



SUPPLEMENT DATED JULY 24, 2013

TO

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

DATED JULY 22, 2013

The Commonwealth Information Statement dated July 22, 2013 is supplemented as follows.

- (1) Under the heading "FISCAL 2013 AND FISCAL 2014 – Fiscal 2014," the third paragraph is replaced by the following paragraph:

On July 2, 2013, the Governor returned the legislation to the Legislature with an amendment that would offset the amount of revenue lost from the scheduled discontinuance of the western turnpike tolls in calendar 2017 with an increase in the gas tax. The provision would only be triggered if and to the extent the toll revenues are reduced. The annual revenue loss should the western turnpike tolls come down in calendar 2017 is estimated to be \$135 million. On July 18, 2013 the Legislature rejected the Governor's proposed amendment by more than a two-thirds vote in each house and returned essentially the same bill to the Governor. On July 19, 2013 the Governor vetoed the bill. On July 24, 2013 the Legislature overrode the Governor's veto. These new tax provisions, assuming an effective date of July 1, 2013 and no implementation delays, had been expected to raise \$439.6 million in fiscal 2014. With the bill becoming law on July 24, 2013, the Department of Revenue estimates that approximately \$395 million will be generated by these new tax provisions in fiscal 2014.

- (2) Under the heading "FISCAL 2013 AND FISCAL 2014 – Fiscal 2014," the fifth and sixth paragraphs are replaced by the following three paragraphs:

Approximately \$417.1 million of the line item vetoes (\$240 million to transportation line items and \$177.1 million to unrestricted general government aid) was to ensure that the budget would be in balance in light of the then-unresolved status of the transportation finance legislation described above, which raises revenue to support transportation and other budget needs. The Governor's vetoes of those line items were overridden by the Legislature on July 24, 2013, the same day that the Legislature overrode the Governor's veto of the transportation finance bill.

The total budgetary exposure created by the then-unresolved status of the transportation finance legislation was \$439.6 million. The remaining \$22.5 million exposure after accounting for vetoes is solved due to an adjustment to the Massachusetts School Building Authority transfer, which would otherwise receive a portion of the sales tax on computer systems design services and on the modification of prewritten software, a provision that is included in the transportation finance legislation. The Governor also amended an outside section in the budget to expand the "bottle bill" to include bottled water and non-carbonated soft drinks, which would generate an estimated \$22 million in fiscal 2014. This additional revenue when combined with the \$18.3 million in non-transportation and unrestricted general government aid vetoes would provide sufficient resources to support the \$40 million fiscal 2014 supplemental budget legislation, described below, which was filed by the Governor on the same day he approved the budget.

The budget assumes tax revenues of \$22.891 billion, reflecting the fiscal 2014 consensus tax estimate of \$22.334 billion, adjusted for the impact of revenue initiatives enacted as part of the budget, most notably a one-year delay of the FAS 109 deductions (additional \$45.9 million) and enhanced tax enforcement initiatives (additional \$35 million), and Amazon agreement (additional \$36.7 million), as well as approximately \$439.6 million in tax revenues included in the transportation finance legislation enacted on July 24, 2013. Approximately \$1.060 billion of the \$22.891 billion tax estimate is assumed to be generated from taxes on capital gains. Approximately \$37 million of that amount will be deposited into the Stabilization Fund and will not be available for budgetary purposes pursuant to the certification released by the Department of Revenue on December 28, 2012, that established a fiscal 2014 capital gains threshold of \$1.023 billion.

- (3) Under the heading “COMMONWEALTH REVENUES AND EXPENDITURES – Local Aid; *Commonwealth Financial Support for Local Governments*,” the first paragraph is replaced by the following paragraph:

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 as reported on the so-called “cherry sheet” prepared by the Department of Revenue, excluding certain pension funds and non-appropriated funds. The Commonwealth’s budget for fiscal 2014 provides \$5.22 billion of state-funded local aid to municipalities.

- (4) Under the heading “COMMONWEALTH REVENUES AND EXPENDITURES – Local Aid; *Commonwealth Financial Support for Local Governments*,” the third paragraph is replaced by the following paragraph:

The fiscal 2010 budget eliminated lottery local aid and additional assistance and created a new local aid funding source called unrestricted general government aid. This account is now the other major component of direct local aid, providing unrestricted funds for municipal use. The fiscal 2014 budget provided for cities and towns to receive \$920 million in unrestricted general government aid, with funding allocated to ensure a 2% increase in funding over the fiscal year 2013 levels to all municipalities.

