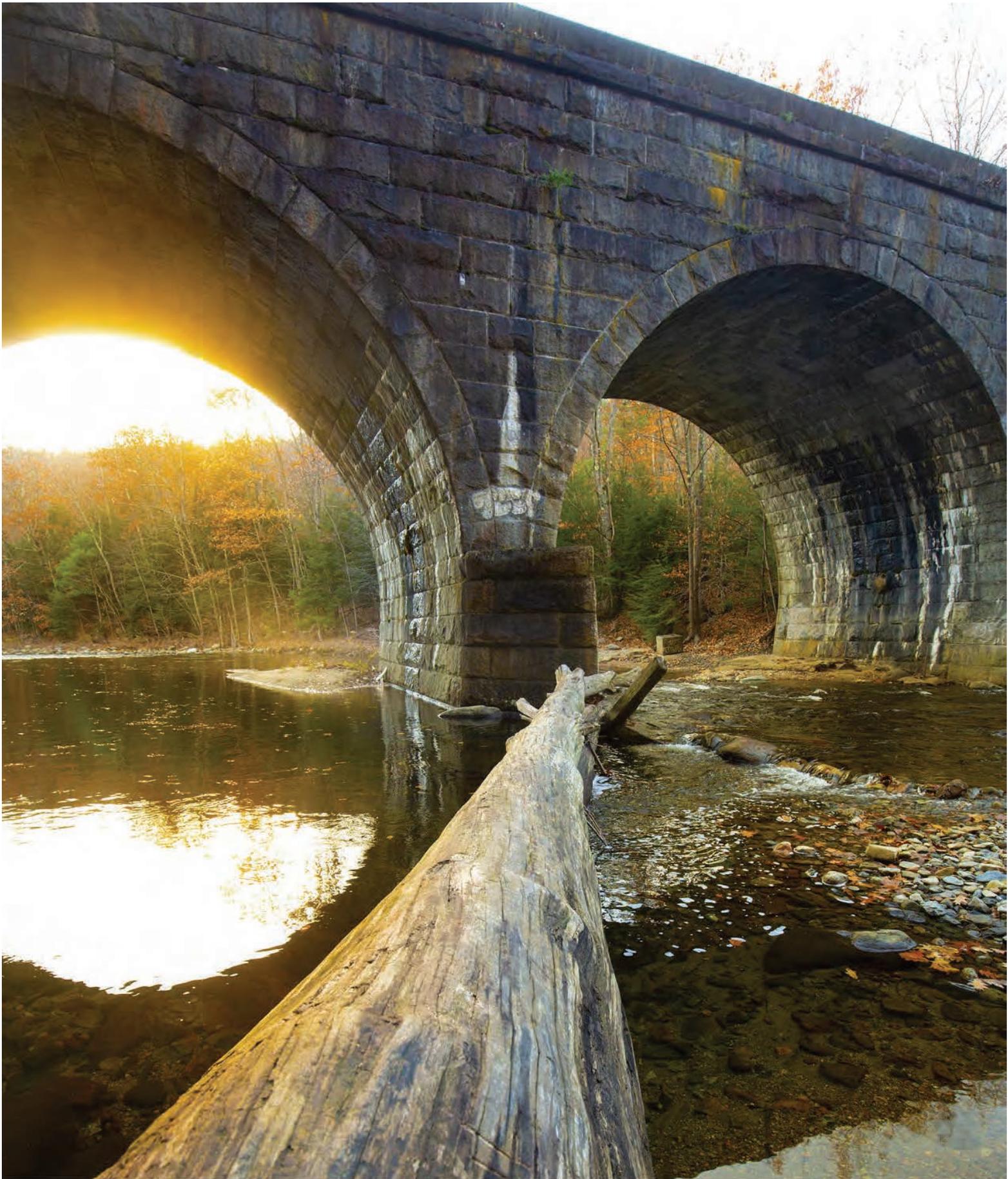
Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 3,522,506	\$ 747,288	\$ 2,419,259	\$ 24,582	\$ (331,377)	\$ —	\$ (331,377)	\$ —
Judiciary	1,429,817	59,074	3,812	—	(1,366,931)	—	(1,366,931)	—
Direct local aid	6,499,305	—	—	—	(6,499,305)	—	(6,499,305)	—
Medicaid	20,208,100	1,272,228	12,319,582	—	(6,616,290)	—	(6,616,290)	—
Group health insurance	1,710,258	860,726	—	—	(849,532)	—	(849,532)	—
Energy and environmental affairs	900,326	319,315	46,033	—	(534,978)	—	(534,978)	—
Housing and economic development	2,963,819	242,815	885,052	—	(1,835,952)	—	(1,835,952)	—
Health and human services	11,658,328	1,576,692	4,583,792	52,677	(5,445,167)	—	(5,445,167)	—
Transportation and public works	3,283,352	627,594	—	—	(2,655,758)	—	(2,655,758)	—
Early elementary and secondary education	7,687,798	6,624	1,519,899	—	(6,161,275)	—	(6,161,275)	—
Public safety and homeland security	3,716,834	345,917	594,003	—	(2,776,914)	—	(2,776,914)	—
Labor and workforce development	428,225	56,603	240,033	—	(131,589)	—	(131,589)	—
Lottery	4,617,789	5,827,632	—	—	1,209,843	—	1,209,843	—
Interest (unallocated)	1,510,178	—	—	—	(1,510,178)	—	(1,510,178)	—
Total governmental activities	70,136,635	11,942,508	22,611,465	77,259	(35,505,403)	—	(35,505,403)	—
Business-Type Activities:								
Unemployment Compensation	19,438,890	1,608,603	17,208,485	—	—	(621,802)	(621,802)	—
Family and Employment Security Trust	236,361	1,005,102	1,164	—	—	769,905	769,905	—
Higher Education:								
University of Massachusetts	3,417,854	1,635,792	846,694	62,592	—	(872,776)	(872,776)	—
State Universities	1,050,949	502,827	156,155	51,980	—	(339,987)	(339,987)	—
Community Colleges	900,836	200,278	333,593	60,279	—	(306,686)	(306,686)	—
Total business-type activities	25,044,890	4,952,602	18,546,091	174,851	—	(1,371,346)	(1,371,346)	—
Total primary government	\$ 95,181,525	\$ 16,895,110	\$ 41,157,556	\$ 252,110	(35,505,403)	(1,371,346)	(36,876,749)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation	\$ 6,008,439	\$ 906,314	\$ 3,366,666	\$ 3,584,255	—	—	—	1,848,796
Commonwealth Health Insurance Connector	1,087,062	883,408	206,669	—	—	—	—	3,015
Massachusetts Clean Water Trust	130,940	92,945	26,571	99,151	—	—	—	87,727
Other nonmajor component units	1,197,025	425,980	762,140	41,225	—	—	—	32,320
Total discretely presented component units	\$ 8,423,466	\$ 2,308,647	\$ 4,362,046	\$ 3,724,631	—	—	—	1,971,858

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income	20,120,712	—	20,120,712	—
Sales taxes	7,626,572	—	7,626,572	—
Corporate taxes	3,652,060	—	3,652,060	—
Motor and special fuel taxes	666,730	—	666,730	—
Other taxes	2,881,261	—	2,881,261	—
Miscellaneous:				
Investment earnings/(loss)	22,388	148,569	170,957	293,610
Tobacco settlement	225,892	—	225,892	—
Contribution from municipalities	53,819	—	53,819	—
Other revenue (expense)	395,033	225,680	620,713	—
Transfers	(1,517,599)	1,517,599	—	—
Total general revenues and transfers	34,126,868	1,891,848	36,018,716	293,610
Change in net position	(1,378,535)	520,502	(858,033)	2,265,468
Net position/(deficits) - beginning, as restated	(77,677,365)	4,677,151	(73,000,214)	33,095,679
Net position/(deficits) - ending	\$ (79,055,900)	\$ 5,197,653	\$ (73,858,247)	\$ 35,361,147

The notes to the financial statements are an integral part of this statement.

(concluded)



Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2021
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Federal COVID-19 Response	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 7,571,342	\$ 47,857	\$ 636,735	\$ 534,558	\$ 4,891,987	\$ 3,130,769	\$ 16,813,248
Restricted cash with fiscal agent	—	—	—	—	—	248,690	248,690
Investments, restricted investments and annuity contracts	304,140	755,378	1,076,700	—	—	—	2,136,218
Receivables, net of allowance for uncollectibles:							
Taxes	4,327,157	—	53,993	—	—	141,792	4,522,942
Due from federal government	1,408,708	—	—	—	—	899,450	2,308,158
Loan receivable	—	—	68,012	—	—	12,213	80,225
Other receivables	1,271,311	5,798	5,162	—	—	90,807	1,373,078
Due from cities and towns	21,263	—	—	—	—	—	21,263
Due from other funds	328,813	—	—	—	—	89,751	418,564
Due from component units	597	—	—	—	—	—	597
Total assets	\$ 15,233,331	\$ 809,032	\$ 1,840,602	\$ 534,558	\$ 4,891,987	\$ 4,613,472	\$ 27,922,983
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 2,779,393	\$ 46,620	\$ 9,862	\$ 58,289	\$ —	\$ 1,195,133	\$ 4,089,297
Accrued payroll	163,843	—	—	16	—	15,619	179,478
Tax refunds and abatements payable	1,452,680	—	288	—	—	366	1,453,334
Due to other funds	—	—	—	—	—	418,564	418,564
Due to component units	35,070	—	—	—	—	638,202	673,272
Due to federal government	506,638	—	—	—	—	—	506,638
Unearned revenue	—	—	—	476,253	4,891,987	766,658	6,134,899
Claims and judgments	13,271	—	—	—	—	—	13,271
School construction grants payable	—	—	46,743	—	—	—	46,743
Other accrued liabilities	831	—	—	—	—	19,134	19,965
Total liabilities	4,951,726	46,620	56,893	534,558	4,891,987	3,053,676	13,535,461
Deferred inflows of resources	539,292	5,712	—	—	—	25,173	570,177
Total liabilities and deferred inflows of resources	5,491,018	52,332	56,893	534,558	4,891,987	3,078,849	14,105,638
Fund balances:							
Nonspendable	—	755,378	—	—	—	—	755,378
Restricted	—	—	971,301	—	—	349,492	1,320,793
Committed	4,626,419	—	—	—	—	2,179,151	6,805,570
Assigned	1,070,523	1,322	812,408	—	—	162,744	2,046,997
Unassigned (deficits)	4,045,371	—	—	—	—	(1,156,764)	2,888,607
Fund balances	9,742,313	756,700	1,783,709	—	—	1,534,623	13,817,345
Total liabilities, deferred inflows of resources and fund balances	\$ 15,233,331	\$ 809,032	\$ 1,840,602	\$ 534,558	\$ 4,891,987	\$ 4,613,472	\$ 27,922,983

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, 2021

(Amounts in thousands)

Total fund balances - governmental funds		\$ 13,817,345
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	1,849,740	
Capital assets being depreciated, net	<u>3,204,074</u>	
Capital assets, net of accumulated depreciation		5,053,814
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		570,177
Deferred inflows of resources are not reported in the governmental funds:		
Gain on refunding	(1,084,179)	
Pension related	(480,355)	
OPEB related	<u>(2,406,295)</u>	
Total deferred inflow of resources		(3,970,829)
Deferred outflows of resources are not reported in the governmental funds:		
Change in fair value of interest rate swaps	88,793	
Loss on refunding	95,806	
Pension related	8,709,458	
OPEB related	<u>3,013,735</u>	
Total deferred outflow of resources		11,907,792
Massachusetts School Building Authority assets		6,511
Long-term receivables		28,000
Due from component units		6,198
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	(46,159,763)	
Net OPEB liability	(18,434,733)	
Commonwealth bonded debt	(29,048,457)	
Unamortized bond premiums	(3,180,856)	
Accrued interest on bonds	(441,358)	
Massachusetts School Building Authority bonded debt	(6,508,385)	
Massachusetts School Building Authority grants to municipalities	(132,556)	
Prizes payable	(755,378)	
Capital leases	(14,260)	
Environmental remediation liability	(595,275)	
Claims and judgments	(20,000)	
Liability for derivative instruments	(88,793)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	<u>(1,095,094)</u>	
Long-term liabilities (including current portions)		(106,474,908)
Total net (deficit) - governmental activities		\$ (79,055,900)

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, 2021
 (Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Federal COVID-19 Response	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 30,644,106	\$ 20	\$ 1,071,686	\$ —	\$ —	\$ 3,238,876	\$ 34,954,688
Assessments	396,914	—	—	—	—	952,917	1,349,831
Federal grants and reimbursements	13,777,958	—	—	1,308,908	—	7,866,356	22,953,221
Departmental	3,919,261	5,827,985	—	—	—	1,374,927	11,122,173
Miscellaneous	500,388	653	7,180	—	—	493,035	1,001,256
Total revenues	49,238,627	5,828,658	1,078,866	1,308,908	—	13,926,111	71,381,169
EXPENDITURES							
Current:							
Legislature	72,682	—	—	—	—	—	72,682
Judiciary	1,017,350	—	—	—	—	5,522	1,022,872
Inspector General	5,747	—	—	—	—	7	5,754
Governor and Lieutenant Governor	8,921	—	—	—	—	78	8,999
Secretary of the Commonwealth	58,444	—	—	—	—	19,237	77,681
Treasurer and Receiver-General	235,097	4,721,164	15,240	11,208	—	1,600,693	6,583,402
Auditor of the Commonwealth	19,825	—	—	—	—	—	19,825
Attorney General	54,103	—	—	—	—	57,727	111,830
Ethics Commission	2,489	—	—	—	—	—	2,489
District Attorney	145,969	—	—	—	—	7,820	153,789
Office of Campaign and Political Finance	1,660	—	—	—	—	—	1,660
Sheriff's Departments	686,640	—	—	—	—	11,957	698,597
Disabled Persons Protection Commission	5,464	—	—	—	—	1,203	6,667
Commission on Status of Women	206	—	—	—	—	3	209
Board of Library Commissioners	33,821	—	—	—	—	3,274	37,095
Massachusetts Gaming Commission	—	—	—	—	—	45,591	45,591
Comptroller	19,689	—	—	—	—	1,951	21,640
Administration and Finance	2,048,335	—	—	297,275	—	564,656	2,910,266
Energy and Environmental Affairs	289,805	—	—	416	—	170,307	460,528
Health and Human Services	6,930,871	—	—	12,211	—	3,759,376	10,702,458
Executive Office of Technology Services	147,316	—	—	257	—	8,015	155,588
Massachusetts Department of Transportation	—	—	—	3,280	—	2,905,855	2,909,135
Office of the Child Advocate	1,723	—	—	—	—	—	1,723
Commission Against Discrimination	6,824	—	—	—	—	—	6,824
Cannabis Control Commission	—	—	—	—	—	11,334	11,334
Executive Office of Education	3,539,520	—	—	251,756	—	1,257,618	5,048,894
Center for Health and Information Analysis	21,284	—	—	—	—	—	21,284
Massachusetts School Building Assistance	—	—	751,521	—	—	—	751,521
Public Safety and Homeland Security	1,463,381	—	—	388	—	305,612	1,769,381
Massachusetts Peace Officer Standards and Training	23	—	—	—	—	—	23
Housing and Economic Development	807,481	—	—	728,925	—	903,588	2,439,994
Labor and Workforce Development	62,497	—	—	2,467	—	291,068	356,032
Medicaid	18,214,658	—	—	—	—	1,993,441	20,208,099
Post employment benefits	1,641,918	—	2,731	—	—	12,271	1,656,920
Direct local aid	6,369,568	—	—	—	—	129,737	6,499,305
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	1,307,695	1,307,695
Debt service/commercial paper repayments	—	—	600,064	—	—	2,507,945	3,108,009
Principal on current refundings	—	—	—	—	—	1,064,644	1,064,644
Total expenditures	43,913,311	4,721,164	1,369,556	1,308,184	—	18,948,225	70,260,439
Excess/(deficiency) of revenues over/(under) expenditures	5,325,316	1,107,494	(290,690)	724	—	(5,022,114)	1,120,730
OTHER FINANCING SOURCES							
Bonds premium	—	—	93,521	—	—	692,595	786,116
Issuance of general and special obligation bonds	—	—	1,834,375	—	—	2,382,048	4,216,423
Issuance of current refunding bonds	—	—	—	—	—	865,115	865,115
Issuance of advance refunding bonds	—	—	—	—	—	900,775	900,775
Issuance of capital leases	2,126	—	—	—	—	—	2,126
Transfers in for debt service	—	—	—	—	—	2,458,994	2,458,994
Transfers in	2,065,944	—	—	—	—	2,043,604	4,109,548
Total other financing sources	2,068,071	—	1,927,896	—	—	9,343,131	13,339,097
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	1,570,822	—	—	898,359	2,469,181
Transfers out	839,545	1,207,661	—	724	—	1,863,195	3,911,125
Transfers of appropriations	1,543,381	—	—	—	—	4,718	1,548,099
Transfers of bond proceeds	—	—	—	—	—	167,923	167,923
Transfers out for debt service	1,198,237	—	—	—	—	1,260,757	2,458,994
Total other financing uses	3,581,163	1,207,661	1,570,822	724	—	4,194,952	10,555,322
Total other financing sources and (uses)	(1,513,092)	(1,207,661)	357,074	(724)	—	5,148,179	2,783,776
Net change in fund balances/(deficits)	3,812,224	(100,167)	66,384	—	—	126,065	3,904,506
Fund balances at beginning of year, as restated	5,930,089	856,867	1,717,325	—	—	1,408,558	9,912,839
Fund balances at end of year	\$ 9,742,313	\$ 756,700	\$ 1,783,709	\$ —	\$ —	\$ 1,534,623	\$ 13,817,345

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, 2021

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ 3,904,506
---	---------------------

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	347,759
---	---------

Current year depreciation expense	(216,784)
---	-----------

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	(250,388)
--	-----------

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	(1,806,965)
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Change in capital leases	2,854
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Massachusetts School Building Authority	(5,099)
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Net pension costs	(2,873,279)
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Net OPEB costs	(484,523)
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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	3,384
--	-------

Change in net position of governmental activities	<u>\$ (1,378,535)</u>
--	------------------------------

The notes to the financial statements are an integral part of this statement



Proprietary Fund Financial Statements

Statement of Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2021
(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	\$ 2,714,565	\$ 1,342,587	\$ 143,864	\$ 366,003	\$ 282,477	\$ 4,849,496
Short-term investments	—	—	639,163	73,993	70,308	783,464
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	—	—	26,377	24,698	9,541	60,616
Loans	—	—	5,667	1,209	—	6,876
Other receivables	336,213	293,948	284,206	26,030	64,676	1,005,073
Due from affiliates	—	—	17,028	65	183	17,276
Due from foundation	—	—	—	168	184	352
Other current assets	—	—	48,356	6,396	5,111	59,863
Total current assets	3,050,778	1,636,535	1,164,661	498,562	432,480	6,783,016
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	210,070	37,150	36	247,256
Long-term investments	—	—	1,163,887	204,780	69,380	1,438,047
Restricted investments	—	—	—	1,110	—	1,110
Other receivables, net	—	—	16,625	249	—	16,874
Loans receivable, net	—	—	27,692	3,319	—	31,011
Non-depreciable capital assets	—	—	448,925	106,706	112,730	668,361
Depreciable capital assets, net	—	—	4,795,044	1,791,975	738,730	7,325,749
Other noncurrent assets	—	—	115,863	9,925	1,169	126,957
Total noncurrent assets	—	—	6,778,106	2,155,214	922,045	9,855,365
Total assets	3,050,778	1,636,535	7,942,767	2,653,776	1,354,525	16,638,381
Deferred outflows of resources:						
Deferred change in fair value of interest rate swaps	—	—	—	—	1,204	1,204
Deferred outflows related to pensions	—	—	185,335	60,674	31,116	277,125
Deferred outflows related to OPEB	—	—	239,859	84,270	38,562	362,691
Loss on debt refunding	—	—	125,201	43,875	—	169,076
Certain asset retirement obligations	—	—	1,158	—	—	1,158
MSCBA bond restructure	—	—	—	479	—	479
Total deferred outflows of resources	—	—	551,553	189,298	70,882	811,733
Total assets and deferred outflows	3,050,778	1,636,535	8,494,320	2,843,074	1,425,407	17,450,114
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	365,985	31,315	217,459	42,693	41,934	699,386
Accrued payroll	—	119	162,296	47,517	29,784	239,716
Compensated absences	—	—	97,562	36,304	34,995	168,861
Accrued interest payable	—	—	21,103	105	137	21,345
Tax refunds and abatements payable	684,656	8,734	—	—	—	693,390
Unearned revenue	—	—	—	25,024	12,385	37,409
Student deposits and unearned revenues	—	—	96,685	7,006	34,538	138,229
Due to foundation	—	—	—	—	7	7
Capital leases	—	—	904	1,139	909	2,952
Due to federal government	152,226	—	—	—	—	152,226
Bonds, notes payable and other obligations	2,268,015	—	136,055	35,726	4,810	2,444,606
Total current liabilities	3,470,882	40,168	732,064	195,514	159,499	4,598,127
Noncurrent liabilities:						
Compensated absences	—	—	23,878	20,854	17,195	61,927
Due to federal government - grants	—	—	—	3,887	—	3,887
Capital leases	—	—	1,289	3,188	1,295	5,772
Bonds, notes payable and other obligations	—	—	3,121,428	1,231,967	44,429	4,397,824
Liability for derivative instruments	—	—	—	—	1,204	1,204
Net pension liability	—	—	644,879	235,434	101,702	982,015
Net OPEB liability	—	—	829,808	299,071	130,865	1,259,744
Other noncurrent liabilities	—	—	140,455	10,213	6,584	157,252
Total noncurrent liabilities	—	—	4,761,737	1,804,614	303,274	6,869,625
Total liabilities	3,470,882	40,168	5,493,801	2,000,128	462,773	11,467,752

(continued)

Statement of Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2021
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Deferred inflows of resources:						
Deferred service concession arrangements	—	—	—	13,418	167	13,585
Deferred inflows related to pensions	—	—	18,297	22,356	31,497	72,150
Deferred inflows related to OPEB	—	—	338,233	176,554	116,786	631,573
Governmental voluntary nonexchange transaction	—	—	54,921	—	4,412	59,333
Gain on refunding	—	—	—	7,957	—	7,957
MSCBA bond restructure	—	—	—	111	—	111
Total deferred inflows of resources	—	—	411,451	220,396	152,862	784,709
Total liabilities and deferred inflows	3,470,882	40,168	5,905,252	2,220,524	615,635	12,252,461
NET POSITION:						
Net investment in capital assets	—	—	2,306,226	755,109	800,070	3,861,405
Restricted for:						
Family and employment benefits	—	1,596,367	—	—	—	1,596,367
Higher education endowment funds	—	—	22,378	40	507	22,925
Higher education academic support and programs	—	—	—	1,358	4,195	5,553
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	3,142	—	3,142
Expendable	—	—	—	10,225	10,653	20,878
Higher Education capital projects - expendable purposes	—	—	—	1,252	454	1,706
Grants and gifts	—	—	232,756	23,722	1,299	257,777
Unrestricted	(420,104)	—	27,708	(172,298)	(7,406)	(572,100)
Total net position	\$ (420,104)	\$ 1,596,367	\$ 2,589,068	\$ 622,550	\$ 809,772	\$ 5,197,653

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, 2021

(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	\$ 1,565,470	\$ —	\$ —	\$ —	\$ —	\$ 1,565,470
Family and employment security contribution	—	1,005,102	—	—	—	1,005,102
Net tuition and fees	—	—	930,613	373,444	179,474	1,483,531
Grants and reimbursements	—	—	667,149	94,793	216,785	978,727
Auxiliary enterprises	—	—	163,812	72,077	2,355	238,244
Sales & services	—	—	415,781	34,976	5,446	456,203
Miscellaneous	43,133	—	125,586	22,330	13,003	204,052
Total operating revenues	1,608,603	1,005,102	2,302,941	597,620	417,063	5,931,329
Operating expenses:						
Unemployment compensation	19,438,890	—	—	—	—	19,438,890
Family and employment security	—	236,361	—	—	—	236,361
Instruction	—	—	934,793	340,588	300,765	1,576,146
Research	—	—	552,472	222	16	552,710
Academic support	—	—	199,897	100,336	103,767	404,000
Student services	—	—	141,160	111,672	133,544	386,376
Scholarships and fellowships	—	—	85,500	57,709	78,891	222,100
Public service	—	—	90,363	5,008	4,494	99,865
Operation and maintenance of plant	—	—	226,965	109,933	73,269	410,167
Institutional support	—	—	314,676	118,611	139,098	572,385
Other operating expenses	—	—	314,182	3,033	2,062	319,277
Depreciation	—	—	300,201	107,429	47,368	454,998
Auxiliary operations	—	—	218,370	94,102	2,761	315,233
Total operating expenses	19,438,890	236,361	3,378,579	1,048,643	886,035	24,988,508
Operating income/(loss)	(17,830,287)	768,741	(1,075,638)	(451,023)	(468,972)	(19,057,179)
Nonoperating revenues/(expenses):						
Other federal revenues	17,200,114	—	179,545	61,362	116,808	17,557,829
Other revenues	—	—	209,799	15,881	—	225,680
Other expenses	—	—	(39,275)	(2,306)	(14,801)	(56,382)
Investment income/(loss)	8,371	1,164	133,393	(5,434)	20,610	158,104
Total nonoperating revenues/(expenses)	17,208,485	1,164	483,462	69,503	122,617	17,885,231
Income/(loss) before capital grants and contributions and transfers	(621,802)	769,905	(592,176)	(381,520)	(346,355)	(1,171,948)
Capital grants and contributions	—	—	62,592	51,980	60,279	174,851
Transfers, net	—	(3,252)	685,885	390,390	444,576	1,517,599
Total capital grants and contributions and transfers	—	(3,252)	748,477	442,370	504,855	1,692,450
Change in net position	(621,802)	766,653	156,301	60,850	158,500	520,502
Total net position - beginning	201,698	829,714	2,432,767	561,700	651,272	4,677,151
Total net position - ending	\$ (420,104)	\$ 1,596,367	\$ 2,589,068	\$ 622,550	\$ 809,772	\$ 5,197,653

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2021
(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	\$ 1,823,332	\$ —	\$ —	\$ —	\$ —	\$ 1,823,332
Collection of family and employment security contributions	—	958,454	—	—	—	958,454
Tuition, residence, dining and other student fees	—	—	1,025,916	367,938	176,296	1,570,150
Research grants and contracts	—	—	650,603	132,878	229,683	1,013,164
Payments to suppliers	—	—	(834,725)	(228,662)	(139,241)	(1,202,628)
Payments to employees	—	—	(2,061,084)	(506,065)	(508,720)	(3,075,869)
Payments to students	—	—	(89,267)	(42,813)	(78,891)	(210,971)
Payments for unemployment benefits	(18,687,125)	—	—	—	—	(18,687,125)
Payments for family and employment security benefits	—	(215,327)	—	—	—	(215,327)
Collection of loans to students and employees	—	—	8,661	1,182	—	9,843
Income from contract services	—	—	421,292	1,878	500	423,670
Maintenance costs	—	—	—	(1,820)	—	(1,820)
Auxiliary enterprise charges	—	—	163,585	37,696	90	201,371
Other receipts/(payments)	43,133	—	(556,909)	(379,932)	(427,897)	(1,321,605)
Net cash provided by/(used in) operating activities	(16,820,660)	743,127	(1,271,928)	(617,720)	(748,180)	(18,715,361)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	—	—	845,481	300,454	316,380	1,462,315
Grants and contracts	17,200,114	—	220,922	58,914	114,544	17,594,494
Student organizations agency transactions	—	—	818	—	—	818
Net transfers in/(out)	—	(3,252)	685,885	390,390	444,576	1,517,599
Assignment of Perkins loans	—	—	—	(219)	—	(219)
Net cash provided by/(used in) non-capital financing activities	17,200,114	(3,252)	1,753,106	749,539	875,500	20,575,007
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital appropriations	—	—	62,592	32,293	13,105	107,990
Purchases of capital assets	—	—	(322,341)	(56,350)	(24,597)	(403,288)
Proceeds/(loss) from sales of capital assets	—	—	7,734	2,734	—	10,468
Proceeds from debt issuance	2,108,108	—	792,956	43,972	—	2,945,036
Other capital asset activity	—	—	8,413	(772)	324	7,965
Principal paid on capital debt and leases	—	—	(708,067)	(49,801)	(5,394)	(763,262)
Payment of debt issuance costs and mortgage insurance premium	—	—	(54,930)	—	—	(54,930)
Interest paid on capital debt and leases	—	—	(153,367)	(46,327)	(2,073)	(201,767)
Net cash provided by/(used in) capital financing activities	2,108,108	—	(367,010)	(74,251)	(18,635)	1,648,212
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	—	—	1,048,212	118,885	24,547	1,191,644
Purchases of investments	—	—	(1,325,603)	(115,645)	(35,347)	(1,476,595)
Investment earnings	8,371	1,164	54,561	8,993	1,134	74,223
Net cash provided by/(used in) investing activities	8,371	1,164	(222,830)	12,233	(9,666)	(210,728)
Net increase/(decrease) in cash and cash equivalents	2,495,933	741,039	(108,662)	69,801	99,019	3,297,130
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	218,632	601,548	462,596	333,352	183,494	1,799,622
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 2,714,565	\$ 1,342,587	\$ 353,934	\$ 403,153	\$ 282,513	\$ 5,096,752
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss)	\$ (17,830,287)	\$ 768,741	\$ (1,075,638)	\$ (451,023)	\$ (468,972)	\$ (19,057,179)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense	—	—	300,201	107,429	47,368	454,998
Fringe benefits paid by the Commonwealth	—	—	—	96,456	110,262	206,718
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets	59,882	(55,382)	(678,619)	(397,800)	(447,947)	(1,519,866)
Accounts payable, accrued liabilities and benefits	751,765	29,768	85,044	11,308	14,243	892,128
Student deposits and other unearned and deferred revenues	—	—	6,881	20,894	9,667	37,442
Other noncurrent assets - restricted and liabilities	197,980	—	90,203	(4,984)	(12,801)	270,398
Net cash provided by/(used in) operating activities	\$ (16,820,660)	\$ 743,127	\$ (1,271,928)	\$ (617,720)	\$ (748,180)	\$ (18,715,361)

Non-cash investing, capital and financing activities:

The University System, the State Universities and Community Colleges had \$38.0 million, \$173.2 million and \$171.5 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, 2021

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 289,585	\$ 5,713,259	\$ 1,216	\$ 517,657
Short-term investments	—	33,680	—	—
Net investment in PRIT at fair value	74,585,737	21,107,131	—	—
Investments, restricted investments	—	—	—	527,160
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	28,742
Other receivables	187,063	2,105	—	174,984
Due from federal government	—	—	—	2,203
Other assets	361	—	—	—
Total assets	75,062,746	26,856,175	1,216	1,250,746
LIABILITIES				
Accounts payable and other accrued liabilities	24,211	421	—	7,509
Due to cities and towns	—	—	—	56,768
Other liabilities	—	—	—	6,559
Total liabilities	24,211	421	—	70,836
NET POSITION				
Restricted for:				
Employees' pension	73,127,595	—	—	—
Employees' post-employment benefits	1,910,940	—	—	—
External investment trust fund participants	—	26,855,754	—	—
Individuals, organizations, and other governments	—	—	1,216	1,179,910
Total net position	\$ 75,038,535	\$ 26,855,754	\$ 1,216	\$ 1,179,910

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, 2021

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth.....	\$ 1,675,827	\$ —	\$ —	\$ —
Non-employer contributions - Commonwealth.....	1,790,446	—	—	—
Employer contributions - other employers.....	13,352	—	—	—
Employee contributions.....	1,486,147	—	—	—
ERIP funding contribution - Commonwealth.....	28,449	—	—	—
Boston teachers' contribution from Commonwealth.....	162,976	—	—	—
Proceeds from sale of units.....	—	20,436,971	—	—
Sales tax collections for other governments.....	—	—	—	296,188
Child support collections.....	—	—	—	678,362
Other additions.....	183,006	1,290,068	1	1,910,726
Total contributions	5,340,203	21,727,039	1	2,885,276
Net investment gain/(loss):				
Investment gain/(loss).....	17,427,125	5,207,583	—	24,537
Less: investment expense.....	(327,762)	(337,294)	—	(29,626)
Net investment gain/(loss)	17,099,363	4,870,289	—	(5,089)
Total additions	22,439,566	26,597,328	1	2,880,187
DEDUCTIONS				
Administration.....	43,714	—	—	—
Retirement benefits and refunds.....	6,421,640	1,112,598	—	—
Payments to State Boston Retirement System.....	162,976	—	—	—
Cost of units redeemed.....	—	20,996,377	—	—
Distribution to unit holders.....	—	7,834	—	—
Sales tax payments to other governments.....	—	—	—	296,188
Child support payments to individuals.....	—	—	—	691,905
Other deductions.....	72,310	—	—	1,914,472
Total deductions	6,700,640	22,116,809	—	2,902,565
Change in net position	15,738,926	4,480,519	1	(22,378)
Net position - beginning.....	59,299,609	22,375,235	1,215	1,202,288
Net position - ending	\$ 75,038,535	\$ 26,855,754	\$ 1,216	\$ 1,179,910

The notes to the financial statements are an integral part of this statement.



