

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 1, 2026

RATINGS: Fitch: AA+

Moody's: Aa1

S&P: AA+

See "RATINGS" herein.

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 (the "Code"), interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not an item of tax preference for purposes of computation of the federal alternative minimum tax imposed on individuals; however, it may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. 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

\$750,000,000*

**General Obligation Bonds
Consolidated Loan of 2026, Series D**

\$233,790,000*

**General Obligation Refunding Bonds
2026 Series B**

Dated: Date of Delivery

Due: As shown on the inside cover hereof

The Commonwealth of Massachusetts General Obligation Bonds, Consolidated Loan of 2026, Series D (the "New Money Bonds") and the General Obligation Refunding Bonds, 2026 Series B (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 ("DTC"), and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The New Money Bonds will bear interest from their date of delivery and interest will be payable semiannually on each June 1 and December 1, commencing December 1, 2026, and at maturity. The Refunding Bonds will bear interest from their date of delivery and interest will be payable semiannually on each January 1 and July 1, commencing January 1, 2027, and at maturity. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as more fully described herein.

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

The Bonds 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., 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, Troutman Pepper Locke LLP. Masterson Advisors LLC is acting as municipal advisor to the Commonwealth in connection with the issuance of the Bonds. Settlement of the issue is expected at DTC, on or about June __, 2026.

Jefferies

Loop Capital Markets

Blaylock Van, LLC

Raymond James

Fidelity Capital Markets

Morgan Stanley

Piper Sandler

RBC Capital Markets

June __, 2026

* Preliminary, subject to change.

THE COMMONWEALTH OF MASSACHUSETTS

\$750,000,000*

General Obligation Bonds Consolidated Loan of 2026, Series D

Dated: Date of Delivery

Due: June 1, as shown below

<u>Maturity*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP**</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP**</u>
2039	\$25,000,000		%	%	2045	\$40,000,000		%	%
2040	25,000,000				2046	40,000,000			
2041	40,000,000				2047	50,000,000			
2043	40,000,000				2048	40,000,000			
2044	40,000,000								

\$135,000,000* _____ % Term Bonds Due June 1, 2051* at Price _____ % CUSIP:**
\$275,000,000* _____ % Term Bonds Due June 1, 2056* at Price _____ % CUSIP:**

\$233,790,000*

General Obligation Refunding Bonds 2026 Series B

Dated: Date of Delivery

Due: July 1, as shown below

<u>Maturity*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP**</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP**</u>
2030	\$14,280,000		%	%	2035	\$13,800,000		%	%
2031	38,760,000				2036	54,275,000			
2032	13,165,000				2037	39,350,000			
2033	28,320,000				2038	13,210,000			
2034	18,630,000								

* Preliminary, subject to change.

** CUSIP is a registered trademark of FactSet Research Systems Inc. ("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 Underwriters 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 Underwriters 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

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

LEGISLATIVE OFFICERS

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

SUMMARY

This Summary is provided for the convenience of potential investors and is expressly qualified by the entire Official Statement, which should be reviewed in its entirety by potential investors.

Issuer:	The Commonwealth of Massachusetts (the “Commonwealth”).
Issue:	\$750,000,000* aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2026, Series D (the “New Money Bonds”) and \$233,790,000* aggregate principal amount of its General Obligation Refunding Bonds, 2026 Series B (the “Refunding Bonds” and together with the New Money Bonds, the “Bonds”).
Dated:	June __, 2026.
Interest Due:	New Money Bonds: June 1 and December 1, commencing December 1, 2026. Refunding Bonds: January 1 and July 1, commencing January 1, 2027. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months.
Principal Due:	As shown on the inside cover page of this Official Statement.
Redemption:	The Bonds are subject to redemption as described herein under “THE BONDS – Redemption.”
Authorization and Purpose:	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 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 and, together with other funds of the Commonwealth, to pay costs of issuance of the New Money Bonds. See “THE BONDS – Application of New Money Proceeds.” 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 certain outstanding general obligation bonds of the Commonwealth as set forth in Appendix B hereto and to pay costs of issuance of the Refunding Bonds. See “THE BONDS – Plan of Finance.” The list of bonds set forth in Appendix B is not final and is subject to change. The Commonwealth reserves the right not to refund any or all of the bonds listed in Appendix B and to refund any or all of its bonds not listed in Appendix B.
Security:	The Bonds are general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged for the payment of the principal of and interest on the Bonds when due. See “SECURITY FOR THE BONDS.”
Credit Ratings:	The Bonds have been rated “AA+” by Fitch Ratings, Inc., “Aa1” by Moody’s Ratings and “AA+” by S&P Global Ratings. See “RATINGS.”
Tax Matters:	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 (the “Code”), interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not an item of tax preference for purposes of computation of the federal alternative minimum tax imposed on individuals; however, it may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest on the Bonds, and any profit made on the sale thereof, are

* Preliminary, subject to change.

exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. See “TAX EXEMPTION” herein.

Book-Entry Form: The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company, which will act as securities depository of the Bonds. See Appendix E – Book-Entry-Only System.

Additional Information: Questions regarding this Official 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, x. 816, or Robert Tufo, Assistant Secretary, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (857) 289-2741.

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

\$750,000,000*

**General Obligation Bonds
Consolidated Loan of 2026, Series D**

\$233,790,000*

**General Obligation Refunding Bonds
2026 Series B**

INTRODUCTION

This Official Statement (including the cover page and Appendices A through E attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the “Commonwealth”) of \$750,000,000* aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2026, Series D (the “New Money Bonds”) and \$233,790,000* aggregate principal amount of its General Obligation Refunding Bonds, 2026 Series B (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 Bonds Proceeds.” The Refunding Bonds are being issued to refund certain general obligation bonds, as set forth in “THE BONDS – Plan of Finance” and in Appendix B – Table of Refunded Bonds. The list of bonds set forth in Appendix B to be refunded from the proceeds of the Refunding Bonds is not final and is subject to change. The Commonwealth reserves the right not to refund any or all of the bonds listed in Appendix B and to refund any or all of its bonds not listed in Appendix B.

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 E. 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 May 26, 2026 (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

* Preliminary, subject to change.

contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2025, 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, 2025, 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 list of the bonds proposed to be refunded with the proceeds of the Refunding Bonds, which list is not final and is subject to change. The Commonwealth reserves the right not to refund any or all of the bonds listed in Appendix B and to refund any of its bonds not listed in Appendix B. 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. Appendix E attached hereto contains information about The Depository Trust Company (“DTC”) and the book-entry-only system.

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 New Money Bonds will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2026, and at maturity. Interest on the Refunding Bonds will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2027, and at maturity. 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 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 Appendix E - Book-Entry-Only System.

Redemption*

Optional Redemption.

The New Money Bonds will be subject to redemption prior to their stated maturity dates on and after June 1, 2036 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

The Refunding Bonds maturing on or prior to July 1, 2036 are not subject to redemption at the option of the Commonwealth prior to maturity. The Refunding Bonds maturing on or after July 1, 2037 will be subject to redemption prior to their stated maturity dates on and after July 1, 2036 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.

Mandatory Sinking Fund Redemption.

The New Money Bonds maturing on June 1, 2051 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 June 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>
2049	\$35,000,000	2051 [†]	\$50,000,000
2050	50,000,000		

[†] Stated Maturity.

The New Money Bonds maturing on June 1, 2056 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 June 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>
2052	\$50,000,000	2055	\$50,000,000
2053	50,000,000	2056 [†]	75,000,000
2054	50,000,000		

[†] Stated Maturity.

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

* Preliminary, subject to change.

Notice of Redemption. The Commonwealth shall give notice of redemption for any optional 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 for any optional redemption 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 of the Commonwealth (the “State Treasurer”) delivers a notice thereof to the registered owner of the Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the Commonwealth to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and the amount necessary to effect the redemption having been so deposited, the Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such Bonds shall cease to bear interest.

Selection for Redemption of Bonds. 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.

Application of New Money Bonds 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 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.”

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 Commonwealth, upon the delivery of the Refunding Bonds, will enter into a refunding escrow agreement (the “Escrow Agreement”) with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”). Such Escrow Agreement will provide for the deposit of a portion of the net proceeds of the Refunding Bonds with the Escrow Agent, to be applied immediately upon receipt to purchase non-callable direct obligations of the United States of America, State and Local Government Series (the “Escrow Obligations”) and to funding, if needed, a cash deposit in such account. Such Escrow Agreement will require that maturing principal of and interest on the Escrow Obligations held under such Escrow Agreement, plus any initial cash deposit, be held in trust in such account and paid to the Commonwealth solely for the payment of the principal of and the interest on the Refunded Bonds on the redemption date hereof subject to such Escrow Agreement. The list of bonds set forth in Appendix B to be refunded from the proceeds of the Refunding Bonds is not final and is subject to change. The Commonwealth reserves the right not to refund any or all of the bonds listed in Appendix B and to refund any of its bonds not listed in Appendix B.

According to the report described in “VERIFICATION OF MATHEMATICAL COMPUTATIONS,” the Escrow Obligations held under the Escrow Agreement as described above will mature at such times and earn interest in such amounts such that they will produce sufficient monies, together with any initial cash deposits, to make the payments of principal of and interest on the Refunded Bonds to and including their respective redemption dates, as set forth in Appendix B.

SECURITY FOR THE BONDS

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

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the Bonds, and all claims with respect thereto. However, the property of the Commonwealth is not generally subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires a legislative appropriation. Enforcement of a claim for payment of principal of or interest on the Bonds may also be subject to the provisions of federal or state statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to the Commonwealth. Under Massachusetts law, the Bonds have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code. The Bonds are not subject to acceleration.

LITIGATION

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

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

RATINGS

The Bonds have been assigned long-term ratings of "AA+" (stable outlook), "Aa1" (stable outlook) and "AA+" (stable outlook) by Fitch Ratings, Moody's Ratings 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 Jefferies 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 _____% 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.

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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

On the date of delivery and payment, the net proceeds of the Refunding Bonds will be used to purchase Escrow Obligations to be held in trust by the Escrow Agent to provide for payment of principal of and interest on the Refunded Bonds through their redemption date. The arithmetical accuracy of certain computations included in the schedules provided by or on behalf of the Commonwealth relating to (a) computation of anticipated receipts of principal and interest on the Escrow Obligations to pay for principal of and interest on the Refunded Bonds on the redemption date and (b) computation of yields on the Refunding Bonds and the Escrow Obligations will be verified by Robert Thomas CPA, LLC (the “Verification Agent”), a firm of independent public accountants, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Commonwealth, its representatives and the Underwriters. The Verification Agent has restricted its procedures to recalculating the computations provided by the Commonwealth and its representatives and has not evaluated or examined the assumptions or information used in the computations.

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 is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). This opinion is expressly conditioned upon continued compliance with certain requirements imposed by 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 includable 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 an item of tax preference for purposes of computation of the federal alternative minimum tax imposed on individuals, however, it may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. 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 U.S. Internal Revenue Service (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 a holder of the Bond 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 holder of the Bond 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.

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 advisers 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 in 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 advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to the state or local tax consequences of owning such Bonds.

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.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof.

Bond Counsel has not undertaken to update or supplement its opinions in the future to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any events that occur after the date of issuance of the Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, that may affect the tax-exempt status of interest on the Bonds, the tax consequences of ownership of the Bonds, or the market value or marketability of the Bonds. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgement based on its review of existing law and its reliance on the representations and covenants that it deems relevant to such opinions. 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. 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., 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., as Disclosure Counsel to the Commonwealth. Certain legal matters will be passed upon for the Underwriters by their counsel, Troutman Pepper Locke LLP.

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 D 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

Masterson Advisors LLC ("Masterson") has acted as independent municipal advisor to the Commonwealth with respect to the Bonds. Masterson 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. Masterson is an independent municipal 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.

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

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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 Robert Tufo, Assistant Secretary, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (857) 289-2741. 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 _____
Deborah B. Goldberg
Treasurer and Receiver-General

By _____
Matthew Gorzkowicz
Secretary of Administration and Finance

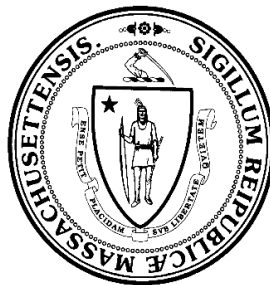
June __, 2026

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COMMONWEALTH INFORMATION STATEMENT DATED MAY 26, 2026

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**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated May 26, 2026

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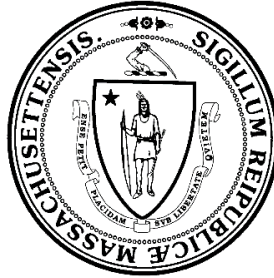
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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

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

LEGISLATIVE OFFICERS

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

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THE COMMONWEALTH OF MASSACHUSETTS
INFORMATION STATEMENT

May 26, 2026

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 Socioeconomic Indicators for Massachusetts as of May 20, 2026. 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, 2025 and the Commonwealth's Annual Comprehensive Financial Report (reported in accordance with generally accepted accounting principles (GAAP)) for the year ended June 30, 2025.

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.

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THE GOVERNMENT

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

Executive Branch

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

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

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

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

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

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

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

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

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

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

State Comptroller. The Comptroller oversees accounting policies and practices, publication of official financial reports, and oversight of fiscal management functions. 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, 2025, 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, 2025, 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 2025, 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 40 of these authorities. A discussion of these entities and the relationship to the Commonwealth is included in footnotes 1 and 14 to the fiscal 2025 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.