- (5) Under the heading “COMMONWEALTH REVENUES AND EXPENDITURES – Statutory Basis Distribution of Budgetary Revenues and Expenditures,” the table is replaced by the following table:

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

	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>	<u>Preliminary Fiscal 2013</u>	<u>Projected Fiscal 2014 (2)</u>
Beginning Fund Balances						
Reserved or Designated	\$171.5	\$68.9	\$122.0	\$400.1	\$170.4	15.8
Stabilization Fund	2,119.2	841.3	669.8	1,379.1	1,652.1	1,601.1
Undesignated	<u>115.1</u>	<u>106.4</u>	<u>111.3</u>	<u>121.7</u>	<u>167.2</u>	<u>19.8</u>
Total	<u>\$2,405.8</u>	<u>\$1,016.6</u>	<u>\$903.1</u>	<u>\$1,900.8</u>	<u>\$1,989.7</u>	<u>\$1,636.7</u>
Revenues and Other Sources						
Alcoholic Beverages	71.9	71.0	72.7	76.1	76.3	78.4
Banks	242.6	234.9	(11.0)	266.6	78.0	51.3
Cigarettes	456.8	456.2	453.6	451.0	440.1	443.2
Corporations	1,548.6	1,600.3	1,951.4	1,771.1	1,821.9	1,794.8
Deeds	105.5	137.9	140.2	158.8	188.9	332.1
Income	10,583.7	10,110.3	11,576.0	11,911.4	12,830.9	13,076.2
Inheritance and Estate	259.7	221.4	309.6	293.3	313.4	261.7
Insurance	356.7	330.0	340.3	363.6	426.0	403.5
Motor Fuel	654.0	654.6	660.8	661.9	651.6	762.8
Public Utilities	(1.7)	(0.3)	(8.8)	(35.9)	(11.5)	(10.8)
Room Occupancy	109.5	101.6	110.4	121.6	129.2	131.5
Sales:						
Regular	2,799.7	3,282.8	3,476.3	3,544.4	3,595.85	3,895.4
Meals	629.6	759.6	813.3	868.8	901.2	957.5
Motor Vehicles	<u>439.3</u>	<u>569.3</u>	<u>615.2</u>	<u>646.1</u>	<u>666.9</u>	<u>696.5</u>
Sub-Total-Sales	3,868.6	4,611.7	4,904.8	5,059.3	5,163.91	5,549.5
Miscellaneous	<u>3.3</u>	<u>14.1</u>	<u>16.6</u>	<u>15.9</u>	<u>14.4</u>	<u>17.0</u>
Total Tax Revenues	<u>\$18,259.5</u>	<u>\$18,543.7</u>	<u>\$20,516.6</u>	<u>\$21,114.7</u>	<u>22,123.2</u>	<u>22,891.2</u>
MBTA Transfer	(767.1)	(767.1)	(767.1)	(779.1)	(786.9)	(799.3)
MSBA Transfer	<u>(702.3)</u>	<u>(605.2)</u>	<u>(654.6)</u>	<u>(670.5)</u>	<u>(682.0)</u>	<u>(734.7)</u>
WTF Transfer(3)	-	-	-	<u>(21.4)</u>	<u>(22.2)</u>	<u>(21.6)</u>
Total Budgeted Operating Tax Revenues	<u>\$16,790.0</u>	<u>\$17,171.4</u>	<u>\$19,094.9</u>	<u>\$19,643.7</u>	<u>20,632.1</u>	<u>21,335.5</u>
Federal Reimbursements	8,250.9	8,548.8	9,299.5	7,971.7	8,077.3	8,555.4
Departmental and Other Revenues	2,326.2	2,800.9	2,912.3	2,921.4	3,292.9	3,673.4
Inter-fund Transfers from Non-budgeted Funds and other sources (4)	<u>1,850.3</u>	<u>1,788.8</u>	<u>1,768.6</u>	<u>2,009.7</u>	<u>1,753.4</u>	<u>1,933.0</u>
Budgeted Revenues and Other Sources	<u>\$29,217.4</u>	<u>\$30,310.0</u>	<u>\$33,075.3</u>	<u>\$32,546.5</u>	<u>\$33,755.8</u>	<u>\$35,497.3</u>
Inter-fund Transfers	<u>1,963.8</u>	<u>770.8</u>	<u>3,460.9</u>	<u>1,032.3</u>	<u>1,640.9</u>	<u>899.9</u>
Total Budgeted Revenues and Other Sources	<u>\$31,181.2</u>	<u>\$31,080.8</u>	<u>\$36,536.3</u>	<u>\$33,578.8</u>	<u>\$35,396.7</u>	<u>\$36,397.2</u>
Expenditures and Uses						
Direct Local Aid	4,723.6	4,837.4	4,784.7	4,929.5	5,114.1	5,292.2
Medicaid (5)	8,679.2	9,287.6	10,237.3	10,431.1	10,821.4	12,097.4
Other Health and Human Services	4,828.3	4,616.6	4,614.8	4,710.5	4,868.8	5,050.8
Group Insurance	973.1	1,063.8	1,130.3	1,206.2	1,285.8	1,349.6
Department of Elementary and Secondary Education	495.9	358.1	349.4	435.9	566.0	590.4
Higher Education	1,035.5	845.6	943.0	937.1	975.2	1,081.1
Department of Early Education and Care	560.3	513.5	515.1	494.3	488.7	500.3
Public Safety	1,514.3	1,423.2	905.0	929.7	1,505.3	1,518.2
Energy and Environmental Affairs	215.9	202.2	185.6	186.8	204.4	218.5
Debt Service	2,011.7	1,979.9	1,663.9	1,923.2	2,366.4	2,428.2
Post Employment Benefits (6)	1,314.4	1,748.6	1,838.9	1,892.3	1,967.0	2,050.4
Other Program Expenditures	<u>2,350.9</u>	<u>2,509.0</u>	<u>2,850.4</u>	<u>2,898.7</u>	<u>2,313.0</u>	<u>2,117.0</u>
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$28,703.1</u>	<u>\$29,384.5</u>	<u>\$30,018.6</u>	<u>\$30,975.3</u>	<u>\$32,476.7</u>	<u>\$34,294.1</u>

