



THE COMMONWEALTH OF MASSACHUSETTS Special Obligation Revenue Bonds

ANNUAL FINANCIAL INFORMATION

March 26, 2021

The following annual financial information is provided by The Commonwealth of Massachusetts (the “Commonwealth”) pursuant to certain continuing disclosure undertakings entered into by the Commonwealth in connection with the Commonwealth’s issuance of special obligation revenue bonds. Set forth below is certain financial information and operating data relating to the Commonwealth for the fiscal year ended June 30, 2020, updating the financial information presented in the Commonwealth’s statement of annual financial information for special obligation debt dated March 24, 2020 with respect to the fiscal year ended June 30, 2019.

Specific reference is made to the Official Statement dated December 22, 2004 relating to the Commonwealth’s Special Obligation Revenue Bonds, Consolidated Loan of 2005, Series A (the “Official Statement”), a copy of which has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Official Statement.

This statement is of limited scope. It contains only an updating of certain financial information and operating data described below. The information set forth herein does not contain all material information concerning the Commonwealth’s special obligation revenue bonds necessary to make an informed investment decision. This statement does not constitute an offer to sell or the solicitation of an offer to buy Commonwealth special obligation revenue bonds. This statement is submitted pursuant to various continuing disclosure undertakings relating to bonds that are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission and is intended to provide only the information necessary to conform to the requirements of said Rule 15c2-12.

The Commonwealth’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020 has been posted to EMMA and is available at <https://emma.msrb.org/P11561619.pdf>. The Commonwealth’s Statutory Basis Financial Report for the fiscal year ended June 30, 2020 has also been posted to EMMA and is available at <https://emma.msrb.org/P11451433-P11125176-P11536365.pdf>.

SPECIAL DISCLOSURE REGARDING COVID-19 MATTERS

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including throughout the United States and in Massachusetts, and on March 11, 2020, was declared a pandemic by the World Health Organization. In response to the pandemic, international, federal, state and local governments, as well as private businesses and

organizations, have implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals, businesses and organizations have altered their behavior to adapt to such measures and to respond to the spread of COVID-19. The continued spread of COVID-19, the mitigation measures implemented, and these behavioral adaptations have caused and may continue to cause, severe disruptions in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. stock and bond markets.

In March 2020, Governor Baker declared a state of emergency in the Commonwealth, and over the following eight weeks Governor Baker's administration undertook a number of mitigation measures in response to COVID-19, including emergency orders closing certain education programs and non-essential businesses, a number of 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 of these measures resulted in widespread economic disruption throughout the Commonwealth.

As the ongoing COVID-19 pandemic continues to evolve, Governor Baker's administration has curtailed certain measures while retaining flexibility to address future waves of the pandemic. In May 2020, the Governor announced a four-phase approach to reopening the Commonwealth, indicating that decisions and timing on all phases would be influenced by public health metrics. Between May and October 2020, as public health metrics improved, the phased reopening plan was implemented in steps, and certain mitigation measures were curtailed. By October 2020, the Commonwealth had proceeded to step 2 of Phase III of the plan.

In December 2020, the Commonwealth rolled back its reopening requirements and standards to step 1 of Phase III in response to an increase in new COVID-19 infections and hospitalizations following the Thanksgiving holiday. As a result, indoor capacity across a broad range of sectors was reduced, several workplace restrictions were tightened, and certain businesses were required to close, including indoor performance venues and certain high-contact indoor recreational businesses.

Following the rollback in the reopening plan in December 2020, public health measures have continued to trend in a positive direction, and the Commonwealth continues to report declines in average daily COVID-19 cases and hospitalizations, and increasing rates of vaccination within the Commonwealth. Accordingly, the Administration has taken steps to continue to implement the reopening plan, and on March 18, 2021 the Administration announced the transition to step 1 of the final phase of the plan, effective March 22, 2021. The Administration is continuing to monitor public health data relating to COVID-19 and expects that it will continue to adjust the reopening plan, as needed, to control the spread of COVID-19 within the Commonwealth.