On September 3, 2025, the Attorney General certified two initiative petitions that, if approved, would (i) include the 4% surtax on income over the surtax threshold of \$1 million (adjusted for inflation annually in each tax year after 2023) in the calculation of state tax revenues for purposes of the limitation on tax revenues and change the calculation of allowed state tax revenues to be computed based on net state tax revenues and (ii) gradually reduce the state personal income tax rate from 5% to 4% by tax year 2029. See “COMMONWEALTH REVENUES – Limitation of Tax Revenues” and “COMMONWEALTH REVENUES – State Taxes; *Income Tax*,” respectively. On December 3, 2025, the sponsors of the two initiative petitions submitted signatures to the Secretary of the Commonwealth, which the Secretary certified as being sufficient on December 18, 2025 and December 30, 2025, respectively. Accordingly, as described above, the petitions have been submitted to the Legislature for consideration, and if the Legislature takes no action, the sponsors will have the opportunity to place the petitions on the November 2026 ballot by collecting further signatures in the summer of 2026.

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.

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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.

Four of the budgeted operating funds account for most of the Commonwealth's appropriated spending: the General Fund, the Commonwealth Transportation Fund (formerly the Highway Fund), the Transitional Escrow Fund and Federal COVID-19 Response Fund, from which approximately 93.6% of the budgeted operating fund outflows in fiscal 2025 were made, based on preliminary year end results. The remaining approximately 6.4% of budgeted operating fund activity occurred in seventeen other funds, eleven of which are excluded by statute from the calculation of consolidated net surplus of the Commonwealth. A number of budgeted funds were authorized by law but had no activity in fiscal 2025.

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 Intergovernmental Services Fund, the Transitional Escrow Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Fund, the Public Safety Training Fund, the Local Aid Stabilization Fund, the Behavioral Health Outreach, Access and Support Trust Fund, the Federal COVID-19 Response Fund, the Student Opportunity Act Investment Fund, the Broadband Innovation Fund, the High-Quality Early Education and Care Affordability Fund, the Youth Development and Achievement Fund, the Behavioral Health Trust Fund, the Castle Island Marine Park Trust Fund, the Education and Transportation Fund, the Education and Transportation Reserve Fund, the Education and Transportation Innovation and Capital Fund, and the Early Education and Care Operational Grant Fund are excluded from the consolidated net surplus calculation. According to state finance law, deficits in any funds included in the consolidated net surplus calculation are eliminated by transfers from other consolidated net surplus funds that have surplus balances, and any undesignated or unreserved balances remaining in the consolidated net surplus funds are transferred to the Commonwealth Stabilization Fund.

Overview of Operating Budget Process

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

The House Committee on Ways and Means considers the Governor's budget recommendations and, with revisions, proposes a budget to the full House of Representatives. Once approved by the House, the budget is considered by the Senate Committee on Ways and Means, which in turn proposes a budget, with revisions, to be considered by the full Senate. In recent years, the legislative budget review process has included joint hearings by the Ways and Means Committees of the Senate and the House. After Senate action, a legislative conference committee develops a joint budget recommendation for consideration by both houses of the Legislature, which upon adoption is sent to the Governor. Under the Massachusetts constitution, the Governor may veto the budget in whole or disapprove

or reduce specific line items (line-item veto). The Legislature may override the Governor's veto or specific line-item vetoes by a two-thirds roll-call vote of both the House and Senate. The annual budget legislation, as finally enacted, is known as the General Appropriations Act.

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

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

Cash and Budgetary Controls

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

Capital Investment Process and Controls

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

The Comptroller has established various funds to account for financial activity related to the acquisition or construction of capital assets. In addition, accounting procedures and financial controls have been instituted to limit

agency capital spending to the levels approved by the Governor. Capital spending is tracked against the capital investment plan on both a cash and encumbrance accounting basis on the state's accounting system, and federal reimbursements are budgeted and monitored against anticipated receipts.

Cash Management Practices of State Treasurer

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

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

The State Treasurer, in conjunction with the Executive Office for Administration and Finance, is required to submit quarterly cash flow projections for the then current fiscal year to the House and Senate Committees on Ways and Means on or before the last day of August, November, February and May. The projections must include estimated sources and uses of cash, together with the assumptions from which such estimates were derived and identification of any cash flow gaps. See "FISCAL 2026 AND FISCAL 2027 – 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 2026 AND FISCAL 2027 – 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, 2025; 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 2026 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 2025, on a statutory basis, approximately 55.7% of the Commonwealth’s total budgeted operating revenues and other financing sources were derived from state taxes. In addition, in fiscal 2025, the federal government provided approximately 22.0% of such revenues, with the remaining 22.3% provided from departmental revenues and transfers from non-budgeted funds.

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

State Taxes

The major components of state taxes are the income tax, which accounted for approximately 59.8% of total tax revenues in fiscal 2025, the sales and use tax, which accounted for approximately 21.8% of total tax revenues in fiscal 2025, and the corporations and other business and excise taxes (including taxes on insurance companies and financial institutions), which accounted for approximately 10.8% of total tax revenues in fiscal 2025. Other tax and excise sources accounted for the remaining 7.6% of total tax revenues in fiscal 2025.

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.

On October 4, 2023, the Governor signed into law tax relief legislation that amended certain state taxes and tax credits, commencing with the 2023 tax year, including reducing the short-term capital gains tax rate and estate tax and enhancing certain tax credits, deductions and exemptions for seniors, affordable housing and student loan payments. The Department of Revenue estimates the impact of this legislation to be approximately \$885 million to \$1.146 billion annually in fiscal years 2025 through 2029.

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**

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

The state charitable deduction, which was in effect for tax year 2001 but subsequently suspended, was restored effective January 1, 2023. The Department of Revenue estimates that the revenue loss impact due to the reinstatement of the state charitable deduction is expected to range from \$300 million to \$500 million annually.

In November 2022, voters approved an amendment to the Massachusetts constitution, effective January 1, 2023, which imposes an additional surtax on personal income tax of 4.0% on income above the surtax threshold of \$1 million adjusted annually for inflation in each tax year after 2023 (the “Income Surtax”). For tax year 2026, the surtax threshold is \$1,107,750.

The fiscal 2025 budget adopted the federal Internal Revenue Code, as amended on January 1, 2024, and in effect for the taxable year. This tax law change is not currently estimated to have a material revenue impact in fiscal 2025. The 2025 Reconciliation Bill (hereinafter defined) includes changes to the federal tax code that are projected to reduce state tax revenue in fiscal 2026 by approximately \$664 million. In January 2026, Governor Healey filed legislation to delay the implementation of state tax law changes caused by the 2025 Reconciliation Bill. This bill is pending before the Legislature and, if enacted, is projected to mitigate the impact on the 2025 Reconciliation Bill on Commonwealth revenues by approximately \$182 million in fiscal year 2026. See “Tax Revenue Forecasting.”

On September 3, 2025, the Attorney General certified an initiative petition that, if approved, would lower state personal income tax rates on taxable income consisting wages, salaries, interest, dividends and other taxable income over a period of three years such that the tax rates which were set at 5.00% would be reduced to 4.67% for tax year 2027, 4.33% for tax year 2028 and 4.00% for tax year 2029 and each fiscal year thereafter. Preliminary estimates anticipate that the revenue loss impact due to the full reduction is expected to be approximately \$5.5 to 6.5 billion annually. See “THE GOVERNMENT – Initiative Petitions.”

Capital Gains Component of the Income Tax. Effective January 1, 2023, the tax rate on gains from the sale of capital assets held for one year or less (short-term capital gains) is 8.5% and the tax rate from the sale of collectibles is 12.0%. The tax rate on gains from the sale of capital assets owned for more than one year (long-term capital gains) is currently 5.0%. Both short-term and long-term capital gains are subject to the Income Surtax to the extent a taxpayer has Massachusetts taxable income that exceeds the surtax threshold. Capital gains taxes (excluding the Income Surtax on capital gains) accounted for approximately 5.6% of total tax revenue collected in fiscal 2025. Such revenues are heavily reliant on stock market performance and timing of when taxpayers choose to realize gains and losses. Some of the impact of the volatility of capital gains tax revenue is mitigated by state finance law, which provides for tax revenues collected from capital gains income during a fiscal year that exceed a specified threshold to be transferred to the Stabilization Fund or used to reduce long-term liabilities. 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. 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.” Governor Healey’s fiscal year 2027 budget proposal includes legislative changes, which if approved, would modify the capital gains threshold and the percentage of required transfers to the Stabilization Fund and for long-term liabilities. Additionally, the budget proposal recommends an annual multiyear budget forecast and stress test of the 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, including through internet sales from out of state sellers, 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. Online marketplace facilitators and remote sellers are required to collect and remit Massachusetts sales and use taxes, provided that the marketplace's or remote seller's sales within the Commonwealth exceed the threshold of \$100,000.

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 \$1.197 billion for fiscal 2025, \$1.233 billion for fiscal 2026 and \$1.270 billion for fiscal 2027.

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.

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.

Effective January 1, 2025, all business corporations apportion their net income by the percentage of their Massachusetts sales. Previously, corporations generally apportioned their income to Massachusetts based on the proportion of payroll, property, and sales within the Commonwealth, with sales being double-weighted.

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%. Effective January 1, 2025, financial institutions apportion their income by the percentage of their Massachusetts sales. Previously, financial institutions generally apportioned 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. 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%. State and local excise taxes are also imposed on the short-term rentals of property for more than 14 days in a calendar year.

Current law also imposes 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 Department of Revenue estimates the net revenue loss impact of this legislation is approximately \$105 million annually.

Effective for taxable years beginning on or after January 1, 2021, a pass-through entity (PTE), including S-corporations, partnerships, and certain trusts, may elect 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 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.

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

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

Tax Expenditure Budget Summary
(in millions)

<u>Tax Type</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Fiscal 2026</u>	<u>Fiscal 2027</u>
Personal Income Tax	\$9,544.3	\$10,946.6	\$12,238.7	\$13,107.5	\$13,917.9
Corporate and Other Business Excise	3,325.2	3,445.4	3,910.5	3,795.5	3,840.3
Sales and Use Tax	<u>6,686.8</u>	<u>6,901.3</u>	<u>7,108.8</u>	<u>7,359.3</u>	<u>7,704.0</u>
Total	\$19,556.3	\$21,293.3	\$23,258.0	\$24,262.3	\$25,462.2

SOURCE: Department of Revenue.

Effective January 1, 2024, the annual cap for the tax incentives available to support the life sciences industry has been increased to \$40 million per year. From January 1, 2019 to January 1, 2024, the annual cap for the life sciences tax incentives was \$30 million. The life sciences tax incentives are available through December 31, 2028. The Department of Revenue estimates that this program resulted in revenue reductions of \$14.9 million in fiscal 2021, \$19.6 million in fiscal 2022, \$11.3 million in fiscal 2023, \$18.0 million in fiscal 2024 and \$14.4 million in fiscal 2025. The Massachusetts Life Sciences Center board has approved \$40.0 million in tax incentives that are expected to be utilized in fiscal 2026.

Under legislation approved in August 2022 to develop and expand offshore wind industry-related employment opportunities and to promote renewable energy-related economic development in the Commonwealth, up to \$35 million per year in tax incentives is available to offshore wind companies, commencing January 1, 2023, and ending on December 31, 2032. The Massachusetts Clean Energy Center ran formal solicitations offering the tax credits for calendar years 2023 and 2024 but received no applications and made no awards for those rounds. This program is not currently expected to impact fiscal 2026 revenues.

The Affordable Homes Act, signed into law by the Governor on August 6, 2024, expanded or created several tax credits in order to incentivize the production of additional housing in Massachusetts, including (i) an increase, effective for taxable years beginning on or after January 1, 2025, in the base cap for the community investment credit from \$12 million to \$15 million and making the credit, which was due to expire on December 31, 2025, permanent; (ii) an increase, effective for taxable years beginning on or after January 1, 2024, in the base cap for the Massachusetts historic rehabilitation credit from \$55 million to \$110 million and extending the expiration date of the credit from December 31, 2027 to December 31, 2030; (iii) the creation of a Massachusetts homeownership credit, effective for taxable years beginning on or after January 1, 2025, for taxpayers that develop certain homeownership development projects in an amount determined by the Executive Director of the Massachusetts Housing Finance Agency; and (iv) the creation of a qualified conversion credit, effective for taxable years beginning on or after January 1, 2025, for taxpayers that convert certain commercial property into residential housing in an amount determined by the Executive Office of Housing and Livable Communities. The Department of Revenue estimates that these programs reduce revenues by approximately \$145 million annually.

The Economic Development Act, signed into law by the Governor on November 20, 2024, created and expanded various tax incentives, including: (i) the creation of a climate technology tax incentive program, which is comprised of three tax credits and a sales and use exemption that are collectively subject to a base cap of \$30 million and are effective for taxable years beginning on or after January 1, 2024; (ii) the creation of a new live theater tax credit for certain live theater productions that is subject to a \$7 million base cap and is effective for taxable years beginning on or after January 1, 2025; and (iii) an increase to the base cap for the life sciences tax incentives from \$30 million to \$40 million for taxable years beginning on or after January 1, 2024. The Department of Revenue estimates that these programs reduce revenues by approximately \$47.0 million annually.

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. Currently the Department of Revenue estimates that this program may reduce revenues by \$27.9 million in fiscal 2027.

Under the provisions of General Laws Chapter 62, § 6(l), Chapter 63, § 38X, and Chapter 64H, § 6(w), personal income tax and corporate excise tax credits and sales tax exemptions are available to qualifying taxpayers in the motion picture industry (commonly referred to as Film Credits). The Department of Revenue estimates that these programs may reduce revenues by \$80.3 million in fiscal 2027.

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. In making such estimates the Secretary of Administration and Finance takes into account existing taxes, the probable economic growth within the Commonwealth, anticipated federal receipts, the anticipated growth in wages and salaries, departmental and other revenue based on existing laws, the transfers of capital gains income tax revenue required by current law and amounts available to be transferred into budgetary funds.