*Discretely Presented
Component Unit
Financial Statements*

Statement of Net Position
Discretely Presented Component Units
June 30, 2021

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	\$ 802,360	\$ 82,153	\$ 1,058,177	\$ 307,078	\$ 2,249,768
Short-term investments	—	—	208,331	338,813	547,144
Restricted cash and investments	1,757,806	—	—	241,070	1,998,876
Assets held in trust	—	—	81,753	48,435	130,188
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	297,628	—	40,983	16,967	355,578
Loans	—	—	423,408	90,288	513,696
Other receivables	283,234	6,404	45,153	45,702	380,493
Due from primary government	556,509	42,619	—	35,077	634,205
Inventory	—	—	—	88	88
Other current assets	69,287	894	—	21,090	91,271
Total current assets	3,766,824	132,070	1,857,805	1,144,608	6,901,307
Noncurrent assets:					
Cash and cash equivalents - restricted	874,220	—	—	31,642	905,862
Long-term investments	—	—	427,613	1,135,686	1,563,299
Restricted investments and annuity contracts	—	—	—	84,338	84,338
Other receivables, net	26,582	—	—	20,977	47,559
Loans receivables, net	—	—	3,660,682	624,215	4,284,897
Due from primary government	3,906	—	—	—	3,906
Non-depreciable capital assets	15,541,415	—	—	257,081	15,798,496
Depreciable capital assets, net	24,272,896	9,642	—	724,770	25,007,308
Other noncurrent assets	31,504	—	1,354	13,296	46,154
Total noncurrent assets	40,750,523	9,642	4,089,649	2,892,005	47,741,819
Total assets	44,517,347	141,712	5,947,454	4,036,613	54,643,126
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	99,016	—	—	15,650	114,666
Deferred loss on refunding	184,829	—	32,121	—	216,950
Deferred outflows related to pension	375,376	—	—	8,848	384,224
Deferred outflows related to OPEB	430,462	1,452	—	2,532	434,446
Certain asset retirement obligations	—	—	—	—	—
Total deferred outflows of resources	1,089,683	1,452	32,121	27,030	1,150,286
Total assets and deferred outflows	45,607,030	143,164	5,979,575	4,063,643	55,793,412
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	1,183,463	26,353	89,751	165,945	1,465,512
Accrued payroll	—	256	—	2,579	2,835
Compensated absences	31,928	1,004	—	3,837	36,769
Accrued interest payable	138,701	—	47,745	2,324	188,770
Due to primary government	—	—	—	949	949
Unearned revenue	205,641	44,937	15,894	80,855	347,327
Bonds, notes payable and other obligations	872,835	—	210,885	60,739	1,144,459
Total current liabilities	2,432,568	72,550	364,275	317,228	3,186,621
Noncurrent liabilities:					
Compensated absences	21,111	—	—	2,000	23,111
Accrued interest payable	171,456	—	—	—	171,456
Due to primary government	—	—	—	6,198	6,198
Unearned revenue	35,856	—	—	85	35,941
Capital leases	72,796	—	—	—	72,796
Bonds, notes payable and other obligations	6,828,050	—	2,720,860	567,666	10,116,576
Net pension liability	2,248,963	—	—	50,044	2,299,007
Net OPEB liability	3,191,997	8,354	—	448	3,200,799
Liability for derivative instruments	141,981	—	—	1,060	143,041
Other noncurrent liabilities	127,547	—	—	105,235	232,782
Total noncurrent liabilities	12,839,757	8,354	2,720,860	732,736	16,301,707
Total liabilities	15,272,325	80,904	3,085,135	1,049,964	19,488,328
Deferred inflows of resources:					
Deferred gain on refundings	149	—	64,042	—	64,191
Deferred advance subsidies	—	—	—	—	—
Deferred service concession arrangements	—	—	—	296	296
Deferred inflows related to pension	183,363	—	—	2,109	185,472
Deferred inflows related to OPEB	686,744	4,028	—	3,206	693,978
Total deferred inflows of resources	870,256	4,028	64,042	5,611	943,937
Total liabilities and deferred inflows	16,142,581	84,932	3,149,177	1,055,575	20,432,265
NET POSITION					
Net investment in capital assets	33,543,727	9,642	—	958,957	34,512,326
Restricted for:					
Other purposes	1,025,665	—	2,191,908	1,475,561	4,693,134
Unrestricted	(5,104,943)	48,590	638,490	573,550	(3,844,313)
Total net position	\$ 29,464,449	\$ 58,232	\$ 2,830,398	\$ 3,008,068	\$ 35,361,147

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, 2021

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services	\$ 906,314	\$ 883,398	\$ 5,280	\$ 250,157	\$ 2,045,149
Other	—	10	87,665	94,701	182,376
Total operating revenues	906,314	883,408	92,945	344,858	2,227,525
Operating expenses:					
Cost of services	4,053,973	841,146	127,622	256,237	5,278,978
Administration costs	838,897	77,110	3,318	146,333	1,065,658
Depreciation	1,107,057	4,001	—	62,723	1,173,781
Total operating expenses	5,999,927	922,257	130,940	465,293	7,518,417
Operating income/(loss)	(5,093,613)	(38,849)	(37,995)	(120,435)	(5,290,892)
Nonoperating revenues/(expenses):					
Operating grants	3,366,666	206,669	26,571	762,140	4,362,046
Interest income/(loss)	13,339	74	—	280,197	293,610
Other nonoperating revenue/(expense)	(8,512)	(164,805)	—	(650,610)	(823,927)
Nonoperating revenues/(expenses), net	3,371,493	41,938	26,571	391,727	3,831,729
Income/(loss) before contributions	(1,722,120)	3,089	(11,424)	271,292	(1,459,163)
Capital contributions	3,584,255	—	99,151	41,225	3,724,631
Change in net position	1,862,135	3,089	87,727	312,517	2,265,468
Net position - beginning, as restated	27,602,314	55,143	2,742,671	2,695,551	33,095,679
Net position - ending	\$ 29,464,449	\$ 58,232	\$ 2,830,398	\$ 3,008,068	\$ 35,361,147

The notes to the financial statements are an integral part of this statement.



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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The accompanying financial statements of the Commonwealth of Massachusetts (the Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The Commonwealth's significant accounting policies are described below.

The Commonwealth is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 160 members; and the Judicial Branch, made up of the Supreme Judicial Court, the Appeals Court, and the Trial Court. In addition, the Legislature has established 57 independent authorities and agencies. Below the level of state government are 351 cities and towns exercising the functions of local governments. The cities and towns of the Commonwealth are also organized into 14 counties.

For financial reporting purposes, the Commonwealth has included all funds, organizations, agencies, boards, commissions, and institutions. The Commonwealth has also considered all potential component units for which it is financially accountable, as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth (the primary government) and its component units. The Commonwealth has included 41 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Additional information related to the component units is found in [Note 14](#) to the basic financial statements.

Blended Component Units – Blended component units are entities that are legally separate from the Commonwealth but are so closely related to the Commonwealth, that they are, in substance, the same as the Commonwealth or entities providing services entirely or almost entirely to the Commonwealth. The net position and results of operations of the following legally separate entities are presented as part of the Commonwealth's operations:

The Massachusetts School Building Authority (MSBA) is charged with administering the Commonwealth's school construction and renovation program. The MSBA's revenues are derived almost entirely from dedicated sales taxes from the Commonwealth which is 1% of applicable sales tax in the Commonwealth. The MSBA's bonded debt is secured by these sales tax revenues. Expenditures by the MSBA are made on behalf of the Commonwealth as a successor to a long-standing Commonwealth program of school construction. The MSBA's operations and results thereon are blended with the Commonwealth and as such are reported as a major governmental fund.

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately \$21.107 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 \$5.749 billion at June 30, 2021, 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 has jurisdiction over the Massachusetts Bay Transportation Authority (MBTA) and the Regional Transit Authorities. MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance law and is reported as part of the Commonwealth for compliance with federal and state tax law. In this unique relationship all road and bridge assets of the Commonwealth (including the former Turnpike Authority (MTA)) have been transferred to MassDOT, while the Commonwealth will continue to hold current and future debt for the construction repair, improvement, and replacement of these assets.

The Massachusetts Clean Water Trust provides a combination of federal and Commonwealth funds for water and sewer projects around the Commonwealth as operator of the Commonwealth's State Revolving Fund. The Trust's three member Board is comprised of Commonwealth Officials and the Commonwealth provides annual contract assistance and matching grants to fund the operations of the Trust.

Commonwealth 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.

The Coronavirus Relief Fund is a special revenue fund to account for activities under the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act to combat the global Covid-19 pandemic.

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 [110-127](#).

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, 2021, 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 FY21 governmental fund balances are shown below (amounts in thousands);

	Nonexpendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government.....	\$ —	\$ —	\$ —	\$ —	\$ 2,585,047	\$ 2,585,047
Stabilization Fund.....	—	—	4,626,419	—	—	4,626,419
FY21 Authorizations Reappropriated in FY22.....	—	—	—	1,070,523	—	1,070,523
Transitional Escrow Fund.....	—	—	—	—	1,460,324	1,460,324
Subtotals, General Fund	—	—	4,626,419	1,070,523	4,045,371	9,742,313
Lottery Funds						
Investments, Restricted Investments, Annuity Contracts and Lottery Operations.....	755,378	—	—	1,322	—	756,700
Massachusetts School Building Authority (MSBA)						
Debt Service.....	—	891,084	—	—	—	891,084
OPEB.....	—	2,953	—	—	—	2,953
Grants to Cities, Towns and Local School Districts.....	—	77,264	—	812,408	—	889,672
Subtotals, MSB A	—	971,301	—	812,408	—	1,783,709
Other Governmental Funds						
Restricted by Federal Grantors.....	—	121,198	—	—	—	121,198
Environmental.....	—	—	15,221	3,696	—	18,917
Regional Greenhouse Gas Auction and Mitigation.....	—	—	87,528	—	—	87,528
Dam and Seawall Repair.....	—	—	20,609	—	—	20,609
Public Safety - Enhanced 911 Services.....	—	—	221,777	—	—	221,777
Public Safety - Other.....	—	—	27,931	—	—	27,931
Health Care.....	—	—	632,567	—	—	632,567
Marijuana Regulation.....	—	—	8,655	—	—	8,655
Social Innovation Financing.....	—	—	9,262	—	—	9,262
Workforce Training.....	—	—	65,289	—	—	65,289
Department of Industrial Accidents.....	—	—	28,309	—	—	28,309
Convention Centers.....	—	8,393	198,406	—	—	206,799
General Government Capital Projects Fund.....	—	—	—	—	(483,314)	(483,314)
Highway Capital Projects Fund.....	—	—	—	—	(622,537)	(622,537)
General Government Debt Service.....	—	12,270	42,153	—	—	54,423
Transportation (GANS*/Commonwealth Transportation Fund).....	—	15,553	55,791	—	—	71,344
Gaming Administration.....	—	—	1,970	—	—	1,970
Gaming -- Community Mitigation.....	—	—	31,086	—	—	31,086
Race Horse Development.....	—	—	20,264	—	—	20,264
Housing Preservation.....	—	—	18,753	—	—	18,753
Expendable Trusts.....	—	192,076	352,008	149,481	—	693,565
Education.....	—	—	6,555	—	—	6,555
Other.....	—	2	335,017	9,567	(50,913)	293,673
Subtotals, Other Governmental Funds	—	349,492	2,179,151	162,744	(1,156,764)	1,534,623
Totals	\$ 755,378	\$ 1,320,793	\$ 6,805,570	\$ 2,046,997	\$ 2,888,607	\$ 13,817,345

*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 [116](#).

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 FY21, 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 FY21 with a balance of \$4.626 billion. For the fiscal year ending June 30, 2021, the Stabilization Fund's balance increased by \$9 million from investment income, approximately \$324 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, and \$17 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 FY21, the surplus of \$1.460 billion was deposited into a newly created budgeted Transitional Escrow Fund, whose balance was carried forward for use in FY22.

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, 2021, 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, 2021, the MMDT's entire bond fund is included as short-term investments in the accompanying financial statements.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333 or download the statements from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. Massachusetts General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

The post-employment and OPEB benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, a diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and are reported at fair value in the accompanying financial statements. The State Employees', Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 37.4%, 38.6% and 1.9% respectively, of the net position of the PRIT Fund. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.

Other Commonwealth investments are comprised of equities (marketable securities) and fixed income securities, as well as interests in alternative investment funds such as private equity, debt and real estate. Marketable securities are reported at fair value based upon quoted market prices. Investments in fixed income securities, including U.S. government agency obligations, are reported at fair value using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and ratings, supplemented by deal quotations. Alternative investments are generally reported at net asset values (NAV) reported by the investment manager for the respective securities, which are used as a practical expedient to estimate the fair value of the Commonwealth's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2021, 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 FY21 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 \$106 million, representing 50% of the amounts expected to be received during FY22. Also, included as a long-term receivable is approximately \$28 million representing the Commonwealth's share of the Nonparticipating Manufacturer (NPM) adjustment for 2004 tobacco sales which were not contested by the manufacturers.

"Loans Receivables" - The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist a limited number of school districts with unanticipated inflationary construction costs over the district's original project budget. The loans outstanding as of June 30, 2021

were \$68 million, of which \$6 million is due in FY22. During FY21, the MSBA collected \$6 million of scheduled principal payments.

F. DUE FROM CITIES AND TOWNS

“Due from Cities and Towns” represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements.

Methods used to value capital assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

Capitalization policies

All land, non-depreciable land improvements and donated historical treasures or works of art are capitalized. Single pieces of equipment, vehicles, computer equipment and software that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets of the component units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method. Unless unallocable, depreciation expense is charged to the function of the capital asset being depreciated. Estimated useful lives are as follows:

<i>Type of Asset</i>	Estimated Useful Life (in years)
Buildings	40
Infrastructure	20 to 50
Library collections that are not historical treasures	15
Equipment, office equipment and furniture, and life safety equipment	10
Computer hardware and software	3 to 7
Vehicles	5

Construction in process

Construction in process includes all associated cumulative costs of a constructed capital asset. Construction in process is relieved at the point at which an asset is placed in service for its intended use.

H. INTERFUND / INTRAFUND TRANSACTIONS

As a general rule, the effect of interfund activity has been eliminated in the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

The Commonwealth has elected not to present its cost allocation and recovery separately on the Statement of Activities. Certain costs of nine “central service” agencies of the Commonwealth are recovered from the remaining agencies in a federally approved statewide cost allocation plan. These costs that are allocated are based upon benefits received by the user agency that benefit from these services. The Commonwealth also appropriates and pays the fringe benefit costs of its employees and retirees, as well as MassDOT employees and retirees, through the General Fund. These fringe benefits include the costs of employees’ group health insurance, pensions, unemployment compensation, and other costs necessary to support the workforce. As directed by Massachusetts General Laws, these costs are assessed to other funds based on payroll costs, net of credits for direct payments. Since fringe benefit costs are not separately appropriated or otherwise provided for in these funds, the required assessment creates an unfavorable budget variance in the budgeted funds. The employees’ group health insurance and workers’ compensation activity is accounted for in the governmental funds.

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

Under the former school building assistance program (prior to the creation of the MSBA) the Commonwealth reimbursed 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation to municipalities and regional school districts for 728 previously approved projects noted by MSBA as Prior Grant projects. The MSBA has assumed responsibility for these projects under its enabling statute.

The MSBA records a liability for its share of total eligible project costs differently depending on the type of project. However, for all projects, the MSBA recognizes a liability for its estimated share of total eligible project costs when the applicable eligibility requirements have been met.

Prior Grants - All of the 728 Prior Grant projects had been receiving an annual payment under the former program. The liability for these projects will be reduced over time through annual payments, and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. As of June 30, 2021, the liability for prior grant projects is approximately \$29 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, 2021, the liability outstanding for Waiting List projects under the lump sum method is \$28 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, 2021, 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 \$47 million in the governmental funds for reimbursements received, reviewed, and approved for payment by June 30, 2021. Additionally, a liability of \$75 million was recorded for the reimbursements not reviewed or approved for payment prior to June 30, 2021, as well as final project hold back payments subject to final audit and Board approval after year end. The long-term portion of this liability is estimated at \$15 million. New Program projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2021, the amount of commitments outstanding for the New Program projects is \$1.6 billion, and will be funded under the progress payment method.

For all projects, regardless of the funding mechanism, costs incurred by the grantees are subject to audit by the MSBA. Completion of these audits will allow the MSBA to determine the final approved cost of these projects, and the MSBA will adjust the payments it makes for these projects, as necessary, in accordance with the results of those audits.

As of June 30, 2021, MSBA had an outstanding liability of \$122 million, and \$1.6 billion of commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The Massachusetts Clean Water Trust (the Trust) loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds, direct loans. 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 \$523 million.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the Statement of Net Position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2021 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 101-102.

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 FY21, approximately \$1.227 billion and \$1.072 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, 2021, taxes within the Convention Center districts support approximately \$480 million of outstanding principal and approximately \$205 million of interest on debts related to these Convention Centers. Taxes collected in FY21 were approximately \$49 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 FY21, approximately \$577 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$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 Commonwealth purchases annuities and principal-only and interest-only Treasury strips in the Commonwealth's name, 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 Commonwealth's name in the case of a default, they are solely for the benefit of the prize winner. The Commonwealth retains the risk related to such annuities.

N. RISK FINANCING

The Commonwealth self-insures for employees' workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees.

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

P. NET POSITION

The Commonwealth reports net position as restricted where legally segregated for a specific future use by enabling legislation. Otherwise, these balances are considered unrestricted. Net position has been restricted as follows:

"Restricted for unemployment benefits" – identifies amounts solely for the payment of unemployment compensation under federal labor laws.

"Restricted for 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 20 of Chapter 29 of the Massachusetts General Laws and Chapter 33 of the Acts of 1991. It also includes amounts held for Grant Anticipation Notes authorized by Chapter 11 of the Acts of 1997 and Chapter 121 of the Acts of 1998.

"Higher education" – identifies amounts solely for expendable and nonexpendable endowment, academic support, scholarship, and capital project 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, 2021 (amounts in thousands):

State Universities	\$	13,418
Community Colleges		<u>167</u>
Total	\$	<u><u>13,585</u></u>

Approximately \$10.5 million in the carrying value of capital assets and \$4 thousand in remaining receivables 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

The Commonwealth early implemented GASB Statement No. 84, Fiduciary Activities, in FY 20. During FY 21 it was determined a previously classified custodial fund should be classified to a governmental fund. As a result, the fund balance of the lotteries major governmental fund has been restated for the correction of an error. Further, the Massachusetts Department of Transportation, a major discretely presented component unit, adopted GASB Statement No. 84 during FY 21.

The following details the cumulative effect of the change in accounting principle and the correction of an error (amounts in thousands):

	Governmental Funds Financial Statements	Discretely presented Component Units	Government- Wide Financial Statements
	Lotteries	Massachusetts Department of Transportation	Discretely presented Component Units
Fund balance/ net position as of June 30, 2020 as previously reported.	\$ 1,544	\$ 27,587,793	\$ 33,081,158
Reclassification of Custodial Fund Activity presented in error:			
Correction of an error on GASB 84 reclassification of fiduciary funds to governmental funds	855,323	—	—
Implementation of GASB 84::			
Reclassification of fiduciary funds to governmental funds	—	14,521	14,521
Fund balance/ net position as of July 1, 2020, as adjusted	<u>\$ 856,867</u>	<u>\$ 27,602,314</u>	<u>\$ 33,095,679</u>

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	\$ 310,784	\$ 3,677,005 (1)	\$ 3,987,789	\$ 109,701
MMDT - cash fund	16,502,464	1,419,747 (1)	17,922,211	6,412,016
Restricted cash with fiscal agent	248,690	—	248,690	—
Total	<u>\$ 17,061,938</u>	<u>\$ 5,096,752</u>	<u>\$ 22,158,690</u>	<u>\$ 6,521,717</u>

(1) of which \$247,256 (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, 2021, the amortized cost of annuities was approximately \$98 million. At June 30, 2021, the U.S Treasury Strips have a fair value of approximately \$658 million. Approximately 87.0% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 5.9% of the overall portfolio.

MSBA Deposits and Investments

The MSBA is authorized to invest in obligations of the US Treasury, its agencies and instrumentalities, bonds or notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and repurchase agreements. These investments are recorded at fair value. The MSBA has an investment policy that establishes the minimum credit quality for certain instruments, outlines investment procedures and updates for periodic reporting. The MSBA investment policy does not specifically limit the amount the MSBA may invest in any one issuer.

As of June 30, 2021, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	\$ 636,735
Restricted cash with fiscal agent	—
Restricted investments	1,076,700
Total	<u>\$ 1,713,435</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, 2021, the bank balances of uninsured deposits totaled \$198 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, 2021, 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, 2021, the Cash Portfolio's securities had a weighted average maturity of 49 days and a weighted average life of 65 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, 2021 duration was 2.41 years. At June 30, 2021, investments in the MMDT Short Term Bond Portfolio had a total net position of \$821 million with investment maturities ranging from less than one year to ten years. At June 30, 2021, 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	14.8 %
One to five years	78.9 %
Six to ten years	3.9 %
Total*	<u>97.6 %</u>

*The remaining 2.4% consists of cash equivalents and other assets.

Interest Rate Risk – Higher Education

As of June 30, 2021, the Institutions of Higher Education had debt investments stated at fair value of approximately \$482 million and had investment maturities ranging from less than one year to more than ten years, with 9.5% of the investment's fair values maturing in less than 1 year, 73.2% from one to five years, 10.9% from six to ten years, and 6.4% more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. As of June 30, 2021, the MSBA had approximately \$200 million invested in a collateralized guaranteed investment contract and approximately \$460 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 November 2045. These investments represent approximately 70% 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, 2021, these investments had a fair value of approximately \$527 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 28.3% has maturities of less than one year,

44.5% from one to five years, 17.2% from six to ten years and 10.0% 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, 2021, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2021, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA	58.9 %
AA	4.7 %
A	14.2 %
BBB	19.4 %
BB	0.4 %
Total*	<u>97.6 %</u>

* The remaining 2.4% consists of cash equivalents and other assets.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were \$122 million at AAA, \$86 million from AA+ to A- and \$274 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, 2021, the guaranteed investment contracts were not rated; however, the issuer was rated AA+ by Standard & Poor's and Aa3 by Moody's and the guaranteed investment contracts were collateralized.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$527 million, of which \$358 million were in U.S Government securities, \$79 million were in money market securities, \$65 million were in state and local government securities, and \$25 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 \$27.8 billion at fair value with an effective weighted average duration range from 1.33 to 15.12 years at June 30, 2021.

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, 2021 and June 30, 2020 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 \$2.966 billion, BBB+ to B- investments with a fair value of approximately \$3.852 billion, \$921 million rated CCC+ to D, \$10.274 billion are unrated, and the remaining \$9.988 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, 2021 were approximately \$190 million in cash and short-term investments, \$15.246 billion in equities, \$850 million in fixed income investments, \$599 million in portfolio completion strategies, \$1.713 billion in private equity investments and \$389 million in timberland investments. An additional \$4.349 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, 2021.

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, 2021, PRIT had open foreign exchange contracts with combined net unrealized gain of approximately \$888 thousand with various delivery dates.

Further information on derivative instruments can be found in the notes to PRIT's basic financial statements.

Futures Contracts

PRIT may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owns or expects to purchase.

Upon entering such contracts, they must pledge to the broker an amount of cash or securities equal to a percentage of the contract amount.

The potential risk is that the change in the value of futures contracts may not correspond to the change in the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that PRIT may not be able to close out its future positions due to a non-liquid secondary market. Risks may also arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

PRIT may also invest in financial futures contracts for non-hedging purposes.

PRIT held contracts outstanding at June 30, 2021 with various expirations from FY22 to FY28. 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, 2021 was approximately \$895 million with a fair value of \$887 million, yielding an unrealized net loss of approximately \$8 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, 2021, PRIT had contracts in effect with an aggregated notional amount of approximately \$23.052 billion to various investment banks that had maturity dates from FY22 to FY73. The contracts have an aggregate fair value loss of approximately \$84 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 BBB+ and various other banks with other ratings. Open swap contracts as of June 30, 2021 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
BNP Paribas Securities Corp.....	A+	\$ —	\$ —	\$ 184,739	\$ 1,966	\$ —	\$ —
Citibank NA	A+	—	—	3,600	18	597,477	8,489
CME Group	AA-	344,867	(1,429)	—	—	—	—
Goldman Sachs	A+	43,358	37	1,867,722	(46,786)	—	—
Intercontinental Exchange	BBB+	—	—	100,582	1,950	—	—
LCH Ltd	AA-	130,262	(1,050)	—	—	249,751	1,935
Merrill Lynch International	A+	—	—	4,800	48	229,799	2,838
Morgan Stanley	A+	431,123	(31)	493,122	(5,294)	188,635	(221)
SMBC Capital Markets Inc.	A+	250,000	(18,429)	—	—	—	—
U.S. Bank National Association ...	A+	500,000	(3,255)	—	—	—	—
All others	Various	13,212,418	5,683	1,035,481	(32,336)	3,183,828	2,115
Totals		<u>\$ 14,912,028</u>	<u>\$ (18,474)</u>	<u>\$ 3,690,046</u>	<u>\$ (80,434)</u>	<u>\$ 4,449,490</u>	<u>\$ 15,156</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, 2021 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 1,270,498	\$ 1,259,697	\$ 10,801	\$ —
Municipal securities	33,842	30,740	3,102	—
Institutional money market funds	960,806	954,180	6,626	—
Corporate debt/bonds	124,020	6,980	116,998	42
Corporate stock	35,550	35,550	—	—
Asset backed securities	21,833	—	21,833	—
Registered investment companies	52,761	52,761	—	—
Mortgage backed securities	33,225	—	33,225	—
Other fixed income	135,926	134,949	977	—
Total debt securities	<u>2,668,461</u>	<u>2,474,857</u>	<u>193,562</u>	<u>42</u>
Equity securities	<u>265,782</u>	<u>264,147</u>	<u>—</u>	<u>1,635</u>
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	446,210			
Private equity	63,244			
Private debt	16,017			
Private real estate	10,727			
Other	18,015			
Total investments measured at the NAV	<u>554,213</u>			
Other investments at fair value:				
MMDT - bond fund	<u>388,836</u>			
Total other investments at fair value	<u>388,836</u>			
Subtotal investments at fair value	<u>3,877,292</u>	<u>\$ 2,739,004</u>	<u>\$ 193,562</u>	<u>\$ 1,677</u>
Other investments:				
Annuity contracts	97,858			
Guaranteed investment contracts	200,099			
Certificates of deposit	5,920			
Other	184,575			
Total other investments	<u>488,452</u>			
Total investments - primary government	<u>\$ 4,365,744</u>			
Derivative instruments:				
Interest rate swaps (liabilities)	<u>\$ 89,997</u>	<u>\$ —</u>	<u>\$ 89,997</u>	<u>\$ —</u>

Included in the preceding schedule is approximately \$7 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 \$755 million as of June 30, 2021 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	\$ 357,568	\$ 357,568	\$ —	\$ —
Bonds	90,333	25,633	64,700	—
Total debt securities	447,901	383,201	64,700	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	79,259			
Other investments at fair value:				
MMDT - bond fund	33,680			
Net investment in PRIT	95,692,868			
Total other investments at fair value	95,726,548			
Total investments - fiduciary funds	\$ 96,253,708	\$ 383,201	\$ 64,700	\$ —

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

Taxes, federal reimbursements, loans and other receivables are presented in the statement of net position, exclusive of amounts due from cities and towns and component units as follows (amounts in thousands):

<i>Primary Government</i>	Taxes Receivable	Federal Grants and Reimbursements	Loans	Other Receivables	Total
Governmental Activities:					
Gross receivables	\$ 6,008,448	\$ 2,429,891	\$ 80,225	\$ 1,934,215	\$ 10,452,779
Less: allowance for uncollectibles	(1,485,506)	(121,733)	—	(529,630)	(2,136,869)
Receivables, net allowance for uncollectibles	4,522,942	2,308,158	80,225	1,404,585	8,315,910
Less: current portion	(4,087,398)	(2,307,778)	(6,859)	(1,242,332)	(7,644,367)
Noncurrent receivables	\$ 435,544	\$ 380	\$ 73,366	\$ 162,253	\$ 671,543
Business-Type activities:					
Gross receivables	\$ —	\$ 60,616	\$ 40,543	\$ 2,963,158	\$ 3,064,317
Less: allowance for uncollectibles	—	—	(2,656)	(1,923,934)	(1,926,590)
Receivables, net allowance for uncollectibles	—	60,616	37,887	1,039,223	1,137,726
Less: current portion	—	(60,616)	(6,876)	(1,022,349)	(1,089,841)
Noncurrent receivables	\$ —	\$ —	\$ 31,011	\$ 16,874	\$ 47,885

B. TAX ABATEMENTS

As of June 30, 2021, the Commonwealth provided tax abatements through the following three programs: the Massachusetts Economic Development Incentive Program Credit (EDIP), Life Sciences Tax Incentive Program and the Film Tax Credit.

Economic Development Incentive Program

Under the Economic Development Incentive Program (EDIP), companies receive state and local tax incentives in exchange for job creation, manufacturing job retention and private investment commitments. On or after January 1, 2010 and before January 1, 2017, the Economic Assistance Coordination Council (EACC) may award to taxpayers up to 40% of the cost of qualifying properties as credits to certain certified projects ("expansion project", "enhanced expansion project", or a "manufacturing retention project"). The EACC may also award EDIP credits of up to \$1,000 per job (\$5,000 per job in gateway municipalities) to certified job creation projects. The total award for a project may not exceed \$1 million. On or after January 1, 2017, the credit is instead determined by the EACC based on factors set out in M.G.L. c. 23A, § 3D.

For tax years beginning on or after January 1, 2019, the EACC is authorized to establish a program to incentivize businesses to occupy vacant storefronts in downtown areas. Pursuant to this program, the EACC may award up to \$500,000 of available EDIP tax credits annually to businesses that occupy previously vacant storefronts. The businesses must commit to occupying the previously vacant storefront for a period of not less than one year.

The total dollar amount of the EDIP credit that may be used in a calendar year is \$30 million.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

For projects certified before January 1, 2017, if a project's certification is revoked, or if property upon which a certification is based is sold prior to the end of its useful life, the difference between the credit taken and the credit allowed for actual use must be added back as additional taxes due in the year of disposition, except if the property had been in qualified use for more than twelve consecutive years. For an expansion project where the actual number of permanent full-time employees employed by the controlling business at the project is less than 50% of the number of such permanent full-time employees projected in the project proposal, this shall be deemed a material variance for the purpose of a revocation determination. Upon such a revocation, all tax credits available to the controlling business as a result of project certification shall be revoked and forfeited for the year in which revocation occurred and all subsequent years, and the Commonwealth, in the case of a certified expansion project, shall recover the value of any tax credits received by the controlling business prior to or subsequent to such revocation.

For projects certified on or after January 1, 2017, recapture is required only if the EACC revokes certification. The amount of credit subject to recapture shall be proportionate to the corporation's job creation requirements applicable to the certified project. The corporation's proportion of compliance will be determined by the EACC as part of the revocation process and reported to DOR and the taxpayer at time of revocation.

Life Sciences Tax Incentive Program

The Massachusetts Life Sciences Center (MLSC) certifies and awards five types of tax credits to life sciences companies, with the purpose of creating and retaining jobs in the Massachusetts life sciences sector. Unless stated otherwise, if one of these tax credits is claimed by a taxpayer and exceeds the tax otherwise due, 90% of the balance of such credit may, at the option of the taxpayer and to the extent authorized by the MLSC, be refundable to the taxpayer. These tax credits, together with other life sciences tax incentives, are subject to an aggregate \$30 million annual cap.

- The Life Sciences Investment Tax Credit is equal to 10% of the cost of qualifying property acquired, constructed, reconstructed or erected during the taxable year and used exclusively in Massachusetts.
- The Life Sciences User Fees Tax Credit is equal to 100% of the user fees paid to the U.S. Food and Drug Administration (USFDA) upon submission of an application to manufacture a human drug in Massachusetts, and may be claimed in the taxable year in which the application for licensure of an establishment to manufacture the drug is approved by the USFDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts.
- The Life Sciences Refundable Jobs Tax Credit is available to life sciences companies that commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. The amount of the credit is determined by the MLSC.
- The Life Sciences Research Tax Credit is equal to 10% of excess qualified research expenses, including expenditures for legally mandated clinical trial activities performed both inside and outside of Massachusetts, and 15% of basic research payments. The Life Sciences Research Tax Credit is not refundable.

The MLSC may also authorize life sciences companies to obtain refunds of the Research Credit authorized by M.G.L. c. 63, § 38M. Generally, the Research Credit authorized by M.G.L. c. 63, § 38M provides a credit for research expenses incurred in Massachusetts based on a formula that measures a taxpayer's year-to-year increases in Massachusetts research expenses.

- The Angel Investor Tax Credit is equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in M.G.L. c. 23A, § 3A. A taxpayer cannot claim more than \$50,000 of the credit for a single calendar year. The Angel Investor Tax Credit is not refundable.

Recipients of these tax credits agree to increase or maintain their employee headcount in Massachusetts, compared to their "baseline" employee headcount at the time of the award and the company's projected net increase in headcount in the tax year following the award. Baseline and projected headcounts are summed to create a "total projected headcount" metric that is used for MLSC agreement and compliance purposes.

A life sciences company that has received tax incentives from the MLSC and subsequently fails to achieve the minimum net new headcount thresholds as specified in the MLSC's Annual Tax report and Multiple Awards policy will have the award terminated and must return the amount of the tax credit claimed to the Commonwealth, although the company may be given an additional year to achieve the employment goals if the MLSC determines that it has the potential to meet those goals. The MLSC is required by statute to de-certify any life sciences company that fails to achieve at least 70% of its job target for two consecutive years. The MLSC has decided through administrative action that any life sciences company failing to achieve at least 80% of its job target by the end of any extension period and, in the case of the Life Sciences Refundable Jobs Tax Credit, failing to create at least 50 net new jobs, will be de-certified. More information on these job creation and recapture requirements is available on the MLSC's website, <http://www.masslifesciences.com/programs/tax/>.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

Film Tax Incentive

M.G.L. c. 62, § 6(1) and M.G.L. c. 63, § 38X, provide tax credits to encourage the production in Massachusetts of films, television shows, commercials, and other motion pictures. Entities that fund such productions (known under the statute as "motion picture production companies") may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with filming and production of a

motion picture and (2) a credit equal to 25% of their Massachusetts production expenses (not including the qualifying aggregate payroll expenses). Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The production companies must incur a minimum of \$50,000 in total Massachusetts production expenses during a consecutive twelve-month period to be eligible for the credits. The credits are either transferable or 90% refundable to the motion picture production companies to the extent that the credits exceed the companies' Massachusetts tax liability. Transferees do not qualify for the 90%-refundability option.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

There are no provisions in the statutes to recapture the film tax credits.

In addition to the tax credit, M.G.L. c. 64H, § 6(w) provides that sales of tangible personal property to a qualifying motion picture production company or to an accredited film school student for the production expenses related to a school film project are exempt from the sales tax. In order to qualify for the sales tax exemption, a motion picture production company must incur at least \$50,000 in total production costs in Massachusetts during a consecutive 12 month period and must be conditionally pre-approved as a qualifying company by the Commissioner of Revenue. Any taxpayer that has been conditionally pre-approved for the sales tax exemption that then fails to expend the requisite \$50,000 within a consecutive 12 month period shall be liable for the sales taxes that would have been due had the conditional pre-approval not been granted.

The following is the total revenue estimated to be reduced under these programs for fiscal year 2021 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by
Economic Development Incentive Program (EDIP)	\$ 1,657 ⁽¹⁾
Life Sciences Tax Incentive Program	19,500 ⁽²⁾
Film Tax Incentive Program:	
Film Tax Credit	67,809 ⁽³⁾
Sales Tax Exemption	321 ⁽⁴⁾
Total	<u>\$ 89,287</u>

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2021.