The COVID-19 pandemic has adversely impacted the Commonwealth's economy in a number of ways. Many businesses have experienced and may continue to experience decreases in operations and revenues. Due to the temporary closure of non-essential business and the stay-at-home advisory, there was a significant reduction in traffic volume, resulting in a reduction in motor fuel excise tax receipts by the Commonwealth, which reduction is expected to continue as many people continue to work from home. These impacts to date have adversely impacted certain revenues of the Commonwealth, including registry of motor vehicles revenues. The extent of these and other impacts will depend on future developments, including the extent to which businesses that have completely or partially closed will reopen, and the extent to which modifications in operations implemented by businesses and organizations during the pandemic, including allowing employees to work from home, will continue after the state of emergency in

the Commonwealth is lifted. At this time, the Commonwealth cannot predict whether additional measures will be needed to control the spread of COVID-19 or the duration of any such measures. The continued and ultimate impact of the COVID-19 pandemic on the economy and the financial condition of the Commonwealth remains unknown and is dependent on numerous and highly uncertain factors, many of which are beyond the Commonwealth's control.

This annual continuing disclosure filing includes information through the end of the Commonwealth's fiscal 2020. With respect to the first six months of fiscal 2021, net gasoline tax receipts totaled \$287,898,974, which represents a \$55,944,380 or 16.3% decrease from the same period in fiscal 2020. The Department of Revenue provides monthly reports regarding the collection of motor fuels taxes which can be found at <https://www.mass.gov/lists/blue-book-reports-department-of-revenue>.

Questions regarding information contained in this statement may be directed to Sue Perez, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-9333, or to Mark Attia, Assistant Secretary, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040.

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Summary presentation of actual gasoline sales on a ten-year comparative basis, concluding with the prior fiscal year.

HISTORICAL GASOLINE SALES

<u>Fiscal Year</u>	<u>Average Price of Gasoline</u> ⁽¹⁾	<u>Gasoline Consumed</u> (millions of gallons) ⁽²⁾	<u>Percentage Change in Gasoline Consumed</u>	<u>Non-Farm Employment</u> (thousands) ⁽³⁾	<u>Percentage Change in Non-Farm Employment</u>
2020	\$2.486	2,545	(9.37)%	3,545	(3.50)%
2019	2.753	2,808	0.75	3,674	1.08
2018	2.708	2,787	(0.33)	3,634	1.21
2017	2.347	2,796	0.53	3,591	1.66
2016	2.282	2,781	1.54	3,532	1.91
2015	2.925	2,739	0.24	3,466	2.10
2014	3.613	2,733	0.45	3,395	1.72
2013	3.684	2,721	(1.84)	3,337	1.54
2012	3.652	2,772	0.19	3,287	1.53
2011	3.204	2,766	0.58	3,237	1.02

SOURCES: "Average Price of Gasoline": U. S. Department of Energy, Energy Information Administration; "Non-Farm Employment": U. S. Bureau of Labor Statistics; "Gasoline Consumed": Department of Revenue.

- (1) Reflects the Average Price of Gasoline (\$/gallon) in all of Massachusetts.
- (2) Based on Historical Gasoline Tax Collections pursuant to Chapter 64A, *except* Aviation Fuel. See the Official Statements under *Commonwealth Motor Fuels Tax - Refunds and Abatements from Gasoline Tax*.
- (3) Seasonally adjusted. Calculated as fiscal year average of monthly employment.

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Summary presentation of actual Gasoline Tax receipts on a ten-year comparative basis, concluding with the prior fiscal year.