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.” In developing such a consensus tax revenue forecast, the Secretary and the House and Senate Committees on Ways and Means hold joint hearings on the economy of the Commonwealth and its impact on tax revenue forecasts. The joint hearings include input from the Commissioner of Revenue and expert local economists.

An additional component of the consensus revenue process is the requirement that the consensus tax revenue forecast joint resolution include a benchmark for the estimated growth rate of Massachusetts potential gross state

product (PGSP). Health care cost control legislation requires that the Secretary and the House and Senate Committees on Ways and Means include a PGSP growth benchmark for the ensuing calendar year. PGSP is a measure of the “full employment” output of the Commonwealth’s economy. The PGSP growth benchmark is used by the Massachusetts Health Policy Commission to establish the Commonwealth’s health care cost growth benchmark. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; *Health Care Cost Containment*.”

The following table compares actual budgeted tax revenues to consensus tax revenue forecasts for fiscal years 2022 to 2025 and provides a forecast for fiscal year 2026 and 2027. The figures include sales tax receipts dedicated to the MBTA and the MSBA and amounts transferred to the state pension system.

	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026 (1)	Fiscal 2027 (1)
Consensus forecast (2)	\$30,120	\$36,915	\$41,410	\$41,502	\$43,614	\$44,900
GAA assumption of tax-related settlements and judgments exceeding \$10 million	50	50	50	50	50	
Total taxes per enacted budget (3)	\$34,451	\$39,668 (5)	\$41,460	\$41,657	\$43,664	
October revision (2)	-	-	-	-	-	-
January revision (2)	35,948 (4)	39,768	\$39,834 (6)	-	-	-
Actual budgeted operating tax revenues (3)	\$41,146	\$36,427	\$40,813	\$43,764		
Actual budgeted revenues as a percentage of consensus forecast	136.6%	98.7%	98.6%	105.5%		
Actual budgeted revenues as a percentage of total taxes per enacted budget	119.4%	91.8%	98.4%	105.4%		

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

- (1) The amounts for fiscal 2026 and fiscal 2027 are projected.
- (2) Includes Income Surtax revenue in fiscal 2024 and thereafter. Excludes tax-related settlements exceeding \$10 million each.
- (3) Includes tax-related settlements exceeding \$10 million each.
- (4) Estimate was further revised upward to \$37.666 billion on May 18, 2022.
- (5) Includes (i) the revised tax revenue estimate of \$39.576 billion, (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.
- (6) Includes (i) the revised tax revenue estimate of \$39.410 billion, (ii) Income Surtax revenue of \$1 billion, and (iii) the impact of tax relief enacted in October 2023.

Fiscal 2026. On January 9, 2025, a fiscal 2026 consensus tax revenue estimate of \$43.614 billion, comprised of a baseline consensus revenue estimate of \$41.214 billion and a \$2.4 billion estimate of Income Surtax revenue, were agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2026 baseline consensus tax revenue estimate of \$41.214 billion (excluding estimated Income Surtax revenues) represents revenue growth of 2.2% above the revised fiscal 2025 estimate of \$40.307 billion. The \$41.214 billion amount for fiscal 2026 includes transfers of \$4.933 billion for pension funding, \$1.426 billion in dedicated sales tax receipts for the MBTA, \$1.265 billion in dedicated sales tax receipts for the MSBA, and \$27 million for the Workforce Training Fund. The total amount of off-budget transfers is \$8.317 billion, excluding Income Surtax revenues. On July 4, 2025, the Governor approved the fiscal 2026 budget based on a tax revenue estimate of \$43.614 billion, which reflects the consensus tax revenue estimate and \$2.4 billion estimate of Income Surtax revenue.

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 2025, which is identical to the PGSP figure that was adopted for calendar years 2016 through 2024. 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 2025. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; *Health Care Cost Containment*.”

In July 2025, the federal government enacted a budget reconciliation bill (the “2025 Reconciliation Bill”) resulting in changes to the federal tax code that are projected to reduce state tax revenue in fiscal 2026 and beyond. The Department of Revenue currently projects state tax revenue losses of approximately \$664 million in fiscal 2026 due to such changes. Massachusetts conforms to the Internal Revenue Code with respect to certain tax law provisions, including certain provisions relating to income tax and business corporations tax described above under “State Taxes.” As a result, absent legislative action by the Commonwealth, some of these recent changes to the Internal Revenue Code will change state tax law automatically. In January 2026, the Governor filed legislation that would delay the implementation of certain state tax law changes by providing for phased-in conformity with such provisions over a one- or two-year period.

In accordance with state law, on October 15, 2025, the Secretary of Administration and Finance submitted 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. Based on current data regarding tax collections and economic indicators, the Secretary did not recommend any revision to the fiscal 2026 tax revenue estimate of \$43.614 billion. Factors that contributed to the decision not to recommend revisions to the tax revenue estimate included actual tax collections in line with current benchmarks and the conservative economic assumptions used in developing the consensus revenue estimate. The Executive Office for Administration and Finance continues to closely monitor revenue performance and economic indicators as the fiscal year progresses to determine whether any adjustments may be warranted in the future.

Fiscal 2027. On January 14, 2026, a fiscal 2027 consensus tax revenue estimate of \$44.9 billion, comprised of a baseline consensus revenue estimate of \$42.2 billion and a \$2.7 billion estimate of the Income Surtax revenue, were agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2027 baseline consensus tax revenue estimate of \$42.2 billion (excluding estimated Income Surtax revenues) represents revenue growth of 2.4% above the fiscal 2026 estimate of \$41.214 billion. The \$42.2 billion amount for fiscal 2027 includes transfers of \$5.130 billion for pension funding, \$1.444 billion in dedicated sales tax receipts for the MBTA, \$1.284 billion in dedicated sales tax receipts for the MSBA, and \$27 million for the Workforce Training Fund. The total amount of off-budget transfers is \$8.142 billion, excluding Income Surtax 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 2026, which is identical to the PGSP figure that was adopted for calendar years 2016 through 2025. 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 2026. See “COMMONWEALTH EXPENDITURES – Medicaid and the Health Connector; Health Care Cost Containment.”

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Fiscal 2025 and Fiscal 2026 Tax Revenues

Fiscal 2025. The following table shows the actual tax collections for fiscal 2025 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 2025 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	\$2,687.2	\$20.4	0.8%	\$124.3	\$110.9	\$2,452.0
August	2,620.8	190.3	7.8	117.7	104.3	2,398.8
September	4,519.4	332.0	7.9	119.6	106.3	4,293.6
October	2,686.4	126.3	4.9	119.4	106.1	2,460.9
November	2,458.8	210.3	9.4	116.1	102.8	2,239.9
December	4,346.5	574.4	15.2	128.2	114.9	4,103.4
January	4,099.0	504.8	14.0	141.3	128.0	3,829.7
February	2,128.2	121.4	6.0	106.3	93.0	1,928.9
March	4,191.5	110.1	2.7	101.8	88.5	4,001.1
April	6,839.5	512.7	8.1	127.5	114.2	6,597.8
May	2,627.4	181.4	7.4	116.7	103.4	2,407.3
June	<u>4,558.6</u>	<u>67.0</u>	<u>1.5</u>	<u>124.2</u>	<u>110.9</u>	<u>4,323.5</u>
Total (1)	\$43,763.4	\$2,950.9	7.2%	\$1,443.1	\$1,283.1	\$41,037.1

SOURCE: Department of Revenue.

(1) Totals may not add due to rounding. Includes tax-related settlement and judgment payments.

The fiscal 2025 tax revenue increase of approximately \$2.951 billion, or 7.2 % from fiscal 2024, is attributable to an increase of approximately \$1.089 billion, or 6.1%, in withholding collections, an increase of approximately \$842 million, or 21.5 %, in income tax estimated payments, an increase of approximately \$770 million, or 15.4%, in income tax payments with returns or bills, an increase of approximately \$317 million, or 3.4%, in sales and use tax collections, and an increase of approximately \$201 million, or 8.0%, in all other taxes, offset by an increase of approximately \$106 million, or 3.8%, in income tax cash refunds and a decrease of approximately \$163 million, or 3.4%, in corporate and business tax collections. Approximately \$58.3 million in one-time tax-related settlements or judgments exceeding \$10 million each have been received during fiscal 2025. Excluding one-time tax-related settlements or judgments exceeding \$10 million each, fiscal 2025 tax collections were approximately \$2.098 billion, or 5.0%, more than the fiscal 2025 benchmark of \$41.607 billion.

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Fiscal 2026. The following table shows the actual tax collections for the first ten months of fiscal 2026 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 2026 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	\$2,695.3	\$8.1	0.3%	\$122.1	\$108.8	\$2,464.4
August	2,788.0	167.2	6.4	116.1	102.8	2,569.1
September	4,599.8	80.3	1.8	118.8	105.4	4,375.5
October	2,927.0	240.6	9.0	122.5	109.2	2,695.3
November	2,590.9	132.1	5.4	115.7	102.4	2,372.8
December	4,063.7	(282.8)	(6.5)	128.9	115.6	3,819.2
January	4,330.8	231.7	5.7	134.7	121.4	4,074.7
February	2,337.9	209.7	9.9	101.3	88.0	2,148.6
March	4,359.7	168.2	4.0	106.8	93.5	4,159.3
April (1)	<u>7,365.6</u>	<u>526.1</u>	<u>7.7</u>	<u>132.7</u>	<u>119.4</u>	<u>7,113.5</u>
Total (1)(2)	\$38,058.5	\$1,481.2	4.0%	\$1,199.8	\$1,066.4	\$35,792.3

SOURCE: Department of Revenue.

(1) Preliminary and unaudited.

(2) Totals may not add due to rounding. Includes tax-related settlement and judgment payments.

The fiscal 2026 year to date tax revenue increase of approximately \$1.481 billion, or 4.0%, through April 30, 2026 from the same period in fiscal 2025, is attributable to an increase of approximately \$1.015 billion, or 6.3%, in withholding collections, an increase of approximately \$425 million, or 11.6%, in income tax estimated payments, an increase of approximately \$524 million, or 9.6%, in income tax payments with returns or bills, and an increase of approximately \$139 million, or 6.2%, in all other taxes, offset by an increase of approximately \$231 million, or 9.1%, in income tax cash refunds, a decrease of approximately \$6 million, or 0.1%, in sales and use tax collections, and a decrease of approximately \$385 million, or 10.3%, in corporate and business tax collections.

Federal and Other Non-Tax Revenues

Federal revenues are collected through reimbursements for the federal share of entitlement programs such as Medicaid and through block grants for programs such as Transitional Assistance to Needy Families (TANF). The amount of federal reimbursements to be received is determined by state expenditures for these programs. The Commonwealth receives reimbursement for approximately 50% of its spending for Medicaid programs. Block grant funding for TANF is received quarterly and is contingent upon a maintenance-of-effort spending level determined annually by the federal government. Budgeted fund federal reimbursements are projected to be \$16.128 billion in fiscal 2026. See “SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures”. The Commonwealth has identified certain reductions in federal funding that will affect state programs. See “ECONOMIC CONSIDERATIONS AND RISKS – Commonwealth Revenue and Expense Risks.”

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 2025, budgeted fund departmental and other non-tax revenues were \$6.473 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2025 included \$1.979 billion in drug rebates, recoveries and other fees, \$1.046 billion in reimbursements from cities, towns and non-state entities for retiree benefits, \$635 million for Registry of Motor Vehicles fees, fines and assessments, and \$284.7 million from filing, registration and other fees paid to the Secretary of State’s office. Budgeted fund departmental and other non-tax revenues are projected to be \$6.414 billion in fiscal 2026. 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 \$1.212 billion, \$1.218 billion, \$1.314 billion, \$1.292 billion and \$1.206 billion in fiscal years 2021 through 2025, respectively.

The following table shows Lottery revenues and profits for fiscal 2025. On July 29, 2024, the Governor approved the fiscal 2025 budget, which authorized online Lottery sales to individuals 21 years and older.

Fiscal 2025 Monthly Lottery Revenues and Profits
(in thousands)

Month	Revenues	Prizes	Subtotal Operating Expenses	Operating Revenues	Administrativ e Expenses	Net Profit before Distributions(1)
July	\$421,179	\$322,450	\$24,118	\$74,611	\$3,581	\$71,030
August	553,999	412,511	31,709	109,779	13,099	96,680
September	452,177	338,514	25,850	87,813	8,442	79,371
October	451,275	348,138	25,960	77,177	6,265	70,912
November	571,389	402,646	32,602	136,141	10,551	125,590
December	508,244	366,409	28,908	112,927	13,026	99,901
January	571,678	434,583	32,690	104,405	9,048	95,357
February	441,507	324,982	25,357	91,169	6,476	84,692
March	463,615	352,807	26,751	84,057	13,308	70,749
April	454,747	346,373	26,157	82,217	7,980	74,237
May	573,530	410,393	32,818	130,319	12,753	117,566
June	<u>499,926</u>	<u>359,898</u>	<u>27,823</u>	<u>112,205</u>	<u>34,224</u>	<u>77,982</u>
Total	\$5,963,266	\$4,419,705	\$340,741	\$1,202,820	\$138,754	\$1,064,067
YTD prize accrual	<u>73</u>	<u>(3,221)</u>	<u>=</u>	<u>3,294</u>	<u>=</u>	<u>3,294</u>
Adjusted Totals (1)	\$5,963,339	\$4,416,484	\$340,741	\$1,206,113	\$138,754	\$1,067,360

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

(1) Totals may not sum due to rounding

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The following table shows Lottery revenues and profits for the first nine months of fiscal 2026.