	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>	<u>Preliminary Fiscal 2013</u>	<u>Projected Fiscal 2014 (2)</u>
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund	987.6	631.7	739.0	614.9	661.2	340.1
State Retiree Benefit Trust Fund (7)	352.0	-	-	-	-	-
Medical Assistance Trust Fund	374.0	313.3	886.1	220.9	390.9	394.0
Massachusetts Transportation Trust Fund	-	-	195.1	180.1	188.9	315.1
Other	189.9	94.1	238.8	466.4	391.1	369.8
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,903.5</u>	<u>\$1,039.1</u>	<u>\$2,059.0</u>	<u>\$1,482.3</u>	<u>\$1,632.1</u>	<u>\$1,419.0</u>
Budgeted Expenditures and Other Uses	<u>\$30,606.6</u>	<u>\$30,423.6</u>	<u>\$32,077.6</u>	<u>\$32,457.6</u>	<u>\$34,108.8</u>	<u>\$35,713.1</u>
Inter-fund Transfers	1,963.8	770.8	3,460.9	1,032.3	1,640.9	899.9
Total Budgeted Expenditures and Other Uses	<u>\$32,570.4</u>	<u>\$31,194.4</u>	<u>\$35,538.5</u>	<u>\$33,489.9</u>	<u>\$35,749.7</u>	<u>\$36,613.0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(\$1,389.2)</u>	<u>(\$113.6)</u>	<u>\$997.8</u>	<u>\$88.9</u>	<u>(\$353.0)</u>	<u>(\$215.8)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (8)	68.9	122.0	400.1	170.5	15.8	7.6
Stabilization Fund	841.3	669.8	1,379.1	1,652.1	1,601.1	1,394.7
Undesignated	106.4	111.3	121.7	167.1	19.8	18.5
Total	<u>\$1,016.6</u>	<u>\$903.1</u>	<u>\$1,900.8</u>	<u>\$1,989.7</u>	<u>\$1,636.7</u>	<u>\$1,420.9</u>

SOURCES: Fiscal 2009-2012, Office of the Comptroller; fiscal 2013 and 2014, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) Based on the budgetary tax revenue estimate of \$22.452 billion (\$22.334 billion consensus estimate, adjusted for budgeted revenue enhancements, the Amazon agreement and FAS109 delay based on the fiscal 2014 budget approved by the Governor on July 12, 2013, as well as approximately \$439.6 million in tax revenues included in the transportation finance legislation enacted on July 24, 2013. These revenue estimates are subject to change as the Department of Revenue further analyzes the new tax provisions in order to establish the fiscal 2014 tax revenue benchmarks.
- (3) The fiscal year 2012 budget adopted changes to the Workforce Training Fund, which annually is funded through employer contributions for workforce training initiatives for incumbent workers in the private sector. Beginning in fiscal 2012 the WTF will not be subject to annual appropriation and the employer contributions are transferred directly to the WTF after their collection.
- (4) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, transfer of tobacco settlement funds to allow their expenditure, abandoned property proceeds as well as other inter-fund transfers.
- (5) Fiscal 2009 included program administration.
- (6) Starting in fiscal 2010 Post Employment Benefits include budgeted pension transfers and State Retiree Benefit Trust Fund.
- (7) Transfers of approximately \$133.4 million in fiscal 2010 are included in "Other Program Expenditures" above.
- (8) Consists largely of appropriations from previous years, authorized to be expended in current years.

THE COMMONWEALTH OF MASSACHUSETTS