



SUPPLEMENT DATED JANUARY 15, 2013

TO

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

DATED JANUARY 8, 2013

The Commonwealth Information Statement dated January 8, 2013 is supplemented as follows.

Under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Tax Revenue Forecasting," the last paragraph is replaced by the following two paragraphs:

On January 14, 2013, a fiscal 2014 consensus tax revenue estimate of \$22.334 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2014 consensus tax revenue estimate represents revenue growth of 3.9% actual from the revised fiscal 2013 estimate of \$21.496 billion. The \$22.334 billion figure includes off-budget transfers of \$1.630 billion for pension funding, \$799.6 million in dedicated sales tax receipts for the Massachusetts Bay Transportation Authority and \$703.6 million in dedicated sales tax receipts for the Massachusetts School Building Authority.

The Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means also agreed upon a potential gross state product (PGSP) estimate of 3.6% for calendar year 2014. The estimate of PGSP was developed through consultation with the Health Policy Commission, the Executive Office for Administration and Finance, the Department of Revenue, the House and Senate Ways and Means Committees and outside economists. The PGSP growth benchmark is to be used by the Health Policy Commission to establish the Commonwealth's health care cost growth benchmark.

Under the heading "PENSION AND OPEB FUNDING – Other Post-Retirement Benefit Obligations (OPEB)," the tenth paragraph is replaced by the following paragraph:

A special commission to study retiree health care benefits for public employees in Massachusetts was mandated as part of the pension reform act enacted in November, 2011. The commission held regular meetings between April and December, 2012 and voted to adopt a set of recommendations that were included in a final report filed with the Legislature on January 11, 2013. The recommendations include increasing years of service and phasing-in a higher minimum eligibility age to receive retiree health benefits as well as pro-rating the level of benefits received based on years of service. The commission's recommendations, if adopted, would generate savings of up to \$20 billion for state and local governments in the Commonwealth over the next 30 years, according to estimates of outside actuaries. On January 11, 2013, Governor Patrick announced plans to file legislation that would be based on the Commission's recommendations.

Under the heading "FISCAL 2012 AND FISCAL 2013 – Fiscal 2013," the following paragraphs are added:

On January 12, 2013, the Governor filed legislation that included items that he filed on November 1, 2012 to address costs related to the breach at the Hinton drug testing laboratory, as well as reductions and other actions filed on December 4, 2012, that are necessary to address the projected tax revenue shortfall announced and then reflected in the revised fiscal 2013 revenue estimate. The legislation filed on January 12, 2013 also included approximately \$94 million in supplemental funding, the majority of which were items originally filed for in the December 4, 2012 legislation, such as \$44.3 million for family homeless services, \$25 million for public counsel services provided by the Committee for Public Counsel Services, \$11 million for the continued operation of the Fernald Campus in Waltham, \$5 million for judgments and settlements which must be paid by the state, \$3 million for the costs to implement the recent health care cost control legislation, \$3 million for state agency costs in response to the Hurricane Sandy storm in October and \$2.5 million for Tuition Waivers for National Guard members. In addition to these items, the legislation filed on January 12, 2013 also included approximately \$1 million to support spring semester fee waivers for students previously or currently involved in the state's foster care system. The Executive Office for Administration and Finance projects that there will be sufficient budgetary resources to support this funding.

On January 15, 2013, the Governor announced an education investment package, to be filed with the Governor's fiscal 2014 budget proposal on January 23, 2013, that totals approximately \$550 million in its first year and increases to nearly \$1 billion annually over the next four years. The investment package would provide \$350 million for early education and care (\$131 million in fiscal 2014), a \$226 million increase in Chapter 70 local aid (beginning in fiscal 2014), \$90 million for K-12 education (\$25 million in fiscal 2014) which is in addition to the Chapter 70 investment and \$274 million for investments in higher education (\$152 million in fiscal 2014).

On January 14, 2013, the Massachusetts Department of Transportation (MassDOT) released a detailed analysis of the infrastructure needs of the Commonwealth's transportation system, including a 25-year long-term financial plan outlining investments that MassDOT believes necessary to improve economic development and quality of life across the state. The plan identifies a \$1.02 billion average additional investment needed each year to maintain and stabilize the system that currently exists as well as to fund a handful of new, strategically targeted, high-impact transportation projects that would create a 21st-century transportation network. The additional new investment would include (all of the following figures represent the fiscal 2014 increment unless otherwise stated) \$234 million to eliminate the need to use bonds to pay for MassDOT's daily operations and payroll, a practice that has been in place since the mid-1990's, \$50 million to ensure that snow and ice operations are annually funded at an appropriate level based on the average five-year cost, \$75 million to manage the \$13 billion capital plan highlighted in the report (see below) and \$166 million to assist the Massachusetts Bay Transportation Authority (MBTA) with its structural operating deficit, which has been caused, in part, by debt it incurred to finance projects associated with the Central Artery/Ted Williams Tunnel project. The \$1.02 billion investment also includes \$100 million to eliminate the practice of funding in arrears the operating budgets of the regional transit authorities (RTAs) and thereby eliminating the need for the RTAs to take on short-term debt in order to fund annual operating costs. Thereafter, the \$100 million in annual additional funding would be used to expand RTA service by adding hours of operation, increasing frequency on existing routes and adding new service. Finally, the \$1.02 billion additional investment includes \$18 million to support debt service costs associated with the \$13 billion capital program recommended in the transportation plan. MassDOT estimates that the cost associated with the borrowing for this 25-year program will increase to \$518 million by fiscal 2023 as more projects enter construction.

The \$13 billion capital plan would be in addition to the capital funding that the transportation system receives under the current five-year capital plan maintained by the Executive Office for Administration and Finance. See "COMMONWEALTH CAPITAL INVESTMENT PLAN ." The \$13 billion ten-year capital investment plan includes \$3.76 billion to preserve and modernize the highway system, \$3.75 billion to preserve and modernize the transit system, \$1 billion to expand the Chapter 90 program which funds improvements to local bridges and roads, \$3.82 billion for recommended expansion projects such as the South Coast Rail, Green Line extension and expansion of South Station and \$275 million for improvements to the Commonwealth's airport system and the Registry of Motor Vehicles.

The plan identifies other potential reforms MassDOT is exploring, including a move to all-electronic tolling on the Massachusetts Turnpike and other tolled assets, modernization of Registry of Motor Vehicles services, greater performance management to measure progress and identify areas of improvement, a fully integrated asset management system, further MBTA retirement changes and additional partnership opportunities with the Massachusetts Port Authority. MassDOT believes these reforms would improve the customer experience and address a portion of the \$1.02 billion in additional revenue needed each year. The plan also includes suggested revenue options proposed by members of the public and other stakeholders over the last year. Those recommendations include an increase in the gas tax, payroll tax, sales tax or income tax; a new green fee on vehicle registrations; a vehicle miles traveled tax; regular and modest fare, fee and toll increases; and new tolling mechanisms. The plan also assumes that tolls are maintained on the western portion of the Massachusetts Turnpike. At or before the time he files his fiscal 2014 budget recommendations, the Governor is expected to make a specific revenue proposal to fund the MassDOT report's recommendations.

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