**Fiscal 2026 Monthly Lottery Revenues and Profits
(in thousands)(1)**

Month	Revenues	Prizes	Subtotal Operating Expenses	Operating Revenues	Administrative Expenses	Net Profit before Distributions(2)
July	\$409,031	\$310,754	\$23,498	\$74,779	\$5,952	\$68,826
August	570,956	416,398	32,811	121,748	7,346	114,402
September	473,759	363,857	27,039	82,863	12,325	70,538
October	556,194	396,122	31,781	128,291	6,988	121,303
November	448,990	329,730	25,666	93,595	11,044	82,550
December	493,535	352,111	28,020	113,404	10,741	102,663
January	544,683	402,717	31,258	110,708	11,801	98,907
February	423,599	296,304	24,229	103,067	10,439	92,628
March	<u>448,285</u>	<u>354,067</u>	<u>25,839</u>	<u>68,379</u>	<u>7,525</u>	<u>60,854</u>
Total	<u>\$4,369,032</u>	<u>\$3,222,059</u>	<u>\$250,139</u>	<u>\$896,834</u>	<u>\$84,163</u>	<u>\$812,671</u>
YTD prize accrual	-	\$7,506	-	(\$7,506)	-	(\$7,506)
Adjusted Totals (2)	<u>\$4,369,032</u>	<u>\$3,229,564</u>	<u>\$250,139</u>	<u>\$889,328</u>	<u>\$84,163</u>	<u>\$805,166</u>

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

(1) Preliminary and unaudited.

(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)**

Fiscal Year	Revenues	Net Operating Revenues	Net Profits
2025	\$5,963,339	\$1,206,113	\$1,067,360
2024	6,168,819	1,292,338	1,159,701
2023	6,148,777	1,314,438	1,193,902
2022	5,863,674	1,218,767	1,105,438
2021	5,828,527	1,212,023	1,112,576

SOURCE: State Lottery Commission

Tobacco Settlement. In November, 1998, the Commonwealth joined with other states in a master settlement agreement that resolved litigation against the cigarette industry. Under the agreement, cigarette companies agreed to make five initial payments (for calendar 1999 to 2003, inclusive) and annual payments in perpetuity 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.

Since fiscal 2000, the Commonwealth received \$7.355 billion in payments, including \$245.6 million in fiscal 2021, \$247.1 million in fiscal 2022, \$256.8 million in fiscal 2023, \$185.9 million in fiscal 2024 and \$874.7 million in fiscal 2025. In certain prior years, tobacco manufacturers withheld certain amounts from the Commonwealth's payments and the Commonwealth disputed the tobacco manufacturer's right to reduced payments. On August 1, 2024, the Commonwealth and tobacco manufacturers reached a settlement with respect to seven of the disputed years (2005 through 2011), pursuant to which the Commonwealth received an additional \$600 million in fiscal 2025 as part of this settlement. This amount represents both a settlement of the 2005-2011 disputes as well as the release of other amounts from a disputed payment account. Additionally, the settlement agreement contemplates other remaining payment adjustment disputes being resolved more efficiently and additional annual payments in future years. See "LEGAL MATTERS – Other Revenues."

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).”

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 \$43.9 million in fiscal 2021, \$41.6 million in fiscal 2022, \$116.7 million in fiscal 2023, \$111.0 million in fiscal 2024 and \$249.3 million in fiscal 2025.

The threshold applicable in fiscal 2026 is \$71.0 million. On May 8, 2026, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received \$61.2 million in one-time settlement and judgment payments exceeding \$10 million each (with \$34.4 million in non-tax related settlement and judgment payments and \$26.8 million in tax related settlement and judgment payments) during the first ten months of fiscal 2026.

The threshold applicable in fiscal 2027 is \$112.5 million (average of fiscal 2021 through fiscal 2025).

Gaming. The Commonwealth’s gaming law authorizes the licensing of up to three regional resort casinos (one per region) and one slot facility (up to 1,250 slots) in the Commonwealth. Implementation of the gaming law and the regulation of gaming facilities is overseen by an independent state Gaming Commission. Licensing fees collected by the Gaming Commission are required to be applied to a variety of one-time state and local purposes, and gaming tax revenues received by the Commonwealth are required to be applied to various funds as set forth in the gaming legislation. The gaming law provides that initial licensing fees, which are set by the Gaming Commission, must be at least \$85 million per casino (Category 1 license) and \$25 million for the slot facility (Category 2 license).

The Gaming Commission has awarded Category 1 gaming licenses in two of the three regions and one Category 2 slots facility license. The Region C Category 1 gaming license has not been awarded and the Gaming Commission is considering next steps.

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The following table shows monthly gaming revenues for fiscal 2025.

Fiscal 2025 Monthly Gaming Revenues
(in thousands)

<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	\$85,064	\$21,266	\$14,405	\$5,762	\$1,296	\$99,469	\$28,324
August	88,586	22,147	14,695	5,878	1,322	103,281	29,347
September	78,626	19,657	13,439	5,375	1,209	92,065	26,241
October	79,963	19,990	14,262	5,705	1,283	94,225	26,978
November	86,209	21,551	14,646	5,858	1,318	100,855	28,727
December	87,581	21,894	14,584	5,833	1,312	102,165	29,039
January	84,188	21,046	13,759	5,503	1,238	97,947	27,787
February	80,200	20,049	13,202	5,280	1,188	93,402	26,517
March	88,567	22,141	16,532	6,613	1,487	105,099	30,241
April	87,012	21,752	15,112	6,045	1,360	102,124	29,157
May	88,734	22,182	16,628	6,651	1,496	105,362	30,329
June	<u>83,078</u>	<u>20,769</u>	<u>14,601</u>	<u>5,840</u>	<u>1,314</u>	<u>97,679</u>	<u>27,923</u>
Total (5)	\$1,017,808	\$254,443	\$175,865	\$70,343	\$15,823	\$1,193,673	\$340,609

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.

The following table shows monthly gaming revenues for the first nine months of fiscal 2026.

Fiscal 2026 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	\$85,098	\$21,049	\$15,300	\$6,120	\$1,377	\$100,398	\$28,546
August	89,896	22,473	15,108	6,043	1,359	105,004	29,875
September	81,386	20,346	14,307	5,722	1,287	95,693	27,355
October	81,703	20,425	15,173	6,069	1,365	96,876	27,859
November	84,198	21,048	14,493	5,797	1,304	98,691	28,149
December	83,766	20,941	14,140	5,656	1,272	97,906	27,869
January	82,455	20,613	14,204	5,681	1,278	96,659	27,572
February	78,661	19,664	13,336	5,334	1,200	91,997	26,198
March	<u>91,347</u>	<u>22,836</u>	<u>16,412</u>	<u>6,564</u>	<u>1,477</u>	<u>107,759</u>	<u>30,877</u>
Total (5)	\$758,510	\$189,395	\$132,473	\$52,986	\$11,919	\$890,983	\$254,300

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 2026 are preliminary and unaudited.

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

Annual Gaming Revenues (in thousands)			
Fiscal Year	Category 1 Total Collected State Taxes (1)	Category 2 Total Collected State Taxes (2)	Category 2 Race Horse Assessments (3)
2025 (1)	\$254,443	\$70,343	\$15,823
2024	255,333	64,201	14,447
2023	257,010	60,129	13,524
2022	240,577	56,706	12,753
2021	173,082	49,040	11,029

Source: Massachusetts Gaming Commission.

(1) Each Category 1 licensee pays a tax of 25% of gross gaming revenues.

(2) The Category 2 licensee pays a tax of 40% of gross gaming revenues.

(3) The Category 2 licensee pays an assessment of 9% of gross gaming revenue.

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

The Gaming Commission oversees the implementation of the law and the regulation of the resultant sports wagering operators. Licensing fees collected by the Gaming Commission and sports wagering tax revenues received by the Commonwealth are applied to various funds as set forth in the legislation. The Gaming Commission has awarded Category 1 sports wagering licenses to the two Category 1 gaming licensees and has awarded a Category 1 sports wagering license to the Category 2 gaming licensee. No Category 2 sports wagering licenses have been awarded, but they remain available. The Category 1 sports wagering licensees began retail operations on January 31, 2023. The Category 1 sports wagering licensees and six Category 3 sports wagering licensees began online and mobile operations on March 10, 2023. As of January 31, 2026, there are three Category 1 sports wagering licensees and seven Category 3 sports wagering licensees operating in Massachusetts.

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The following table shows monthly sports wagering revenues for fiscal 2025.

Fiscal 2025 Monthly Sports Wagering Revenues

(in thousands)

Month	Category 1 Gross Sports Wagering Revenue	Category 1 Total Collected State Taxes	Category 2 Gross Sports Wagering Revenue	Category 2 Total Collected State Taxes	Category 3 Gross Sports Wagering Revenue	Category 3 Total Collected State Taxes	Daily Fantasy Sports ("DFS") Gross Gaming	DFS Total Collected Sale Tax	Statewide Budgetary Taxes
July	\$291	\$43	-	-	\$40,681	\$8,136	\$1,143	\$182	\$8,361
August	381	57	-	-	32,947	6,589	1,031	155	6,801
September	1,309	196	-	-	72,179	14,435	2,231	334	14,965
October	5	1	-	-	48,295	9,659	2,785	417	10,077
November	882	132	-	-	79,586	15,917	3,247	487	16,536
December	64	9	-	-	57,448	11,489	3,898	584	12,082
January	778	116	-	-	93,595	18,719	4,731	709	19,544
February	205	30	-	-	65,364	13,072	3,526	528	13,630
March	265	39	-	-	51,853	10,370	2,665	399	10,808
April	486	73	-	-	65,454	13,090	2,833	425	13,588
May	829	124	-	-	79,902	15,980	3,007	451	16,555
June	474	71	-	-	61,575	12,315	1,911	286	12,672
Total	\$5,969	\$891	-	-	\$748,879	\$149,771	\$33,008	\$4,957	\$155,619

Source: Massachusetts Gaming Commission.

The following table shows monthly sports wagering revenues for the first nine months of fiscal 2026.

Fiscal 2026 Monthly Sports Wagering Revenues

(in thousands) (1)

Month	Category 1 Gross Sports Wagering Revenue	Category 1 Total Collected State Taxes	Category 2 Gross Sports Wagering Revenue	Category 2 Total Collected State Taxes	Category 3 Gross Sports Wagering Revenue	Category 3 Total Collected State Taxes	Daily Fantasy Sports ("DFS") Gross Gaming	DFS Total Collected Sale Tax	Statewide Budgetary Taxes
July	\$567	\$85	-	-	\$47,459	\$9,491	\$1,318	\$197	\$9,773
August	681	102	-	-	55,121	11,024	1,502	225	11,351
September	386	58	-	-	51,952	10,390	2,879	431	10,879
October	598	89	-	-	70,701	14,140	2,496	374	14,603
November	1,064	159	-	-	93,879	18,775	2,746	411	19,345
December	1,322	198	-	-	97,144	19,428	2,523	378	20,004
January	302	45	-	-	82,098	16,419	2,819	422	16,886
February	951	142	-	-	75,177	15,035	2,080	312	15,489
March	6,858	102	-	-	64,750	12,950	1,699	254	13,306
Total	\$12,729	\$980	-	-	\$638,281	\$127,652	\$20,062	\$3,004	\$131,636

Source: Massachusetts Gaming Commission.

(1) Amounts for fiscal 2026 are preliminary and unaudited.

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. Prior to tax year 2023, any excess in state tax revenue collections for a given fiscal year over the prescribed limit, as determined by the State Auditor, is 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. Effective for tax year 2023 and thereafter, the credit is provided in an equal amount to all taxpayers, replacing the proportional distribution previously required by Chapter 62F. 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 2021 through fiscal 2025.

Net State Tax Revenues and Allowable State Tax Revenues

<u>Fiscal Year</u>	<u>Net State Tax Revenues</u>	<u>Allowable State Tax Revenues</u>	<u>Net State Tax Revenues (under) Allowable State Tax Revenues</u>
2025	\$41,683,046,477	\$46,384,735,613	\$(4,701,689,136)
2024	39,457,279,313	44,130,782,381	(4,673,503,068)
2023	36,924,461,252	41,160,988,265	(4,236,527,013)
2022(1)	41,812,654,358	38,871,154,627	2,941,499,731
2021	34,655,837,068	36,789,926,416	(2,134,089,348)

SOURCE: State Auditor's Office.

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

On September 3, 2025, the Attorney General certified an initiative petition that, if approved, would include the Income Surtax revenue in the calculation of state tax revenues for purposes of the limitation on tax revenues and change the calculation of allowed state tax revenues to be computed based on net state tax revenues (which excludes rebates and abatements) instead of the computed maximum state tax revenues from the immediately fiscal year. See "THE GOVERNMENT – Initiative Petitions." The initiative petition, if approved, may result in increased frequency of statutorily-required refunds to taxpayers depending on future conditions; however the impact of the changes, if any, is difficult to predict at this time.

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COMMONWEALTH EXPENDITURES

This section contains a description of the major categories of Commonwealth expenditures. All amounts and percentages for fiscal 2026 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 2026 budget provides \$8.269 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 2026 budget includes state funding for so-called “Chapter 70” public education aid of \$6.895 billion.

The other major component of direct local aid is unrestricted general governmental aid, which provides unrestricted funds for municipal use. The fiscal 2026 budget provides for \$1.323 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 2026, the aggregate property tax levy across all cities and towns grew from \$3.347 billion to approximately \$24.001 billion, a compound annual growth rate of 4.48%.

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. Since the initial enactment of the ACA, Congress has enacted multiple pieces of 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. See “ECONOMIC CONSIDERATIONS AND RISKS - Commonwealth Revenue and Expense Risks.”