Historical Annual Collection of Gasoline Tax

<u>Fiscal Year</u>	<u>Average Gasoline Tax Rate</u> ⁽¹⁾	<u>Gasoline Tax Receipts</u> ⁽²⁾ (in thousands)	<u>Percentage Change in Gasoline Tax Receipts</u>	<u>One Cent of Gasoline Tax</u> (in thousands)	<u>Percentage Change in One Cent of Gasoline Tax</u>
2020	\$0.24	\$610,734	(9.37)%	\$25,447	(9.37)%
2019	0.24	673,877	0.75	28,078	0.75
2018	0.24	668,869	(0.33)	27,870	(0.33)
2017	0.24	671,100	0.53	27,962	0.53
2016	0.24	667,540	1.54	27,814	1.54
2015	0.24	657,431	2.46	27,393	0.24
2014	0.24	641,664	12.31	27,328	0.45
2013	0.21	571,334	(1.84)	27,206	(1.84)
2012	0.21	582,021	0.19	27,715	0.19
2011	0.21	580,902	0.58	27,662	0.58

SOURCES: “Average Gasoline Tax Rate,” Department of Revenue. “Gasoline Tax Receipts” and “One Cent of Gasoline Tax,” Office of the Comptroller and Department of Revenue.

- (1) The tax rate per gallon has been 24¢ effective July 31, 2013.
- (2) Includes all Gasoline Tax collected by the Commonwealth and credited to various budgeted funds, *except* Aviation Gasoline and Special Fuel (Diesel). See the Official Statement under *Commonwealth Gasoline Tax — Crediting of Receipts*. Net of refunds and abatements from Gasoline Tax. See the Official Statement under *Commonwealth Gasoline Tax — Refunds and Abatements from Gasoline Tax*.

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Summary presentation of actual monthly Gasoline Tax receipts for the two most recently completed fiscal years.

**HISTORICAL MONTHLY COLLECTION OF MOTOR FUELS TAXES
MOST RECENT 24 MONTHS ENDING JUNE 2020**

Month	Gasoline Tax Receipts under Chapter 64A ⁽¹⁾⁽²⁾	Special Fuels Tax Receipts under Chapter 64E ⁽¹⁾	Motor Carrier Fuels Tax Receipts under Chapter 64F ⁽¹⁾	Total
July, 2018	\$57,990,779	\$8,250,165	\$678,301	\$66,919,244
August, 2018	58,886,480	7,829,094	133,673	66,849,247
September, 2018	60,022,894	8,313,507	986,452	69,322,853
October, 2018	55,551,522	7,709,338	690,490	63,951,350
November, 2018	59,081,944	8,742,303	104,658	67,928,905
December, 2018	55,594,288	8,145,519	482,869	64,222,676
January, 2019	56,913,913	7,566,464	912,930	65,393,307
February, 2019	53,770,440	7,662,834	68,927	61,502,201
March, 2019	49,075,555	6,834,273	417,793	56,327,621
April, 2019	55,399,148	7,719,148	638,295	63,756,591
May, 2019	54,082,845	7,763,306	203,832	62,049,984
June, 2019	58,169,696	8,568,416	500,577	67,238,689
July, 2019	56,623,734	8,011,542	572,659	65,207,934
August, 2019	59,493,001	7,829,907	391,327	67,714,235
September, 2019	59,502,052	8,251,079	1,005,747	68,758,879
October, 2019	55,066,974	7,663,629	622,151	63,352,753
November, 2019	58,214,612	8,871,756	223,514	67,309,881
December, 2019	54,942,981	7,792,583	718,302	63,453,866
January, 2020	55,145,688	7,976,665	726,480	63,848,834
February, 2020	53,509,769	7,658,374	238,505	61,406,648
March, 2020	49,430,335	6,363,119	512,559	56,306,014
April, 2020	43,669,923	6,645,389	507,375	50,822,686
May, 2020	28,335,405	6,198,560	168,755	34,702,719
June, 2020	37,465,531	6,826,644	700,425	44,992,601

SOURCE: Department of Revenue.

- (1) Net of applicable refunds, abatements and adjustments, if any. See the Official Statements under *Commonwealth Motor Fuels Tax – Refunds and Abatements from Gasoline Tax*.
- (2) Includes Aviation Fuel tax receipts. For the period indicated on the table above, 0.05% to 0.12% of total collections of the Gasoline Tax is from Aviation Fuel, and the average over this period is 0.09%.