(2) <https://www.masslifesciences.com/baker-polito-administration-announces-19-5-million-job-creation-incentives-for-28-massachusetts-life-sciences-companies/>, incentives awarded in FY2021.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2021.

(4) Massachusetts Department of Revenue, FY2022 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2021 (<https://budget.digital.mass.gov/govbudget/fy22/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	Coronavirus Relief	Other Governmental Funds	Total
<u>Transfers in:</u>					
Debt service	\$ —	\$ —	\$ —	\$ 2,458,994	\$ 2,458,994
Transfers in	2,065,944	—	—	2,043,604	4,109,548
Subtotal	2,065,944	—	—	4,502,598	6,568,542
<u>Transfers out:</u>					
Appropriations	(1,543,381)	—	—	(4,718)	(1,548,099)
Transfer of bond proceeds	—	—	—	(167,923)	(167,923)
Debt service	(1,198,237)	—	—	(1,260,757)	(2,458,994)
Transfers out	(839,545)	(1,207,661)	(724)	(1,863,195)	(3,911,125)
Subtotal	(3,581,163)	(1,207,661)	(724)	(3,296,593)	(8,086,141)
Total governmental funds	\$ (1,515,219)	\$ (1,207,661)	\$ (724)	\$ 1,206,005	\$ (1,517,599)
Proprietary funds:	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges	Total
<u>Transfers in:</u>					
Transfers in from governmental funds	\$ —	\$ 809,990	\$ 428,910	\$ 477,122	\$ 1,716,022
<u>Transfers out:</u>					
Transfers out to the General Fund	(3,252)	(124,105)	(38,520)	(32,546)	(198,423)
Total proprietary funds	\$ (3,252)	\$ 685,885	\$ 390,390	\$ 444,576	\$ 1,517,599
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 \$39 million at year end.

Remaining receivables and payables between funds as of June 30, 2021 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, 2021. 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, 2021 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds	\$ 328,813
Non-major Governmental Funds	Non-major Governmental Funds	89,751
Total Governmental Funds		\$ 418,564

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, 2020	Increases	Decreases and Reclassifications	Ending Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 941,961	\$ 15,445	\$ —	\$ 957,406
Construction in process	713,719	225,675	(47,060)	892,334
Total capital assets not being depreciated	1,655,680	241,120	(47,060)	1,849,740
Capital assets being depreciated:				
Buildings	6,198,518	50,513	(4,652)	6,244,379
Machinery and equipment	1,719,929	107,708	(8,041)	1,819,596
Infrastructure non - central artery/tunnel project	456,544	—	—	456,544
Total capital assets being depreciated	8,374,991	158,221	(12,693)	8,520,519
Less, accumulated depreciation:				
Buildings	(3,563,684)	(111,365)	4,652	(3,670,397)
Machinery and equipment	(1,257,077)	(97,273)	3,519	(1,350,831)
Infrastructure non - central artery/tunnel project	(287,071)	(8,146)	—	(295,217)
Total accumulated depreciation	(5,107,832)	(216,784)	8,171	(5,316,445)
Total capital assets being depreciated, net	3,267,159	(58,563)	(4,522)	3,204,074
Governmental activities capital assets, net	4,922,839	182,557	(51,582)	5,053,814
<i>Business - Type Activities</i>				
Capital assets not being depreciated:				
Land	228,778	4,015	(2,224)	230,569
Construction in process	536,054	412,637	(513,035)	435,656
Historical treasures	19,429	580	(17,873)	2,136
Total capital assets not being depreciated	784,261	417,232	(533,132)	668,361
Capital assets being depreciated:				
Buildings	11,650,494	549,001	(54,256)	12,145,239
Machinery and equipment	1,207,234	68,265	(14,302)	1,261,197
Library collections, not including historical treasures	56,542	73	(7,208)	49,407
Total capital assets being depreciated	12,914,270	617,339	(75,766)	13,455,843
Less, accumulated depreciation:				
Buildings	(4,755,413)	(382,249)	47,550	(5,090,112)
Machinery and equipment	(966,987)	(64,539)	11,032	(1,020,494)
Library collections, not including historical treasures	(15,755)	(8,210)	4,477	(19,488)
Total accumulated depreciation	(5,738,155)	(454,998)	63,059	(6,130,094)
Total capital assets being depreciated, net	7,176,115	162,341	(12,707)	7,325,749
Business - type activities capital assets, net	7,960,376	579,573	(545,839)	7,994,110
Total Primary Government capital assets, net	\$ 12,883,215	\$ 762,130	\$ (597,421)	\$ 13,047,924

Depreciation expense was charged to the various functions of governmental and business-type activities as follows (amounts in thousands):

Function	Amount
General government.....	\$ 102,319
Judiciary.....	25,669
Health and human services.....	21,863
Early elementary and secondary education.....	2,449
Public safety and homeland security.....	59,347
Housing and economic development.....	2,710
Labor and workforce development.....	2,427
	<hr/>
Total depreciation, governmental activities.....	<u>\$ 216,784</u>
University of Massachusetts.....	\$ 300,201
State universities.....	107,429
Community colleges.....	47,368
	<hr/>
Total depreciation, business-type activities.....	<u>\$ 454,998</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

The balance of revenue anticipation notes (RANs) and commercial paper outstanding may fluctuate during a fiscal year, but all short-term borrowing for cash flow purposes must be reduced to zero by June 30. For short-term borrowing for cash flow purposes, the Commonwealth borrowed \$1.5 billion by selling RANs in December 16, 2020 in three separate series of \$500 million, \$400 million and \$600 million which were retired in April, May and June 2021.

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. As of June 30, 2021, the Commonwealth had not drawn on the line of credit.

The following schedule details short-term financing for all funds for the fiscal year (amounts in thousands):

	Beginning Balance July 1, 2020	Issued/ Drawn	Redeemed/ Repaid	Ending Balance June 30, 2021
General Fund:				
Revenue anticipation notes	\$ —	\$ 1,500,000	\$ (1,500,000)	\$ —
Line of credit	500,000	—	(500,000)	—
Total	<u>\$ 500,000</u>	<u>\$ 1,500,000</u>	<u>\$ (2,000,000)</u>	<u>\$ —</u>

B. CREDIT FACILITIES

During FY21, the Commonwealth maintained a credit facility to provide liquidity support for commercial paper notes totaling \$200 million with TD Bank which expires on April 18, 2023. Additionally, in lieu of issuing commercial paper, the Commonwealth has the capacity under a note purchase agreement to issue general obligation tax exempt bonds or revenue anticipation notes up to \$200 million with RBC Capital Markets, LLC, which will expire on February 8, 2024. In addition to credit facilities for commercial paper, the Commonwealth maintained standby bond purchase agreements for outstanding Variable Rate Demand Bonds (VRDBs) sold from (FY01 through FY06). These VRDBs require external liquidity support because bond-holders have the right to tender the bonds back to the Commonwealth at par at any time. As of June 30, 2021, these agreements totaled \$276 million, were unused and will expire on various dates in FY22 through FY23.

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, 2021, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For this type of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

The following is a summary of the Commonwealth's outstanding debt, exclusive of capital leases, (amounts in thousands):

Type of Bond	Amount Outstanding
General obligation bonds - public offering, net proceeds	\$ 27,029,465
General obligation bonds - direct placement, net proceeds	300,000
Special obligation bonds (including GANs) - public offering, net proceeds	4,899,848
Outstanding Commonwealth bonds, net proceeds	32,229,313
MSBA bonds, - public offering, net proceeds	6,508,385
Total governmental activities, net proceeds	38,737,698
Less:	
Unamortized premiums on general obligation bonds - public offering*	(2,564,028)
Unamortized premiums on special obligation bonds	(616,828)
Unamortized premiums on MSBA bonds	(404,145)
Total governmental activities, principal	\$ 35,152,697

* - As of June 30, 2021 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, 2021, there were four different special obligation bond programs with bonds outstanding. It should be noted that one of the four bond programs has a closed lien, meaning that no additional new-money bonds will be issued under that specific special obligation bond indenture.

The following is a table of GO bonds principal outstanding as of June 30, 2021, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds.....	\$ 23,176,844	93.6 %
Variable rate bonds.....	1,588,593	6.4 %
Total.....	<u>\$ 24,765,437</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.....	\$ 480,775	1.9 %
Direct purchase bonds.....	300,000	1.2 %
Variable rate demand bonds.....	275,590	1.1 %
Multi-Modal.....	377,180	1.5 %
College opportunity bonds.....	155,048	0.6 %
Total.....	<u>\$ 1,588,593</u>	<u>6.3 %</u>

The following is a table of hedged and unhedged variable rate GO bonds, (amounts in thousands):

	Principal Outstanding	Percent of Total GO
Hedged variable rate GO bonds.....	\$ 588,270	2.4 %
Unhedged variable rate GO bonds...	1,000,323	4.0 %
Total variable rate GO bonds.....	<u>\$ 1,588,593</u>	<u>6.4 %</u>

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2021, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds.....	\$ 4,254,635	99.3 %
Variable rate bonds.....	28,385	0.7 %
Total.....	<u>\$ 4,283,020</u>	<u>100.0 %</u>

All of the variable rate special obligation bonds are hedged as of June 30, 2021.

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	\$ 479,645
Special obligation revenue bonds, net proceeds:	
CPI variable rate gas tax bonds	28,385
Special obligation revenue bonds, net proceeds:	
CTF Accelerated bridge program	1,763,794
CTF Rail enhancement program	1,909,086
Total revenue bonds, net proceeds	3,672,880
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program	724,819
Total special obligation bonds, net proceeds	4,905,729
Less: unamortized premiums	(622,709)
Outstanding special obligation principal	<u>\$ 4,283,020</u>

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, 2021, the Commonwealth had approximately \$155 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, 2021, approximately 93.6% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 6.4% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rated modes, multi-modal bonds currently in the Term Mode, and variable rate demand bonds. Variable rate demand bonds, or "VRDBs", are long-term bonds whose interest rates re-set daily or weekly through an active remarketing process. Because these bonds provide bondholders with a "put" or tender feature enabling the bonds to be sold back to the Commonwealth at par at any time by an investor, they are supported by standby liquidity facilities provided by third-party commercial banks which require the applicable bank to purchase any bonds that are tendered by investors and not successfully remarketed. As of June 30, 2021, the Commonwealth had approximately \$276 million in outstanding VRDBs. This accounts for approximately 1.1% of total GO debt and approximately 17.3% of total GO variable-rate debt. All of these bonds are uninsured. As of

June 30, 2021, none of the Commonwealth's outstanding VRDBs have been subject to failed remarketing and "put" back to the Commonwealth; consequently, there have not been any draws on any of the outstanding bank liquidity facilities.

A portion of the Commonwealth's outstanding bonds have been directly purchased by banks (or "direct purchase bonds"). These variable rate, direct purchase bonds bear interest at an index rate and are payable on the first business day of each month until maturity. As of June 30, 2021, 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.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2021, the Commonwealth had \$481 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 1.9%, and 1.5% of total outstanding general obligation indebtedness, respectively.

To fund the FY21 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$2.382 billion in new money long-term bonds; \$1.982 billion of which was general obligation debt and \$400 million of which was special obligation debt secured by federal highway reimbursements and/or motor fuels taxes and motor vehicle license and registration fees. In addition, \$1.766 billion in refunding bonds were issued in five separate transactions. Three of these transactions were executed as current refundings with the remaining two executed as an advance 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, 2021, the MSBA had outstanding approximately \$6.508 billion of Dedicated Sales Tax bonds, which includes approximately \$404 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 0.349% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY49. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$6.104 billion of debt outstanding as of June 30, 2021, \$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 FY13, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. On September 30, 2013, the IRS published a notice indicating that subsidy payments processed on or after October 1, 2013 and on or before September 30, 2014 will be reduced by the FY14 sequestration rate of 7.2%. The notice was updated in September 2014 to announce that subsidy payments processed on or after October 1, 2014 and on or before September 30, 2015 will be reduced by the FY15 sequestration rate of 7.3%. The subsidy payments made between October 1, 2015 and September 30, 2016 were reduced by the FY16 sequestration rate of 6.8%. The subsidy payments made between October 1, 2016 and September 30, 2017 were reduced by the FY17 sequestration rate of 6.9%. The subsidy payments made between October 1, 2017 and September 30, 2018 were reduced by the FY18 sequestration rate of 6.6%. The subsidy payments made between October 1, 2018 and September 30, 2019 were

reduced by the FY19 sequestration rate of 6.2%. The subsidy payments made between October 1, 2019 and September 30, 2020 were reduced by the FY20 sequestration rate of 5.9%. The notice states that the sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise modifies the sequester. The reductions were approximately \$1.3 million on the 2009 Series B Bonds, 2010 Series A Bonds and 2011 Series A Bonds in FY 21. The IRS announced that the sequestration rate for the federal fiscal year ending September 2021 would be 5.7%. As of September 27, 2021, the IRS has extended the 5.7% rate through September 2030.

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 FY21, the Commonwealth issued approximately \$400 million under the Rail Enhancement Program (REP) and \$289 million in refunding bonds. These bonds mature from FY22 to FY51 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in the senior lien. As of June 30, 2021, approximately \$1.555 billion and \$1.637 billion in principal was outstanding on the Accelerated Bridge Program (ABP) and REP bonds, respectively, and approximately \$965 million and \$1.497 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

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, 2021 bonds secured by these pledged funds totaled approximately \$28 million of principal. These bonds mature in FY22 and were issued in multiple series. Principal and interest paid during FY21 amounted to approximately \$27 million and \$3 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, 2021, the balance of the capital reserve fund was \$53 million which is equal to the maximum annual debt service. As of June 30, 2021, taxes within the Convention Center districts support approximately \$480 million of outstanding principal and approximately \$205 million of interest on debts related to these Convention Centers. Taxes collected in FY21 were approximately \$49 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 \$80.8 million as of June 30, 2021.

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 FY21. As of June 30, 2021, total principal remaining to be paid is approximately \$583 million. Maturities are from FY22 through FY27. Debt service paid during FY21 was approximately \$113 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, 2021, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$514 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 \$1.617 billion, approximately \$617 million was hedged via floating-to-fixed interest rate swap agreements. Of this amount, \$588 million are for G.O. bonds and the remainder on outstanding special obligation bonds.

In connection with the issuance of variable rate GO refunding bonds in 1998, 2001, 2003, 2005, 2006, and 2007, the Commonwealth entered into interest rate swap hedge agreements with certain counterparties to hedge against the volatility of the interest rates on certain bonds whose interest costs were floating and not fixed. Additional swap agreements were entered into to hedge this same volatility on certain special obligation bonds, including the Commonwealth’s Series 2005 Special Obligation Tax Revenue (Gas Tax) Bonds. Since 2008, the Commonwealth has not entered into any new swap agreements and has restructured its swap portfolio to novate or transfer several outstanding swap agreements to new counterparties with stronger credit ratings following the financial crisis of 2008. In many cases, the original bonds that were hedged by the swap agreements have been refinanced with new variable rate bonds. In all cases, the new bonds that were issued are effective hedges pursuant to GASB Statement

No. 53.

In addition, a floating-to-fixed rate swap agreement was novated or transferred to the Commonwealth from the Route 3 North Transportation Improvements Association (secured by Commonwealth Contract Assistance) in November 2008 after the lease revenue bonds associated with that swap experienced remarketing failure. The swap was assigned to a portion of the Commonwealth's previously unhedged variable rate bonds that were outstanding.

Under the terms of these floating-to-fixed rate hedge agreements, counterparties to the hedge agreements are obligated to pay the Commonwealth an amount equal to or approximately equal to the variable-rate interest payment to bondholders of the related bonds or an interest payment based on a market index. In return, the Commonwealth is obligated to pay counterparties a stipulated fixed rate. The floating rate payments received by the Commonwealth from its swap counterparties are used to offset the variable rate payments paid to bondholders. Only the net difference in interest payments is actually exchanged with the swap counterparty. The net payments made or received on these hedge agreements are reported as part of interest expense recorded in the Commonwealth's basic financial statements. In all cases, the Commonwealth remains responsible for making interest payments to the variable rate bondholders.

Objective of the Interest Rate Swap Agreements

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. But in both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. As of June 30, 2021, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and were deemed effective hedges pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements have final maturities ranging from 2021 to 2033. The swaps' total notional value of approximately \$617 million effectively matches the par amount of the related variable-rate bonds.

Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 4.515% to 5.059% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds which are generally based on a market index. For almost all of the outstanding swap agreements, the Commonwealth receives an interest rate based on changes to LIBOR, the SIFMA index, or the CPI index. In some of these agreements, the variable rate payment to bondholders is exactly equal to the variable rate payment received from the swap counterparty. In other agreements, there is a slight differential in the payments resulting from refinancing of variable rate bonds.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2021, 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		Change in Fair Value	Final Termination Date	Counterparty	Counterparty Credit Rating Moody's/S&P/Fitch
				Fixed Rate Paid (Range)	Variable Rate Received	2021	2020				
<i>General Obligation Bonds:</i>											
Series 2016C, portion of Series 2016B	\$ 239,890	4/2/2009	4/2/2009	4.515%	67% 3-Month LIBOR	\$ (59,137)	\$ (78,452)	\$ 19,315	6/15/2033	Barclays Bank PLC	A+/A1/A+
Series 2006C refunding	—	1/1/2007	1/1/2007	3.85%	CPI-based formula	—	(410)	410	11/1/2020**	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	—	10/8/2008	10/8/2008	3.936%	67% 3-Month LIBOR + 0.46%	—	(414)	414	11/1/2020**	Wells Fargo Bank	A+/Aa2/AA-
Series 2007A refunding	348,380	10/8/2008	10/8/2008	4.083%	67% 3-Month LIBOR + 0.55%	(29,455)	(42,464)	13,009	11/1/2025	Bank of NY Mellon	AA-/Aa2/AA
Series 2018A refunding*	—	3/15/2005	3/15/2005	3.843% - 3.903%	SIFMA	—	(9,866)	9,866	2/1/2023	Wells Fargo Bank	A+/Aa2/AA-
Subtotal	588,270					(88,592)	(131,606)	43,014			
<i>Special Obligation Dedicated Tax Revenue Bonds:</i>											
Series 2005A (Gas Tax)	28,385	1/12/2005	1/12/2005	5.059%	CPI-based formula	(201)	(1,395)	1,194	6/1/2022	Merrill Lynch Capital Services	A-/A2/A+
Subtotal	28,385					(201)	(1,395)	1,194			
Total	\$ 616,655					\$ (88,793)	\$ (133,001)	\$ 44,208			

* - \$1.860 million is unhedged from SIFMA roll due February, 2021

** - Swaps associated with the Series 2006C refunding and the Series 2007A refunding bonds matured and expired on November 1, 2020.

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2021 was negative \$89 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, 2021 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 FY21, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated above if certain termination events occurred, as described below. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swap agreements due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

Basis and Market-Access Risk of the Interest Rate Swap Agreements

Because the terms on most of the interest rate swap hedge agreements require the Commonwealth's counterparties to make variable rate payments equal or approximately equal to those the Commonwealth makes on the related variable rate bonds, the Commonwealth is not subject to significant basis risk as a result of the terms of these agreements. Under certain circumstances, such as a downgrade of the credit rating of the bonds being hedged or the enactment of tax-related legislation which causes the related bonds to trade differently, certain of the swap agreements provide that the Commonwealth's counterparties, may, at their option, pay a variable rate that is based

on one or more market indices such as LIBOR or the SIFMA swap index. Under these circumstances, the Commonwealth would be subject to basis risk if these indices varied from the basis for the variable rates that were paid to bondholders that were determined for the Commonwealth's variable-rate demand bonds through the associated remarketing process. For certain other interest rate swap agreements, the variable rate on the swap is based on a market index that differs from the variable rate on the hedged bonds, which is generally remarketed or auction rate. The Commonwealth is subject to basis risk on these agreements.

All but one of the swap contracts outstanding have the same or shorter maturity dates and amortizations as the related bonds. For one of the swap agreements, the underlying bonds have mandatory tender dates that come due before the termination date of the associated swaps. This applies to the 2016B and 2016C bonds being hedged by the \$240 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.

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, 2021 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, 2021. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indices. Changes in the amounts paid to bondholders versus amounts paid to

counterparties are largely offsetting.

Debt service requirements to maturity for variable-rate bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2021 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2022	\$ 74,955,000	\$ 4,097,732	\$ 21,409,976	\$ 100,462,708
2023	75,405,000	2,257,714	19,256,400	96,919,114
2024	126,385,000	1,655,365	15,668,498	143,708,863
2025	131,780,000	863,641	11,115,685	143,759,326
2026	52,185,000	331,518	7,814,499	60,331,017
2027 - 2031	106,070,000	684,096	22,995,725	129,749,821
2032 - 2033	49,875,000	65,815	2,212,342	52,153,157
Total	<u>\$ 616,655,000</u>	<u>\$ 9,955,881</u>	<u>\$ 100,473,125</u>	<u>\$ 727,084,006</u>

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2021, the fair value liability of the outstanding interest rate swaps was \$1 million.

Component Unit – Swapped Debt

At June 30, 2021, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$142 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, 2021 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs	\$ 582,550	2022 - 2027	\$ —
Capital projects:			
General	14,033,577	2022 - 2051	18,006,238
Highway	13,354,396	2022 - 2051	20,947,221
Local aid	598,289	2022 - 2042	11,105
Other	479,645	2022 - 2034	—
Subtotal	<u>28,465,907</u>		<u>38,964,564</u>
Subtotal - governmental activities debt (exclusive of MSBA)	29,048,457		<u>\$ 38,964,564</u>
MSBA debt	<u>6,104,240</u>		
Governmental activities debt	<u>\$ 35,152,697</u>		

Interest rates on the Commonwealth's outstanding debt at the end of FY21 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, 2021 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2020.....	\$ 28,098,890	\$ 6,053,947	\$ 34,152,837	\$ 26,397,710
Plus: Increases in bonds authorized	—	—	—	15,369,771
Less: Authorizations deauthorized.....	—	—	—	—
General and special obligation bonds:				
Proceeds, defined as principal, plus premium,				
less discount	4,845,620	1,854,129	6,699,749	(2,802,917)
Less: Premium/discount.....	(692,595)	(93,521)	(786,116)	—
Less: Principal on refunded bonds	(1,919,275)	(1,584,245)	(3,503,520)	—
Less: Bonds retired	(1,284,183)	(126,070)	(1,410,253)	—
Outstanding principal June 30, 2021	<u>\$ 29,048,457</u>	<u>\$ 6,104,240</u>	<u>\$ 35,152,697</u>	<u>\$ 38,964,564</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, 2021, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities						Business - Type Activities				
	Excluding MSBA Debt						MSBA Debt			Revenue Obligation	
	Public Offering Debt		Direct Placement Debt		Total Non MSBA Debt		Principal	Interest	Interest subsidies (1)	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest					
2022.....	\$ 1,346,587	\$ 1,235,406	\$ —	\$ 9,000	\$ 1,346,587	\$ 1,244,406	\$ 154,125	\$ 234,320	\$ (22,833)	\$ 2,444,606	\$ 180,030
2023.....	1,365,981	1,177,059	—	9,000	1,365,981	1,186,059	165,890	228,508	(22,833)	225,012	174,780
2024.....	1,291,446	1,105,880	—	9,000	1,291,446	1,114,880	281,950	222,080	(22,833)	206,862	167,635
2025.....	1,312,000	1,045,308	—	9,000	1,312,000	1,054,308	263,175	214,640	(22,833)	203,561	160,631
2026.....	1,281,476	985,740	—	9,000	1,281,476	994,740	180,705	208,426	(22,833)	198,705	153,050
2027 - 2031....	5,660,220	4,107,549	100,000	38,500	5,760,220	4,146,049	1,267,985	920,218	(66,623)	1,049,637	631,098
2032 - 2036....	4,564,507	2,911,085	100,000	23,500	4,664,507	2,934,585	1,223,515	707,938	(31,855)	964,825	413,056
2037 - 2041....	4,701,145	1,944,476	50,000	11,750	4,751,145	1,956,226	1,381,110	404,895	(8,440)	911,795	216,511
2042 - 2046....	4,652,810	1,008,271	50,000	3,950	4,702,810	1,012,221	849,485	178,760	—	484,688	73,909
2047 - 2051....	2,572,285	230,912	—	—	2,572,285	230,912	336,300	31,954	—	152,739	13,781
Total long - term debt.....	28,748,457	15,751,686	300,000	122,700	29,048,457	15,874,386	6,104,240	3,351,739	(221,083)	6,842,430	2,184,481
Less: current portion.....	(1,346,587)	(1,235,406)	—	(9,000)	(1,346,587)	(1,244,406)	(154,125)	(234,320)	22,833	(2,444,606)	(180,030)
Long - term debt.....	<u>\$ 27,401,870</u>	<u>\$ 14,516,280</u>	<u>\$ 300,000</u>	<u>\$ 113,700</u>	<u>\$ 27,701,870</u>	<u>\$ 14,629,980</u>	<u>\$ 5,950,115</u>	<u>\$ 3,117,419</u>	<u>\$ (198,250)</u>	<u>\$ 4,397,824</u>	<u>\$ 2,004,451</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, 2021, approximately \$2.079 billion of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The University of Massachusetts (UMass) and the Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2021, approximately \$619 million and \$634 million of bonds outstanding from advanced refunding transactions are considered defeased for UMass and MSCBA, respectively.

I. STATUTORY DEBT LIMIT

The Massachusetts General Laws, as recently amended, establishes limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, a control is established on annual capital spending. The direct debt limit for FY21 was approximately \$26.481 billion. Outstanding debt subject to the limit at June 30, 2021 was approximately \$23.487 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, 2021	\$ 29,048,457
Less amounts excluded:	
Central artery project bonds	(847,790)
Accelerated bridge program	(2,137,769)
MBTA forward funding	(207)
SMART bonds	(430,926)
Convention center bonds	(479,645)
Special obligation gas tax bonds	(28,385)
Rail enhancement program bonds	(1,637,222)
Outstanding direct debt June 30, 2021	<u>\$ 23,486,513</u>

J. ADMINISTRATION DEBT LIMIT

During FY09, the Administration announced a policy that sets the annual borrowing limit at a level designed to keep debt service at a maximum of 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations, and budgetary contract assistance payment obligations on certain capital lease financings. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2021. 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 2021
Bond cap as approved by the Governor	\$ 2,465,649
Total annual debt service obligations	3,572,589
Statutory basis budgeted fund revenues	59,982,530
Debt service as % of budgeted revenues	6.0%

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	\$ 688,326	\$ 754,147	\$ (688,326)	\$ 754,147	\$ 530,368
Claims and judgments	34,117	12,567	(13,413)	33,271	13,271
Prizes payable	855,323	38,337	(138,282)	755,378	124,362
School construction grants payable	235,244	710,848	(766,793)	179,299	141,370
Environmental remediation liability	560,380	39,114	(4,219)	595,275	8,290
Lottery instant grand prizes	3,777	—	(3,777)	—	—
Workers' compensation	264,870	53,742	(58,108)	260,504	34,914
Arbitrage rebate - MSBA	1,859	3,196	(1,373)	3,682	—
Group insurance claims	140,627	1,716,620	(1,720,722)	136,525	133,757
Cost of living adjustment	117,000	—	(12,000)	105,000	—
Net pension liability	40,836,685	8,175,231	(2,852,153)	46,159,763	—
Net OPEB liability	15,972,171	2,952,281	(489,719)	18,434,733	—
Total other long-term obligations	59,710,379	14,456,083	(6,748,885)	67,417,577	986,332
Liability for derivative instruments	133,001	88,793	(133,001)	88,793	—
Bonded debt:					
Bonds and notes payable - non MSBA ⁽¹⁾	28,098,890	4,153,025	(3,203,458)	29,048,457	1,346,587
Unamortized bond and note premiums - non MSBA	2,602,532	692,596	(114,272)	3,180,856	93,695
MSBA bonds and notes payable excluding premiums	6,053,947	1,834,375	(1,784,082)	6,104,240	154,125
Unamortized bond and note premiums - MSBA	516,394	93,521	(205,770)	404,145	32,526
MSBA other liabilities	829	561	(328)	1,062	715
Other financing arrangements:					
Capital leases	17,114	2,126	(4,980)	14,260	3,231
Total bonded debt and other financing arrangements	37,289,706	6,776,204	(5,312,890)	38,753,020	1,630,879
Long-term liabilities, governmental activities	\$ 97,133,086	\$ 21,321,080	\$ (12,194,776)	\$ 106,259,390	\$ 2,617,211

(1) \$5,087 of accreted interest on college opportunity bonds that are included in the total principal outstanding as of June 30, 2021.

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	\$ 218,135	\$ 26,476	\$ (13,823)	\$ 230,788	\$ 168,861
Net pension liability	806,467	242,654	(67,106)	982,015	—
Net OPEB liability	1,514,489	64,996	(319,741)	1,259,744	—
Total other long-term obligations	2,539,091	334,126	(400,670)	2,472,547	168,861
Liability for derivative instruments	74,574	—	(73,370)	1,204	—
Bonded Debt:					
Bonds and notes payable, including MSCBA	4,508,010	1,216,383	(1,149,978)	4,574,415	176,591
Federal unemployment insurance borrowing	159,907	2,108,108	—	2,268,015	—
Other financing arrangements:					
Capital leases	8,842	3,721	(3,839)	8,724	2,952
Total bonded debt and other financing arrangements	4,676,759	3,328,212	(1,153,817)	6,851,154	179,543
Long-term liabilities, business - type activities	\$ 7,290,424	\$ 3,662,338	\$ (1,627,857)	\$ 9,324,905	\$ 348,404

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2021, net of unamortized discounts and premiums, compensated absences, net pension and net OPEB liabilities are as follows (amounts in thousands):

	Interest Rates	Maturities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Major component units:							
MassDOT	0.00 - 5.87%	2022 - 2051	\$ 7,451,345	\$ 908,207	\$ (658,667)	\$ 7,700,885	\$ 872,835
MCWT	2.00 - 5.75%	2022 - 2047	2,724,344	452,788	(245,387)	2,931,745	210,885
Nonmajor component units ..	1.00 - 6.20%	2022 - 2051	638,309	42,957	(52,861)	628,405	60,739
Total bonds and notes payable			10,813,998	1,403,952	(956,915)	11,261,035	1,144,459
Compensated absences, net			52,708	7,899	(727)	59,880	36,769
Net pension liability			2,222,374	542,404	(465,771)	2,299,007	—
Net OPEB liability			3,193,816	351,617	(344,634)	3,200,799	—
Total long term liabilities			\$ 16,282,896	\$ 2,305,872	\$ (1,768,047)	\$ 16,820,721	\$ 1,181,228

The net pension liability of the discretely presented component units of \$2.299 billion includes \$1.450 billion related to the MBTA and RTAs and \$849 million related to entities that participate in SERS. See the MassDOT financial statements for further information regarding the MBTA and RTA pension plans and see pages [113-125](#) 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, 2021. None of these funds were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Other Special Revenue Funds:	
Community Preservation Trust Fund.....	\$ (11,527)
Government Land Bank Fund	(35,033)
General Capital Projects Fund	(483,314)
Highway Capital Projects Fund	(622,537)
Government Land Bank Capital Projects Fund	(500)
Federal Highway Construction Program Capital Projects Fund	(3,853)
	<u>(1,156,764)</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, 2021, 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.....	66,901	68,780
Vested terminated employees entitled to benefits but not yet receiving them.....	4,570	—
Non-Vested terminated entitled only to a refund of their accumulated total deductions.....	23,357	—
Subtotal.....	94,828	68,780
Current members.....	87,136	96,527
Total.....	<u>181,964</u>	<u>165,307</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 participating in Retirement plus will have their withholding reduced to 8% otherwise their withholding are reduced to 6% plus 2% on earnings over \$30,000 a year.

B. INVESTMENTS

Investment Policy. SERS and MTRS are required to invest in the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during FY2017.

The following was the PRIT Fund asset allocation as of June 30, 2021:

Asset Class	Target Allocation
Global Equity	39.0 %
Core Fixed Income	15.0 %
Private Equity	13.0 %
Portfolio Completion Strategies	11.0 %
Real Estate	10.0 %
Value Added Fixed Income	8.0 %
Timber/Natural Resources	4.0 %
Total	100.0 %

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 FY2021 were 29.35% and 29.35% 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, 2021 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 46,476,000	\$ 59,795,000
Plan fiduciary net position	(36,039,471)	(37,088,124)
Net pension liability	\$ 10,436,529	\$ 22,706,876
Fiduciary net position as a percentage of the total pension liability	77.5%	62.0%

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, 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) 3.5% interest rate credited to the annuity savings fund; and (c) 3.0% cost of living increase on the first \$13,000 of allowance per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
3. Experience studies were performed as follows:
 - a. SERS:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.
 - b. 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, 2021 (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.....	7.8%
Global Equity.....	4.8%
Value Added Fixed Income.....	3.9%
Timberland/Natural Resources.....	4.3%
Real Estate.....	3.7%
Portfolio Completion Strategies.....	2.9%
Core Fixed Income.....	0.3%

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	\$ 15,974,650	\$ 10,436,529	\$ 5,884,626
MTRS net pension liability	29,687,706	22,706,876	16,882,184

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 \$17.158 billion, \$28.545 billion, and \$3.974 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2020. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2020. 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, 2020	94.3%	\$ 16,180,809
Massachusetts Teachers' Retirement System	June 30, 2020	100.0%	28,544,844
Boston Retirement System - Teachers	December 31, 2020	60.8%	2,416,125
Total net pension liability			<u>\$ 47,141,778</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, 2020	5.0%	<u>\$ 849,341</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 \$5.994 billion and the discretely presented component units recognized approximately \$296 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.....	\$ 917,427	\$ —	\$ 2,052,071	\$ —	\$ 129,176	\$ —	\$ 131,419	\$ 3,297
Changes in proportion	137,577	159,106	—	—	—	—	43,253	21,225
Net difference between projected and actual earnings on pension plan investments ...	889,466	—	965,930	—	—	96,679	46,689	134,240
Differences between expected and actual experience	514,852	104,701	517,116	14,327	—	177,692	53,423	26,710
Payments made after the measurement date	1,114,485	—	1,748,483	—	—	—	109,440	—
Totals	<u>\$ 3,573,807</u>	<u>\$ 263,807</u>	<u>\$ 5,283,600</u>	<u>\$ 14,327</u>	<u>\$ 129,176</u>	<u>\$ 274,371</u>	<u>\$ 384,224</u>	<u>\$ 185,472</u>

The \$2.863 billion and \$109 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resource related to 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	
2022	\$ 433,037	\$ 780,458	\$ (51,089)	\$ 61,021
2023	637,495	942,009	441	38,951
2024	664,862	906,220	(58,165)	(19,643)
2025	436,199	637,537	(15,986)	6,156
2026	23,923	232,359	(20,396)	2,827
Thereafter	—	22,207	—	—
Totals	<u>\$ 2,195,516</u>	<u>\$ 3,520,790</u>	<u>\$ (145,195)</u>	<u>\$ 89,312</u>

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020, using the following actuarial assumptions:

- The actuarial assumptions included (a) 7.15% 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.
- 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.
- 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 2016 for post-retirement mortality.