MassHealth. The Commonwealth’s Medicaid program, called MassHealth, provides health care to over two million low-income children and families, low-income adults, disabled individuals and low-income elders. The program, administered by the Office of Medicaid within the Executive Office of Health and Human Services, receives federal reimbursement on most of its expenditures. The Children’s Health Insurance Program (CHIP) is currently authorized through federal fiscal 2029, with a federal matching rate of 65%. Under the ACA, MassHealth receives

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 is 90% for calendar 2020 and beyond. In response to the COVID-19 pandemic, the Families First Act established a 6.2% increase to the matching rate effective January 1, 2020 through March 31, 2023. The increase to the matching rate declined incrementally in each subsequent quarter of calendar year 2023, and was eliminated effective December 31, 2023. The increase did not apply to expenditures for the ACA expansion population and was contingent on several factors, including, but not limited to, elimination of member cost-sharing for all COVID-19 related testing and treatment, and a maintenance-of-effort requirement on eligibility standards that ended on April 1, 2023. Following the end of the maintenance-of-effort requirement, MassHealth began an effort to redetermine eligibility for its members, which is reflected in the caseload numbers set forth in the table below. See “ECONOMIC CONSIDERATIONS AND RISKS – Commonwealth Revenue and Expense Risks.”

Projected fiscal 2026 spending includes \$23.9 billion in funding for non-administrative spending for the MassHealth program. The \$23.9 billion includes \$23.0 billion in programmatic spending and approximately \$972.0 million to support supplemental payments to providers. In addition, MassHealth made settlement payments to health plans in a net amount of approximately \$375 million.

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

	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Projected Fiscal 2026 (3)</u>
Medicaid program expenses	\$18,122.4	\$19,845.6	\$21,700.2	\$20,070.1	\$22,129.2	\$22,952.4
Medicaid administrative expenses	\$112.3	\$124.0	\$126.1	\$153.7	\$159.1	\$163.6
Total expenditures (1)	\$18,234.7	\$19,969.0	\$21,826.3	\$20,223.8	\$22,288.3	\$23,116.0
Annual percentage growth in total expenditures	6.4%	9.5%	9.3%	(7.3)%	10.2%	3.7%
Enrollment (in average member months) (2)	1,981,622	2,181,716	2,371,499	2,218,004	2,047,220	1,930,624
Annual percentage (reduction)/growth in enrollment	9.8%	10.1%	8.7%	(6.5)%	(7.7)%	(5.7)%

SOURCE: Fiscal 2021-2025 (excluding Medicaid administrative expense and enrollment), Office of the Comptroller; fiscal 2021-2025 (Medicaid administrative expense and enrollment only) and fiscal 2026, Executive Office of Health and Human Services.

(1) Total expenditures exclude supplemental payments to providers.

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

(3) Amounts for fiscal 2026 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 who are eligible for federal tax credits and who have incomes between 100% 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 2024 state budget expanded the income limits of ConnectorCare from 300% FPL to 500% FPL. This pilot program was extended through calendar 2026. The 2025 Reconciliation Bill altered eligibility for federal tax credits, and as a result individuals who are below 100% FPL will no longer qualify for ConnectorCare. Further, the federal government did not extend eligibility for "Enhanced Premium Tax Credits," which expired at the end of calendar year 2025, and as a result individuals who are above 400% FPL also lost eligibility for ConnectorCare.

The fiscal 2026 budget for the Health Connector reflects \$474.9 million in gross spending from the CCTF. Net of federal revenue, fiscal 2026 expenditures are estimated to be \$281.6 million, an increase of \$63 million compared to fiscal 2025. This increase is driven by the expiration of the enhanced federal tax credits. The fiscal 2026 budget for the Health Connector is expected to be fully funded from dedicated revenues and the existing balance to be rolled forward in the CCTF.

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

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

On June 25, 2024, Centers for Medicare and Medicaid Services approved Commonwealth's request for an amendment to the existing 1115 waiver, which provides for additional expenditure authority for certain existing state programs that serve low income and vulnerable populations in the Commonwealth, including marketplace subsidies expansion, short term post-hospitalization housing, social service integration and health care coverage for qualified individuals released from certain institutions.

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 2025 Cost Trends Report provides that total health care expenditures per capita in the Commonwealth increased from 2022 to 2023 by 8.6%, compared to a 5.8% increase from 2021 to 2022.

As required by statute, the health care cost growth benchmark was equal to PGSP, or 3.6%, for calendar 2013 to 2017. By statute, the health care cost growth benchmark for calendar 2018 through 2022 was equal to the growth rate of PGSP minus 0.5%, and for calendar 2023 and thereafter, is equal to the growth rate of PGSP. However, the HPC and the Legislature have some ability to change those growth targets. Growth targets for calendar years 2024 and 2025 were 3.6%.

Other Health and Human Services

Budgeted Operating Funds - Other Health and Human Services

(in millions)(1)

<u>Expenditure Category</u>	<u>Fiscal 2021</u>	<u>Fiscal 2022 (2)</u>	<u>Fiscal 2023 (2)</u>	<u>Fiscal 2024 (3)</u>	<u>Fiscal 2025</u>	<u>Projected Fiscal 2026 (4)</u>
Office of Health Services						
Department of Mental Health	\$878.7	\$990.0	\$1,049.6	\$1,101.3	\$1,272.6	\$1,330.0
Department of Public Health	<u>646.0</u>	<u>901.8</u>	<u>878.4</u>	<u>920.5</u>	<u>992.7</u>	<u>982.7</u>
Sub Total	\$1,524.7	\$1,891.9	\$1,928.0	\$2,021.8	\$2,265.3	\$2,312.7
Office of Children, Youth, and Family Services						
Department of Children and Families	\$1,055.6	\$1,138.4	\$1,230.7	\$1,358.7	\$1,420.8	\$1,481.2
Department of Transitional Assistance	669.7	761.9	1,017.7	1,013.4	1,060.9	1,154.4
Department of Youth Services	160.6	166.8	169.7	184.2	198.1	194.6
Office for Refugees and Immigrants	<u>2.3</u>	<u>2.9</u>	<u>15.3</u>	<u>17.2</u>	<u>18.3</u>	<u>7.6</u>
Sub Total	\$1,888.2	\$2,069.9	\$2,433.4	\$2,573.5	\$2,698.1	\$2,837.7
Office of Disabilities and Community Services						
Department of Developmental Services	\$2,096.8	\$2,396.8	\$2,550.2	\$2,646.5	\$3,148.8	\$3,285.0
Other (5)	<u>102.3</u>	<u>110.9</u>	<u>124.6</u>	<u>130.5</u>	<u>141.3</u>	<u>135.4</u>
Sub Total	2,199.1	\$2,507.8	\$2,674.8	\$2,777.0	\$3,290.1	\$3,420.3
Executive Office of Elder Affairs	\$589.2	\$640.0	\$709.0	\$822.7	\$930.7	\$1,017.1
Executive Office of Health and Human Services (6)	522.8	818.7	1,293.4	1,081.0	939.1	713.1
Department of Veterans' Services (7)	<u>75.5</u>	<u>86.5</u>	<u>52.8</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sub Total	\$1,187.5	\$1,545.2	\$2,055.2	\$1,903.7	\$1,869.8	\$1,730.3
Budgeted Expenditures	\$6,799.5	\$8,014.8	\$9,091.4	\$9,276.0	\$10,123.3	\$10,301.0

SOURCES: Fiscal 2021-2025 Office of the Comptroller; fiscal 2026, Executive Office for Administration and Finance.

- (1) Totals may not sum due to rounding.
- (2) Fiscal 2022 and 2023 do not include uses from Federal COVID-19 Response Fund and Transitional Escrow Fund.
- (3) Certain fiscal 2024 expenditures were paid from CSFRF funds, and accordingly are reflected as expenditures from the Federal COVID-19 Response Fund rather than "Other Health and Human Services" expenditures in the "Budgeted Operating Funds – Statutory Basis" table under the heading "SELECTED FINANCIAL DATA."
- (4) Fiscal 2026 is projected.
- (5) Includes Massachusetts Rehabilitation Commission, Massachusetts Commission for the Blind, and Massachusetts Commission for the Deaf and Hard of Hearing.
- (6) Includes Medicaid program administration.
- (7) Prior to March 2023, the Executive Office of Veterans' Services operated as the Department of Veterans' Services within the Executive Office of Health and Human Services. Commencing in fiscal 2024, Executive Office of Veterans' Services expenditures are reported as "Other Program Expenditures" in the "Budgeted Operating Funds – Statutory Basis" table under the heading "SELECTED FINANCIAL DATA."

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 federally funded Supplemental Nutrition Assistance Program and SUN Bucks (formerly known as Summer EBT), as well as the state funded Healthy Incentives Program and other smaller programs that assist DTA clients with completing their education, gaining career skills and finding employment.

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

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

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

Education

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

Department of Early Education and Care. The Department of Early Education and Care (EEC) is the agency responsible for all early education and care services and funding in the Commonwealth, including licensing and oversight of and technical assistance to programs for infants, toddlers, preschoolers, and school age children during out-of-school time; group homes; foster care and adoption placement agencies; and residential schools for children with special needs. EEC also oversees community-based family engagement networks that provide literacy and other developmental activities for children and parents in libraries and adult education centers. Historically, EEC licenses approximately 9,000 child care programs, residential facilities, and foster care/adoption placement agencies that have the capacity to serve an estimated 260,000 children. EEC supports an average of approximately 69,000 children from low-income or at-risk families to attend family or group child care programs, including referrals from the Commonwealth's Department of Children and Families and Department of Transitional Assistance.

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

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

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

Annual operating budget requests developed by each institution are communicated to the Department of Higher Education and submitted to the Executive Office of Education, and subsequently to the Executive Office for Administration and Finance and 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.

Housing and Livable Communities

The Executive Office of Housing and Livable Communities (HLC) was established in 2023 with the directive of creating more homes and lowering housing costs for Massachusetts residents. HLC also distributes funding to municipalities, oversees the state-aided public housing portfolio and operates the Commonwealth's Emergency Family Shelter Assistance (EA) program.

On August 8, 2023, Governor Healey declared a state of emergency in Massachusetts due to rapidly rising numbers of families, including newly arriving immigrants and refugees, seeking emergency shelter and supportive services in Massachusetts. Since 2023, the Commonwealth has implemented a series of reforms to manage the size and cost of the EA program, including setting a limit on the capacity of the shelter system at 4,000 families and implementing certain prioritization and length of stay requirements. Expenditures on the EA program totaled approximately \$894 million in fiscal 2024 and \$819.8 million in fiscal 2025. For fiscal 2026, the Commonwealth appropriated \$276.4 million for the EA program.

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.

Labor and Workforce Development

The Executive Office of Labor and Workforce Development (EOLWD) manages the Commonwealth's workforce development and labor departments to ensure that employers, workers, job seekers and the unemployed have the tools, training, support and protections needed to succeed in the Massachusetts economy. The largest agency within EOLWD is the Department of Unemployment Assistance, which administers the Massachusetts Unemployment Insurance Program and related funds.

In response to COVID-19, the federal government enacted laws and developed programs to provide expanded and enhanced federal unemployment insurance benefits to affected individuals. Such federal programs were administered by the Commonwealth primarily through EOLWD. In January 2025, the Commonwealth entered into a settlement agreement to pay the federal government \$2.034 billion from the Unemployment Compensation Trust Fund in ten annual installments commencing in December 2025, and to pay interest on such amount from the General Fund, to resolve errors related to the administration of these programs.

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 423,000 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. Effective July 1, 2026, the GIC will provide health insurance to employees and retirees of 68 municipal entities: 13 cities, 34 towns, and 21 other governmental entities, including regional school districts, union and non-union educational collaboratives, and regional planning councils.

The fiscal 2026 budget includes appropriations of \$2.372 billion for GIC, approximately \$812.3 million of which is offset by municipal revenue, \$298.1 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 2026 budget authorizes transfers of \$450.0 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 2026. The average fiscal 2026 premium rates for GIC state and municipal members increased 11.7% (12.7% non-Medicare and 7.3% Medicare) over the aggregate premium rates in effect in fiscal 2025.

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 2026 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 Economic Development, the Executive Office of Technology Services and Security, and various other programs.

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 2021 through 2025. Projected fiscal 2026 revenues and expenditures have been prepared by the Executive Office for Administration and Finance.

The following table sets forth the Commonwealth’s budgeted operating funds revenues and expenditures for fiscal 2021 through fiscal 2025, and projected revenues and expenditures for fiscal 2026. See “COMMONWEALTH REVENUES – Tax Revenue Forecasting” and “FISCAL 2026 AND FISCAL 2027.”