Aggregate annual fiscal year debt service requirements for special obligation bonds issued under the 1994 trust agreement, beginning with the current fiscal year.

GROSS DEBT SERVICE REQUIREMENTS⁽²⁾

<u>Fiscal Year</u>	<u>2005 Bonds Principal</u>	<u>2005 Bonds Interest</u>	<u>2005 Bonds Total</u>
2021	\$ 26,905,000	\$ 2,915,772	\$ 29,820,772
2022	<u>28,385,000</u>	<u>1,435,997</u>	<u>29,820,997</u>
Total ⁽¹⁾	\$ 55,290,000	\$ 4,351,769	\$ 59,641,769

SOURCE: Office of the Treasurer and Receiver-General.

- (1) Totals may not add due to rounding.
- (2) Including debt service payments expected to be funded by reserve fund earnings and amounts in the escrow accounts established in connection with the issuance of the 2005 Bonds but excluding debt service payments on refunded bonds. Assumes that the CPI Bonds bear interest at the Hedged Rates. See the Official Statement under *The 2005 Bonds - Plan of Refunding and Authorization, Security and Sources of Payment for the Bonds - Hedge Agreement*.

Summary presentation of actual Highway Fund revenues on a ten-year comparative basis, concluding with the prior fiscal year.

**HISTORICAL AMOUNTS CREDITED TO COMMONWEALTH TRANSPORTATION FUND ⁽¹⁾⁽²⁾
(in thousands)**

<u>Fiscal Year</u>	<u>Gasoline Taxes ⁽³⁾</u>	<u>Other Fuel Taxes ⁽⁴⁾</u>	<u>Sales Tax ⁽⁵⁾</u>	<u>Registration and License Fees</u>	<u>Other Non-Tax Revenues</u>	<u>Total</u>
2020	\$609,818	\$97,143	\$542,215	\$561,867	\$59,625	\$1,870,668
2019	672,866	101,586	582,904	616,830	64,210	2,038,396
2018	667,866	100,275	563,632	612,779	94,500	2,039,052
2017	670,093	98,343	548,371	598,691	90,651	2,006,149
2016	666,819	98,732	535,766	580,426	111,612	1,993,355
2015	657,078	98,129	510,031	581,686	86,455	1,933,379
2014	642,643	88,868	500,749	533,194	13,545	1,778,999
2013	570,477	80,297	318,097	522,199	57,686	1,548,756
2012 ⁽⁶⁾	581,148	79,953	311,658	508,608	11,794	1,493,162
2011 ⁽⁶⁾	580,031	79,928	302,132	496,034	3,207	1,461,331

SOURCE: Office of the Comptroller.

- (1) Excludes the portion of Cigarette Tax collected under Chapter 64C of the Massachusetts General Laws which was previously credited to the Highway Fund.
- (2) During fiscal 2010, Highway Fund operations were succeeded by the Commonwealth Transportation Fund and the Massachusetts Department of Transportation.
- (3) Net of refunds and abatements from Gasoline Tax. Represents only that portion of the Gasoline Tax that is credited to the Highway Fund and Commonwealth Transportation Fund. See the Official Statement under *Commonwealth Gasoline Tax—Refunds and Abatements from Gasoline Tax*.
- (4) Includes aviation fuel taxes.
- (5) Commencing with fiscal 2011, 6.16% of the sales tax (or the 0.385% of receipts from sales or the sales price of purchases as defined in M.G.L. Ch. 64H and Ch. 64I) was credited to the Commonwealth Transportation Fund.
- (6) The fiscal 2011 and 2012 revenues have been restated to reconcile to the published statutory basis financial statements. The total revenue amounts for fiscal 2011 were reduced by approximately \$34.7 million and for fiscal 2012 were reduced by \$34.3 million.