MTRS:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

4. Mortality rates were as follows:

SERS:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year for females.
- Disability - the mortality rate reflects 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-2018 (gender distinct).
- Post-retirement - reflects Pub-2010 Teachers Retirees mortality table RP-2014 (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
- Disability - assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2020 using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.15% investment rate of return, (b) 3.25% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$14,000 of allowance per year.
2. Salary increases range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Healthy - reflects Pub-2010 Teacher Employee, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2019.
 - Disabled - reflects Pub-2010 Teacher, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2019.

Investments

The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010, which requires the SBRS to invest all assets, current and future, related to BRS-Teachers in the PRIT pooled fund.

The following was the PRIT Fund target asset allocation and best estimates of geometric rates of return for each major asset class as of June 30, 2020:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity	39.00%	4.80%
Core Fixed Income	15.00%	0.70%
Private Equity	13.00%	8.20%
Portfolio Completion Strategies	11.00%	3.20%
Real Estate	10.00%	3.50%
Value Added Fixed Income	8.00%	4.20%
Timberland/Natural Resources	4.00%	4.10%
Total	100.00%	

* - BRS does not separately provide the long-term expected real rate of return for BRS-Teachers assets invested in the PRIT Fund as of the BRS measurement date.

Because SERS, MTRS and BRS-Teachers are all required to invest in the PRIT Fund, the long-term expected real rate of return was determined on that same basis as described in [Note 9C](#).

The discount rate used to measure the pension liabilities was 7.15% for SERS and MTRS as of the June 30, 2020 measurement date and 7.15% for BRS-Teachers as of the December 31, 2020 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 7.15% for SERS and MTRS and 7.15% for BRS-Teachers, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15% for SERS and MTRS and 6.15% for BRS-Teachers) or 1-percentage-point higher (8.15% for SERS and MTRS and 8.15% for BRS-Teachers) than the current rate (amounts in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
SERS net pension liability	\$ 21,317,770	\$ 16,180,809	\$ 11,956,628
MTRS net pension liability	35,411,955	28,544,844	22,908,510
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
BRS-Teachers net pension liability	\$ 2,933,136	\$ 2,416,125	\$ 1,988,372

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, 2021 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 112,148	\$ 91,446	\$ 203,594
Net investment in PRIT at fair value	35,837,539	36,923,236	72,760,775
Other receivables	107,924	79,139	187,063
Other assets	17	344	361
Total assets	36,057,628	37,094,165	73,151,793
LIABILITIES			
Accounts payable	18,157	6,041	24,198
Net position available for pension	\$ 36,039,471	\$ 37,088,124	\$ 73,127,595
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,105,838	\$ —	\$ 1,105,838
Non-employer contributions - Commonwealth	41,963	1,748,483	1,790,446
Employer and non-employer contributions - other	13,352	—	13,352
Employee contributions	652,911	833,236	1,486,147
ERIP funding contribution - Commonwealth	28,449	—	28,449
Boston teachers' contributions from Commonwealth	—	162,976	162,976
Other additions	90,879	91,927	182,806
Total contributions	1,933,392	2,836,622	4,770,014
Net investment gain/(loss):			
Investment gain/(loss)	8,390,011	8,617,429	17,007,440
Less: investment expense	(157,593)	(161,922)	(319,515)
Net investment gain/(loss)	8,232,418	8,455,507	16,687,925
Total additions	10,165,810	11,292,129	21,457,939
DEDUCTIONS			
Administration	21,685	21,782	43,467
Retirement benefits and refunds	2,657,397	3,279,491	5,936,888
Payments to State Boston Retirement System	—	162,976	162,976
Other deductions	14,557	57,753	72,310
Total deductions	2,693,639	3,522,002	6,215,641
Change in net position	7,472,171	7,770,127	15,242,298
Net position available for pension at beginning of year	28,567,300	29,317,997	57,885,297
Net position available for pension at end of year	\$ 36,039,471	\$ 37,088,124	\$ 73,127,595

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, 2021 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 6,998,520	\$ 9,262,024	Active members' contribution balance
Annuity Reserve Fund.....	1,958,294	1,481,186	Retired members' contribution account
Special Military Service Fund ...	34	332	Members' contribution account while on military leave
Pension Reserve Fund.....	27,082,623	26,344,582	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 36,039,471</u>	<u>\$ 37,088,124</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, 2021 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments.....	85,246
Inactive plan members entitled to but not yet receiving benefit payments.....	3,923
Active plan members.....	70,140
Total.....	<u>159,309</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, 2021 and as of the valuation date (January 1, 2021), 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 FY21 totaled approximately \$485 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 FY21, 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 FY21 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, 2021, 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 2021 was 29.40%. 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, 2021 are as follows (amounts in thousands);

	<u>SRBT</u>
Total OPEB liability	\$ 17,910,405
Plan fiduciary net position	<u>(1,910,940)</u>
Net OPEB liability	<u>\$ 15,999,465</u>
Fiduciary net position as a percentage of the total OPEB liability	10.7%

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, 2021 rolled forward to June 30, 2021, 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 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%

SOA-Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.5%
 - Excess Medical Growth: 1.1%
2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-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	60.0%	—%
HMO	12.0%	4.0%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Commonwealth and those non-Commonwealth governments that participate in the GIC) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs on a premium basis between the Commonwealth and those non-Commonwealth governments that participate in the GIC to that

point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Discount rate. The discount rate used to measure the OPEB liability was 2.77%. This rate was based on a blend of the Bond Buyer Index rate (2.16%) as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2041. Therefore, the long-term expected rate of return on plan investments of 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the OPEB plan's net OPEB liability calculated using the discount rate of 2.77%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.77%) or 1-percentage-point higher (3.77%) than the current rate (amounts in thousands):

	1% Decrease (1.77%)	Current Discount Rate (2.77%)	1% Increase (3.77%)
Net OPEB liability	\$ 19,007,239	\$ 15,999,465	\$ 13,576,763

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the OPEB plan's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate disclosed above (amounts in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ 13,100,272	\$ 15,999,465	\$ 19,778,087

D. NET OPEB LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 75

The Commonwealth's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020.

The Commonwealth's reporting entity reported the following net OPEB liability (amounts in thousands):

	Net OPEB Liability	
Primary government	\$ 19,694,477	(A)
Discretely presented component unit	3,200,799	(B)
Total net OPEB liability	<u>\$ 22,895,276</u>	

(A) - Of this amount \$1,659 (thousand) relates to business-type activities not participating in the Commonwealth's OPEB plan.

(B) - Of this amount \$2,202,418 (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, 2020, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$1.034 billion and \$113 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	\$ 606,014	\$ 641,311	\$ 68,122	\$ 32,825
Differences between expected and actual experience	543,831	486,504	36,918	443,095
Change of assumptions	1,622,028	1,909,390	249,305	216,032
Net difference between projected and actual earnings on OPEB plan investments	56,939	663	2,887	2,026
Payments made after the measurement date	547,614	—	77,214	—
Totals	<u>\$ 3,376,426</u>	<u>\$ 3,037,868</u>	<u>\$ 434,446</u>	<u>\$ 693,978</u>

The \$548 million and \$77 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
2022	\$ (324,503)	\$ (95,218)
2023	(232,534)	(92,860)
2024	79,461	(72,515)
2025	98,742	(42,865)
2026	172,274	(32,436)
Thereafter	(2,498)	(852)
Total	<u>\$ (209,058)</u>	<u>\$ (336,746)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020 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 2020_b. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SOA-Getzen model was then used to determine the trend rates beginning in 2024 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Year	Medicare Benefits	Non-Medicare Benefits
2020	4.90%	6.70%
2021	4.80%	6.60%
2022	4.70%	6.50%
2023	4.60%	6.40%
2024	4.70%	6.20%
2030	5.18%	
2040	5.18%	
2050	5.18%	
2060	4.84%	
2070	4.38%	
2075+	4.04%	

Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.5%
 - Excess Medical Growth: 1.1%
2. The mortality rate was in accordance with RP2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.
 3. Participation rates:
 - a. 100% of 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, 2020 was 2.28%. This rate was based on a blend of the Bond Buyer Index rate of 2.21% as of the measurement date and the long-term expected rate of return on plan investments of 7.15%. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2028. Therefore, the long-term expected rate of return on plan investments was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

Investments

The long-term expected rate of return as of June 30, 2020 was 7.15%. 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, 2020 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 %	0.7 %
Private Equity	13.0 %	8.2 %
Portfolio Completion Strategies	11.0 %	3.2 %
Real Estate	10.0 %	3.5 %
Value Added Fixed Income	8.0 %	4.2 %
Timber/Natural Resources	4.0 %	4.1 %
Total	100.0 %	

Changes in Net OPEB liability

The following presents the changes in the net OPEB liability of entities participating in the Commonwealth's OPEB plan (including MassDOT, a discretely presented component unit) as of June 30, 2020 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 19,662,106	\$ 1,368,548	\$ 18,293,558
Changes for the year:			
Service cost.....	785,689	—	785,689
Interest.....	732,808	—	732,808
Differences between expected and actual experience.....	(600,057)	—	(600,057)
Changes of assumptions.....	2,050,139	—	2,050,139
Contributions-employer.....	—	547,611	(547,611)
Net investment income.....	—	23,380	(23,380)
Benefit payments.....	(525,174)	(525,174)	—
Administrative expense.....	—	(175)	175
Other additions.....	—	122	(122)
Net changes.....	2,443,405	45,764	2,397,641
Balances at June 30, 2020.....	\$ 22,105,511	\$ 1,414,312	\$ 20,691,199

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 (1.28%)	Current Discount Rate (2.28%)	1% Increase (3.28%)
Net OPEB liability.....	\$ 23,665,265	\$ 19,692,818	\$ 16,554,101

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 124-125 of this report (amounts in thousands):

	1% Decrease	Current Rate	1% Increase
Net OPEB liability.....	\$ 15,995,128	\$ 19,692,818	\$ 24,605,523

MSBA

The MSBA, a blended component unit, sponsors its own single-employer defined benefit OPEB plan. The disclosures related to the net OPEB asset of the MSBA are not included in these notes to the financial statements due to immateriality (approximately \$3 million).

E. STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the State Retirees' Benefit Trust as of June 30, 2021 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 85,991
Net investment in PRIT at fair value	1,824,962
Total assets	<u>1,910,953</u>
LIABILITIES	
Accounts payable	13
Net position available for other post-employment benefits	<u>\$ 1,910,940</u>
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth	\$ 569,989
Other additions	200
Total contributions	<u>570,189</u>
Net investment gain/(loss):	
Investment gain/(loss)	419,685
Less: investment expense	(8,247)
Net investment gain/(loss)	<u>411,438</u>
Total additions	<u>981,627</u>
DEDUCTIONS	
Administration	247
Retirement benefits and refunds	484,752
Total deductions	<u>484,999</u>
Change in net position	<u>496,628</u>
Net position available for other post-employment benefits at beginning of year	1,414,312
Net position available for other post-employment benefits at end of year	<u><u>\$ 1,910,940</u></u>

11. LEASES**Primary Government**

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease purchase (TELP) agreements, which are accounted for as capital leases. Included in the capital assets of the Commonwealth are additions financed by capital leases. For FY21, these additions are approximately \$2 million. Lease agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature.

The Commonwealth has numerous operating lease agreements for real property and equipment with varying terms.

These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature.

The Institutions of Higher Education lease real property and equipment under numerous operating lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2021 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities					Business - Type Activities				Business - Type Activities Total
	Capital Leases		Operating Leases	MSBA Operating Leases	Governmental Activities Total	Capital Leases		Operating Leases		
	Principal	Interest				Principal	Interest			
2022	\$ 3,231	\$ 411	\$ 226,910	\$ 1,166	\$ 231,718	\$ 2,952	\$ 245	\$ 32,855	\$ 36,052	
2023	3,147	401	184,392	1,191	189,131	2,096	182	27,877	30,155	
2024	3,186	405	157,930	1,215	162,736	1,570	126	22,636	24,332	
2025	2,611	332	129,167	1,240	133,350	1,064	82	22,076	23,222	
2026	1,427	182	97,090	—	98,699	640	40	18,918	19,598	
2027 - 2031	658	84	293,353	—	294,095	402	10	74,855	75,267	
2032 - 2036	—	—	46,175	—	46,175	—	—	66,510	66,510	
2037 - 2041	—	—	44,829	—	44,829	—	—	35,654	35,654	
2042 - 2046	—	—	42,217	—	42,217	—	—	15,492	15,492	
2047 - 2051	—	—	30,650	—	30,650	—	—	8,759	8,759	
2052 - 2056	—	—	—	—	—	—	—	8,868	8,868	
2057 - 2061	—	—	—	—	—	—	—	4,197	4,197	
2062 - 2066	—	—	—	—	—	—	—	1,848	1,848	
Total lease obligations	14,260	1,815	1,252,713	4,812	1,273,600	8,724	685	340,545	349,954	
Less: current portion	(3,231)	(411)	(226,910)	(1,166)	(231,718)	(2,952)	(245)	(32,855)	(36,052)	
Long-term lease obligations	<u>\$ 11,029</u>	<u>\$ 1,404</u>	<u>\$ 1,025,803</u>	<u>\$ 3,646</u>	<u>\$ 1,041,882</u>	<u>\$ 5,772</u>	<u>\$ 440</u>	<u>\$ 307,690</u>	<u>\$ 313,902</u>	

Capital assets acquired under capital lease (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	\$ —	\$ 10,587
Machinery and equipment	24,733	15,982
Total assets	24,733	26,569
Less: accumulated depreciation	(10,442)	(13,076)
Total	<u>\$ 14,291</u>	<u>\$ 13,493</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, 2021 is estimated to be \$261 million of which approximately \$35 million is expected to be paid during FY22.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY21 and FY20 were (amounts in thousands):

	FY21	FY20
Claims liability, beginning of year	\$ 264,870	\$ 261,387
Increase in liability estimate	53,742	64,511
Payments and decreases in liability estimate	(58,108)	(61,028)
Claims liability, end of year	<u>\$ 260,504</u>	<u>\$ 264,870</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 FY21 and FY20 were (amounts in thousands):

	FY21	FY20
Claims liability, beginning of year	\$ 140,627	\$ 151,273
Increase in liability estimate	1,716,620	1,651,080
Payments and decreases in liability estimate	(1,720,722)	(1,661,726)
Claims liability, end of year	<u>\$ 136,525</u>	<u>\$ 140,627</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 FY21 and FY20 (amounts in thousands):

	FY21	FY20
Unpaid claims, beginning of year	\$ 34,117	\$ 33,241
Incurred claims	12,567	8,288
Claim payments and reductions	(13,413)	(7,412)
Unpaid claims end of year	<u>\$ 33,271</u>	<u>\$ 34,117</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 FY21, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities
Environmental remediation liability, beginning of year.....	\$ 560,380
Expected additional future outlays, changes in liability estimates.....	39,114
FY21 outlays for environmental remediation.....	<u>(4,219)</u>
Environmental remediation liability, end of year.....	<u>\$ 595,275</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 2021, there was a decrease of approximately \$12 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2021, the Commonwealth's liability for COLA was approximately \$105 million.

13. CONTINGENCIES/COMMITMENTS

The Commonwealth receives significant financial assistance from the federal government. Entitlement to these resources is generally contingent upon compliance with terms and conditions of the grant or reimbursement agreements and with applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits.

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY21 totaled approximately \$101 million. A portion of accumulated claims since the law's enactment represent a contingency, because claims for refunds can be made by the owners of the property.

Drug Testing Laboratory disputes. On August 28, 2012, a chemist formerly employed at the Department of Public Health's drug testing laboratory in Boston admitted to several types of misconduct involving her handling of laboratory samples, which were used in criminal cases. The Governor was informed and ordered the immediate closure of the laboratory. The Governor established a central office to identify individuals who may have been affected by the chemist's alleged malfeasance, which the office has estimated as possibly tens of thousands of criminal drug cases. The Governor also announced that the Inspector General is conducting an independent assessment of the laboratory's operations. In addition, the Attorney General's Office is conducting a criminal investigation. On December 17, 2012, the former chemist was indicted by a Statewide Grand Jury on 27 charges in connection with altering drug evidence during the testing process and obstructing justice. She was arraigned on December 20, 2012 in Suffolk Superior Court and pled guilty in 2013. There likely will be significant, but as yet undetermined, state costs required to investigate and respond to the chemist's alleged malfeasance. Supplemental appropriations totaling \$30 million were approved during fiscal 2013 to create a fund to reimburse agencies and cities for costs associated with investigating and responding to misconduct at the state drug testing laboratory. In addition, there may be substantial costs to defend civil complaints alleging state liability in both state and federal court and for potential judgments. As the number of specific cases affected by the chemist's misconduct has not been definitively determined, there is not sufficient information to fully estimate these additional state costs.

A. PRIMARY GOVERNMENT

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2021, totaling approximately \$121 million.

The MBTA's Forward Funding legislation of 1999 provides for the MBTA to issue general obligation, revenue or other debt secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the MBTA. Accordingly, all MBTA debt issued after this legislation is not backed by the full faith and credit of the Commonwealth.

Additional commitments of the Commonwealth remain for the University of Massachusetts Building Authority. 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 the total principal amounts of notes and bonds of the University of Massachusetts Building Authority. As of June 30, 2021, the University of Massachusetts Building Authority has approximately \$3.205 billion, outstanding debt, of which the University retired its remaining Commonwealth guaranteed debt in fiscal 2021.

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 FY21, the Commonwealth received approximately \$246 million, or 67.6% of the estimated amounts shown in the MSA. Amounts received in FY21 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, 2021, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

C. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2021, the Commonwealth had commitments of approximately \$580 million related to ongoing construction projects.

D. CONTRACTUAL ASSISTANCE TO AUTHORITIES

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

General obligation contract assistance obligations arise from statutory requirements for payments by the Commonwealth to the Massachusetts Clean Water Trust, the Massachusetts Department of Transportation and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds. Such assistance constitutes a pledge of the Commonwealth's credit for which a two-thirds vote of the Legislature is required.

Budgetary contract assistance liabilities do not constitute a pledge of the Commonwealth's credit. Contingent liabilities relate to debt obligations of independent authorities and agencies of the Commonwealth, or payment obligations of such entities on hedging transactions related to such debt, that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These contingent liabilities consist of guarantees and similar obligations with respect to which the Commonwealth's credit has been or may be pledged. Under legislation approved by the Governor during FY09, the Commonwealth may pledge its credit to guarantee payment obligations of the Massachusetts Turnpike Authority (succeeded by MassDOT in FY10) with respect to certain hedging transactions or provide financial support subject to annual appropriation and without a pledge of the Commonwealth's credit. The same legislation authorizes the Commonwealth to provide credit support to the Turnpike Authority (succeeded by MassDOT) in connection with the issuance of certain refunding bonds, subject to annual appropriation and without a pledge of the Commonwealth's credit. In addition, the Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to replenish the capital reserve funds securing certain debt obligations of the Massachusetts Housing Finance Agency and the Commonwealth's obligation to fund debt service, solely from monies otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

E. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2021 to be \$1.6 billion.

F. SOCIAL IMPACT BONDS

In January 2014, the Commonwealth entered into a "pay for success contract" (Social Impact Bonds) with a nonprofit intermediary organization and a nonprofit social service agency to reduce the recidivism rate of young men in the juvenile justice system or on probation. The Commonwealth is obligated to make success payments totaling \$28 million through calendar year 2019 and the Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. Payments are only made based upon successful achievement of specified outcomes based on defined performance targets contained in the contract. The Commonwealth entered into a second such contract in December 2014 to address chronic individual homelessness. The contract obligates the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal 2021. In June, 2016 the Commonwealth entered into a third contract to assist individuals in Adult Basic Education (ABE) or English for Speakers of Other Languages (ESOL) programs to transition to employment, higher wage jobs, and higher education. The contract obligates the Commonwealth to make up to \$15 million in success payments, in the aggregate, through fiscal 2023. The total amount of payments backed by the full faith and credit of the Commonwealth under such contracts may not exceed, in the aggregate, \$50 million. As the

amount required to be paid as of June 30, 2021 cannot be determined until performance targets have been achieved as determined by independent evaluators, no liability has been accrued in these financial statements for these contracts.

G. PENSIONS

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) (collectively referred to as the Retirement Systems), in conjunction with the Commonwealth, have evaluated whether certain of the statutes or practices governing the systems may have been in conflict with the exclusive benefit rule of Section 401(a)(2) of the Internal Revenue Code or other federal tax law requirements relating to the operation of tax-exempt pension plans.

The activities 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 submitted to the IRS a proposal in connection with the withdrawal of its request for a closing agreement. The withdrawal was agreed to by the IRS, as the proposed corrective action would not be completed until 2021 or later. A response from the IRS on the related proposal is currently pending.

14. COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED

The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 40 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Details of those entities' operations can be found in those entities' basic financial statements and notes to those entities' basic financial statements.

The following entities are presented in the basic financial statements (all having a June 30, 2021 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 Other Auditors:

The Pension Reserves Investment Trust Fund (PRIT)
 *The Massachusetts State Lottery Commission
 The Massachusetts Department of Transportation (MassDOT)
 The Massachusetts Clean Water Trust
 Commonwealth Health Insurance Connector Authority
 *§The Massachusetts Municipal Depository Trust (MMDT)
 *The University of Massachusetts System
 University of Massachusetts Foundation, Inc.
 The Massachusetts School Building Authority (MSBA)

*State Universities:

Bridgewater State University
 Fitchburg State University
 Framingham State University
 Massachusetts College of Art
 Massachusetts Maritime Academy
 Massachusetts College of Liberal Arts
 Salem State University
 Westfield State University
 Worcester State University
 The Massachusetts State College Building Authority

*Community Colleges:

Berkshire Community College
 Bristol Community College
 Bunker Hill Community College
 Cape Cod Community College
 Greenfield Community College
 Holyoke Community College
 Massasoit Community College
 Massachusetts Bay Community College
 Middlesex Community College
 Mount Wachusett Community College
 Northern Essex Community College
 North Shore Community College
 Quinsigamond Community College
 Roxbury Community College
 Springfield Technical Community College

Nonmajor Discretely Presented Component Units:

Massachusetts Convention Center Authority (MCCA)
 Massachusetts Development Finance Agency (MassDevelopment)
 Massachusetts Technology Park Corporation (MTPC)
 Massachusetts Clean Energy Center (CEC)
 Massachusetts Housing Partnership (MHP)

Economic Development Entities (5 separate entities):

§Massachusetts Growth Capital Corporation (MGCC)
 Commonwealth Corporation
 Community Economic Development Assistance Corporation (CEDAC)
 Massachusetts Life Sciences Center

Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (25 separate entities):

Bridgewater State University Foundation:
 The Bridgewater State University Foundation
 The Bridgewater Alumni Association of Bridgewater State University
 Fitchburg State University Foundation, Inc.
 Framingham State University Foundation, Inc.
 Massachusetts College of Art Foundation, Inc.
 Massachusetts College of Liberal Arts Foundation, Inc.
 The Massachusetts Maritime Academy Foundation, Inc.
 Salem State University Foundation:
 The Salem State University Foundation, Inc.
 Salem State University Assistance Corporation
 Westfield State University Foundation, Inc.
 Worcester State Foundation

Berkshire Community College Foundation
 Bristol Community College Foundation
 Bunker Hill Community College Foundation
 Cape Cod Community College Educational Foundation, Inc.
 Greenfield Community College Foundation, Inc.
 Holyoke Community College Foundation
 Massachusetts Bay Community College Foundation, Inc.
 Massasoit Community College Foundation
 Middlesex Community College Foundation, Inc.
 North Shore Community College Foundation
 Springfield Technical Community College Foundation
 Springfield Technical Community College Assistance Corporation
 The Mount Wachusett Community College Foundation, Inc.
 The Northern Essex Community College Foundation, Inc.
 The Quinsigamond Community College Foundation, Inc.
 The Roxbury Community College Foundation, Inc.

15. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On July 22, 2021, the Massachusetts State College Building Authority (MSCBA) closed on \$17 million of Project Revenue Bonds Series 2021A (Green Bonds) for the purpose of providing funding for a new capacity project at the Massachusetts Maritime Academy. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2051. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2.00% to 5.00%.

On July 22, 2021, the MSCBA closed on \$2 million Project Revenue Bonds Series 2021B for the purpose of providing funding for projects at the Massachusetts Maritime Academy and Massachusetts College of Liberal Arts. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2041. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 2.00% to 5.00%.

On September 23, 2021, the MSBA advanced refunded \$42 million of 2016 Series A Dedicated Sales Tax Bonds, \$114 million of 2018 Series A Dedicated Sales Tax Bonds, and \$142 million of 2019 Series A Dedicated Sales Tax Bonds by issuing \$342 million of Subordinated Dedicated Sales Tax Refunding Bonds 2021 Series A Bonds

(Federally taxable). The Bonds mature at various dates through February 15, 2049 and the interest is payable semiannually February 15th and August 15th. The coupons on the bonds range from 0.260% to 2.860%. The refunding resulted in reduced debt service of \$89 million and a net present value savings of \$60 million over the life of the debt.

On September 30, 2021, the Commonwealth issued approximately \$8 million in General Obligation (GO) Bonds, Consolidated Loan of 2021 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2026 with final maturity on August 1, 2041.

On October 5, 2021, the Commonwealth issued approximately \$223 million in GO Refunding Bonds 2021, Series A. The bonds were issued to refund, on a current basis, approximately \$276 million of various GO bonds and carries interest rates of 5.00% with final maturity on September 1, 2030. The refunding resulted in reduced debt service of approximately \$38 million and a present value savings of approximately \$34 million over the life of the bonds.

On October 5, 2021, the Commonwealth issued \$385 million in GO Bonds, Consolidated Loan of 2021, Series C. These bonds carry interest rate of 2.00% to 5.00%. The first principal payment is due on September 1, 2028 with final maturity on September 1, 2047.

On October 5, 2021, the Commonwealth issued \$350 million in GO Bonds, Consolidated Loan of 2021, Series D. These bonds carry a 5.00% interest rate. The first principal payment is due on September 1, 2048 with final maturity on September 1, 2051.

On November 17, 2021, the Commonwealth issued approximately \$303 million in GO Refunding Bonds 2021, Series B. The bonds were issued to refund, on a current basis, approximately \$317 million of various GO bonds and carries interest rates of 5.00% with final maturity on November 1, 2025. The refunding resulted in reduced debt service of approximately \$10 million and a present value savings of approximately \$9 million over the life of the bonds.

On February 15, 2022, the Commonwealth issued \$300 million in GO Bonds, Consolidated Loan of 2022, Series A. These bonds carry interest rate of 3.00% to 5.00%. The first principal payment is due on February 1, 2028 with final maturity on February 1, 2038.

On February 15, 2022, the Commonwealth issued \$350 million in GO Bonds, Consolidated Loan of 2022, Series B. These bonds carry interest rate of 3.00% to 4.00%. The first principal payment is due on February 1, 2039 with final maturity on February 1, 2048.

On February 15, 2022, the MSCBA closed on \$107,155,000 of Project and Refunding Revenue Bonds Series 2022A for the purpose of providing funding for a new capacity project, the Fantail Lounge project, and renovations to existing residence halls at the Massachusetts Maritime Academy, dish machine and kitchen equipment replacement at Westfield State University, and a current refunding of the 2012C Bonds. The first principal payment is due on May 1, 2023, and the final term bond maturity is on May 1, 2052. Interest is due semi-annually each May 1st and November 1st. The bonds carry interest rates ranging from 4.00% to 5.00%.

On February 28, 2022, MassDOT refunded to the cities of Cambridge and Somerville a total amount of \$45 million related to the Green Line Extension project.

On March 23, 2022, the University of Massachusetts issued \$119 million of UMBA Project Revenue Bonds, Senior Series 2022-1, and \$211 million UMBA Project Revenue Bonds, Senior Series 2022-2 bonds through the University of Massachusetts Building Authority. The first principal payment is due on November 1, 2023 with final maturity on November 1, 2045. The bonds carry interest rates ranging from 2.199% to 5.00%.

All debt issues were sold as tax exempt, except as noted.

Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

*Schedule of Revenue, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual –
General Fund*
*Explanation of Differences Between Revenues, Expenditures and Other Financing Sources/(Uses) for the
General Fund on a Budgetary Basis and GAAP Basis*
Notes to Required Supplementary Information – Budgetary Reporting
Required OPEB and Pension Schedules

Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

General Fund*

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 24,716,800	\$ 24,716,800	\$ 30,302,388	\$ 5,585,588
Assessments	430,650	430,650	399,848	(30,802)
Federal grants and reimbursements	13,868,076	13,868,076	13,440,226	(427,850)
Tobacco settlement revenue	261,482	261,482	245,636	(15,846)
Departmental	3,034,358	3,034,358	3,534,235	499,877
Miscellaneous	467,178	467,178	292,625	(174,553)
Total revenues	42,778,544	42,778,544	48,214,958	5,436,414
Other financing sources:				
Fringe benefit cost recovery	—	—	453,299	453,299
Lottery reimbursements	—	—	105,986	105,986
Lottery distributions	—	—	1,090,040	1,090,040
Operating transfers in	1,871,154	1,871,154	203,049	(1,668,105)
Stabilization transfer	—	17,106	1,115,597	1,098,491
Transfer for transitional escrow	—	—	1,460,324	1,460,324
Total other financing sources	1,871,154	1,888,260	4,428,295	2,540,035
Total revenues and other financing sources	44,649,698	44,666,804	52,643,253	7,976,449
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	120,148	120,011	72,682	47,329
Judiciary	1,077,142	1,074,157	1,016,437	57,720
Inspector General	6,059	6,059	5,747	312
Governor and Lieutenant Governor	10,863	10,864	9,385	1,479
Secretary of the Commonwealth	60,905	61,404	58,444	2,960
Treasurer and Receiver-General	2,324,395	281,209	220,935	60,274
Auditor of the Commonwealth	21,243	21,243	19,825	1,418
Attorney General	57,321	57,414	54,951	2,463
Ethics Commission	2,584	2,584	2,489	95
District Attorney	148,905	148,905	145,969	2,936
Office of Campaign & Political Finance	1,840	1,840	1,660	180
Sheriff's Departments	695,002	694,877	686,626	8,251
Disabled Persons Protection Commission	7,897	7,897	5,464	2,433
Commission on the Status of Women	206	206	206	1
Massachusetts Gaming Commission	721	—	—	—
Board of Library Commissioners	34,018	34,018	33,821	197
Comptroller	66,551	66,551	19,689	46,862
Administration and Finance	10,186,385	2,832,745	2,337,693	495,052
Energy and Environmental Affairs	315,535	316,906	289,802	27,104
Health and Human Services	25,755,295	7,406,305	6,875,935	530,370
Executive Office of Technology Services and Security	195,918	195,918	146,520	49,398
Office of the Child Advocate	2,999	2,999	1,723	1,276
Executive Office of Education	3,021,817	3,151,219	2,833,844	317,375
Center for Health Information and Analysis	33,588	23,588	23,330	258
Commission Against Discrimination	8,349	8,349	6,824	1,525
Public Safety and Homeland Security	1,530,399	1,552,568	1,463,381	89,187
Massachusetts Peace Officer Standards and Training	250	250	23	227
Housing and Economic Development	899,102	898,489	807,492	90,997
Labor and Workforce Development	95,346	79,662	59,672	19,990
Direct local aid	—	6,355,436	6,352,585	2,851
Medicaid	—	18,280,385	18,122,376	158,009
Post employment benefits	—	3,739,620	3,739,584	36
Debt service:				
Principal retirement	35,605	660,586	628,828	31,758
Interest and fiscal charges	—	597,633	569,410	28,223
Total expenditures	46,716,388	48,691,897	46,613,352	2,078,546
Other financing uses:				
Fringe benefit cost assessment	—	—	8,730	(8,730)
Operating transfers out	—	311,738	318,688	(6,950)
Medical assistance transfer	—	537,187	505,250	31,937
Stabilization transfer	—	1,098,140	1,098,139	1
Transfer for transitional escrow	—	—	1,151,006	(1,151,006)
Other fund deficit support	—	—	23,699	(23,699)
Total other financing uses	—	1,947,065	3,105,512	(1,158,447)
Total expenditures and other financing uses	46,716,388	50,638,962	49,718,864	920,099
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (2,066,690)	\$ (5,972,158)	2,924,389	\$ 8,896,547
Fund balances/(deficits) at beginning of year			4,232,877	
Fund balances/(deficits) at end of year			\$ 7,157,266	

* 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 General Fund* on a Budgetary Basis and GAAP Basis (in thousands):**

REVENUES	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 48,214,958
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	473,798
Tax refunds and abatements payable, net	(132,079)
Federal reimbursements and other receivables	704,770
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(94,910)
Inflows from component units and other miscellaneous financing sources	87,675
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(15,585)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 49,238,627
OTHER FINANCING SOURCES	
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 4,428,295
Adjustments and Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(3)
Proceeds of capital lease on GAAP basis	2,126
Consolidation of transfers between funds	(2,262,726)
Inflows from component units and other miscellaneous financing sources	(99,621)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,068,071
EXPENDITURES	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 46,613,352
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	(19,967)
Compensated absences and other accrued liabilities	151,040
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	2,126
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	(1,198,237)
Reversal of prior year budget to GAAP adjustment	—
Higher education expenditures are reclassified for GAAP reporting	(1,638,294)
Expenditures to component units reported on a GAAP basis	18,877
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(15,586)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 43,913,311
OTHER FINANCING USES	
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 3,105,512
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(2,262,726)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,543,382
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	1,198,237
Transfers to component units reported on a GAAP basis	(3,242)
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 3,581,163

* 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.