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Budgeted Operating Funds – Statutory Basis

(in millions) (1)

	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023 (13)</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Projected Fiscal 2026</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$776.6	\$1,099.3	\$1,726.2	\$1,616.6	\$2,294.1	\$2,184.6
Stabilization Fund	3,501.2	4,626.4	6,937.9	8,036.1	8,523.6 (15)	8,110.7
Federal COVID-19 Response Fund	-	4,892.0	3,495.5	2,326.9	-	-
Transitional Escrow Fund	-	1,460.3	5,654.5	1,891.2	1,477.5	496.0
Undesignated	17.4	21.2	386.2	1,467.7	2,709.1	2,676.5
Total	<u>\$4,295.2</u>	<u>\$12,099.2</u>	<u>\$18,200.3</u>	<u>\$15,338.5</u>	<u>\$15,004.3</u>	<u>\$13,467.8</u>
<u>Revenues and Other Sources</u>						
Alcoholic Beverages	93.2	97.6	99.1	98.4	97.0	98.1
Banks	44.9	22.6	21.8	16.7	19.9	18.7
Cigarettes	316.1	310.1	290.2	269.7	248.4	262.3
Corporations	3,626.6	4,576.8	4,549.0	4,229.0	4,036.6	4,078.2
Deeds	397.2	472.3	336.9	303.5	333.9	376.8
Income	19,618.5	24,336.6	18,995.3	24,112.3	26,712.4	26,640.0
Inheritance and Estate	787.8	868.4	973.7	574.2	740.4	517.0
Insurance	558.8	609.4	648.6	718.4	758.5	784.3
Marijuana Excise	112.4	156.7	161.5	173.7	183.3	185.9
Motor Fuel	662.9	722.8	701.9	713.2	706.7	742.2
Room Occupancy	88.7	186.2	235.7	248.4	254.7	265.0
Sales:						
Regular	5,829.4	6,317.2	6,701.8	6,574.2	6,819.3	6,727.0
Meals	946.5	1,334.8	1,496.2	1,564.8	1,636.0	1,725.0
Motor Vehicles	<u>1,054.3</u>	<u>1,113.4</u>	<u>1,198.1</u>	<u>1,199.3</u>	<u>1,200.1</u>	<u>1,181.0</u>
Sub-Total-Sales	<u>7,830.3</u>	<u>8,765.4</u>	<u>9,396.1</u>	<u>9,338.3</u>	<u>9,655.4</u>	<u>9,633.0</u>
Miscellaneous	18.9	21.3	17.3	16.7	16.2	12.6
Settlements and Judgments (2)	-	-	-	-	-	50.0
Total Tax Revenues	<u>\$34,156.1</u>	<u>\$41,146.2</u>	<u>\$36,427.1</u>	<u>\$40,812.5</u>	<u>\$43,763.9</u>	<u>\$43,664.1</u>
MBTA Transfer	(1,261.4)	(1,348.9)	(1,424.0)	(1,403.8)	(1,443.1)	(1,425.3)
MSBA Transfer	(1,101.4)	(1,188.9)	(1,264.0)	(1,243.8)	(1,283.1)	(1,265.3)
Workforce Training Fund Transfer (3)	(21.4)	(21.4)	(35.1)	(26.4)	(27.0)	(27.0)
Total Budgeted Operating Tax Revenues	<u>\$31,771.9</u>	<u>\$38,587.0</u>	<u>\$33,704.0</u>	<u>\$38,138.5</u>	<u>\$41,010.7</u>	<u>\$40,946.5</u>
Federal Reimbursements	18,339.0 (4)	15,778.8	15,224.8	14,603.1	16,209.6	16,502.8
Departmental and Other Revenues	4,775.5	5,413.3	6,082.0	6,428.8	7,186.9	6,545.0
Inter-fund Transfers from Non-budgeted Funds and other sources (5)	<u>1,996.0</u>	<u>2,304.9</u>	<u>2,403.7</u>	<u>2,564.2</u>	<u>2,694.5</u>	<u>2,953.2</u>
Budgeted Revenues and Other Sources	<u>\$56,882.4</u>	<u>\$62,084.0</u>	<u>\$57,414.4</u>	<u>\$61,734.6</u>	<u>\$67,101.7</u>	<u>\$66,947.5</u>
Inter-fund Transfers	<u>3,100.1</u>	<u>8,229.7</u>	<u>5,555.2</u>	<u>4,727.2</u>	<u>6,552.4</u>	<u>3,233.1</u>
Total Budgeted Revenues and Other Sources	<u>\$59,982.5</u>	<u>\$70,313.7</u>	<u>\$62,969.7</u>	<u>\$66,461.8</u>	<u>\$73,654.1</u>	<u>\$70,180.5</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	6,482.3	6,742.8	7,295.0	7,948.8	8,248.4	8,269.9
Medicaid	18,122.4	19,845.6	21,700.2	20,070.2	22,129.2	23,924.4
Other Health and Human Services						
Group Insurance	6,799.5	8,014.8	9,091.4	8,904.5 (12)	9,944.7	10,301.0
Department of Elementary and Secondary Education	1,720.9	1,846.7	1,919.5	725.9 (12)	2,414.1	2,692.3
Higher Education	716.7	802.0	1,189.6	1,242.6 (12)	1,250.5	1,929.4
Department of Early Education and Care	1,337.1	1,462.2	1,668.2	1,969.7	2,163.2	2,163.6
Public Safety	784.5	986.6	1,414.4	1,496.7	1,688.7	1,772.5
Housing and Livable Communities (14)	1,410.4	1,183.3	1,414.3	1,516.1 (12)	1,613.0	1,749.0
Energy and Environmental Affairs	-	-	-	1,438.2 (12)	1,418.2	1,210.4
Debt Service	303.0	230.2	506.7	451.4 (12)	562.5	495.7
Post -Employment Benefits (6)	2,289.4	2,422.7	2,420.0	2,424.6	2,599.8	2,633.4
Other Program Expenditures	3,751.9	4,433.4	4,666.3	4,719.8	5,094.0	4,784.2
Total - Programs and Services before transfers to Non-budgeted funds	<u>\$3,916.0</u>	<u>\$4,257.4</u>	<u>\$4,069.9</u>	<u>\$4,887.5</u>	<u>\$5,042.4</u>	<u>\$5,158.9</u>
Total	<u>\$47,634.1</u>	<u>\$52,227.6</u>	<u>\$57,355.5</u>	<u>\$57,796.1</u>	<u>\$64,168.8</u>	<u>\$67,084.6</u>

	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023 (13)</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Projected Fiscal 2026</u>
<u>Inter-fund Transfers to Non-budgeted Funds</u>						
Commonwealth Care Trust Fund	-	-	-	-	-	-
Medical Assistance Trust Fund	505.3	751.5	84.9	505.0	640.5	855.7
Massachusetts Transportation Trust Fund	614.2	752.4	699.4	773.4	818.1	1,609.4
Other	324.9	1,876.1	455.0	241.5	1,442.6	32.7
Total Inter-Fund Transfers to Non-Budgeted Funds	<u>\$1,444.4</u>	<u>\$3,380.0</u>	<u>\$1,239.3</u>	<u>\$1,519.9</u>	<u>\$2,901.2</u>	<u>\$2,497.8</u>
<u>Special Appropriated Funds</u>						
Federal COVID-19 Response Fund	-	15.2	998.1	2,385.9 (12)	6.8	-
Transitional Escrow Fund	-	360.1	683.4	367.0	1,009.2	-
Total Special Appropriated Funds	-	<u>375.3</u>	<u>1,681.5</u>	<u>2,752.8</u>	<u>1,016.0</u>	-
Budgeted Expenditures and Other Uses	<u>\$49,078.5</u>	<u>\$55,982.9</u>	<u>\$60,276.3</u>	<u>\$62,068.8</u>	<u>\$68,086.0</u>	<u>\$69,582.4</u>
Inter-fund Transfers	3,100.1	8,229.7	5,555.2	4,727.2	6,552.4	3,233.1
Total Budgeted Expenditures and Other Uses	<u>\$52,178.6</u>	<u>\$64,212.6</u>	<u>\$65,831.5</u>	<u>\$66,796.0</u>	<u>\$74,638.4</u>	<u>\$72,815.5</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$7,804.0 (7)</u>	<u>\$6,101.1</u>	<u>\$(2,861.8) (7)</u>	<u>\$(334.2) (8)</u>	<u>\$(984) (8)</u>	<u>\$(2,634.9)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (9)	1,099.3	1,726.2	1,616.6	2,294.1	1,884.7	334.0
Stabilization Fund	4,626.4	6,937.9	8,036.1	8,523.6 (15)	8,110.7	8,144.0
Federal COVID-19 Response Fund	4,892.0	3,495.5	2,326.9	-	-	-
Transitional Escrow Fund	1,460.3	5,654.5 (10)	1,891.2	1,477.5	1,348.3	-
Undesignated	21.2	386.2	1,467.7	2,709.1	2,676.4	2,354.9
Total	<u>\$12,099.2</u>	<u>\$18,200.3 (11)</u>	<u>\$15,338.5</u>	<u>\$15,004.3</u>	<u>\$14,020.1</u>	<u>\$10,832.9</u>

SOURCES: Fiscal 2021-2025, Office of the Comptroller; fiscal 2026, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) For fiscal 2021 through fiscal 2025, tax and non-tax revenue from settlements and judgments in excess of \$10 million is included in specific tax and non-tax revenue categories. See "COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues; Settlements and Judgments."
- (3) 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 (CSFRF).
- (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, a further \$100 million to fully pay down pension liabilities attributable to the fiscal 2015 early retirement incentive program and a \$100 million supplemental transfer to the SRBTF.
- (7) Fiscal 2023 "Deficiency of Revenues Versus Expenditures" reflects the carryforward from fiscal 2021 of \$4.9 billion from the CSFRF and \$1.5 billion in the Transitional Escrow Fund from a fiscal 2021 tax surplus, which were credited as operating revenue in fiscal years 2021 and 2022, and excess state tax revenue of \$2.941 billion to be applied by the Department of Revenue in fiscal 2023 pursuant to Chapter 62F, which was credited as operating revenue in fiscal 2022. Expenditures of these funds in fiscal 2023 are affordable from these sources, but as they are not matched with fiscal 2023 operating revenue, they appear as an operating deficit.
- (8) Fiscal 2024 and 2025 "Deficiency of Revenues Versus Expenditures" reflects the continued draw-down of deposits to the CSFRF, the Transitional Escrow Fund, and other funds that were generated from prior year tax surpluses and federal appropriations. Expenditures of these funds in fiscal 2024 and 2025 are paid from these available sources, but as they are not matched with fiscal 2024 and 2025 operating revenue, they appear as an operating deficit.
- (9) Includes appropriations authorized to be expended in the following year. Excludes continuing appropriations held within the Federal Covid-19 Response Fund and Transitional Escrow Fund, in order to more transparently track special fund balances as they are drawn down over time. Continuing appropriations within those funds are shown as part of their ending fund balances.
- (10) Includes \$2.941 billion of excess state tax revenue received in fiscal 2022, to be applied by the Department of Revenue in fiscal 2023 pursuant to Chapter 62F. See "COMMONWEALTH REVENUES – Limitations on Tax Revenues."
- (11) Includes \$2.941 billion of excess state tax revenue pursuant to Chapter 62F. See "COMMONWEALTH REVENUES – Limitations on Tax Revenues."
- (12) Fiscal 2024 expenditures reflect the final allocation and expenditure of CSFRF funds, including the allocation of \$1.397 billion of such resources to GIC expenses, reducing "Group Insurance" expenditures and increasing "Federal COVID-19 Response Fund" expenditures, and to a smaller degree certain other shifts in program expenditures.
- (13) Fiscal 2023 reflects tax rebates made in compliance with Chapter 62F.

- (14) The Executive Office of Housing and Livable Communities (HLC) was established in 2023; fiscal 2024 was the first fiscal year separately budgeted.
- (15) Commencing with fiscal 2024, interest earnings from the Stabilization Fund are transferred to fund the Commonwealth Federal Matching and Debt Reduction Fund (CFMDRF) if certain conditions as described below are met. Due to the timing of enactment of the legislation requiring these transfers, the actual transfer for fiscal 2024 did not occur until fiscal 2025. Accordingly, \$420.8 million from the fiscal 2024 closing balance was transferred in fiscal 2025.

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. 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. In fiscal 2025, the Commonwealth enacted legislation that resulted in \$297 million in capital gains to be deposited in the General Fund and \$521 million to the Transitional Escrow Fund. The fiscal 2026 budget allowed for \$599 million in capital gains tax revenue above the threshold to be used toward the annual pension transfer, rather than be deposited to the Stabilization Fund. The Governor's fiscal 2027 budget proposal assumes a transfer of \$100 million, or 39.1% of excess capital gains, to the Stabilization Fund and proposes legislative changes, which if approved, would modify the capital gains threshold and the percentage of required transfers to the Stabilization Fund and for long-term liabilities. Additionally, the budget proposal recommends an annual multiyear budget forecast and stress test of the Stabilization 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."

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

On September 24, 2024, the Governor signed into law "An Act to Provide for Competitiveness and Infrastructure in Massachusetts" (Chapter 214). Chapter 214 provides for the use of interest earnings from the Stabilization Fund to fund a Commonwealth Federal Matching and Debt Reduction Fund (CFMDRF) that supports state match contributions for the purposes of competing for federal discretionary grant opportunities, as well as other

capital related expenditures. Interest can only be transferred out of the Stabilization Fund if (i) the balance of the Stabilization Fund for the most recently ended fiscal year increased over the balance of the Stabilization Fund at the close of the immediately preceding fiscal year as certified by the Comptroller, and (ii) the balance of the Stabilization Fund exceeds ten percent of budgeted revenues for all budgeted funds for the preceding fiscal year. Chapter 214 permits funds to be obligated until December 1, 2026. On July 31, 2025, Governor Healey proposed legislation modifying Chapter 214, including an extension of the obligation deadline and changes to permitted expenditures from CFMDRF. This legislation is currently pending with the legislature.