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 FY21 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2020:		
Direct appropriations	\$ 43,641,100	\$ 45,730,612
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2020	—	2,166,957
Total original budget	43,641,100	47,897,569
Supplemental Acts of 2020:		
Chapter 316	—	47
Supplemental Acts of 2021:		
Chapter 29	—	259,008
Chapter 76	—	333,575
Total budgeted revenues and expenditures per Legislative action	—	592,631
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	3,115,177	4,393,419
Budgeted revenues and expenditures as reported	\$ 46,756,277	\$ 52,883,619

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)

	2021	2020	2019	2018
Total pension liability, July 1	\$ 45,725,000	\$ 43,398,000	\$ 41,225,000	\$ 39,107,000
Service cost	968,648	963,828	897,600	856,200
Interest	3,243,594	3,124,187	2,965,890	2,852,239
Change in benefit terms	—	—	—	—
Differences between expected and actual experience	(904,845)	336,183	303,066	102,008
Changes of assumptions	101,000	442,000	434,000	622,000
Benefit payments, including refunds of member contributions	(2,657,397)	(2,539,198)	(2,427,556)	(2,314,447)
Net change in total pension liability	751,000	2,327,000	2,173,000	2,118,000
Total pension liability, June 30 (a)	<u>\$ 46,476,000</u>	<u>\$ 45,725,000</u>	<u>\$ 43,398,000</u>	<u>\$ 41,225,000</u>
Plan fiduciary net position, July 1	\$ 28,567,300	\$ 28,763,796	\$ 27,995,021	\$ 26,282,232
Contributions:				
Employers - Commonwealth and MassDOT	1,105,838	1,003,828	919,545	842,864
Non-employer contributions - Commonwealth	41,963	38,381	37,359	33,310
Employer and non-employer contributions - other	13,352	9,718	10,191	9,564
ERIP funding contribution - Commonwealth	28,449	28,724	28,724	28,724
Plan members	652,911	659,015	632,730	600,705
Other additions	90,879	90,944	104,765	118,124
Total contributions	1,933,392	1,830,610	1,733,314	1,633,291
Net investment income	8,232,417	567,319	1,543,398	2,460,748
Benefit payments, including refunds of member contributions	(2,657,397)	(2,539,198)	(2,427,556)	(2,314,447)
Administrative expense	(21,685)	(18,089)	(15,853)	(16,369)
Other changes	(14,556)	(37,138)	(64,528)	(50,434)
Net change in plan fiduciary net position	7,472,171	(196,496)	768,775	1,712,789
Plan fiduciary net position, June 30 (b)	<u>\$ 36,039,471</u>	<u>\$ 28,567,300</u>	<u>\$ 28,763,796</u>	<u>\$ 27,995,021</u>
Plan net pension liability - June 30 (a) - (b)	<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	77.5%	62.5%	66.3%	67.9%
Covered payroll (as of the actuarial valuation date) *	\$ 6,544,575	\$ 6,354,473	\$ 6,354,473	\$ 6,155,194
Net pension liability as a percentage of covered employee payroll	159.5%	270.0%	230.3%	214.9%

* - 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
\$ 37,760,000	\$ 35,425,414	\$ 31,355,000	\$ 29,988,000
855,440	813,975	700,012	631,634
2,813,374	2,638,929	2,411,551	2,405,204
10,000	400,000	230,302	—
(428,232)	589,009	275,000	—
304,000	—	2,330,000	102,000
(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
1,347,000	2,334,586	4,070,414	1,367,000
<u>\$ 39,107,000</u>	<u>\$ 37,760,000</u>	<u>\$ 35,425,414</u>	<u>\$ 31,355,000</u>
\$ 23,971,156	\$ 24,042,585	\$ 23,930,895	\$ 21,084,958
716,266	660,818	601,931	550,483
28,455	21,830	18,040	21,293
7,999	16,642	15,808	6,048
29,093	29,093	—	—
604,772	591,948	549,493	501,106
232,548	397,077	92,503	68,967
1,619,133	1,717,408	1,277,775	1,147,897
2,987,632	422,938	800,886	3,551,012
(2,207,582)	(2,107,327)	(1,876,451)	(1,771,838)
(30,030)	(20,624)	(15,966)	(12,705)
(58,077)	(83,824)	(74,554)	(68,429)
2,311,076	(71,429)	111,690	2,845,937
<u>\$ 26,282,232</u>	<u>\$ 23,971,156</u>	<u>\$ 24,042,585</u>	<u>\$ 23,930,895</u>
<u>\$ 12,824,768</u>	<u>\$ 13,788,844</u>	<u>\$ 11,382,829</u>	<u>\$ 7,424,105</u>
67.2%	63.5%	67.9%	76.3%
\$ 5,927,012	\$ 5,792,288	\$ 5,591,911	\$ 5,344,510
216.4%	238.1%	203.6%	138.9%

NOTES TO THE SERS SCHEDULE

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.

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.

NOTES TO THE SERS SCHEDULE

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.

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.

NOTES TO THE SERS SCHEDULE

- 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.

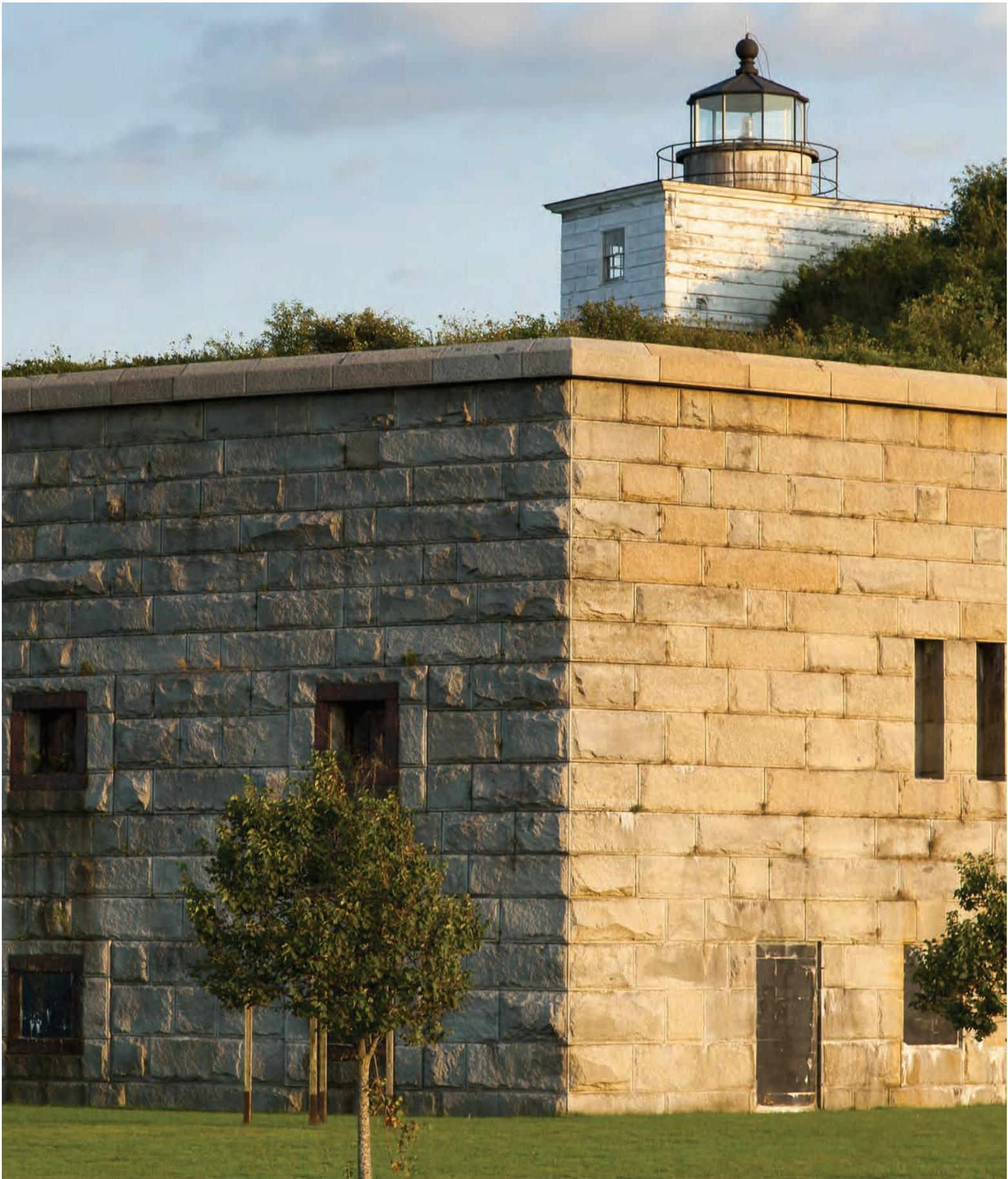
FY2014 Changes in Actuarial Assumptions

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)

	2021	2020	2019	2018
Total pension liability, July 1	\$ 57,862,841	\$ 54,751,000	\$ 52,503,000	\$ 50,024,000
Service cost	1,085,414	1,019,331	949,262	901,234
Interest	4,097,558	3,927,724	3,763,191	3,633,027
Differences between expected and actual experience	(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	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Net change in total pension liability	1,932,159	3,111,841	2,248,000	2,479,000
Total pension liability, June 30 (a)	<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	\$ 29,317,997	\$ 29,536,980	\$ 28,791,711	\$ 27,138,609
Contributions:				
Non-employer	1,748,483	1,553,433	1,443,710	1,314,783
Plan members	833,236	821,105	782,431	755,688
Other additions	254,903	233,222	234,532	231,734
Total contributions	2,836,622	2,607,760	2,460,673	2,302,205
Net investment income	8,455,507	581,648	1,584,770	2,542,576
Benefit payments, including refunds of plan member contributions	(3,279,491)	(3,189,813)	(3,092,363)	(2,992,578)
Administrative expense	(21,783)	(22,391)	(18,324)	(19,528)
Other changes	(220,728)	(196,187)	(189,487)	(179,573)
Net change in plan fiduciary net position	7,770,127	(218,983)	745,269	1,653,102
Plan fiduciary net position, June 30 (b)	<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>\$ 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	62.0%	50.7%	53.9%	54.8%
Covered payroll (as of actuarial valuation date)*	\$ 7,670,306	\$ 7,074,960	\$ 7,074,960	\$ 6,829,012
Net pension liability as a percentage of covered employee payroll	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

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 a 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:

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.

NOTES TO THE MTRS SCHEDULE

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)

	2021	2020	2019	2018
Total OPEB liability, July 1	\$ 22,105,511	\$ 19,662,106	\$ 19,761,333	\$ 18,480,936
Service cost	992,669	785,689	806,023	792,135
Interest	521,143	732,808	796,880	691,630
Differences between expected and actual experience	(2,926,517)	(600,057)	715,192	218,891
Changes of assumptions	(2,297,649)	2,050,139	(1,935,139)	21,504
Benefit payments, including refunds of member contributions	(484,752)	(525,174)	(482,183)	(443,763)
Net change in total pension liability	(4,195,106)	2,443,405	(99,227)	1,280,397
Total OPEB liability, June 30 (a)	<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	\$ 1,414,312	\$ 1,368,548	\$ 1,187,569	\$ 996,407
Contributions:				
Employer	569,989	547,611	594,916	542,896
Other additions	200	122	188	133
Total contributions	570,189	547,733	595,104	543,029
Net investment income	411,438	23,380	68,229	93,308
Benefit payments, including refunds of plan member contributions	(484,752)	(525,174)	(482,183)	(443,763)
Administrative expense	(247)	(175)	(171)	(150)
Other changes	—	—	—	(1,262)
Net change in plan fiduciary net position	496,628	45,764	180,979	191,162
Plan fiduciary net position, June 30 (b)	<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>\$ 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	10.7%	6.4%	7.0%	6.0%
Covered payroll *	\$ 5,586,955	\$ 5,625,684	\$ 5,491,214	\$ 5,296,859
Net OPEB liability as a percentage of covered employee payroll	286.4%	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

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 \$17.5 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 reflect 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 \$171.9 million.

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.

NOTES TO THE SRBT SCHEDULE

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 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 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.

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.

NOTES TO THE SRBT SCHEDULE

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in an increase to the total OPEB liability of approximately \$937 million.

Change in trend on future costs

The healthcare trend rate decreased from 8.5% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax. This resulted in an increase to the total OPEB liability of approximately \$88 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members - would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year.

This change resulted in a decrease to the total OPEB liability of approximately \$2 million.

Change in discount rate

The discount rate was increased to 3.95% (based on a blend of the Bond Buyer Index rate (3.87%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$1.001 billion.

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							
	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS	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	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	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	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	94.3%	94.7%	94.6%	94.5%
Proportionate share of the net pension liability	\$ 16,180,809	\$ 13,856,209	\$ 12,520,028	\$ 12,122,363
Plan net position as a percentage of the total pension liability	62.5%	66.3%	67.9%	67.2%
Covered payroll	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Net pension liability as a percentage of covered payroll	280.0%	245.6%	230.1%	224.6%

Contributions	Fiscal Year Ending June 30				
	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 1,147,801	\$ 1,042,209	\$ 956,904	\$ 876,174	\$ 744,721
Contributions in relation to the statutorily required contribution	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>
Covered payroll	\$ 5,734,862	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203
Contributions as a percentage of covered payroll	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
\$ —	\$ —	\$ —

\$ 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	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%
Proportionate share of the net pension liability	\$ 28,544,844	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391
Plan net position as a percentage of the total pension liability	50.7%	53.9%	54.8%	54.3%

Contributions	Fiscal Year Ending June 30				
	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 1,748,483	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515
Contributions in relation to the statutorily required contribution	1,748,483	1,553,433	1,443,710	1,314,783	1,235,515
Annual contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —

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%

2016	2015	2014
\$ 1,124,583	\$ 1,021,930	\$ 937,379
1,124,583	1,021,930	937,379
\$ —	\$ —	\$ —

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Boston Retirement System - Teachers

Last 10 Years

(amounts in thousands)

Proportionate Share of the Net Pension Liability	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	60.8%	56.5%	55.6%	60.5%	55.9%
Proportionate share of the net pension liability	\$ 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	67.6%	61.9%	58.3%	62.7%	58.4%

Fiscal Year Ending December 31

Contributions	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 162,976	\$ 157,041	\$ 143,146	\$ 131,298	\$ 132,477
Contributions in relation to the statutorily required contribution	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	2013
------	------	------

\$ 120,434	\$ 109,485	\$ 99,532
------------	------------	-----------

<u>120,434</u>	<u>109,485</u>	<u>99,532</u>
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<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
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**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 FY2021 was determined as part of the January 1, 2019 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase 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, 2019 is 102.8% of the market value.
6. Normal costs are amortized using level percentage of payroll, closed.
7. The remaining amortization period for the unfunded pension liability at January 1, 2019 was 17 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2019. The funding requirements are established for the employers' fiscal year ended June 30, 2020 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	18 years remaining as of January 1, 2018 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	7.15% for Boston Teachers

See Independent Auditors' Report

**Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts**

Last 10 Years
(amounts in thousands)

Contributions	Fiscal Year Ending June 30				
	2021	2020	2019	2018	2017
Statutorily required contribution.....	\$ 547,614	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	547,614	526,494	572,434	520,703	419,932
Annual contribution deficiency/(excess).....	\$ —	\$ —	\$ —	\$ —	\$ —
 Covered payroll*.....	 \$ 5,586,955	 \$ 5,625,684	 \$ 5,491,214	 \$ 5,296,859	 \$ 5,259,298
Contributions as a percentage of covered payroll.....	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 Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Combined General Fund

Combining Balance Sheet – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds

Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds

Combining Statement of Net Position Available for Post-Employment Benefits – Pension and OPEB Trust Funds

Combining Statement of Changes in Net Position Available for Post-Employment Benefits – Pension and OPEB Trust Funds

Combining Statement of Net Position Held in Trust for Pool Participants – External Investment Trust Funds

Combining Statement of Changes in Net Position Held in Trust for Pool Participants – External Investment Trust Funds

Combining Statement of Fiduciary Net Position - Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

Combining Statement of Net Position – Nonmajor Discretely Presented Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely Presented Component Units

Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

Combined General Fund

June 30, 2021

(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	\$ 24,716,800	\$ 24,716,800	\$ 30,302,064	\$ 5,585,264	\$ —	\$ —	\$ 324	\$ 324
Assessments	430,650	430,650	399,848	(30,802)	—	—	—	—
Federal grants and reimbursements	13,868,076	13,868,076	13,440,226	(427,850)	—	—	—	—
Tobacco settlement revenue	261,482	261,482	245,636	(15,846)	—	—	—	—
Departmental	3,034,358	3,034,358	3,073,616	39,258	—	—	—	—
Miscellaneous	428,178	428,178	283,308	(144,870)	39,000	39,000	9,317	(29,683)
Total revenues	42,739,544	42,739,544	47,744,698	5,005,154	39,000	39,000	9,641	(29,359)
Other financing sources:								
Fringe benefit cost recovery	—	—	453,299	453,299	—	—	—	—
Lottery reimbursements	—	—	105,986	105,986	—	—	—	—
Lottery distributions	—	—	1,090,040	1,090,040	—	—	—	—
Operating transfers in	1,871,154	1,871,154	203,049	(1,668,105)	—	—	—	—
Stabilization transfer	—	—	—	—	—	17,106	1,115,597	1,098,491
Transfer for transitional escrow	—	—	—	—	—	—	—	—
Total other financing sources	1,871,154	1,871,154	1,852,374	(18,780)	—	17,106	1,115,597	1,098,491
Total revenues and other financing sources	44,610,698	44,610,698	49,597,072	4,986,374	39,000	56,106	1,125,238	1,069,132
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	120,148	120,011	72,682	47,329	—	—	—	—
Judiciary	1,077,142	1,074,157	1,016,437	57,720	—	—	—	—
Inspector General	6,059	6,059	5,747	312	—	—	—	—
Governor and Lieutenant Governor	10,805	10,806	9,328	1,478	—	—	—	—
Secretary of the Commonwealth	60,889	61,388	58,444	2,944	—	—	—	—
Treasurer and Receiver-General	2,324,394	281,208	220,935	60,273	—	—	—	—
Auditor of the Commonwealth	21,243	21,243	19,825	1,418	—	—	—	—
Attorney General	57,321	57,414	54,951	2,463	—	—	—	—
Ethics Commission	2,584	2,584	2,489	95	—	—	—	—
District Attorney	148,905	148,905	145,969	2,936	—	—	—	—
Office of Campaign & Political Finance	1,840	1,840	1,660	180	—	—	—	—
Sheriff's Departments	695,002	694,877	686,626	8,251	—	—	—	—
Disabled Persons Protection Commission	7,897	7,897	5,464	2,433	—	—	—	—
Commission on the Status of Women	206	206	206	—	—	—	—	—
Massachusetts Gaming Commission	721	—	—	—	—	—	—	—
Board of Library Commissioners	34,018	34,018	33,821	197	—	—	—	—
Comptroller	9,645	9,645	9,270	375	—	—	—	—
Administration and finance	9,990,417	2,636,777	2,211,033	425,744	—	—	—	—
Energy and environmental affairs	312,385	313,756	286,838	26,918	—	—	—	—
Health and human services	25,602,661	7,253,671	6,762,074	491,597	—	—	—	—
Executive Office of Technology Services and Security	48,667	48,667	46,826	1,841	—	—	—	—
Office of the Child Advocate	2,999	2,999	1,723	1,276	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	3,019,957	3,149,359	2,833,844	315,515	—	—	—	—
Center for Health Information and Analysis	33,588	23,588	23,330	258	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Commission Against Discrimination	8,349	8,349	6,824	1,525	—	—	—	—
Public safety and homeland security	1,453,079	1,475,248	1,407,723	67,525	—	—	—	—
Massachusetts Peace Officer Standards and Training	250	250	23	227	—	—	—	—
Housing and economic development	891,418	890,805	805,572	85,233	—	—	—	—
Labor and workforce development	95,346	79,662	59,672	19,990	—	—	—	—
Direct local aid	—	6,355,436	6,352,585	2,851	—	—	—	—
Medicaid	—	18,280,385	18,122,376	158,009	—	—	—	—
Post employment benefits	—	3,739,620	3,739,584	36	—	—	—	—
Debt service:								
Principal retirement	—	624,981	595,467	29,514	—	—	—	—
Interest and fiscal charges	—	597,633	569,410	28,223	—	—	—	—
Total expenditures	46,037,935	48,013,444	46,168,758	1,844,686	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	8,730	(8,730)	—	—	—	—
Operating transfers out	—	298,158	305,108	(6,950)	—	—	—	—
Medical assistance transfer	—	537,187	505,250	31,937	—	—	—	—
Stabilization transfer	—	1,098,140	1,098,139	1	—	—	—	—
Transfer for transitional escrow	—	—	1,151,006	(1,151,006)	—	—	—	—
Other fund deficit support	—	—	23,699	(23,699)	—	—	—	—
Total other financing uses	—	1,933,485	3,091,932	(1,158,447)	—	—	—	—
Total expenditures and other financing uses	46,037,935	49,946,929	49,260,690	686,239	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (1,427,237)	\$ (5,336,231)	336,382	\$ 5,672,613	\$ 39,000	\$ 56,106	1,125,238	\$ 3,194,384
Fund balances/(deficits) at beginning of year			720,792				3,501,181	
Fund balances/(deficits) at end of year			<u>\$ 1,057,174</u>				<u>\$ 4,626,419</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24,716,800	\$ 24,716,800	\$ 30,302,388	\$ 5,585,588
—	—	—	—	—	—	—	—	430,650	430,650	399,848	(30,802)
—	—	—	—	—	—	—	—	13,868,076	13,868,076	13,440,226	(427,850)
—	—	—	—	—	—	—	—	261,482	261,482	245,636	(15,846)
—	—	460,619	460,619	—	—	—	—	3,034,358	3,034,358	3,534,235	499,877
—	—	—	—	—	—	—	—	467,178	467,178	292,625	(174,553)
—	—	460,619	460,619	—	—	—	—	42,778,544	42,778,544	48,214,958	5,436,414
—	—	—	—	—	—	—	—	—	—	453,299	453,299
—	—	—	—	—	—	—	—	—	—	105,986	105,986
—	—	—	—	—	—	—	—	—	—	1,090,040	1,090,040
—	—	—	—	—	—	—	—	1,871,154	1,871,154	203,049	(1,668,105)
—	—	—	—	—	—	—	—	—	17,106	1,115,597	1,098,491
—	—	—	—	—	—	1,460,324	1,460,324	—	—	1,460,324	1,460,324
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,460,324	1,460,324	1,871,154	1,888,260	4,428,295	2,540,035
—	—	460,619	460,619	—	—	1,460,324	1,460,324	44,649,698	44,666,804	52,643,253	7,976,449
—	—	—	—	—	—	—	—	120,148	120,011	72,682	47,329
—	—	—	—	—	—	—	—	1,077,142	1,074,157	1,016,437	57,720
—	—	—	—	—	—	—	—	6,059	6,059	5,747	312
58	58	57	1	—	—	—	—	10,863	10,864	9,385	1,479
16	16	—	16	—	—	—	—	60,905	61,404	58,444	2,960
—	—	—	—	—	—	—	—	2,324,394	281,208	220,935	60,273
—	—	—	—	—	—	—	—	21,243	21,243	19,825	1,418
—	—	—	—	—	—	—	—	57,321	57,414	54,951	2,463
—	—	—	—	—	—	—	—	2,584	2,584	2,489	95
—	—	—	—	—	—	—	—	148,905	148,905	145,969	2,936
—	—	—	—	—	—	—	—	1,840	1,840	1,660	180
—	—	—	—	—	—	—	—	695,002	694,877	686,626	8,251
—	—	—	—	—	—	—	—	7,897	7,897	5,464	2,433
—	—	—	—	—	—	—	—	206	206	206	—
—	—	—	—	—	—	—	—	721	—	—	—
—	—	—	—	—	—	—	—	34,018	34,018	33,821	197
56,906	56,906	10,419	46,487	—	—	—	—	66,551	66,551	19,689	46,862
195,968	195,968	126,660	69,308	—	—	—	—	10,186,385	2,832,745	2,337,693	495,052
3,150	3,150	2,964	186	—	—	—	—	315,535	316,906	289,802	27,104
152,634	152,634	113,861	38,773	—	—	—	—	25,755,295	7,406,305	6,875,935	530,370
147,251	147,251	99,694	47,557	—	—	—	—	195,918	195,918	146,520	49,398
—	—	—	—	—	—	—	—	2,999	2,999	1,723	1,276
1,860	1,860	—	1,860	—	—	—	—	3,021,817	3,151,219	2,833,844	317,375
—	—	—	—	—	—	—	—	33,588	23,588	23,330	258
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	8,349	8,349	6,824	1,525
77,320	77,320	55,658	21,662	—	—	—	—	1,530,399	1,552,568	1,463,381	89,187
—	—	—	—	—	—	—	—	250	250	23	227
7,684	7,684	1,920	5,764	—	—	—	—	899,102	898,489	807,492	90,997
—	—	—	—	—	—	—	—	95,346	79,662	59,672	19,990
—	—	—	—	—	—	—	—	—	6,355,436	6,352,585	2,851
—	—	—	—	—	—	—	—	—	18,280,385	18,122,376	158,009
—	—	—	—	—	—	—	—	—	3,739,620	3,739,584	36
35,605	35,605	33,361	2,244	—	—	—	—	35,605	660,586	628,828	31,758
—	—	—	—	—	—	—	—	—	597,633	569,410	28,223
678,452	678,452	444,594	233,858	—	—	—	—	46,716,387	48,691,896	46,613,352	2,078,544
—	—	—	—	—	—	—	—	—	—	8,730	(8,730)
—	13,580	13,580	—	—	—	—	—	—	311,738	318,688	(6,950)
—	—	—	—	—	—	—	—	—	537,187	505,250	31,937
—	—	—	—	—	—	—	—	—	1,098,140	1,098,139	1
—	—	—	—	—	—	—	—	—	—	1,151,006	(1,151,006)
—	—	—	—	—	—	—	—	—	—	23,699	(23,699)
—	13,580	13,580	—	—	—	—	—	—	1,947,065	3,105,512	(1,158,447)
678,452	692,032	458,174	233,858	—	—	—	—	46,716,387	50,638,961	49,718,864	920,097
\$ (678,452)	\$ (692,032)	2,445	\$ 694,477	\$ —	\$ —	1,460,324	\$ 1,460,324	\$ (2,066,689)	\$ (5,972,157)	2,924,389	\$ 8,896,546
—	—	10,904	—	—	—	—	—	—	—	4,232,877	—
—	—	\$ 13,349	—	—	—	\$ 1,460,324	—	—	—	\$ 7,157,266	—

Combining Balance Sheet
Other Governmental Funds
June 30, 2021
(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
ASSETS							
Cash and cash equivalents	\$ 635	\$ 491,383	\$ 723,905	\$ 18,377	\$ 2	\$ 3,348	\$ —
Restricted cash with fiscal agent	15,553	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:							
Taxes	62,996	—	5,952	81	—	—	—
Due from federal government	—	772,943	13,881	1,229	—	—	—
Loans receivable	—	—	—	—	—	—	—
Other receivables	6,834	—	26,855	163	—	25	—
Due from other funds	—	—	—	—	—	—	—
Total assets	\$ 86,018	\$ 1,264,326	\$ 770,593	\$ 19,850	\$ 2	\$ 3,373	\$ —
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 635	\$ 451,603	\$ 75,267	\$ 554	\$ —	\$ 1,176	\$ —
Accrued payroll	—	9,256	156	379	—	227	—
Tax refunds and abatements payable	19	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—
Due to component units	14,020	—	42,619	—	—	—	—
Unearned revenue	—	682,269	—	—	—	—	—
Other accrued liabilities	—	—	19,134	—	—	—	—
Total liabilities	14,674	1,143,128	137,176	933	—	1,403	—
Deferred inflows of resources	—	—	25,173	—	—	—	—
Total liabilities and deferred inflows of resources	14,674	1,143,128	162,349	933	—	1,403	—
Fund balances:							
Restricted	15,553	121,198	—	—	2	—	—
Committed	55,791	—	608,244	15,221	—	1,970	—
Assigned	—	—	—	3,696	—	—	—
Unassigned (deficits)	—	—	—	—	—	—	—
Fund balances (deficits)	71,344	121,198	608,244	18,917	2	1,970	—
Total liabilities and fund balances	\$ 86,018	\$ 1,264,326	\$ 770,593	\$ 19,850	\$ 2	\$ 3,373	\$ —

See Independent Auditors' Report

Special Revenue

MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Department of Industrial Accidents
\$ 121,029	\$ 65,783	\$ 3,813	\$ 5,366	\$ 236,767	\$ 6,733	\$ 90,511	\$ 69,903	\$ 9,803
—	—	—	—	—	—	—	—	—
53,993	2,453	—	—	—	—	—	4,220	—
—	—	1,418	—	—	7,855	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	91	—	—	18,627
—	—	—	—	—	—	—	—	—
\$ 175,022	\$ 68,236	\$ 5,231	\$ 5,366	\$ 236,767	\$ 14,679	\$ 90,511	\$ 74,123	\$ 28,430
\$ 539	\$ 79,763	\$ 761	\$ 89	\$ 14,592	\$ 9,116	\$ 2,768	\$ 8,775	\$ 121
—	—	17	266	398	145	215	—	—
288	—	—	—	—	—	—	59	—
—	—	—	—	—	—	—	—	—
174,195	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
175,022	79,763	778	355	14,990	9,261	2,983	8,834	121
—	—	—	—	—	—	—	—	—
175,022	79,763	778	355	14,990	9,261	2,983	8,834	121
—	—	—	—	—	—	—	—	—
—	—	4,453	5,011	221,777	5,418	87,528	65,289	28,309
—	—	—	—	—	—	—	—	—
—	(11,527)	—	—	—	—	—	—	—
—	(11,527)	4,453	5,011	221,777	5,418	87,528	65,289	28,309
\$ 175,022	\$ 68,236	\$ 5,231	\$ 5,366	\$ 236,767	\$ 14,679	\$ 90,511	\$ 74,123	\$ 28,430

continued

Combining Balance Sheet
Other Governmental Funds
June 30, 2021
(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
ASSETS						
Cash and cash equivalents.....	\$ 46,067	\$ 2,171	\$ 4,530	\$ 729,706	\$ 483,738	\$ 8,806
Restricted cash with fiscal agent.....	147,434	85,459	—	—	—	244
Receivables, net of allowance for uncollectibles:						
Taxes.....	4,905	—	—	—	7,192	—
Due from federal government.....	—	89,751	—	—	—	3,220
Loans receivable.....	—	—	—	—	12,213	—
Other receivables.....	—	—	—	36,479	1,733	—
Due from other funds.....	—	—	—	—	—	—
Total assets.....	\$ 198,406	\$ 177,381	\$ 4,530	\$ 766,185	\$ 504,876	\$ 12,270
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable.....	\$ —	\$ —	\$ 1,079	\$ 62,225	\$ 15,052	\$ —
Accrued payroll.....	—	—	33	1,006	1,612	—
Tax refunds and abatements payable.....	—	—	—	—	—	—
Due to other funds.....	—	89,751	—	—	—	—
Due to component units.....	—	—	—	—	—	—
Unearned revenue.....	—	—	—	9,389	75,000	—
Other accrued liabilities.....	—	—	—	—	—	—
Total liabilities.....	—	89,751	1,112	72,620	91,664	—
Deferred inflows of resources.....	—	—	—	—	—	—
Total liabilities and deferred inflows of resources.....	—	89,751	1,112	72,620	91,664	—
Fund balances:						
Restricted.....	—	—	—	192,076	—	12,270
Committed.....	198,406	87,630	3,418	352,008	438,678	—
Assigned.....	—	—	—	149,481	9,567	—
Unassigned (deficits).....	—	—	—	—	(35,033)	—
Fund balances (deficits).....	198,406	87,630	3,418	693,565	413,212	12,270
Total liabilities and fund balances.....	\$ 198,406	\$ 177,381	\$ 4,530	\$ 766,185	\$ 504,876	\$ 12,270

See Independent Auditors' Report

Capital Projects

General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ 8,393	—	\$ —	\$ —	\$ 3,130,769
—	—	—	—	—	248,690
—	—	—	—	—	141,792
9,153	—	—	—	—	899,450
—	—	—	—	—	12,213
—	—	—	—	—	90,807
—	—	—	89,751	—	89,751
\$ 9,153	\$ 8,393	\$ —	\$ 89,751	\$ —	\$ 4,613,472
\$ 470,518	\$ —	\$ —	\$ —	\$ 500	\$ 1,195,133
1,909	—	—	—	—	15,619
—	—	—	—	—	—
—	—	—	—	—	366
18,024	—	305,586	5,203	—	418,564
2,016	—	316,951	88,401	—	638,202
—	—	—	—	—	766,658
—	—	—	—	—	19,134
492,467	—	622,537	93,604	500	3,053,676
—	—	—	—	—	25,173
492,467	—	622,537	93,604	500	3,078,849
—	8,393	—	—	—	349,492
—	—	—	—	—	2,179,151
—	—	—	—	—	162,744
(483,314)	—	(622,537)	(3,853)	(500)	(1,156,764)
(483,314)	8,393	(622,537)	(3,853)	(500)	1,534,623
\$ 9,153	\$ 8,393	\$ —	\$ 89,751	\$ —	\$ 4,613,472

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

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

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
REVENUES							
Taxes	\$ 1,360,151	\$ —	\$ 124,790	\$ 862	\$ —	\$ —	\$ 224,007
Assessments	23,340	—	664,126	—	—	—	—
Federal grants and reimbursements	—	6,515,330	426,994	7,105	—	—	—
Departmental	661,785	—	248,215	40,471	—	32,177	5
Miscellaneous	33	143	205	59	—	—	—
Total revenues	2,045,309	6,515,473	1,464,330	48,496	—	32,177	224,012
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—	—
Issuance of advance refunding bonds	—	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—	—
Transfers in	52,618	12,645	729,647	236	—	—	—
Total other financing sources	52,618	12,645	729,647	236	—	—	—
Total revenues and other financing sources	2,097,927	6,528,118	2,193,977	48,732	—	32,177	224,012
EXPENDITURES							
Current:							
Judiciary	—	3,344	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	1,014	—	—	—	—	—
Treasurer and Receiver-General	977	5,499	—	—	—	52	—
Auditor of the Commonwealth	—	—	—	—	—	—	—
Attorney General	—	50,930	—	—	—	1,443	—
District Attorney	—	4,385	—	—	—	—	—
Sheriff's Departments	—	4,752	—	—	—	—	—
Disabled Person Protection Commission	—	1,203	—	—	—	—	—
Commission on Status of Women	—	—	—	—	—	—	—
Board of Library Commissioners	—	3,274	—	—	—	—	—
Massachusetts Gaming Commission	—	—	4,195	—	—	24,239	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	125,000	252,516	4,381	12,463	—	—	—
Energy and Environmental Affairs	—	43,489	—	15,591	—	—	—
Health and Human Services	—	3,546,361	18,914	—	—	—	—
Executive Office of Technology Services	—	2,048	—	—	—	—	—
Massachusetts Department of Transportation	622,631	170	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—
Executive Office of Education	—	1,229,719	—	—	—	—	—
Public Safety and Homeland Security	—	172,571	—	—	—	10	—
Housing and Economic Development	—	849,036	—	—	—	—	—
Labor and Workforce development	—	214,366	—	—	—	—	—
Medicaid	—	—	1,915,934	—	—	—	—
Post employment benefits	12,271	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—	—
Total expenditures	760,879	6,384,676	1,943,424	28,054	—	25,744	—
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	—	—	—	—	—
Transfers out	249,705	132,707	24,083	28,806	—	5,522	224,012
Transfers of appropriations	—	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—	—
Transfers out for debt service	1,091,208	—	—	—	—	—	—
Total other financing uses	1,340,913	132,707	24,083	28,806	—	5,522	224,012
Total expenditures and other financing uses	2,101,792	6,517,383	1,967,507	56,860	—	31,266	224,012
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,865)	10,735	226,470	(8,128)	—	911	—
Fund balances/(deficits) at beginning of year, as restated	75,209	110,463	381,774	27,045	2	1,059	—
Fund balances/(deficits) at end of year	\$ 71,344	\$ 121,198	\$ 608,244	\$ 18,917	\$ 2	\$ 1,970	\$ —

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
REVENUES						
Taxes.....	\$ 49,008	\$ —	\$ 10,000	\$ —	\$ 138,521	\$ —
Assessments.....	—	—	—	39,554	29,877	—
Federal grants and reimbursements.....	—	715,141	—	1,602	432	53,782
Departmental.....	—	—	—	37,091	110,092	—
Miscellaneous.....	80	424	—	486,149	5,754	—
Total revenues.....	49,088	715,565	10,000	564,396	284,676	53,782
OTHER FINANCING SOURCES						
Bonds premium.....	—	—	—	—	—	202,160
Issuance of general and special obligation bonds.....	—	—	—	—	—	—
Issuance of current refunding bonds.....	—	—	—	—	—	865,115
Issuance of advance refunding bonds.....	—	—	—	—	—	900,775
Transfers in for debt service.....	—	—	—	—	—	2,458,994
Transfers in.....	—	26,271	1,746	127,978	303,835	—
Total other financing sources.....	—	26,271	1,746	127,978	303,835	4,427,044
Total revenues and other financing sources.....	49,088	741,836	11,746	692,374	588,511	4,480,826
EXPENDITURES						
Current:						
Judiciary.....	—	—	—	266	1,912	—
Inspector General.....	—	—	—	7	—	—
Governor and Lieutenant Governor.....	—	—	78	—	—	—
Secretary of the Commonwealth.....	—	—	—	—	18,223	—
Treasurer and Receiver-General.....	—	—	—	171,165	3,714	5,047
Auditor of the Commonwealth.....	—	—	—	—	—	—
Attorney General.....	—	—	—	3,902	1,452	—
District Attorney.....	—	—	—	3,351	84	—
Sheriff's Departments.....	—	—	—	663	525	—
Disabled Person Protection Commission.....	—	—	—	—	—	—
Commission on Status of Women.....	—	—	—	3	—	—
Board of Library Commissioners.....	—	—	—	—	—	—
Massachusetts Gaming Commission.....	—	—	—	—	17,157	—
Comptroller.....	—	—	—	442	1,509	—
Administration and Finance.....	42,344	—	—	21,179	26,989	—
Energy and Environmental Affairs.....	—	—	—	55,851	26,822	—
Health and Human Services.....	—	—	—	129,499	64,556	—
Executive Office of Technology Services.....	—	—	—	563	1,527	—
Massachusetts Department of Transportation.....	—	—	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	11,334	—
Executive Office of Education.....	—	—	—	22,948	4,951	—
Public Safety and Homeland Security.....	—	—	—	3,240	10,840	—
Housing and Economic Development.....	—	—	11,428	18,078	16,876	—
Labor and Workforce development.....	—	—	—	55,596	8,965	—
Medicaid.....	—	—	—	—	—	—
Post employment benefits.....	—	—	—	—	—	—
Direct local aid.....	—	—	—	—	129,737	—
Capital outlay:						
Capital acquisition and construction.....	—	—	—	—	—	—
Debt service.....	—	—	—	—	—	2,507,945
Principal on current refundings.....	—	—	—	—	—	1,064,644
Total expenditures.....	42,344	—	11,506	486,753	347,173	3,577,636
OTHER FINANCING USES						
Payments to refunding bond escrow agent.....	—	—	—	—	—	898,359
Transfers out.....	71,000	632,766	591	167,436	121,594	—
Transfers of appropriations.....	—	—	—	—	4,718	—
Transfers of bond proceeds.....	—	—	—	—	—	—
Transfers out for debt service.....	52,283	112,368	—	—	4,898	—
Total other financing uses.....	123,283	745,134	591	167,436	131,210	898,359
Total expenditures and other financing uses.....	165,627	745,134	12,097	654,189	478,383	4,475,995
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(116,539)	(3,298)	(351)	38,185	110,128	4,831
Fund balances/(deficits) at beginning of year, as restated.....	314,945	90,928	3,769	655,380	303,084	7,439
Fund balances/(deficits) at end of year.....	\$ 198,406	\$ 87,630	\$ 3,418	\$ 693,565	\$ 413,212	\$ 12,270

See Independent Auditors' Report

	Capital Projects					Total
	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
REVENUES						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,238,876
Assessments	—	—	—	—	—	952,917
Federal grants and reimbursements	77,259	—	—	—	—	7,866,356
Departmental	—	—	—	729	—	1,374,927
Miscellaneous	—	—	39	—	—	493,035
Total revenues	77,259	—	39	729	—	13,926,110
OTHER FINANCING SOURCES						
Bonds premium	163,066	—	327,369	—	—	692,595
Issuance of general and special obligation bonds	995,674	—	1,386,374	—	—	2,382,048
Issuance of current refunding bonds	—	—	—	—	—	865,115
Issuance of advance refunding bonds	—	—	—	—	—	900,775
Transfers in for debt service	—	—	—	—	—	2,458,994
Transfers in	—	—	—	774,450	—	2,043,604
Total other financing sources	1,158,740	—	1,713,743	774,450	—	9,343,131
Total revenues and other financing sources	1,235,999	—	1,713,782	775,179	—	23,269,241
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	—	5,522
Inspector General	—	—	—	—	—	7
Governor and Lieutenant Governor	—	—	—	—	—	78
Secretary of the Commonwealth	—	—	—	—	—	19,237
Treasurer and Receiver-General	4,011	—	5,256	—	—	1,600,693
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	57,727
District Attorney	—	—	—	—	—	7,820
Sheriff's Departments	—	—	—	—	—	11,957
Disabled Person Protection Commission	—	—	—	—	—	1,203
Commission on Status of Women	—	—	—	—	—	3
Board of Library Commissioners	—	—	—	—	—	3,274
Massachusetts Gaming Commission	—	—	—	—	—	45,591
Comptroller	—	—	—	—	—	1,951
Administration and Finance	—	—	—	—	—	564,656
Energy and Environmental Affairs	—	—	—	—	—	170,307
Health and Human Services	—	—	—	—	—	3,759,376
Executive Office of Technology Services	—	—	—	—	—	8,015
Massachusetts Department of Transportation	52,815	—	1,473,775	756,464	—	2,905,855
Cannabis Control Commission	—	—	—	—	—	11,334
Executive Office of Education	—	—	—	—	—	1,257,618
Public Safety and Homeland Security	—	—	—	—	—	305,612
Housing and Economic Development	—	—	—	—	—	903,588
Labor and Workforce development	—	—	—	—	—	291,068
Medicaid	—	—	—	—	—	1,993,441
Post employment benefits	—	—	—	—	—	12,271
Direct local aid	—	—	—	—	—	129,737
Capital outlay:						
Capital acquisition and construction	1,302,784	—	4,081	331	500	1,307,695
Debt service	—	—	—	—	—	2,507,945
Principal on current refundings	—	—	—	—	—	1,064,644
Total expenditures	1,359,610	—	1,483,112	756,794	500	18,948,224
OTHER FINANCING USES						
Payments to refunding bond escrow agent	—	—	—	—	—	898,359
Transfers out	17,539	—	141,684	13,058	—	1,863,195
Transfers of appropriations	—	—	—	—	—	4,718
Transfers of bond proceeds	167,923	—	—	—	—	167,923
Transfers out for debt service	—	—	—	—	—	1,260,757
Total other financing uses	185,462	—	141,684	13,058	—	4,194,952
Total expenditures and other financing uses	1,545,072	—	1,624,796	769,852	500	23,143,176
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(309,073)	—	88,986	5,327	(500)	126,065
Fund balances (deficits) at beginning of year	(174,241)	8,393	(711,523)	(9,180)	—	1,408,558
Fund balances (deficits) at end of year	\$ (483,314)	\$ 8,393	\$ (622,537)	\$ (3,853)	\$ (500)	\$ 1,534,623

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2021
 (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.....	\$ 1,136,100	\$1,136,100	\$1,356,340	\$ 220,240	\$ 800	\$ 800	\$ 849	\$ 49
Assessments.....	23,803	23,803	23,177	(626)	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	7,800	7,800	6,776	(1,024)
Departmental.....	656,476	656,476	655,187	(1,289)	7,082	7,082	8,702	1,620
Miscellaneous.....	—	—	33	33	70	70	58	(12)
Total revenues.....	<u>1,816,379</u>	<u>1,816,379</u>	<u>2,034,737</u>	<u>218,358</u>	<u>15,752</u>	<u>15,752</u>	<u>16,385</u>	<u>633</u>
Other financing sources:								
Operating transfers in.....	28,436	28,436	52,618	24,182	195	195	236	41
Other fund deficit support.....	—	—	—	—	—	—	—	—
Total other financing sources.....	<u>28,436</u>	<u>28,436</u>	<u>52,618</u>	<u>24,182</u>	<u>195</u>	<u>195</u>	<u>236</u>	<u>41</u>
Total revenues and other financing sources.....	<u>1,844,815</u>	<u>1,844,815</u>	<u>2,087,355</u>	<u>242,540</u>	<u>15,947</u>	<u>15,947</u>	<u>16,621</u>	<u>674</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary.....	—	—	—	—	—	—	—	—
Treasurer and Receiver-General.....	359,225	—	977	(977)	—	—	—	—
Attorney General.....	—	—	—	—	21	21	—	21
Sheriffs' Department.....	—	—	—	—	—	—	—	—
Administration and Finance.....	125,000	—	—	—	—	—	—	—
Energy and Environmental Affairs.....	—	—	—	—	18,130	18,130	14,195	3,935
Health and Human services.....	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	—	127,000	127,000	—	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—	—
Public Safety and Homeland Security.....	—	—	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—	—
Direct local aid.....	—	—	—	—	—	—	—	—
Post employment benefits.....	—	12,271	12,271	—	—	—	—	—
Debt service:								
Principal retirement.....	—	587,215	547,451	39,764	—	—	—	—
Interest and fiscal charges.....	—	566,310	543,757	22,553	—	—	—	—
Total expenditures.....	<u>484,225</u>	<u>1,292,796</u>	<u>1,231,456</u>	<u>61,340</u>	<u>18,151</u>	<u>18,151</u>	<u>14,195</u>	<u>3,956</u>
Other financing uses:								
Fringe benefit cost assessment.....	—	—	—	—	—	—	3,443	(3,443)
Operating transfers out.....	613,007	641,672	641,672	—	—	—	—	—
Transfer for transitional escrow.....	—	—	214,622	(214,622)	—	—	—	—
Other fund deficit support.....	—	—	4,419	(4,419)	—	—	—	—
Total other financing uses.....	<u>613,007</u>	<u>641,672</u>	<u>860,713</u>	<u>(219,041)</u>	<u>—</u>	<u>—</u>	<u>3,443</u>	<u>(3,443)</u>
Total expenditures and other financing uses.....	<u>1,097,232</u>	<u>1,934,468</u>	<u>2,092,169</u>	<u>(157,701)</u>	<u>18,151</u>	<u>18,151</u>	<u>17,638</u>	<u>513</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ 747,583</u>	<u>\$ (89,653)</u>	<u>(4,814)</u>	<u>\$ 84,839</u>	<u>\$ (2,204)</u>	<u>\$ (2,204)</u>	<u>(1,017)</u>	<u>\$ 1,187</u>
Fund balances at beginning of year.....			20,366				11,027	
Fund balances at end of year.....			<u>\$ 15,552</u>				<u>\$ 10,010</u>	

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2021
 (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	7,698	7,698	7,856	158	79,427	79,427	84,351	4,924
Other fund deficit support	—	—	—	—	—	—	30,068	30,068
Total other financing sources	7,698	7,698	7,856	158	79,427	79,427	114,419	34,992
Total revenues and other financing sources	7,698	7,698	7,856	158	79,427	79,427	114,419	34,992
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	5,199	7,696	7,696	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	114,442	114,419	23
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	5,199	7,696	7,696	—	—	114,442	114,419	23
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	352	(352)	—	—	—	—
Other fund deficit support	—	—	7	(7)	—	—	—	—
Total other financing uses	—	—	359	(359)	—	—	—	—
Total expenditures and other financing uses	5,199	7,696	8,055	(359)	—	114,442	114,419	23
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses								
	\$ 2,499	\$ 2	(199)	\$ (201)	\$ 79,427	\$ (35,015)	—	\$ 35,015
Fund balances at beginning of year			2,699				—	
Fund balances at end of year			\$ 2,500				\$ —	

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2021
 (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	\$ 54,500	\$ 54,500	\$ 112,370	\$ 57,870	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	13,717	13,717	25,066	11,349	—	—	—	—
Miscellaneous	355	355	7	(348)	—	—	—	—
Total revenues	<u>68,572</u>	<u>68,572</u>	<u>137,443</u>	<u>68,871</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources:								
Operating transfers in	—	—	—	—	—	—	10,000	10,000
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,000</u>	<u>10,000</u>
Total revenues and other financing sources	<u>68,572</u>	<u>68,572</u>	<u>137,443</u>	<u>68,871</u>	<u>—</u>	<u>—</u>	<u>10,000</u>	<u>10,000</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	2,984	1,912	1,072	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	117	117	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	2,492	2,492	564	1,928	—	—	—	—
Health and Human services	—	41,309	36,823	4,486	5,795	5,795	609	5,186
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	15,497	15,497	11,334	4,163	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	2,077	2,053	24	—	—	—	—
Housing and Economic Development	—	6,778	28	6,750	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:	—	—	—	—	—	—	—	—
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	<u>17,989</u>	<u>71,254</u>	<u>52,831</u>	<u>18,423</u>	<u>5,795</u>	<u>5,795</u>	<u>609</u>	<u>5,186</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	2,429	(2,429)	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Transfer for transitional escrow	—	—	80,133	(80,133)	—	—	—	—
Other fund deficit support	—	—	1,650	(1,650)	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>84,212</u>	<u>(84,212)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>17,989</u>	<u>71,254</u>	<u>137,043</u>	<u>(65,789)</u>	<u>5,795</u>	<u>5,795</u>	<u>609</u>	<u>5,186</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 50,583</u>	<u>\$ (2,682)</u>	<u>400</u>	<u>\$ 3,082</u>	<u>\$ (5,795)</u>	<u>\$ (5,795)</u>	<u>9,391</u>	<u>\$ 15,186</u>
Fund balances at beginning of year			<u>1,700</u>				<u>2,500</u>	
Fund balances at end of year			<u>\$ 2,100</u>				<u>\$ 11,891</u>	

See Independent Auditors' Report

Total			
Original Budget	Final Budget	Actual	Variance
\$1,191,400	\$1,191,400	\$1,469,559	\$ 278,159
23,803	23,803	23,177	(626)
7,800	7,800	6,776	(1,024)
710,090	710,090	721,526	11,436
425	425	98	(327)
<u>1,933,518</u>	<u>1,933,518</u>	<u>2,221,136</u>	<u>287,618</u>
155,955	155,955	196,087	40,132
—	—	30,068	30,068
<u>155,955</u>	<u>155,955</u>	<u>226,155</u>	<u>70,200</u>
<u>2,089,473</u>	<u>2,089,473</u>	<u>2,447,291</u>	<u>357,818</u>
—	2,984	1,912	1,072
359,225	—	977	(977)
21	22	—	22
—	125	124	1
148,067	23,067	12,463	10,604
22,469	22,469	16,154	6,315
5,795	47,104	37,432	9,672
—	127,000	127,000	—
15,497	15,497	11,334	4,163
—	4,484	4,484	—
—	2,712	2,662	50
7,099	16,374	9,622	6,752
—	10,907	4,975	5,932
—	129,765	129,738	27
—	12,271	12,271	—
—	587,215	547,451	39,764
—	566,310	543,757	22,553
<u>558,173</u>	<u>1,568,306</u>	<u>1,462,356</u>	<u>105,950</u>
—	—	8,299	(8,299)
623,007	676,351	673,351	3,000
—	—	309,319	(309,319)
—	—	6,369	(6,369)
<u>623,007</u>	<u>676,351</u>	<u>997,338</u>	<u>(320,987)</u>
<u>1,181,180</u>	<u>2,244,657</u>	<u>2,459,694</u>	<u>(215,037)</u>
<u>\$ 908,293</u>	<u>\$ (155,184)</u>	<u>(12,403)</u>	<u>\$ 142,781</u>
		<u>62,327</u>	
		<u>\$ 49,924</u>	

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2021
(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 181-185).....	\$ 2,034,737	\$ 16,385	\$ 1,868	\$ 30,000
Adjustments:				
Taxes receivable, net	3,744	13	—	—
Tax refunds and abatements payable, net.....	55	—	—	—
Federal grants receivables, net.....	—	329	—	—
Departmental and other receivables, net.....	6,773	(100)	—	—
Miscellaneous adjustments.....	—	1	—	—
Nonbudgeted fund included on a GAAP basis.....	—	—	—	—
Total actual revenues - GAAP basis (pages 177-180).....	<u>\$ 2,045,309</u>	<u>\$ 16,628</u>	<u>\$ 1,868</u>	<u>\$ 30,000</u>
Total actual other financing sources - budgetary basis (pages 181-185)....	\$ 52,618	\$ 236	\$ —	\$ —
Adjustments:				
Miscellaneous adjustments.....	—	—	—	—
MassDOT transfers in is reclassified to revenues.....	—	—	—	—
Total actual other financing sources - GAAP basis (pages 177-180).....	<u>\$ 52,618</u>	<u>\$ 236</u>	<u>\$ —</u>	<u>\$ —</u>
Total actual expenditures- budgetary basis (pages 181-185).....	\$ 1,231,456	\$ 14,195	\$ 1,395	\$ 12,463
Adjustment:				
Due to component units accrual, net.....	9,624	—	—	—
Miscellaneous adjustments.....	—	—	—	—
Reclassification:				
Compensated absences.....	—	—	—	—
MassDOT transfers out is reclassified to expenditures.....	611,007	—	—	—
Higher education expenditures are reclassified to transfers out.....	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund.....	(1,091,208)	—	—	—
Nonbudgeted fund included on a GAAP basis.....	—	—	—	—
Reversal of prior year expenditures on a GAAP basis.....	—	—	—	—
Total actual expenditures - GAAP basis (pages 177-180).....	<u>\$ 760,879</u>	<u>\$ 14,195</u>	<u>\$ 1,395</u>	<u>\$ 12,463</u>
Total actual other financing uses - budgetary basis (pages 181-185).....	\$ 860,713	\$ 3,443	\$ 222	\$ 25,141
Adjustment:				
Miscellaneous adjustments.....	(1)	—	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures.....	(611,007)	—	—	—
Higher education expenditures are reclassified to transfers out.....	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund.....	1,091,208	—	—	—
Nonbudgeted fund included on a GAAP basis.....	—	—	—	—
Total actual other financing uses - GAAP basis (pages 177-180).....	<u>\$ 1,340,913</u>	<u>\$ 3,443</u>	<u>\$ 222</u>	<u>\$ 25,141</u>

* On a GAAP basis, the activities for the Public Safety Trust fund, the Gaming Local Aid fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Community College Fund and the Marijuana Regulation Fund are combined in the other special revenue funds in the combined statement of revenues, expenditures and changes in fund balance. The revenues, other financing sources, expenditures and other financing uses of the other special revenue funds are \$284,676, \$303,835, \$347,173 and \$131,210, 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*	Community College Fund*	Marijuana Regulation Fund*	Behavioral Health Outreach, Access and Support Trust Fund*	Totals
\$ 703	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 137,443	\$ —	\$ 2,221,136
—	—	—	—	—	—	547	—	4,304
—	—	—	—	—	—	1	—	56
—	—	—	—	—	—	—	—	329
—	—	—	—	—	—	—	—	6,673
—	—	—	—	—	—	—	—	1
—	—	—	—	—	—	—	—	—
<u>\$ 703</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 137,991</u>	<u>\$ —</u>	<u>\$ 2,232,499</u>
\$ —	\$ 7,856	\$ 114,419	\$ 24,441	\$ 16,585	\$ —	\$ —	\$ 10,000	\$ 226,155
—	—	(1)	—	—	—	—	—	(1)
—	—	—	—	—	—	—	—	—
<u>\$ —</u>	<u>\$ 7,856</u>	<u>\$ 114,418</u>	<u>\$ 24,441</u>	<u>\$ 16,585</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 10,000</u>	<u>\$ 226,154</u>
\$ 616	\$ 7,696	\$ 114,419	\$ 19,803	\$ 6,873	\$ —	\$ 52,831	\$ 609	\$ 1,462,356
—	—	—	—	—	—	—	—	9,624
—	—	(1)	—	—	—	—	—	(1)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	611,007
—	—	—	(4,484)	—	—	—	—	(4,484)
—	—	—	—	—	—	—	—	(1,091,208)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 616</u>	<u>\$ 7,696</u>	<u>\$ 114,418</u>	<u>\$ 15,319</u>	<u>\$ 6,873</u>	<u>\$ —</u>	<u>\$ 52,831</u>	<u>\$ 609</u>	<u>\$ 987,294</u>
\$ 114	\$ 359	\$ —	\$ 4,638	\$ 18,496	\$ —	\$ 84,212	\$ —	\$ 997,338
—	—	—	—	—	—	(1)	—	(2)
—	—	—	—	—	—	—	—	(611,007)
—	—	—	4,484	—	—	—	—	4,484
—	—	—	—	—	—	—	—	1,091,208
—	—	—	—	—	—	—	—	—
<u>\$ 114</u>	<u>\$ 359</u>	<u>\$ —</u>	<u>\$ 9,122</u>	<u>\$ 18,496</u>	<u>\$ —</u>	<u>\$ 84,211</u>	<u>\$ —</u>	<u>\$ 1,482,021</u>

Combining Statement of Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds

Pension and OPEB Trust Funds

June 30, 2021

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ASSETS				
Cash and cash equivalents	\$ 112,148	\$ 91,446	\$ 85,991	\$ 289,585
Net investment in PRIT at fair value	35,837,539	36,923,236	1,824,962	74,585,737
Other receivables	107,924	79,139	—	187,063
Other assets	17	344	—	361
Total assets	36,057,628	37,094,165	1,910,953	75,062,746
LIABILITIES				
Accounts payable	18,157	6,041	13	24,211
Net position available for pension and post-employment benefits	\$ 36,039,471	\$ 37,088,124	\$ 1,910,940	\$ 75,038,535

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, 2021

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	Total
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth and MassDOT	\$ 1,105,838	\$ —	\$ 569,989	\$ 1,675,827
Non-employer contributions - Commonwealth	41,963	1,748,483	—	1,790,446
Employer and non-employer contributions - other	13,352	—	—	13,352
ERIP funding contribution - Commonwealth	28,449	—	—	28,449
Employee contributions	652,911	833,236	—	1,486,147
Boston teachers' contribution from Commonwealth	—	162,976	—	162,976
Other additions	90,879	91,927	200	183,006
Total contributions	1,933,392	2,836,622	570,189	5,340,203
Net investment gain/(loss):				
Investment gain/(loss)	8,390,011	8,617,429	419,685	17,427,125
Less: investment expense	(157,593)	(161,922)	(8,247)	(327,762)
Net Investment gain/(loss)	8,232,418	8,455,507	411,438	17,099,363
Total additions	10,165,810	11,292,129	981,627	22,439,566
DEDUCTIONS				
Administration	21,685	21,782	247	43,714
Retirement benefits and refunds	2,657,397	3,279,491	484,752	6,421,640
Payments to State Boston Retirement System	—	162,976	—	162,976
Other deductions	14,557	57,753	—	72,310
Total deductions	2,693,639	3,522,002	484,999	6,700,640
Change in net position	7,472,171	7,770,127	496,628	15,738,926
Net position available for pension and post-employment benefits at beginning of year	28,567,300	29,317,997	1,414,312	59,299,609
Net position available for pension and post-employment benefits at end of year	\$ 36,039,471	\$ 37,088,124	\$ 1,910,940	\$ 75,038,535

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position Held in Trust for Pool Participants
External Investment Trust Funds

June 30, 2021

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 5,713,259	\$ —	\$ 5,713,259
Short-term investments	33,680	—	33,680
Net investment in PRIT at fair value	—	21,107,131	21,107,131
Receivables, net of allowance for uncollectibles:			
Other receivables	2,105	—	2,105
Total assets	5,749,044	21,107,131	26,856,175
LIABILITIES			
Accounts payable	421	—	421
Net position held in trust for pool/pension participants	\$ 5,748,623	\$ 21,107,131	\$ 26,855,754

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, 2021

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions	\$ —	\$ 1,290,068	\$ 1,290,068
Proceeds from sale of units	20,436,971	—	20,436,971
Total contributions	20,436,971	1,290,068	21,727,039
Net investment gain/(loss):			
Investment gain/(loss)	9,074	5,198,509	5,207,583
Less: investment expense	(1,667)	(335,627)	(337,294)
Net Investment gain/(loss)	7,407	4,862,882	4,870,289
Total additions	20,444,378	6,152,950	26,597,328
DEDUCTIONS			
Cost of units redeemed	20,996,377	—	20,996,377
Distributions to unit holders from net interest income	7,834	—	7,834
Retirement benefits and refunds	23	1,112,575	1,112,598
Total deductions	21,004,234	1,112,575	22,116,809
Change in net position	(559,856)	5,040,375	4,480,519
Net position held in trust for pool/participants at beginning of year	6,308,479	16,066,756	22,375,235
Net position held in trust for pool/participants at end of year	\$ 5,748,623	\$ 21,107,131	\$ 26,855,754

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position

Custodial Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	Total Custodial Funds
ASSETS						
Cash and cash equivalents	\$ 209,855	\$ 163,773	\$ 41,284	\$ 102,725	\$ 20	\$ 517,657
Investments, restricted investments and annuity contracts	—	—	—	527,160	—	527,160
Receivables, net of allowance for uncollectibles:						
Taxes	28,742	—	—	—	—	28,742
Other receivables	—	—	174,984	—	—	174,984
Due from federal government	—	—	2,203	—	—	2,203
TOTAL ASSETS	<u>238,597</u>	<u>163,773</u>	<u>218,471</u>	<u>629,885</u>	<u>20</u>	<u>1,250,746</u>
LIABILITIES						
Accounts payable	3,742	632	3,135	—	—	7,509
Due to cities and towns	56,768	—	—	—	—	56,768
Other liabilities	6,559	—	—	—	—	6,559
TOTAL LIABILITIES	<u>67,069</u>	<u>632</u>	<u>3,135</u>	<u>—</u>	<u>—</u>	<u>70,836</u>
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	<u>\$ 171,528</u>	<u>\$ 163,141</u>	<u>\$ 215,336</u>	<u>\$ 629,885</u>	<u>\$ 20</u>	<u>\$ 1,179,910</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

Fiscal Year Ended June 30, 2021

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	Total Custodial Funds
ADDITIONS						
Sales tax collections for other governments	296,188	—	—	—	—	296,188
Child support collections	—	—	678,362	—	—	678,362
Other additions	1,013,309	202,512	505	694,400	—	1,910,726
Investment income:						
Interest, dividends and other investment income	—	667	24	23,846	—	24,537
Less: investment expense	—	—	—	(29,626)	—	(29,626)
Net investment income	—	667	24	(5,780)	—	(5,089)
TOTAL ADDITIONS	1,309,497	203,179	678,891	688,620	—	2,880,187
DEDUCTIONS						
Sales tax payments to other governments	296,188	—	—	—	—	296,188
Child support payments to individuals	—	—	691,905	—	—	691,905
Other deductions	1,028,925	182,240	—	703,307	—	1,914,472
TOTAL DEDUCTIONS	1,325,113	182,240	691,905	703,307	—	2,902,565
Change in fiduciary net position	(15,616)	20,939	(13,014)	(14,687)	—	(22,378)
Net position - beginning, as restated	187,144	142,202	228,350	644,572	20	1,202,288
Net position - ending	\$ 171,528	\$ 163,141	\$ 215,336	\$ 629,885	\$ 20	\$ 1,179,910

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2021
(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	\$ 26,300	\$ 23,055	\$ 24,507	\$ 3,315	\$ 79,790	\$ 110,613	\$ 39,498	\$ 307,078
Short-term investments	—	107,436	140,992	—	25,343	11,922	53,120	338,813
Restricted cash and investments	587	92,000	15,597	20,969	—	109,406	2,511	241,070
Assets held in trust	48,435	—	—	—	—	—	—	48,435
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursements	—	—	—	361	—	16,606	—	16,967
Loans	279	12,441	3,979	—	43,594	29,995	—	90,288
Other receivables	3,453	8,603	4,122	974	7,489	7,026	14,035	45,702
Due from primary government	4,208	9,947	—	7,162	—	13,753	7	35,077
Inventory	—	—	—	—	—	88	—	88
Other current assets	2,354	13,242	336	529	—	914	3,715	21,090
Total current assets	85,616	266,724	189,533	33,310	156,216	300,323	112,886	1,144,608
Noncurrent assets:								
Cash and cash equivalents - restricted	—	24,204	—	7,438	—	—	—	31,642
Long - term investments	—	58,378	—	—	—	—	1,077,308	1,135,686
Restricted investments	—	—	—	—	—	—	84,338	84,338
Accounts receivables, net	—	894	—	—	—	2,893	17,190	20,977
Loans receivables, net	16,003	75,981	—	—	495,789	36,442	—	624,215
Non-depreciable capital assets	220,382	9,345	5,054	—	—	—	22,300	257,081
Depreciable capital assets, net	397,425	74,584	135,157	48,249	1,575	23,833	43,947	724,770
Other noncurrent assets	—	5,737	—	111	1,912	3,464	2,072	13,296
Total noncurrent assets	633,810	249,123	140,211	55,798	499,276	66,632	1,247,155	2,892,005
Total assets	719,426	515,847	329,744	89,108	655,492	366,955	1,360,041	4,036,613
Deferred outflows of resources:								
Deferred change in fair value of interest rate swaps	—	—	—	—	15,650	—	—	15,650
Deferred outflows related to pension	8,848	—	—	—	—	—	—	8,848
Deferred outflows related to OPEB	2,532	—	—	—	—	—	—	2,532
Total deferred outflows of resources	11,380	—	—	—	15,650	—	—	27,030
Total assets and deferred outflows	730,806	515,847	329,744	89,108	671,142	366,955	1,360,041	4,063,643
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	10,547	13,439	6,243	8,164	1,368	92,309	33,875	165,945
Accrued payroll	—	—	—	65	1,728	786	—	2,579
Compensated absences	1,051	1,537	278	220	—	751	—	3,837
Accrued interest payable	—	194	—	—	2,130	—	—	2,324
Due to primary government	—	597	—	—	—	—	352	949
Unearned revenue	10,434	26,167	—	1,978	—	39,407	2,869	80,855
Bonds, notes payable and other obligations	—	410	—	—	36,902	20,228	3,199	60,739
Total current liabilities	22,032	42,344	6,521	10,427	42,128	153,481	40,295	317,228
Noncurrent liabilities:								
Compensated absences	1,269	—	—	339	—	392	—	2,000
Due to primary government	—	6,198	—	—	—	—	—	6,198
Unearned revenue	—	—	—	—	—	85	—	85
Bonds, notes payable and other obligations	—	4,444	—	—	482,732	66,433	14,057	567,666
Net pension liability	50,044	—	—	—	—	—	—	50,044
Net OPEB liability	448	—	—	—	—	—	—	448
Liability for derivative instruments	—	—	—	—	1,060	—	—	1,060
Other noncurrent liabilities	—	26,588	—	339	74,471	—	3,837	105,235
Total noncurrent liabilities	51,761	37,230	—	678	558,263	66,910	17,894	732,736
Total liabilities	73,793	79,574	6,521	11,105	600,391	220,391	58,189	1,049,964
Deferred inflows of resources:								
Deferred service concession arrangements	—	—	—	—	—	296	—	296
Deferred inflows related to pension	2,109	—	—	—	—	—	—	2,109
Deferred inflows related to OPEB	3,206	—	—	—	—	—	—	3,206
Total deferred inflows of resources	5,315	—	—	—	—	296	—	5,611
Total liabilities and deferred inflows	79,108	79,574	6,521	11,105	600,391	220,687	58,189	1,055,575
NET POSITION								
Net investment in capital assets	617,807	74,959	140,212	48,249	1,575	27,228	48,927	958,957
Restricted for:								
Other purposes	49,002	177,264	15,678	24,599	15,065	62,059	1,131,894	1,475,561
Unrestricted	(15,111)	184,050	167,333	5,155	54,111	56,981	121,031	573,550
Total net position	\$ 651,698	\$ 436,273	\$ 323,223	\$ 78,003	\$ 70,751	\$ 146,268	\$ 1,301,852	\$3,008,068

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Discretely Presented Component Units

Fiscal Year Ended June 30, 2021

(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	\$ 15,442	\$ 53,361	\$ 4,470	\$ 5,530	\$ 10,892	\$ 144,405	\$ 16,057	\$ 250,157
Other	3,289	7,767	21,582	22,358	—	2,168	37,537	94,701
Total operating revenues	18,731	61,128	26,052	27,888	10,892	146,573	53,594	344,858
Operating expenses:								
Cost of services	24,019	42,450	29,661	25,982	776	133,349	—	256,237
Administration costs	28,708	26,639	10,022	215	9,842	19,628	51,279	146,333
Depreciation	40,658	7,431	4,329	5,183	282	2,211	2,629	62,723
Total operating expenses	93,385	76,520	44,012	31,380	10,900	155,188	53,908	465,293
Operating income/(loss)	(74,654)	(15,392)	(17,960)	(3,492)	(8)	(8,615)	(314)	(120,435)
Nonoperating revenues/(expenses):								
Operating grants	23,371	346	2,668	—	782	734,973	—	762,140
Interest income/(loss)	13,591	6,708	—	59	634	255	258,950	280,197
Other nonoperating revenue/(expense)	5,673	(524)	29,269	—	1,406	(723,608)	37,174	(650,610)
Nonoperating revenues/(expenses), net ..	42,635	6,530	31,937	59	2,822	11,620	296,124	391,727
Income/(loss) before contributions	(32,019)	(8,862)	13,977	(3,433)	2,814	3,005	295,810	271,292
Capital contributions	26,681	13,374	—	—	—	1,170	—	41,225
Change in net position/(deficits)	(5,338)	4,512	13,977	(3,433)	2,814	4,175	295,810	312,517
Net position - beginning	657,036	431,761	309,246	81,436	67,937	142,093	1,006,042	2,695,551
Net position - ending	\$ 651,698	\$ 436,273	\$ 323,223	\$ 78,003	\$ 70,751	\$ 146,268	\$ 1,301,852	\$ 3,008,068