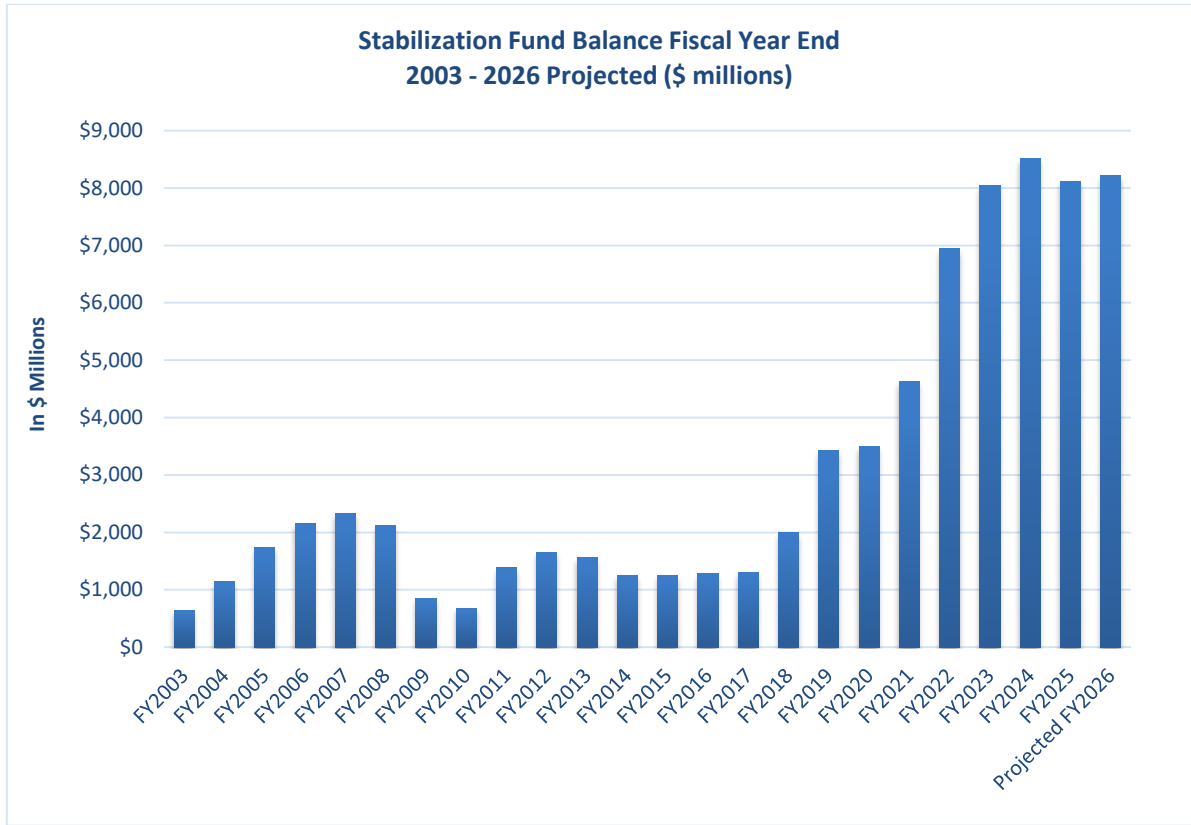
The following table shows the sources and uses of the Stabilization Fund during fiscal 2021 through fiscal 2025, and the projected ending balance for fiscal 2026.

Stabilization Fund Sources and Uses (in thousands)						
	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Projected Fiscal 2026 (4)
Beginning Fund Balances	\$3,501,181	\$4,626,419	\$6,937,864	\$8,036,051	\$8,523,632	\$8,110,684
Revenues and Other Sources						
Deposit of the remaining consolidated net surplus	-	-	-	-	-	-
Deposits from growth in abandoned property receipts (1)	-	14,639	56,453	7,030	-	-
Deposits from gaming tax revenues	17,458	24,308	25,828	25,625	-	-
Capital gains tax transfers in excess of threshold (2)	1,098,140	2,272,593	750,263	29,542	-	33,278
Lottery transfer taxes	323	260	154	214	179	-
Investment income (loss)	<u>9,317</u>	<u>(355) (3)</u>	<u>265,489</u>	<u>425,170</u>	<u>413,865</u>	-
Total Revenues and Other Sources	1,125,238	2,311,445	1,098,187	487,581	414,044	33,278
Total Expenditures and Other Uses	-	-	-	-	826,992 (5)	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,125,238	2,311,445	1,098,187	487,581	(412,948)	33,278
Ending Fund Balances	\$4,626,419	\$6,937,864	\$8,036,051	\$8,523,632 (5)	\$8,110,684	\$8,143,961
Allowable Stabilization Fund Balance	\$8,532,366	\$9,312,616	\$8,612,158	\$14,640,669	\$15,742,311	

SOURCE: Fiscal 2021-2025, Office of the Comptroller; and fiscal 2026 projected ending balance, Executive Office for Administration and Finance.

- (1) Represents transfer equal to 75% of the growth in abandoned property receipts from the prior fiscal year. This transfer was eliminated in the supplemental budget to close out fiscal year 2025.
- (2) 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. Fiscal 2024 reflects enacted legislation redirecting \$265 million in excess fiscal 2024 capital gains tax revenue from the Stabilization Fund to the Transitional Escrow Fund. The fiscal 2025 reflects enacted legislation redirecting \$297 million in excess tax revenue to the General Fund and \$521 million to the Transitional Escrow Fund. The fiscal 2026 budget permits \$599 million to be diverted to pension obligations and \$33 million to other post-employment benefits.
- (3) Reflects a decrease of \$22.836 million as a result of an accounting adjustment for change in value of the short term bond fund.
- (4) Fiscal 2026 is projected.
- (5) Commencing with fiscal 2024, interest earnings from the Stabilization Fund are transferred to fund the Commonwealth Federal Matching and Debt Reduction Fund (CFMDRF) if certain conditions as described above are met. Due to the timing of enactment of the legislation requiring these transfers, the actual transfer for fiscal 2024 did not occur until fiscal 2025. Accordingly, \$420.8 million from the fiscal 2024 closing balance was transferred in fiscal 2025.

The following chart shows the Stabilization Fund balance from fiscal 2003 through fiscal 2025 and fiscal 2026 (projected). See “FISCAL 2026 AND FISCAL 2027.”



SOURCE: Fiscal 2003-2025, Office of the Comptroller; and fiscal 2026 (projected), Executive Office for Administration and Finance.

Commencing with fiscal 2024, interest earnings from the Stabilization Fund are transferred to fund the Commonwealth Federal Matching and Debt Reduction Fund (CFMDRF) if certain conditions as described below are met. Due to the timing of enactment of the legislation requiring these transfers, the actual transfer for fiscal 2024 did not occur until fiscal 2025. Accordingly, \$420.8 million from the fiscal 2024 closing balance and \$406.2 million from the fiscal 2025 closing balance were transferred in fiscal 2025.

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GAAP Basis

The Commonwealth's GAAP financial statements for the year ended June 30, 2025, 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, 2025	
Budgeted Fund Balance	\$14,020.1
Non-budgeted special revenue fund balance	5,139.7
Capital Projects Fund Balance	<u>(1,721.7)</u>
Governmental Fund Balance-Statutory Basis, June 30, 2025	\$17,438.1
Plus: Expendable Trust and similar fund statutory balances that are considered governmental funds for GAAP reporting purposes	1,027.4
Less: Massachusetts Department of Transportation Funds	<u>(1,873.6)</u>
Adjusted Statutory Governmental Fund Balance	\$16,591.9
Reclassification of funds due to implementation of GASB Statement No. 84	35.6
Short term accruals, net of allowances and deferrals for increases/(decreases):	
Taxes, net of refunds and abatements	3,175.8
Tobacco settlement agreement receivable	79.3
Medicaid	<u>(477.2)</u>
Other short term accruals:	
Assessments and other receivables	2,046.6
Amounts due to authorities and municipalities, net	<u>(1,565.0)</u>
Claims, judgments and other risks	(63.3)
Amounts due to healthcare providers and insurers	(95.1)
Workers' compensation and group insurance	<u>(207.0)</u>
Other accruals, net	<u>340.5</u>
Net (decrease) to governmental funds balances	\$3,270.2
Massachusetts School Building Authority fund balance	<u>2,308.1</u>
Total changes to governmental funds	<u>\$5,578.3</u>
Governmental fund balance (fund perspective)	22,170.2
Plus: Capital assets including infrastructure, net of accumulated depreciation	6,191.3
Deferred revenue, net of other eliminations	1,103.5
Long term accruals:	
Net pension liability	(40,407.1)
Net deferred (inflows)/outflows related to pensions	4,675.3
Net OPEB liability	(12,342.2)
Net deferred (inflows)/outflows of resources related to OPEB	(2,429.4)
Environmental remediation liability	(280.1)
Massachusetts School Building Authority debt and school construction payables	(5,521.7)
Long term debt, unamortized premiums and deferred losses on debt refundings	(39,288.9)
Compensated absences	(888.1)
Right-to-use assets liabilities	(890.1)
Accrued interest	(474.6)
Other long-term liabilities	<u>(779.6)</u>
Total governmental net position/(deficit) (government-wide perspective)	<u>(\$69,161.5)</u>

SOURCE: Office of the Comptroller.

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The deficit of \$69.162 billion in governmental activities net position can be largely attributed to three factors. First, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Commonwealth is required to include its net (or unfunded) pension liability in the long-term net pension liability on the Government-wide Statement of Net Position. As of June 30, 2025, the Commonwealth reported a net pension liability of approximately \$40.407 billion, plus GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$4.675 billion; resulting in a reduction in governmental activities net position of \$35.732 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, 2025, the Commonwealth reported a net OPEB liability of approximately \$12.342 billion, plus deferrals of \$2.429 billion, resulting in a reduction in net position of \$14.771 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 2025, MassDOT held \$27.573 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 \$5.522 billion in debt and grant obligations for the former school building assistance program that financed construction of schools for the Commonwealth's cities and towns.

Change in Statement of Net Position

(in thousands)

	Governmental Activities	Business Type Activities	Government Wide
Total net position/(deficit):			
Fiscal 2024, as restated (1)	<u>(\$67,391,020)</u>	<u>\$7,152,849</u>	<u>(\$60,238,171)</u>
Fiscal 2025	<u>(69,161,454)</u>	<u>8,010,738</u>	<u>(61,150,716)</u>
Change in net position/(deficit)	(\$1,770,434)	\$857,889	(\$912,545)

SOURCE: Office of the Comptroller.

(1) Fiscal 2024 Business Type Activities were restated from implementation of GASB 101 in the amount of (\$30,472).

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Revenues – GAAP Basis. The measurement of revenues for the budgeted operating funds on a statutory basis differs from governmental revenues on a GAAP basis in that certain revenues that are not included on a statutory basis are included on a GAAP basis, including revenue accruals for Medicaid and taxes. In addition, internal transfers are eliminated under GAAP on a governmental activities perspective. The following table shows the distribution of major sources of revenue in fiscal 2025.

Comparison of Fiscal 2025 Governmental Revenues

(in millions)(1)

	<u>Governmental Funds</u>	<u>GAAP Basis – Governmental</u>	
	<u>Statutory Basis</u>	<u>Fund Perspective</u>	<u>Governmental Activities Perspective</u>
Taxes	\$44,658	\$44,886	\$44,909
Federal Revenue	23,332	26,319	26,114
Departmental and Miscellaneous Revenue	<u>34,568</u>	<u>35,407</u>	<u>16,527</u>
Total	\$102,559	\$106,612	\$87,550

SOURCE: Office of the Comptroller.

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

The following table provides financial results on a GAAP fund perspective basis for all governmental funds of the Commonwealth for fiscal 2021 through fiscal 2025.

Governmental Fund Operations – GAAP Basis – Fund Perspective

(in millions)

	<u>Fiscal 2021</u> ⁽¹⁾	<u>Fiscal 2022</u>	<u>Fiscal 2023</u> ⁽²⁾	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>
Beginning fund balances	\$9,912.8	\$13,817.3	\$17,924.5	\$19,010.2	\$23,547.3
Revenues and Financing Sources	84,720.3	91,841.0	93,889.0	104,985.3	106,612.3
Expenditures and Financing Uses	<u>80,815.8</u>	87,525.2	<u>92,803.3</u>	<u>100,448.2</u>	<u>107,989.4</u>
Excess/(deficit)	<u>3,904.5</u>	<u>4,315.8</u>	<u>1,085.7</u>	<u>4,537.1</u>	<u>(1,377.1)</u>
Ending fund balances - GAAP fund perspective	<u>\$13,817.3</u>	<u>\$18,133.1</u>	<u>\$19,010.2</u>	<u>\$23,547.3</u>	<u>\$22,170.2</u>

SOURCE: Office of the Comptroller.

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

(2) Beginning fund balance was restated due to the correction of error related to blended component unit Massachusetts School Building Authority state grants accounts receivable and payable recognition.

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 for the year ended June 30, 2025 and the ACFR for the year ended June 30, 2025 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 2025 and the ACFR for fiscal 1995 through fiscal 2025 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 2024 marked the 35th 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 2024, 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, 2025, and the ACFR for the year ended June 30, 2025, 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 2025

The basic financial statements included in the ACFR of the Commonwealth for the year ended June 30, 2025 were audited by CliftonLarsonAllen (CLA). The CLA audit report dated April 23, 2026 on the general purpose financial statements included in the ACFR the year ended June 30, 2025 contained an unmodified opinion. A copy of the audit report of CLA has been filed with EMMA and is included as Exhibit C to this Information Statement. CLA has not been engaged to perform, and has not performed, since the dates of its report referenced above, any procedures on the financial statements addressed in such report, nor has CLA performed any procedures relating to any official statement of which this Information Statement may be a part.

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FISCAL 2026 AND FISCAL 2027

Fiscal 2026

On January 9, 2025, a fiscal 2026 consensus tax revenue estimate of \$43.614 billion, comprised of a baseline consensus revenue estimate of \$41.214 billion and a \$2.4 billion estimate of revenue from the Income Surtax, were agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2026 baseline consensus tax revenue estimate of \$41.214 billion (excluding estimated Income Surtax revenues) represents revenue growth of 2.25% above the fiscal 2025 estimate of \$40.307 billion, excluding the budgeted fiscal 2025 Income Surtax estimate of \$1.3 billion. The parties also agreed to a spending threshold of \$1.95 billion from Income Surtax revenue in fiscal 2026 to support additional spending on education and transportation initiatives. See “COMMONWEALTH REVENUES – State Taxes.”