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Statistical Section

(Unaudited)

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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)

	2021	2020	2019	2018	2017
Governmental activities					
Net investment in capital assets.....	\$ (1,658,414)	\$ (1,705,745)	\$ (1,433,294)	\$ (1,446,934)	\$ (1,320,834)
Restricted.....	1,320,793	1,543,264	1,270,844	1,546,202	1,926,716
Unrestricted.....	(78,718,279)	(77,514,884)	(73,917,902)	(74,253,756)	(63,992,403)
Total governmental activities net position	<u>\$ (79,055,900)</u>	<u>\$ (77,677,365)</u>	<u>\$ (74,080,352)</u>	<u>\$ (74,154,488)</u>	<u>\$ (63,386,521)</u>
Business-type activities					
Net investment in capital assets.....	\$ 3,861,405	\$ 3,938,922	\$ 3,868,576	\$ 3,777,515	\$ 3,623,966
Restricted.....	1,908,348	1,319,929	2,271,721	1,833,109	1,735,575
Unrestricted.....	(572,100)	(581,700)	(490,819)	(595,311)	722,923
Total business-type activities net position	<u>\$ 5,197,653</u>	<u>\$ 4,677,151</u>	<u>\$ 5,649,478</u>	<u>\$ 5,015,313</u>	<u>\$ 6,082,464</u>
Commonwealth net position					
Net investment in capital assets.....	\$ 2,202,991	\$ 2,233,177	\$ 2,435,282	\$ 2,330,581	\$ 2,303,132
Restricted.....	3,229,141	2,863,193	3,542,565	3,379,311	3,662,291
Unrestricted.....	(79,290,379)	(78,096,584)	(74,408,721)	(74,849,067)	(63,269,480)
Total Commonwealth net position	<u>\$ (73,858,247)</u>	<u>\$ (73,000,214)</u>	<u>\$ (68,430,874)</u>	<u>\$ (69,139,175)</u>	<u>\$ (57,304,057)</u>

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2016	2015	2014	2013	2012
\$ (1,067,098)	\$ (768,411)	\$ (502,370)	\$ (592,483)	\$ (849,338)
1,538,662	1,541,566	1,455,704	1,386,416	1,456,715
(59,111,068)	(55,626,250)	(53,381,659)	(26,733,592)	(24,904,848)
\$ (58,639,504)	\$ (54,853,095)	\$ (52,428,325)	\$ (25,939,659)	\$ (24,297,471)
\$ 3,311,658	\$ 3,055,444	\$ 2,794,845	\$ 2,605,263	\$ 2,366,038
1,745,840	1,539,785	1,590,545	1,209,630	1,576,865
678,667	697,056	675,796	1,026,230	969,309
\$ 5,736,165	\$ 5,292,285	\$ 5,061,186	\$ 4,841,123	\$ 4,912,212
\$ 2,244,560	\$ 2,287,033	\$ 2,292,475	\$ 2,012,780	\$ 1,516,700
3,284,502	3,081,351	3,046,249	2,596,046	3,033,580
(58,432,401)	(54,929,194)	(52,705,863)	(25,707,362)	(23,935,539)
\$ (52,903,339)	\$ (49,560,810)	\$ (47,367,139)	\$ (21,098,536)	\$ (19,385,259)

**Changes in Net Position
Last Ten Fiscal Years**

(Amounts in thousands)

	2021	2020	2019	2018	2017
EXPENSES					
Governmental Activities:					
General government	\$ 3,522,506	\$ 2,923,397	\$ 2,766,272	\$ 2,792,959	\$ 2,764,634
Judiciary	1,429,817	1,396,370	1,221,969	1,162,698	1,226,221
Direct local aid	6,499,305	6,390,233	6,089,548	5,900,634	5,734,682
Medicaid	20,208,100	19,206,749	18,093,807	18,105,722	17,182,691
Group health insurance	1,710,258	1,651,357	1,670,238	1,648,278	1,668,100
Energy and environmental	900,326	824,062	701,950	732,161	720,182
Housing and economic development	2,963,819	1,599,085	1,574,628	1,544,103	1,411,189
Health and human services	11,658,328	9,645,198	8,662,012	8,298,704	8,131,843
Transportation and public works	3,283,352	2,806,861	2,554,289	2,483,768	2,535,121
Early elementary and secondary education	7,687,798	6,618,282	5,607,240	6,101,603	6,243,115
Public safety and homeland security	3,716,834	3,962,024	3,006,893	2,757,266	2,913,849
Labor and workforce development	428,225	342,418	298,930	295,061	312,510
Lottery	4,617,789	4,306,512	4,445,654	4,325,321	4,128,209
Interest (unallocated)	1,510,178	1,491,983	1,522,183	1,419,910	1,384,248
Total governmental activities	70,136,635	63,164,531	58,215,613	57,568,188	56,356,594
Business-type Activities:					
Unemployment compensation	19,438,890	11,948,319	1,483,901	1,552,404	1,514,002
Family and employment security	236,361	5,434	—	—	—
Higher Education:					
University of Massachusetts	3,417,854	3,446,910	3,282,171	3,307,087	3,167,596
State Universities	1,050,949	1,150,987	1,145,531	1,089,551	1,063,196
Community Colleges	900,836	886,593	917,967	887,223	936,241
Total business-type activities	25,044,890	17,438,243	6,829,570	6,836,265	6,681,035
Total Commonwealth expenses	\$ 95,181,525	\$ 80,602,774	\$ 65,045,183	\$ 64,404,453	\$ 63,037,629
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 747,288	\$ 926,889	\$ 611,834	\$ 652,138	\$ 594,132
Judiciary	59,074	69,737	81,567	91,500	95,937
Medicaid	1,272,228	1,388,195	1,129,343	1,054,698	897,542
Group health insurance	860,726	822,420	808,194	941,946	802,628
Energy and environmental	319,315	280,252	279,267	273,504	249,565
Housing and economic development	242,815	225,908	163,315	213,530	194,940
Health and human services	1,576,692	822,920	1,411,918	1,292,584	1,359,519
Transportation and public works	627,594	568,028	627,941	625,595	596,200
Early elementary and secondary education	6,624	7,365	8,445	7,846	7,919
Public safety and homeland security	345,917	370,568	338,099	248,234	280,400
Labor and workforce development	56,603	203,992	307,506	269,293	40,652
Lottery	5,827,632	5,391,167	5,644,440	5,436,551	5,254,468
Total charges for services	11,942,508	11,077,441	11,411,869	11,107,419	10,373,902
Operating grants and contributions	22,611,465	18,661,840	16,253,915	16,230,934	15,519,380
Capital grants and contributions	77,259	77,964	66,085	99,002	58,354
Total governmental activities	34,631,232	29,817,245	27,731,869	27,437,355	25,951,636
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,608,603	1,833,362	1,852,195	1,617,394	1,468,492
Family and employment security	1,005,102	840,600	—	—	—
Higher Education:					
University of Massachusetts	1,635,792	1,844,180	1,860,268	1,907,824	1,882,899
State Universities	502,827	644,932	679,801	658,608	654,170
Community Colleges	200,278	221,732	237,288	259,156	274,868
Operating grants and contributions	18,546,091	9,250,714	976,096	931,780	909,228
Capital grants and contributions	174,851	145,646	112,033	160,201	238,621
Total business-type activities	23,673,544	14,781,166	5,717,681	5,534,963	5,428,278
Total Commonwealth program revenues	\$ 58,304,776	\$ 44,598,411	\$ 33,449,550	\$ 32,972,318	\$ 31,379,914
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 34,947,335	\$ 30,482,040	\$ 30,609,957	\$ 27,964,093	\$ 25,949,577
Investment earnings and miscellaneous	697,132	1,169,416	1,513,855	1,283,283	995,073
Transfers, net	(1,517,599)	(1,404,336)	(1,565,932)	(1,123,731)	(1,286,709)
Total governmental activities	34,126,868	30,247,120	30,557,880	28,123,645	25,657,941
Business-type Activities:					
Investment earnings and miscellaneous	374,249	333,608	145,483	423,379	312,347
Other losses	—	—	—	—	—
Transfers, net	1,517,599	1,404,336	1,565,932	1,123,731	1,286,709
Total business-type activities	1,891,848	1,737,944	1,711,415	1,547,110	1,599,056
Total Commonwealth general revenues	\$ 36,018,716	\$ 31,985,064	\$ 32,269,295	\$ 29,670,755	\$ 27,256,997
CHANGES IN NET POSITION					
Governmental activities	\$ (1,378,535)	(3,100,166)	\$ 74,136	\$ (2,007,188)	\$ (4,747,017)
Business-type activities	520,502	(919,133)	599,526	245,808	346,299
Total changes in net position including restatements	\$ (858,033)	\$ (4,019,299)	\$ 673,662	\$ (1,761,380)	\$ (4,400,718)

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	2016	2015	2014	2013	2012
\$	2,616,051	\$ 2,703,519	\$ 2,521,454	\$ 2,571,881	\$ 2,384,167
	1,154,038	1,026,429	1,007,234	983,314	936,113
	5,598,687	5,469,412	5,353,521	5,179,104	4,991,532
	16,825,110	15,086,742	14,034,862	12,286,342	11,708,397
	1,632,703	1,657,018	1,403,590	1,282,661	1,218,079
	1,069,510	671,801	615,854	524,632	568,898
	1,367,957	1,314,980	1,289,156	1,250,008	1,246,213
	7,912,817	7,605,180	7,308,295	7,737,736	7,619,987
	2,711,910	2,689,975	2,379,178	1,868,020	1,759,589
	5,420,052	4,654,161	4,714,555	4,493,537	4,336,326
	2,746,612	2,486,107	2,451,881	2,391,982	2,323,452
	324,678	309,091	352,454	385,757	472,044
	4,299,592	4,109,611	3,980,980	3,982,700	3,877,305
	1,250,004	1,263,218	1,197,709	1,206,542	1,202,772
	54,929,721	51,047,244	48,610,723	46,144,216	44,644,874
	1,499,811	1,598,084	2,036,431	2,718,447	3,466,500
	—	—	—	—	—
	3,151,215	2,809,062	2,925,013	2,759,488	2,684,039
	1,002,577	994,341	922,383	864,161	851,118
	928,067	891,906	852,946	814,245	801,038
	6,581,670	6,293,393	6,736,773	7,156,341	7,802,695
\$	61,511,391	\$ 57,340,637	\$ 55,347,496	\$ 53,300,557	\$ 52,447,569
\$	565,434	\$ 634,289	\$ 361,105	\$ 352,291	\$ 458,320
	100,568	105,521	108,766	111,384	114,170
	841,697	1,052,170	1,226,108	471,539	297,566
	799,011	755,712	660,359	619,982	495,377
	289,738	253,856	262,339	228,019	214,340
	173,941	164,438	165,365	150,690	142,320
	1,224,967	405,710	483,080	1,143,551	931,535
	577,292	577,430	530,853	567,348	505,842
	7,508	7,649	10,067	6,748	6,783
	284,264	256,596	228,730	218,643	205,546
	38,581	175,130	150,394	246,577	237,772
	5,405,128	5,193,545	5,049,536	5,041,329	4,940,151
	10,308,129	9,582,046	9,236,702	9,158,101	8,549,722
	15,158,087	13,950,227	13,121,648	12,836,122	12,909,908
	85,759	81,475	30,699	18,726	79,733
	25,551,975	23,613,748	22,389,049	22,012,949	21,539,363
	1,611,096	1,492,067	1,897,495	1,923,476	1,982,602
	—	—	—	—	—
	1,875,144	1,602,043	1,697,585	1,640,296	1,519,496
	616,025	583,669	558,170	533,347	523,979
	274,252	266,956	270,512	281,428	275,778
	891,823	936,917	1,347,423	1,791,196	2,525,342
	265,714	206,128	122,081	123,396	162,271
	5,534,054	5,087,780	5,893,266	6,293,139	6,989,468
\$	31,086,029	\$ 28,701,528	\$ 28,282,315	\$ 28,306,088	\$ 28,528,831
\$	25,676,303	\$ 25,209,826	\$ 23,319,168	\$ 22,599,332	\$ 21,403,426
	1,161,089	1,251,288	1,131,848	985,810	1,393,192
	(1,246,055)	(1,429,174)	(1,205,141)	(1,096,061)	(1,155,955)
	25,591,337	25,031,940	23,245,875	22,489,081	21,640,663
	245,441	7,536	306,690	271,832	214,056
	—	—	—	—	—
	1,246,055	1,429,174	1,205,141	1,096,061	1,155,955
	1,491,496	1,436,710	1,511,831	1,367,893	1,370,011
\$	27,082,833	\$ 26,468,650	\$ 24,757,706	\$ 23,856,974	\$ 23,010,674
\$	(3,786,409)	\$ (2,401,556)	\$ (2,975,800)	\$ (1,642,187)	\$ (1,464,850)
	443,880	231,099	668,324	504,691	556,784
\$	(3,342,529)	\$ (2,170,457)	\$ (2,307,476)	\$ (1,137,496)	\$ (908,066)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2021	2020	2019	2018	2017
Fund balances:					
Nonspendable.....	\$ 755,378	\$ —	\$ —	\$ —	\$ —
Restricted ⁽¹⁾	1,320,793	1,294,124	1,316,707	1,519,833	1,926,716
Committed ⁽²⁾	6,805,570	5,325,797	5,007,488	3,302,222	2,351,687
Assigned ⁽³⁾	2,046,997	1,682,922	1,256,717	955,830	684,655
Unassigned.....	2,888,607	754,673	1,530,423	1,060,559	634,324
Total governmental fund balances.....	<u>\$ 13,817,345</u>	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>

(1) Restricted fund balance increased from FY20 mainly due to amounts in the federal grants funds..

(2) The increase in the committed fund balance from FY20 is due to an increase of approximately \$1.125 billion in the ending balance of the Commonwealth's stabilization fund.

(3) Assigned fund balance increased from FY20 as a result of an increase in authorizations reappropriated from prior years of approximately \$325 million.

See Independent Auditors' Report

2016	2015	2014	2013	2012
\$ —	\$ —	\$ —	\$ —	\$ —
1,377,671	1,792,461	1,518,671	1,558,842	2,196,201
2,422,088	2,375,367	2,250,157	2,324,445	2,404,475
845,567	576,632	510,353	595,085	574,621
628,420	561,105	340,505	391,795	1,143,978
<u>\$ 5,273,746</u>	<u>\$ 5,305,565</u>	<u>\$ 4,619,686</u>	<u>\$ 4,870,167</u>	<u>\$ 6,319,275</u>

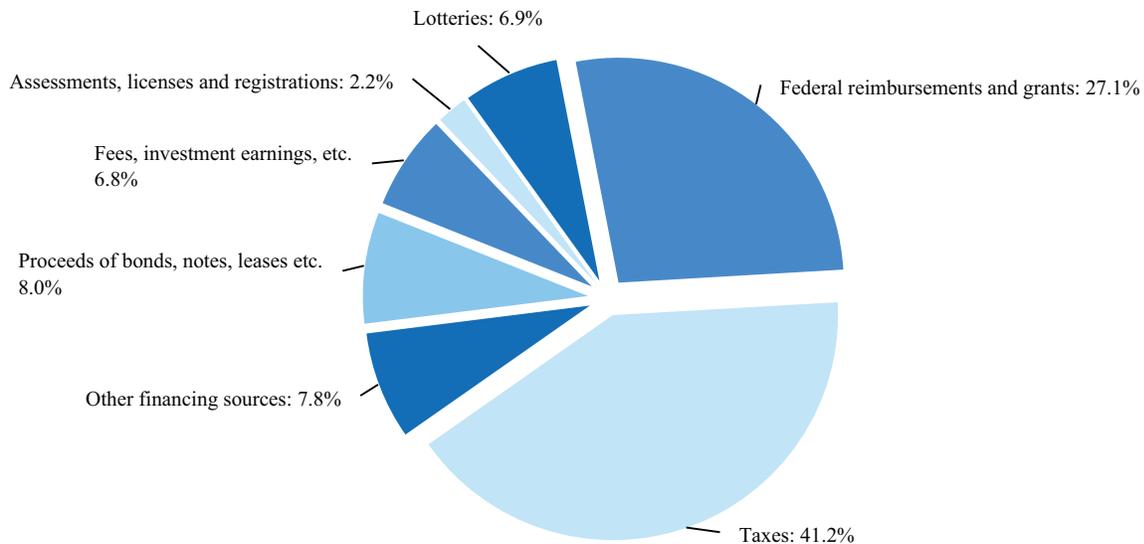
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2021		2020		2019		2018		2017	
	Total	%								
Taxes	\$ 34,955	41.2	\$ 30,266	41.7	\$ 30,618	43.8	\$ 28,243	41.1	\$ 25,828	37.7
Federal reimbursements	16,438	19.4	14,427	19.9	12,650	18.1	12,647	18.3	11,932	17.4
Federal grants	6,515	7.7	4,048	5.6	3,678	5.3	3,684	5.3	3,635	5.3
Lotteries	5,829	6.9	5,395	7.4	5,652	8.1	5,442	7.9	5,258	7.7
Assessments	1,350	1.6	1,378	1.9	1,377	2.0	1,354	2.0	1,219	1.8
Motor vehicle licenses and registrations	515	0.6	515	0.7	566	0.8	566	0.8	554	0.8
Fees, investment earnings, etc	5,780	6.8	5,527	7.6	5,794	8.3	5,518	8.0	4,966	7.3
Issuance of general and special obligation bonds	4,216	5.0	2,787	3.8	2,008	2.9	2,779	4.0	3,464	5.1
Issuance of refunding bonds	1,766	2.1	1,225	1.7	819	1.2	993	1.4	1,853	2.7
Bond premiums	786	0.9	276	0.4	470	0.7	562	0.8	812	1.2
Proceeds of capital lease	2	—	1	—	—	—	—	—	1	—
Other financing sources	6,569	7.8	6,662	9.3	6,143	8.8	7,202	10.4	8,915	13.0
Total revenues and other financing sources	\$ 84,721	100.0	\$ 72,507	100.0	\$ 69,775	100.0	\$ 68,990	100.0	\$ 68,437	100.0

See Independent Auditors' Report

**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2021**



	%		%		%		%		%
2016	Total	2015	Total	2014	Total	2013	Total	2012	Total
\$ 25,746	38.0	\$ 25,258	41.7	\$ 23,786	41.6	\$ 22,391	40.5	\$ 21,533	39.6
11,577	17.1	10,462	17.2	9,417	16.5	8,981	16.2	8,934	16.4
3,656	5.4	3,583	5.9	3,730	6.5	3,887	7.0	4,051	7.5
5,406	8.0	5,194	8.6	5,049	8.8	5,042	9.1	4,944	9.1
1,104	1.6	1,026	1.7	1,080	1.8	1,093	2.0	1,024	1.9
546	0.8	546	0.9	495	0.9	487	0.9	474	0.9
4,957	7.3	4,540	7.5	4,152	7.3	3,750	6.8	3,823	7.0
3,969	5.9	3,761	6.2	2,360	4.1	1,471	2.7	2,902	5.3
1,463	2.2	632	1.0	1,236	2.2	1,913	3.5	388	0.7
613	0.9	379	0.6	193	0.3	398	0.7	260	0.5
31	—	31	0.1	11	—	1	—	4	—
8,682	12.8	5,247	8.6	5,701	10.0	5,876	10.6	6,033	11.1
<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>	<u>\$ 54,370</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)

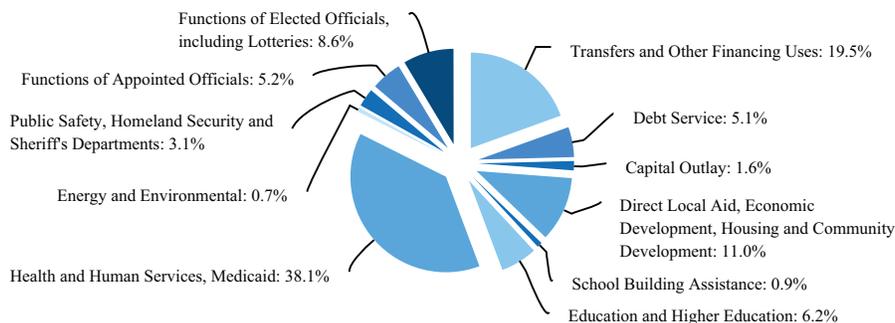
(Amounts in millions)

	2021	% Total	2020	% Total	2019	% Total	2018	% Total	2017	% Total
Legislature	\$ 73	0.1	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1
Judiciary	1,023	1.3	1,022	1.4	985	1.5	921	1.4	908	1.3
Inspector General	6	—	6	—	5	—	5	—	4	—
Governor and Lieutenant Governor	9	—	7	—	7	—	7	—	7	—
Secretary of the Commonwealth	78	0.1	63	0.1	55	0.1	45	0.1	51	0.1
Treasurer and Receiver-General	6,583	8.1	5,961	8.2	6,092	9.0	5,854	8.6	5,657	8.2
Auditor of the Commonwealth	20	—	19	—	18	—	19	—	18	—
Attorney General	112	0.1	108	0.2	107	0.2	98	0.1	76	0.1
Ethics Commission	2	—	2	—	2	—	2	—	2	—
District Attorney	154	0.2	150	0.2	138	0.2	129	0.2	130	0.2
Office of Campaign and Political Finance	2	—	2	—	3	—	2	—	2	—
Sheriff's Department	699	0.9	718	1.0	672	1.0	635	0.9	624	0.9
Disabled Persons Protection Commission	7	—	6	—	5	—	4	—	3	—
Board of Library Commissioners	37	—	33	—	30	—	28	—	28	—
Massachusetts Gaming Commission	46	0.1	44	0.1	50	0.1	44	0.1	37	0.1
Comptroller	22	—	17	—	16	—	16	—	17	—
Administration and Finance	2,910	3.9	2,490	3.4	2,310	3.4	2,475	3.7	2,444	3.6
Energy and Environmental	461	0.6	466	0.6	477	0.7	445	0.7	405	0.6
Health and Human Services	10,702	13.2	8,817	12.1	8,054	12.0	7,813	11.5	7,463	11.0
Executive Office of Technology Services	156	0.2	140	0.2	116	0.2	81	0.1	—	—
Massachusetts Department of Transportation	2,909	3.6	2,486	3.4	2,349	3.5	2,387	3.5	2,391	3.5
Office of the Child Advocate	2	—	2	—	1	—	1	—	1	—
Commission Against Discrimination	7	—	—	—	—	—	—	—	—	—
Cannabis Control Commission	11	—	13	—	10	—	2	—	—	—
Executive Office of Education*	5,049	6.2	4,323	6.0	3,972	5.9	3,723	5.5	3,589	5.3
Center for Health and Information Analysis	21	—	20	—	20	—	21	—	23	—
Massachusetts School Building Assistance	752	0.9	713	1.0	572	0.9	550	0.8	621	0.9
Public Safety and Homeland Security	1,769	2.2	2,066	2.8	1,463	2.2	1,400	2.1	1,374	2.0
Housing and Economic Development*	2,440	3.0	1,223	1.7	1,157	1.7	1,089	1.6	1,021	1.5
Labor and Workforce Development*	356	0.4	280	0.4	258	0.4	255	0.4	259	0.4
Medicaid	20,208	25.0	19,207	26.5	18,094	26.8	18,106	26.9	17,183	25.2
Pension	1,657	2.1	1,384	1.9	1,368	2.0	1,294	1.9	1,127	1.7
Direct local aid	6,499	8.0	6,390	8.8	6,090	9.0	5,901	8.7	5,735	8.4
Capital outlay:										
Capital acquisition and construction	1,308	1.6	1,051	1.5	1,310	1.9	1,253	1.8	1,202	1.8
Debt service:										
Principal/commercial paper repayment	1,878	2.3	1,948	2.7	1,480	2.2	3,706	5.5	4,676	6.9
Interest	1,230	1.5	1,238	1.7	1,484	2.2	1,381	2.0	1,262	1.9
Principal on current refunding	1,065	1.3	409	0.6	956	1.4	522	0.8	188	0.3
Other financing uses:										
Payments to refunding bond escrow agent	2,469	3.1	1,655	2.3	—	—	628	0.9	2,304	3.4
Transfers	8,084	10.0	8,067	11.1	7,709	11.4	6,838	10.1	7,215	10.6
Total expenditures and other financing uses	\$ 80,816	100.0	\$ 72,616	100.0	\$ 67,503	100.0	\$ 67,748	100.0	\$ 68,114	100.0
Change in Governmental Fund Balance	\$ 3,905		\$ (108)		\$ 2,273		\$ 1,241		\$ 324	
Ratio of debt service expenditures to total noncapital expenditures	3.2%		5.8%		6.7%		9.5%		10.7%	

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

See Independent Auditors' Report

Apportionment of Expenditures - Fiscal Year Ended June 30, 2021



	2016	% Total	2015	% Total	2014	% Total	2013	% Total	2012	% Total
\$	61	0.1	\$ 61	0.1	\$ 56	0.1	\$ 57	0.1	\$ 58	0.1
	880	1.3	845	1.4	816	1.4	792	1.4	757	1.4
	5	—	5	—	6	—	6	—	3	—
	7	—	6	—	5	—	6	—	7	—
	44	0.1	50	0.1	51	0.1	49	0.1	41	0.1
	5,799	8.7	5,602	9.6	5,327	9.5	5,307	9.5	5,282	9.9
	19	—	18	—	18	—	18	—	17	—
	67	0.1	41	0.1	88	0.2	76	0.1	55	0.1
	2	—	2	—	2	—	2	—	2	—
	124	0.2	119	0.2	115	0.2	115	0.2	110	0.2
	2	—	3	—	1	—	1	—	1	—
	616	0.9	593	1.0	565	1.0	541	1.0	529	1.0
	3	—	3	—	2	—	2	—	2	—
	28	—	28	—	25	—	25	—	24	—
	34	0.1	23	—	23	—	14	—	1	—
	17	—	16	—	16	—	14	—	14	—
	2,416	3.6	2,490	4.2	2,298	4.0	2,293	4.1	1,951	3.7
	436	0.6	417	0.7	410	0.7	365	0.6	351	0.7
	7,402	10.9	7,211	12.0	6,957	12.1	7,384	13.1	7,301	13.6
	—	—	—	—	—	—	—	—	—	—
	2,595	3.8	2,611	4.4	2,296	4.0	1,785	3.1	1,679	3.1
	1	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—
	3,478	5.1	3,320	5.5	3,201	5.6	3,008	5.3	3,069	5.8
	27	—	28	—	26	—	9	—	—	—
	626	0.9	732	1.2	869	1.5	1,037	1.8	975	1.8
	1,385	2.0	1,334	2.2	1,274	2.2	1,296	2.3	1,208	2.3
	1,048	1.5	1,021	1.7	1,035	1.8	988	1.7	999	1.9
	277	0.4	269	0.4	330	0.6	350	0.6	455	0.9
	16,825	24.9	15,087	25.2	14,035	24.4	12,286	21.7	11,708	22.0
	1,103	1.6	902	1.5	865	1.5	878	1.5	801	1.5
	5,599	8.3	5,469	9.1	5,353	9.3	5,179	9.1	4,991	9.4
	1	—	—	—	—	—	—	—	—	—
	1,162	1.7	1,205	2.0	999	1.7	854	1.5	847	1.6
	—	—	—	—	—	—	—	—	—	—
	4,487	6.6	1,781	3.0	1,546	2.7	1,525	2.7	1,297	2.4
	1,248	1.8	1,187	2.0	1,223	2.1	1,229	2.2	1,207	2.3
	250	0.4	203	0.3	159	0.3	230	0.4	—	—
	2,613	3.9	615	1.0	562	1.0	2,046	3.6	388	0.7
	7,094	10.5	6,676	11.1	6,907	12.0	6,972	12.3	7,189	13.5
\$	67,781	100.0	\$ 59,973	100.0	\$ 57,461	100.0	\$ 56,739	100.0	\$ 53,319	100.0
\$	(32)		\$ 686		\$ (251)		\$ (1,448)		\$ 1,051	
	10.5%		6.2%		6.0%		6.4%		5.6%	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2020	2019	2018	2017	2016
Total personal income	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500
Unearned income.....	166,915	126,165	118,567	111,017	108,349
Farm earnings.....	170	108	103	129	151
Nonfarm earnings.....	383,499	385,061	364,763	339,816	334,000
Private earnings	368,213	369,080	349,476	323,875	319,931
Agricultural services, forestry, fishing.....	600	625	659	716	677
Mining.....	146	144	274	608	379
Construction.....	22,859	23,397	23,177	20,609	19,473
Manufacturing	28,355	28,568	27,271	26,550	27,181
Durable goods.....	19,760	20,020	19,239	18,709	18,894
Nondurable goods.....	8,595	8,548	8,032	7,841	8,287
Transportation and utilities.....	11,669	11,724	9,667	8,649	8,330
Wholesale trade.....	15,280	15,254	15,102	14,830	14,621
Retail trade.....	17,303	17,438	16,432	15,982	15,520
Services.....	272,001	271,930	256,894	235,931	233,750
Government	43,642	44,549	42,557	42,492	41,130
Federal, civilian.....	5,821	5,647	5,458	5,477	5,427
Military.....	1,096	1,003	900	891	860
State and local.....	36,725	37,899	36,199	36,124	34,843
Personal income tax revenue (fiscal year, statutory basis).....	\$ 19,618	\$ 17,361	\$ 17,109	\$ 16,240	\$ 14,394
Total personal income.....	\$ 550,584	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500
Average Effective Rate.....	3.56 %	3.40 %	3.54 %	3.60 %	3.25 %
Highest Earned Income Tax Rate.....	5.00 %	5.00 %	5.05 %	5.10 %	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.

See Independent Auditors' Report

2015	2014	2013	2012	2011
\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243
97,728	94,494	91,615	87,333	83,338
195	178	151	150	136
317,713	301,534	289,505	276,461	268,769
272,533	262,843	252,939	243,503	236,764
406	354	373	426	409
276	270	201	113	124
17,197	15,481	14,759	13,426	12,526
26,497	25,921	25,341	26,375	25,388
18,193	18,224	17,977	19,223	18,319
8,304	7,697	7,364	7,152	7,069
7,600	7,295	7,083	6,742	6,604
13,938	13,546	13,483	12,979	13,082
14,716	14,137	13,565	13,333	12,891
191,903	185,839	178,134	170,109	165,740
39,921	38,691	36,567	32,959	32,006
5,202	5,007	4,792	5,442	5,426
860	874	943	1,221	1,245
33,859	32,810	30,832	26,296	25,335
\$ 14,449	\$ 13,202	\$ 12,831	\$ 11,911	\$ 11,576
\$ 415,636	\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243
3.48 %	3.33 %	3.37 %	3.27 %	3.29 %
5.15 %	5.20 %	5.25 %	5.25 %	5.30 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2019 and 2010

(Amounts, except income level are in thousands)

Calendar Year 2019 (or Fiscal Year 2020)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	909,683	22.8%	\$ 12,350,986	75.5%
\$75,001 - \$100,000	336,919	8.5%	1,237,344	7.6%
\$50,001 - \$75,000	539,964	13.6%	1,350,148	8.2%
\$25,001 - \$50,000	847,316	21.3%	1,112,768	6.8%
\$10,001 - \$25,000	638,373	16.1%	275,617	1.7%
\$10,000 and lower	704,085	17.7%	38,681	0.2%
Total	<u>3,976,340</u>	<u>100.0%</u>	<u>\$ 16,365,544</u>	<u>100.0%</u>

Calendar Year 2010 (or Fiscal Year 2011)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	595,974	17.1%	\$ 7,294,193	67.4%
\$75,001 - \$100,000	284,029	8.1%	1,063,299	9.8%
\$50,001 - \$75,000	453,778	13.0%	1,155,352	10.7%
\$25,001 - \$50,000	770,457	22.1%	1,017,010	9.4%
\$10,001 - \$25,000	668,556	19.2%	268,761	2.5%
\$10,000 and lower	714,021	20.5%	28,404	0.3%
Total	<u>3,486,815</u>	<u>100.0%</u>	<u>\$ 10,827,019</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2019 is the most recent tax year for which complete data is available.

See Independent Auditors' Report

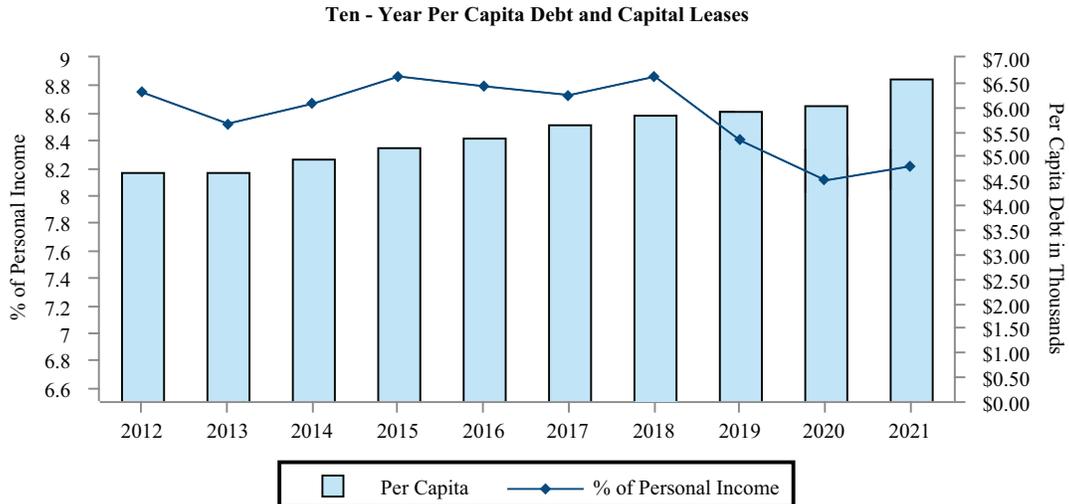
Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a % of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Capital Leases	MSBA Bonded debt (2)	Bonded Debt (3)	Capital Leases						
2021	\$ 32,229,313	\$ 14,260	\$ 6,104,240	\$ 6,842,430	\$ 8,724	\$ 45,198,967	\$ 550,584,495	6,894	8.2 %	\$ 6.56	
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	
2012	21,907,683	60,457	5,443,265	3,370,389	23,327	30,805,121	352,242,750	6,614	8.7 %	4.66	

- (1) Excludes Massachusetts School Building Authority debt. Bonded debt for each fiscal year includes unamortized premiums or discounts.
- (2) The Massachusetts School Building Authority (MSBA) is presented as a blended component unit in these financial statements.
- (3) Business-type activities bond debt includes Federal Unemployment insurance borrowing under Title XII of the Social Security Act, notes payable of the Institutions of Higher Education and unamortized premiums or discounts.
- (4) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year. *Source: - HTTP://www.fedstats.gov (US Census Bureau.)*

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Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2021 (3)	2020 (3)	2019 (3)	2018 (3)	2017 (3)
Outstanding principal as of June 30 (1).....	\$ 29,048,457	\$ 28,098,890	\$ 27,739,221	\$ 27,360,819	\$ 26,445,665
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	—	—	—	—	—
Total net proceeds/principal	29,048,457	28,098,890	27,739,221	27,360,819	26,445,665
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(847,790)	(945,574)	(1,013,492)	(1,092,519)	(1,110,195)
Accelerated bridge program	(2,137,770)	(2,325,620)	(2,349,950)	(2,429,000)	(2,380,740)
County debt assumed	—	—	—	—	—
(Premium)/discount	—	—	—	—	—
Grant anticipation notes (2)	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds	(430,926)	(496,936)	(574,902)	(598,985)	(632,348)
Convention center bonds	(479,645)	(504,255)	(527,635)	(552,110)	(575,420)
MBTA forward funding bonds	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds	(28,385)	(55,290)	(80,930)	(105,230)	(128,270)
Rail enhancement program bonds (4)	(1,637,221)	(1,260,565)	(1,104,610)	(1,131,105)	(644,540)
Outstanding direct debt, net proceeds/principal	23,486,513	22,510,443	22,087,495	21,451,663	20,973,945
Statutory debt limit*	26,481,173	25,220,164	24,019,204	22,875,433	21,786,126
Debt margin (debt limit less direct debt)	<u>\$ 2,994,660</u>	<u>\$ 2,709,721</u>	<u>\$ 1,931,709</u>	<u>\$ 1,423,770</u>	<u>\$ 812,181</u>
Debt margin as a percentage of direct debt limit	<u>11.3%</u>	<u>10.7%</u>	<u>8.0%</u>	<u>6.2%</u>	<u>3.7%</u>

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

(2) Inclusive of crossover refunding amounts.

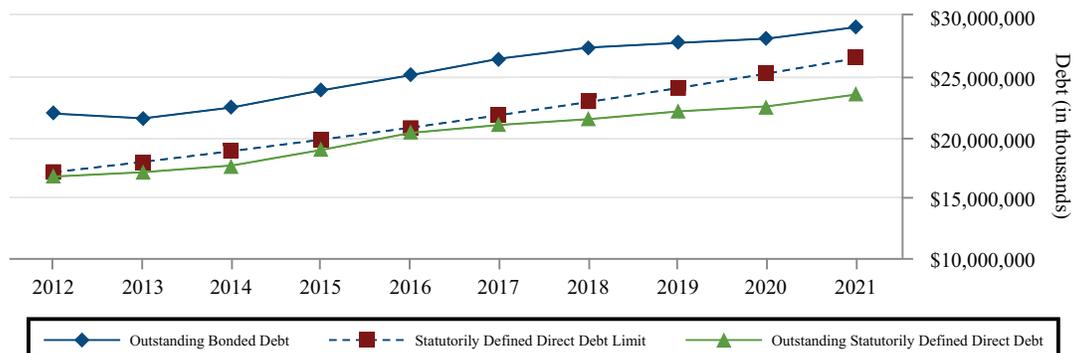
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are 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
2012 - 2021**



2015 (3)	2014 (3)	2013 (3)	2012
\$ 23,826,301	\$ 22,419,852	\$ 21,513,039	\$ 21,433,553
—	—	—	474,130
23,826,301	22,419,852	21,513,039	21,907,683
(1,197,127)	(1,241,263)	(1,303,013)	(1,342,841)
(2,195,004)	(1,756,395)	(1,088,605)	(1,095,385)
—	—	—	(75)
—	—	—	(474,130)
—	(178,390)	(349,100)	(510,385)
(689,446)	(723,917)	(764,337)	(795,009)
(618,705)	(638,700)	(638,700)	(638,700)
(207)	(207)	(207)	(207)
(210,635)	(249,705)	(296,395)	(337,545)
—	—	—	—
18,915,177	17,631,275	17,072,682	16,713,406
19,760,659	18,819,675	17,923,500	17,070,000
\$ 845,482	\$ 1,188,400	\$ 850,818	\$ 356,594
4.3%	6.3%	4.7%	2.1%

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)

	2021	2020	2019	2018	2017
Highway Bonds					
For issues prior to December 2010, the bonds are secured by a pledge of 6.86¢ of the 21¢ per gallon state gasoline excise tax for FY2008 and before. For FY2009 and after, the pledge is up to 10¢ of the tax. Bonds issued in December 2010, May 2012 and November 2013 (Commonwealth Transportation Fund, or "CTF bonds") are secured by a senior lien on 17.085 cents of the total 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The bonds also have a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds/ Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
<u>Pre-2010 Bond Issues</u>					
Tax Receipts	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 161,792	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820
Annual Debt Service	\$ 29,821	\$ 29,822	\$ 29,818	\$ 29,825	\$ 51,276
Debt Service Coverage Ratio	5.43	5.85	6.46	6.41	3.74
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA
<u>Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)</u>					
Receipts	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,266,755	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734
Annual Debt Service	\$ 189,083	\$ 184,361	\$ 176,189	\$ 149,968	\$ 129,024
Debt Service Coverage Ratio	6.78	6.78	7.79	9.09	10.28
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa1, AA+	NA, Aa1, AA+	NA, Aa1, AAA	NA, Aa1, AAA	NA, Aa1, AAA
<u>Convention Center Bonds</u>					
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	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 45,744	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789
Annual Debt Service	\$ 52,283	\$ 52,222	\$ 54,601	\$ 54,473	\$ 54,540
Debt Service Coverage Ratio	0.87	2.79	3.01	2.70	2.45
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, BBB+	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A
<u>Grant Anticipation Notes (GANS)</u>					
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.					
<u>Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds)</u>					
Receipts	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,792,915	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397
Annual Debt Service	\$ 86,773	\$ 86,858	\$ 86,093	\$ 83,804	\$ 80,486
Debt Service Coverage Ratio	20.66	19.64	20.57	20.96	21.55
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AA+	AA+, Aa1, AA+	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA

*Uninsured rating, if available.

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	2016	2015	2014	2013	2012
\$	190,803	\$ 187,913	\$ 187,467	\$ 186,638	\$ 190,129
	N/A	N/A	N/A	N/A	N/A
\$	190,803	\$ 187,913	\$ 187,467	\$ 186,638	\$ 190,129
\$	50,906	\$ 52,225	\$ 52,228	\$ 58,922	\$ 58,939
	3.75	3.60	3.59	3.17	3.23
	AA+, Aa1, AAA				
\$	1,294,357	\$ 1,283,248	\$ 1,210,405	\$ 1,170,297	\$ 1,121,709
	N/A	N/A	N/A	N/A	N/A
\$	1,294,357	\$ 1,283,248	\$ 1,210,405	\$ 1,170,297	\$ 1,121,709
\$	94,859	\$ 81,054	\$ 69,921	\$ 58,108	\$ 32,623
	13.65	15.83	17.31	20.14	34.38
	NA, AAA, AAA				
\$	134,806	\$ 124,937	\$ 109,879	\$ 100,631	\$ 94,234
	N/A	N/A	N/A	N/A	N/A
\$	134,806	\$ 124,937	\$ 109,879	\$ 100,631	\$ 94,234
\$	54,540	\$ 52,852	\$ 34,486	\$ 34,486	\$ 34,486
	2.47	2.36	3.19	2.92	2.73
	NA, A1, A				
\$	1,707,187	\$ 1,556,243	\$ 1,562,732	\$ 1,575,266	\$ 1,674,485
	N/A	N/A	N/A	N/A	N/A
\$	1,707,187	\$ 1,556,243	\$ 1,562,732	\$ 1,575,266	\$ 1,674,485
\$	76,049	\$ 33,472	\$ 4,268	\$ 4,973	\$ 4,271
	22.45	46.49	366.15	316.76	392.06
	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA

**Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types**

(Amounts in thousands)

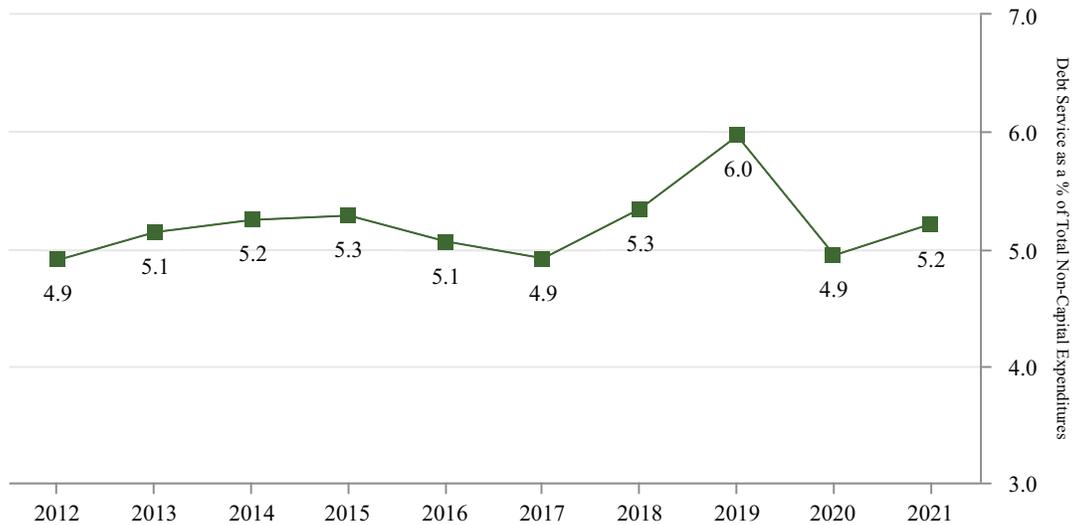
Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2021	\$ 3,572,588	\$ 68,543,124	5.2
2020	3,026,865	61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
2013	2,351,074	45,733,298	5.1
2012	2,160,589	44,070,405	4.9

(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 2012 - 2021



**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 (%)
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
2012	1,584,013	1,517,899	1.04

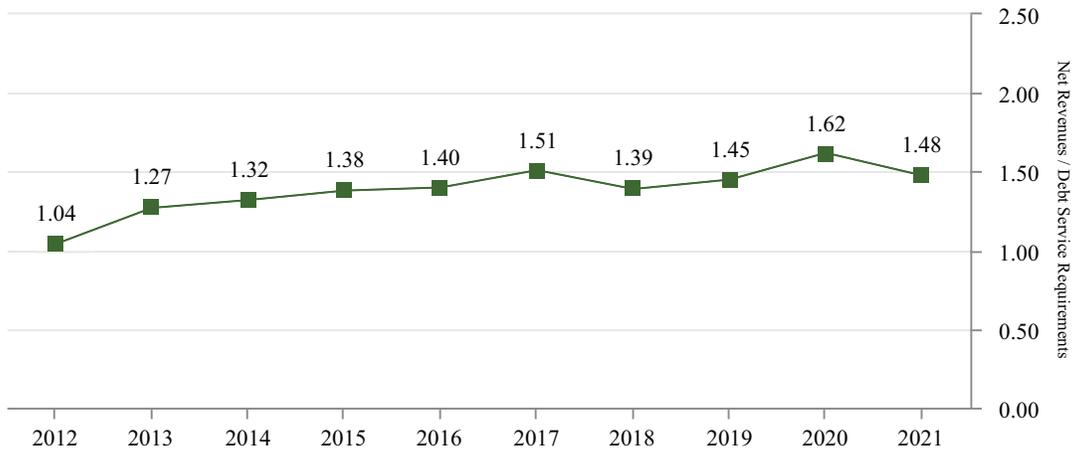
(1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage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

(2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

Source: Office of the Comptroller

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Component Units Revenue Bond Coverage 2012 - 2021



Ten-Year Schedule of Massachusetts and United States Resident Population

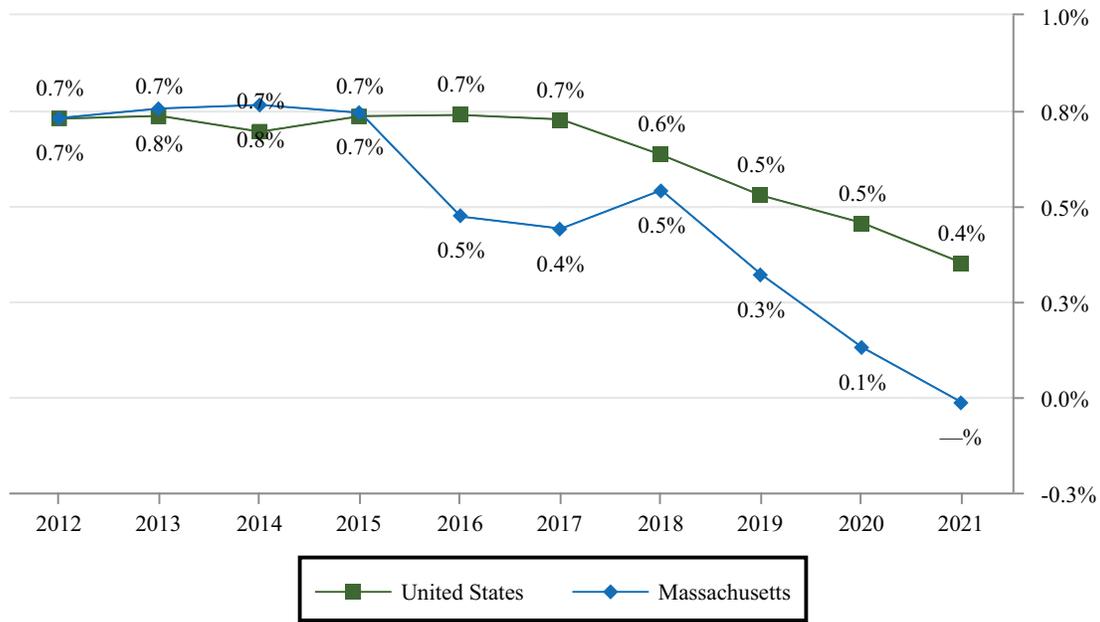
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts		United States		Massachusetts as % of U.S.
	Resident Population ⁽¹⁾	% Change	Resident Population (1)	% Change	
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%
2012	6,614	0.7%	311,583	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.

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**Massachusetts and United States Estimated Year-to-Year Population Change
2012 - 2021**



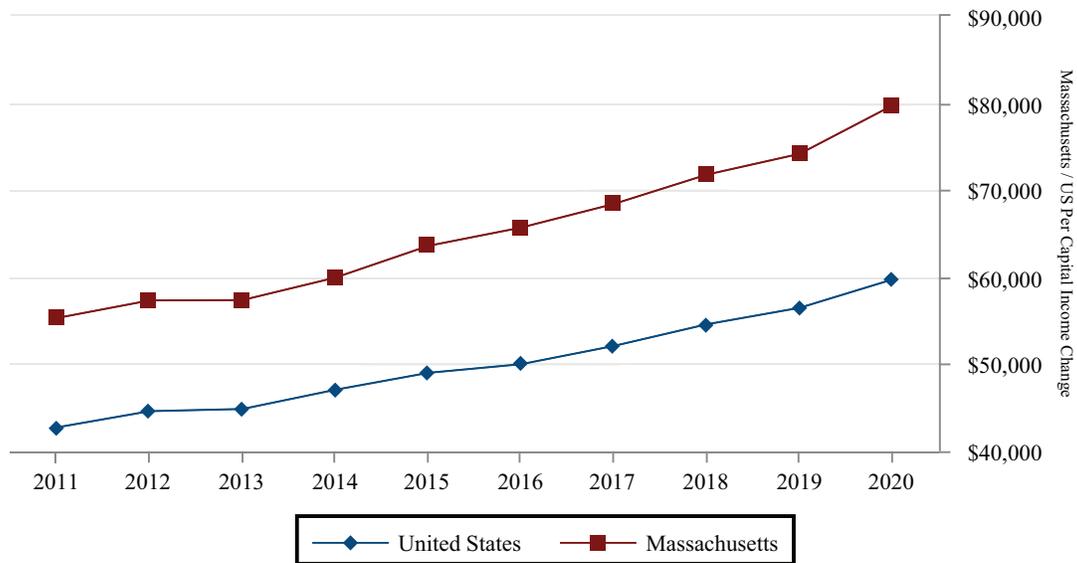
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2020	\$ 79,721	7.5 %	\$ 59,729	5.8 %	133.5 %
2019	74,161	3.3 %	56,474	3.5 %	131.3 %
2018	71,768	4.9 %	54,581	4.8 %	131.5 %
2017	68,405	4.1 %	52,096	4.2 %	131.3 %
2016	65,689	3.3 %	49,995	2.0 %	131.4 %
2015	63,588	6.1 %	49,003	4.1 %	129.8 %
2014	59,943	4.5 %	47,058	4.9 %	127.4 %
2013	57,362	0.1 %	44,851	0.6 %	127.9 %
2012	57,322	3.7 %	44,598	4.4 %	128.5 %
2011	55,296	4.2 %	42,735	5.4 %	129.4 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on March 24, 2021.

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Massachusetts and United States Estimated Per Capita Net Income
2011 - 2020



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

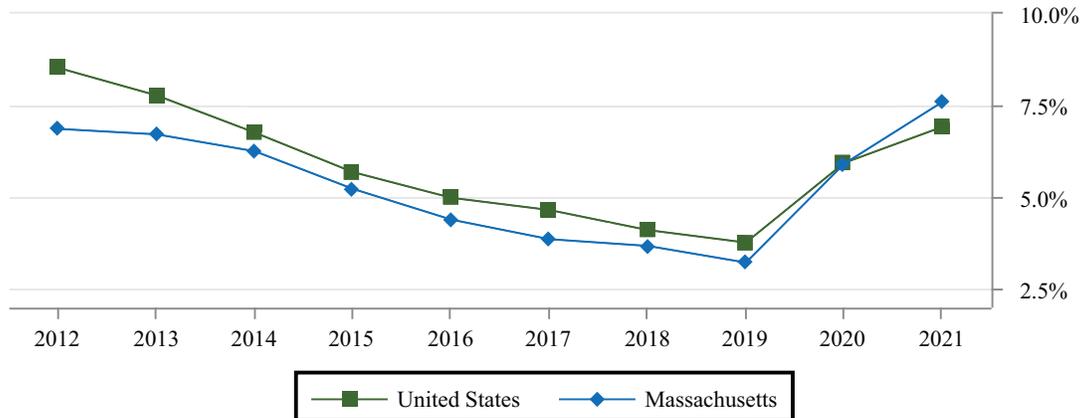
(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2021	3,699	281	7.6%	160,562	11,110	6.9%	110.1%
2020	3,720	220	5.9%	162,567	9,654	5.9%	100.0%
2019	3,780	122	3.2%	162,674	6,136	3.8%	85.6%
2018	3,722	137	3.7%	161,171	6,628	4.1%	89.5%
2017	3,650	141	3.9%	159,796	7,442	4.7%	82.9%
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%
2012	3,496	240	6.9%	154,297	13,153	8.5%	80.5%

Source: Federal Bureau of Labor Statistics, July 2021. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics.

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**Massachusetts and United States Average Unemployment Rates
FY2012 to FY2021**



Largest Private Sector Massachusetts Employers 2021 and 2012
(Alphabetical Order)

2021			2012		
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
Partners Healthcare Systems, Inc.	Boston	Hospital	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
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., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. The information is based on the June 2021 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.

See Independent Auditors' Report

Full Time Equivalent Employees
By Function/Program
Last Ten Years

Functions/Programs	2021	2020	2019	2018	2017
General government	6,942	6,890	6,900	6,855	6,905
Judiciary	7,061	7,217	7,164	7,229	7,208
Energy and environmental affairs	2,671	2,626	2,614	2,533	2,509
Health and human services	22,022	22,218	22,209	22,104	21,817
Transportation and construction	3,504	3,584	3,555	3,527	3,482
Education	908	887	852	821	815
Public safety and homeland security	16,649	16,907	16,676	16,502	16,522
Housing and economic development	980	936	922	918	818
Higher Education:					
University of Massachusetts	14,840	15,324	15,193	14,737	15,032
State universities	4,944	5,136	5,219	5,233	5,186
Community colleges	4,653	4,858	4,816	4,917	5,066
Totals	85,174	86,583	86,120	85,376	85,360
Percentage change	(1.6)%	0.5 %	0.9 %	— %	(1.0)%

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.

See Independent Auditors' Report

2016	2015	2014	2013	2012	Change - 2021 from 2012
7,018	7,696	7,637	7,627	7,408	(6.3)%
7,264	7,264	7,195	7,297	7,087	(0.4)%
2,539	2,689	2,629	2,684	2,685	(0.5)%
21,557	22,060	21,496	21,996	21,042	4.7 %
4,004	4,357	4,301	4,243	4,230	(17.2)%
907	970	1,099	928	922	(1.5)%
16,868	17,057	17,215	16,907	16,503	0.9 %
844	884	891	868	845	16.0 %
15,130	14,670	14,066	14,688	14,159	4.8 %
5,050	5,036	4,969	4,856	4,747	4.1 %
5,032	5,077	4,990	5,111	4,834	(3.7)%
86,213	87,760	86,488	87,205	84,462	0.8 %
(1.8)%	1.5 %	(0.8)%	3.2 %	0.5 %	

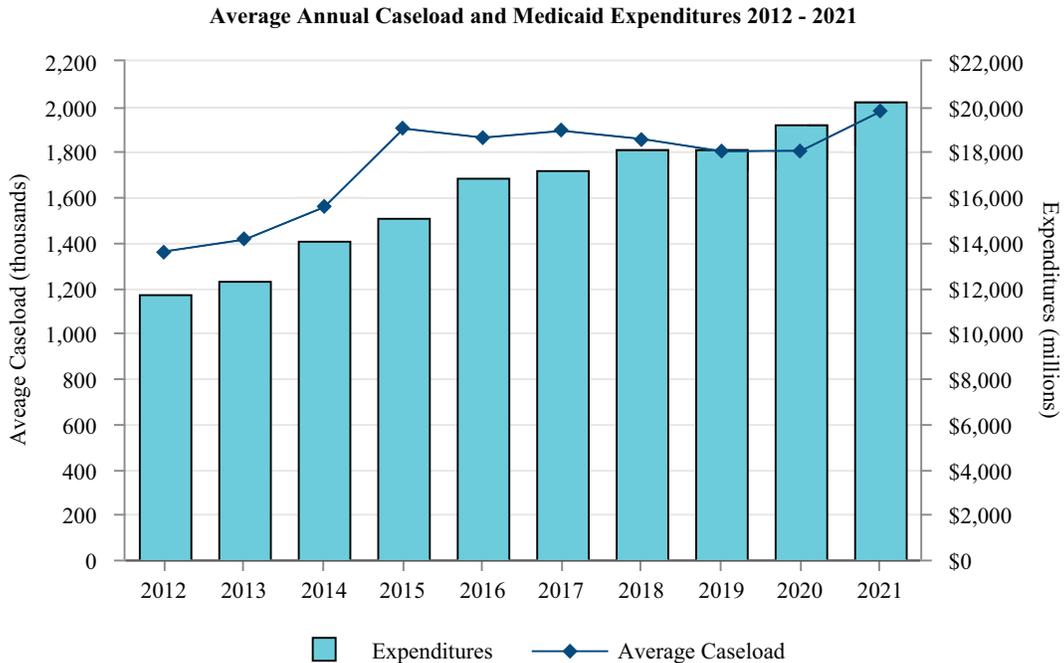
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
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
2012	1,361	11,708	8,602

* Includes members in transitional coverage program starting January 1, 2014.

See Independent Auditors' Report



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
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%
2011	3,212	15,051	9,611	44,300	72,174	0.2%	81.1%	18.9%

Source: Massachusetts Highway Department, Bureau of Transportation Planning and Development Annual Road Inventory Reports, Lane Miles Table 8. Exclusive of shoulders

See Independent Auditors' Report

Massachusetts Real Property Owned and Leased
Annual Inventory, Acreage, Improvements and Square Footage
Last Ten Years

Functions/Programs	Survey Year 2021	Survey Year 2020	Survey Year 2019	Survey Year 2018	Survey Year 2017
General Government:					
Total Acreage	3,234	4,615	4,812	5,108	4,964
Number of Improvements	331	330	307	287	268
Gross square footage	5,643,667	5,602,706	6,056,184	5,848,109	6,054,449
Judiciary:					
Total Acreage	144	154	152	155	154
Number of Improvements	73	74	69	73	75
Gross square footage	5,129,991	5,129,991	4,763,973	4,935,067	5,224,810
Energy and environmental affairs:					
Total Acreage	347,857	753,328	692,352	689,821	688,129
Number of Improvements	4,108	3,329	2,625	2,352	2,184
Gross square footage	104,763,962	83,595,589	12,292,810	8,410,119	8,214,843
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	78,012	78,012	78,012
Health and human services:					
Total Acreage	2,111	2,569	2,560	2,760	2,862
Number of Improvements	466	463	462	455	455
Gross square footage	8,079,366	8,088,467	7,908,283	8,390,655	8,131,022
Transportation and public works:					
Total Acreage	1,061	6,957	6,951	7,160	7,195
Number of Improvements	999	1,008	971	965	952
Gross square footage	6,583,261	6,519,615	6,296,235	6,273,557	6,123,984
Education:					
Total Acreage	150	208	208	220	208
Number of Improvements	30	30	30	40	40
Gross square footage	508,706	508,706	223,706	207,633	207,633
Public safety and homeland security:					
Total Acreage	9,352	10,198	10,336	12,071	19,271
Number of Improvements	1,078	1,035	1,129	1,100	1,118
Gross square footage	14,554,396	14,483,439	15,394,170	15,176,714	14,998,157
Higher Education:					
Total Acreage	6,577	5,924	5,923	5,715	6,770
Number of Improvements	1,215	1,178	1,185	1,136	1,101
Gross square footage	42,579,314	42,039,298	42,092,601	40,434,772	43,339,713
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	370,488	783,955	723,296	723,012	729,555
Number of Improvements	8,306	7,453	6,784	6,414	6,199
Gross square footage	187,910,075	166,035,223	95,105,974	89,754,638	92,372,623
Percentage Change for Commonwealth:					
Acreage	(52.7)%	8.4 %	— %	(0.9)%	1.0 %
Improvement	11.4 %	9.9 %	5.8 %	3.5 %	1.2 %
Gross square footage	13.2 %	74.6 %	6.0 %	(2.8)%	9.3 %

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 2016	Survey Year 2015	Survey Year 2014	Survey Year 2013	Survey Year 2012
2,488	2,574	3,114	3,101	3,039
118	173	513	333	279
4,808,125	6,803,498	10,916,681	9,076,550	7,690,761
153	153	149	148	148
75	75	74	73	73
4,843,949	4,843,949	5,310,049	4,700,920	4,700,920
680,310	674,046	668,631	652,400	642,799
2,186	2,186	1,806	2,192	2,191
8,134,142	8,134,142	6,507,161	7,287,961	7,283,666
2	2	0	2	2
6	6	4	5	5
78,012	78,012	57,812	68,412	68,412
5,568	5,623	5,834	5,829	6,407
627	627	907	792	855
8,361,435	8,360,310	10,995,096	9,759,611	10,923,090
6,968	6,966	7,014	6,965	6,972
930	929	675	921	919
5,820,282	4,919,282	1,989,583	4,876,689	4,876,689
208	208	208	208	208
40	40	40	43	43
207,633	207,633	205,503	272,352	272,352
19,150	19,150	19,166	19,169	19,172
1,063	1,014	1,083	997	990
13,845,503	13,376,555	14,402,161	12,213,112	12,191,229
7,244	7,243	7,128	7,473	7,254
1,078	1,076	873	1,009	1,007
38,443,057	38,411,260	29,666,140	32,594,800	32,523,400
722,091	715,965	711,244	695,295	686,001
6,123	6,126	5,975	6,365	6,362
84,542,138	85,134,641	80,050,186	80,850,407	80,530,519
0.9 %	0.7 %	2.3 %	1.4 %	2.3 %
— %	2.5 %	(6.1)%	— %	0.7 %
(0.7)%	6.4 %	(1.0)%	0.4 %	1.1 %

Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years

Academic Year	Fall 2020	Fall 2019	Fall 2018	Fall 2017	Fall 2016
ENROLLMENT					
University System					
Undergraduate (FTE).....	52,633	53,103	56,544	56,275	51,209
Graduate (FTE).....	13,437	12,907	18,161	18,284	12,769
System Enrollment	66,070	66,010	74,705	74,559	63,978
State University System					
Undergraduate (FTE).....	31,087	34,807	35,081	36,074	35,909
Graduate (FTE).....	5,859	6,003	6,169	5,694	5,641
System Enrollment	36,946	40,810	41,250	41,768	41,550
Community College System					
Undergraduate (FTE).....	39,814	47,190	47,891	52,306	55,336
DEGREES CONFERRED					
	2021	2020	2019	2018	2017
University System					
Certificates (MD).....	693	604	573	571	505
Associates.....	70	80	93	82	73
Bachelors.....	13,364	13,061	13,118	13,036	12,754
Masters.....	4,111	4,074	4,099	4,013	3,771
Doctoral.....	599	662	665	599	602
Certificate of Advance Graduate Study.....	48	49	67	71	76
Post-Baccalaureate Certificate.....	652	658	696	708	842
First Professional.....	86	58	47	49	50
Total Degrees	19,623	19,246	19,358	19,129	18,673
State University System					
Certificates.....	45	54	39	28	35
Bachelors.....	7,996	8,516	8,692	8,867	8,775
Masters.....	2,855	2,876	2,693	2,388	2,283
Certificate of Advance Graduate Study.....	130	138	92	85	83
Post-Baccalaureate Certificate.....	301	259	370	302	359
Total Degrees	11,327	11,843	11,886	11,670	11,535
Community College System					
Certificates.....	2,473	2,311	2,886	3,332	3,147
Associates.....	9,267	9,413	10,276	10,416	11,067
Total Degrees	11,740	11,724	13,162	13,748	14,214
Total All Systems - Degrees	42,690	42,813	44,406	44,547	44,422

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

See Independent Auditors' Report

Fall 2015	Fall 2014	Fall 2013	Fall 2012	Fall 2011	Change - 2020 from 2011
50,816	49,725	48,893	48,136	47,432	11.0 %
12,517	12,576	12,442	12,202	12,048	11.5 %
63,333	62,301	61,335	60,338	59,480	11.1 %
34,700	35,507	35,429	34,773	35,639	(12.8)%
8,007	7,507	7,704	7,894	6,224	(5.9)%
42,707	43,014	43,133	42,667	41,863	(11.7)%
59,827	58,764	64,584	62,445	64,586	(38.4)%
2016	2015	2014	2013	2012	% Change - 2021 from 2012
423	435	376	426	348	99.1 %
85	103	96	121	97	(27.8)%
12,124	11,841	11,544	10,910	10,399	28.5 %
3,669	3,787	3,559	3,442	3,360	22.4 %
575	504	501	486	450	33.1 %
86	81	77	62	89	(46.1)%
769	738	691	664	659	(1.1)%
53	64	79	103	43	100.0 %
17,784	17,553	16,923	16,214	15,445	27.1 %
40	29	34	37	29	55.2 %
8,762	8,534	8,184	8,024	7,722	3.5 %
2,353	2,116	2,478	2,327	2,404	18.8 %
73	63	113	108	143	(9.1)%
283	304	327	371	362	(16.9)%
11,511	11,046	11,136	10,867	10,660	6.3 %
3,131	3,288	3,365	2,929	2,888	(14.4)%
11,317	11,517	11,341	10,772	10,404	(10.9)%
14,448	14,805	14,706	13,701	13,292	(11.7)%
43,743	43,404	42,765	40,782	39,397	8.4 %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2021

(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	\$ 1,151,006	\$ 214,622	\$ 352	\$ —	\$ 2,948	\$ 11,263	\$ 80,133	\$ 1,460,324

Stabilization Balance Reconciliation:

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

* Excludes funds with no FY21 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, 2021

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 4,626,419
Allowable Stabilization Fund balance	<u>8,532,366</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

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

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	\$ —
Transfers from Stabilization Fund	<u>—</u>
Tax Reduction Fund balance after transfers	<u>\$ —</u>

See Independent Auditors' Report

MASSACHUSETTS GENERAL INFORMATION

Admitted to Union (6th State): 1788
Population: 6,893,574

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



PREPARED BY
THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH

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TABLE OF REFUNDED BONDS

The following bonds will be refunded from the proceeds of the Refunding Bonds on November 21, 2022 at a call price of 100%.

General Obligation Bonds, Consolidated Loan of 2014, Series C:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
July 1, 2029	\$40,000,000	4.000%	57582P4B3
July 1, 2030	50,000,000	4.000	57582P4C1
July 1, 2031	75,000,000	4.000	57582P4D9

General Obligation Bonds, Consolidated Loan of 2014, Series E (Green Bonds):

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
September 1, 2029	\$37,455,000	5.000%	57582P6R6
September 1, 2030	39,595,000	5.000	57582P6S4
September 1, 2031	37,815,000	5.000	57582P6T2

General Obligation Bonds, Consolidated Loan of 2014, Series F:

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>CUSIP*</u>
November 1, 2029	\$50,000,000	4.000%	57582RAG1
November 1, 2030	75,000,000	4.000	57582RAH9
November 1, 2031	75,000,000	4.000	57582RAJ5

* 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 Refunded 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.

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PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the 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 \$902,480,000 General Obligation Bonds, Consolidated Loan of 2022, Series C and \$435,400,000 General Obligation Refunding Bonds, 2022 Series A, each dated the date of delivery (collectively, 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, 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.

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FORM OF CONTINUING DISCLOSURE UNDERTAKING

[to be included in bond form]

The Commonwealth of Massachusetts

\$902,480,000
 General Obligation Bonds
 Consolidated Loan of 2022, Series C

\$435,400,000
 General Obligation Refunding Bonds
 2022 Series A

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, 2022, (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 21, 2022 (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> ”
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”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
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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