After accounting for statutorily required transfers for pensions, and to the MBTA, the MSBA and the Workforce Training Fund, the Secretary and Committee chairs agreed that \$32.9 billion (exclusive of the expected additional Income Surtax revenue) would be the maximum amount of tax revenue available for the fiscal 2026 budget. See “COMMONWEALTH REVENUES – Tax Revenue Forecasting.”

On January 22, 2025, the Governor filed her fiscal 2026 budget recommendation, providing for a total of \$59.6 billion in authorized spending, a 2.6% increase over the revised fiscal 2025 estimate, excluding spending of Income Surtax revenue and projected transfers to the Medical Assistance Trust Fund.

The fiscal 2026 budget was approved by the Governor on July 4, 2025, providing for approximately \$58.0 billion in authorized spending, a 0.4% decrease below revised estimated spending for fiscal 2025, excluding spending of Income Surtax revenue and projected transfers to the Medical Assistance Trust Fund. The fiscal 2026 budget provides for \$2.3 billion in spending from Income Surtax revenue, supporting \$711.9 million in transportation investments, including \$500 million to stabilize MBTA operations, and \$1.688 billion in education investments, including early education, universal school meals, K-12 programs and higher education capital improvements. In signing the budget, the Governor vetoed \$130 million in gross spending approved by the Legislature, contributing to a budget which is \$1.521 billion or 2.6% less than the Governor’s initial filed budget proposal. The fiscal 2026 budget is approximately 4.1% greater than the fiscal 2025 enacted budget at the time of the Governor’s approval. The fiscal 2026 budget as approved by the Governor incorporates a \$43.664 billion tax revenue forecast, which reflects the consensus tax revenue estimate of \$43.164 billion, including the \$2.4 billion estimate of Income Surtax revenue and \$50 million for tax related settlements and judgements.

When signing the fiscal 2026 budget, the Governor announced the continuation of a hiring freeze for fiscal 2026 that had commenced in May 2025. Hiring control measures are actively under review.

On June 24, 2025 the Governor also approved a supplemental budget allocating \$1.32 billion in fiscal years 2023 and 2024 surplus Income Surtax revenue to support an additional \$758.8 million in transportation investments and \$561.4 million in support of education programs, available for expenditure through fiscal year 2028. The enacted legislation also appropriates \$58 million from the Student Opportunity Act Investment Fund for the Special Education Circuit Breaker and a \$300 million deposit to the MBTA’s operating reserve.

On January 29, 2026, the Governor filed a supplemental budget for fiscal 2026 allocating \$411 million, including \$300 million for state employee health insurance costs, \$41 million for caseworkers at the Department of Transitional Assistance, and \$31 million for the Department of Correction to support medical costs.

On April 14, 2026, the Governor filed a supplemental appropriation bill for fiscal 2026 to fund \$227.3 million in deficiencies, including approximately \$160 million to the Massachusetts Department of Transportation and the Department of Conservation and Recreation for snow and ice removal costs.

Fiscal 2027

On January 14, 2026, a fiscal 2027 consensus tax revenue estimate of \$44.9 billion, comprised of a baseline consensus revenue estimate of \$42.2 billion and a \$2.7 billion estimate of Income Surtax revenue, were agreed upon

by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2027 baseline consensus tax revenue estimate of \$42.2 billion (excluding estimated Income Surtax revenues) represents revenue growth of 2.4% above the fiscal 2026 estimate of \$41.214 billion, excluding the budgeted fiscal 2026 Income Surtax estimate of \$2.4 billion.

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 \$33.6 billion (exclusive of the expected additional Income Surtax revenue) would be the maximum amount of tax revenue available for the fiscal 2027 budget. See “COMMONWEALTH REVENUES – Tax Revenue Forecasting.”

On January 28, 2026, the Governor filed her fiscal 2027 budget recommendation, providing for a total of \$60.1 billion in authorized spending, a 1.1% increase over the fiscal 2026 estimate, excluding spending of Income Surtax revenue and projected transfers to the Medical Assistance Trust Fund. The proposed fiscal 2027 budget also provides for \$2.7 billion in spending from Income Surtax revenue, of which \$1 billion is allocated to investments in transportation and \$1.7 billion is allocated to investments in education. Alongside the fiscal 2027 general appropriation budget, the Governor filed a supplemental budget proposal allocating \$1.153 billion from fiscal year 2026 Income Surtax revenue to support an additional \$789.7 million in transportation investments and \$363.3 million in support of education programs, available for expenditure through fiscal year 2029. This bill is pending with the Legislature.

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 \$1.0 billion 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 April 30, 2026, there were no RANs outstanding, and the State Treasurer does not currently anticipate issuing RANs in fiscal 2026.

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 January 31, 2026, the Cash Portfolio holdings were made up of Asset Backed Commercial Paper 23.4%, Financial Company Commercial Paper 20.6%, Certificate of Deposit 20.5%, U.S. Government Agency Repurchase Agreement 14.8%, Non-Negotiable Time Deposit 10.2%, Tender Option Bond 4.6%, Non-Financial Company Commercial Paper 3.4%, Variable Rate Demand Note 1.4%, Other 0.9%. As of February 28, 2026, the Cash Portfolio’s monthly weighted average life was 70 days, and the monthly weighted average maturity was 48 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 January 31, 2026, the Short-Term Bond Fund holdings were made up of U.S. Treasury Securities 63.8%, Financial Inst. - Banking 4.2%, Utility - Electric 2.7%, Technology 2.5%, Asset Backed Securities 2.3%, FNMA MBS 2.3%,

Auto Receivables 1.9%, Energy Mid-stream 1.5%, Auto Receivables – Commercial 1.4%, Consumer Non-cyclical Health Care 1.3%, and Other 16.1%. 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 Bloomberg 1-5 Year Government/Credit Index, which includes all medium and larger issues of United States government, investment-grade corporate and investment-grade international dollar-denominated bonds.

On June 30, 2025, the Governor released the Capital Investment Plan for fiscal years 2026-2030 to support investments in transportation, economic development, climate resiliency, housing, education, technology and health and human services. See “COMMONWEALTH CAPITAL INVESTMENT PLAN.”

The following table provides General Fund ending cash balances by month for fiscal 2022 through fiscal 2027 and the following pages provide cash flow details for fiscal 2026 and fiscal 2027. The balances through January of fiscal 2026 are actual and unaudited, and the remainder of fiscal 2026 and fiscal 2027 are projected.

Month-End General Fund Cash Balances

(in millions)

	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Fiscal 2026 (1)</u>	<u>Fiscal 2027 (2)</u>
July	\$11,598.0	\$14,125.0	\$12,290.0	\$10,013.7	\$8,800.5	\$8,658.4
August	11,163.0	12,748.0	10,404.7	8,152.9	7,578.5	8,295.0
September	11,859.0	13,030.0	10,777.4	8,288.6	8,161.2	9,254.5
October	12,198.0	13,859.0	10,176.6	7,272.3	7,118.4	8,239.6
November	11,781.0	9,807.0	10,745.6	6,085.3	5,659.0	7,173.6
December	12,412.0	10,484.0	10,026.4	6,373.7	5,924.3	7,099.9
January	13,180.0	11,211.0	10,733.7	8,443.9	5,700.0	8,282.4
February	12,306.0	10,377.0	7,300.2	6,711.9	4,900.0	6,025.1
March	12,228.4	10,553.0	9,139.9	6,504.3	5,348.2	6,177.9
April	16,407.0	12,328.0	11,565.9	9,622.7	9,310.1	10,193.3
May	15,900.0	12,368.0	11,437.9	8,424.7	7,159.3	8,324.4
June	16,995.0	12,783.0	12,286.9	11,006.4	7,232.3	7,256.5

SOURCE: Office of the Treasurer and Receiver-General.

- (1) Month-end balances for July through January of fiscal 2026 are actual, unaudited. The remaining months are projected.
- (2) Month-end balances for fiscal 2027 are projected.

The February 2026 cash flow forecast for fiscal 2026 and fiscal 2027 was released April 1, 2026 and is summarized in the tables below. The next quarterly cash flow statements are expected to be released by the end of May and will be available at the link below and are incorporated herein by reference. 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 2026 Non-Segregated Operating Cash Flow

(in millions) (1) (2)

	<u>Jul 25</u>	<u>Aug 25</u>	<u>Sep 25</u>	<u>Oct 25</u>	<u>Nov 25</u>	<u>Dec 25</u>	<u>Jan 26</u>	<u>Feb 26</u>	<u>Mar 26</u>	<u>Apr 26</u>	<u>May 26</u>	<u>Jun 26</u>	<u>Total FY 2026</u>
Opening Non-Segregated Operating Cash Balance:	\$11,006.4	\$8,800.5	\$7,578.5	\$8,161.2	\$7,118.4	\$5,659.0	\$5,924.3	\$5,700.0	\$4,900.0	\$5,348.3	\$9,310.2	\$7,159.3	\$11,006.4
Operating Activities:													
Budgetary Funds:													
Total Budgetary Revenue/Inflows	\$4,909.9	\$5,487.3	\$6,579.2	\$5,259.3	\$5,051.9	\$6,061.4	\$6,300.6	\$5,032.0	\$7,033.9	\$9,685.2	\$4,544.5	\$6,259.6	\$72,205.0
<u>Total Budgetary Expenditures/Outflows</u>	<u>\$6,070.6</u>	<u>\$6,707.5</u>	<u>\$5,288.3</u>	<u>\$5,852.8</u>	<u>\$5,772.1</u>	<u>\$5,588.1</u>	<u>\$5,741.5</u>	<u>\$6,009.8</u>	<u>\$5,803.8</u>	<u>\$5,733.8</u>	<u>\$5,837.8</u>	<u>\$5,234.6</u>	<u>\$69,640.8</u>
Net Budgetary Funds	(\$1,160.8)	(\$1,220.2)	\$1,290.8	(\$593.5)	(\$720.2)	\$473.4	\$559.2	(\$977.8)	\$1,230.1	\$3,951.4	(\$1,293.2)	\$1,025.0	\$2,564.2
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	\$1,828.8	\$2,764.9	\$1,200.6	\$1,551.1	\$1,446.6	\$2,192.6	\$1,996.6	\$1,367.5	\$1,245.3	\$1,171.9	\$1,202.8	\$1,183.2	\$19,152.0
<u>Total Non-Budgetary Expenditures/Outflows</u>	<u>\$2,013.9</u>	<u>\$2,464.9</u>	<u>\$2,451.7</u>	<u>\$2,295.3</u>	<u>\$1,895.3</u>	<u>\$2,496.4</u>	<u>\$2,747.9</u>	<u>\$1,784.7</u>	<u>\$1,852.3</u>	<u>\$1,755.2</u>	<u>\$1,914.5</u>	<u>\$1,743.8</u>	<u>\$25,416.0</u>
Net Non-Budgetary Funds	(\$185.0)	\$300.0	(\$1,251.2)	(\$744.2)	(\$448.8)	(\$303.8)	(\$751.3)	(\$417.2)	(\$607.0)	(\$583.2)	(\$711.7)	(\$560.6)	(\$6,264.0)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	<u>\$40.2</u>	<u>\$18.1</u>	<u>\$75.4</u>	<u>\$78.3</u>	<u>\$70.7</u>	<u>\$125.5</u>	<u>\$66.5</u>	<u>\$25.0</u>	<u>\$25.0</u>	<u>\$25.0</u>	<u>\$25.0</u>	<u>\$25.0</u>	<u>\$599.7</u>
Net Operating Activities	(\$1,305.6)	(\$902.1)	\$115.1	(\$1,259.3)	(\$1,098.3)	\$295.0	(\$125.7)	(\$1,370.0)	\$648.1	\$3,393.2	(\$1,979.9)	\$489.4	(\$3,100.1)
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$127.4	\$303.5	\$485.3	\$307.8	\$195.3	\$276.8	\$367.1	\$402.8	\$406.7	\$391.2	\$406.7	\$398.9	\$4,069.5
<u>Total Federal Grants Expenditures/Outflows</u>	<u>\$380.7</u>	<u>\$329.1</u>	<u>\$263.7</u>	<u>\$297.2</u>	<u>\$253.0</u>	<u>\$343.0</u>	<u>\$272.5</u>	<u>\$369.5</u>	<u>\$365.6</u>	<u>\$383.4</u>	<u>\$365.7</u>	<u>\$353.9</u>	<u>\$3,977.4</u>
Net Federal Grants	(\$253.3)	(\$25.6)	\$221.5	\$10.7	(\$57.7)	(\$66.2)	\$94.6	\$33.3	\$41.1	\$7.7	\$41.0	\$45.0	\$92.1
Capital Funds:													
Capital Inflow from Federal Reimbursements	\$121.1	\$129.4	\$111.0	\$119.1	\$79.6	\$120.1	\$112.1	\$107.4	\$139.1	\$132.4	\$153.1	\$218.2	\$1,542.6
Capital Inflow from Segregated Bond Fund(3)	\$0.0	\$169.7	\$523.2	\$398.4	\$0.0	\$304.5	\$0.0	\$810.4	\$0.0	\$789.0	\$103.0	\$0.0	\$3,098.2
Total Capital Revenue/Inflows	\$121.1	\$299.1	\$634.3	\$517.4	\$79.6	\$424.6	\$112.1	\$917.8	\$139.1	\$921.4	\$256.1	\$218.2	\$4,640.8
<u>Total Capital Expenditures/Outflows</u>	<u>\$768.1</u>	<u>\$593.4</u>	<u>\$388.2</u>	<u>\$311.6</u>	<u>\$383.1</u>	<u>\$388.1</u>	<u>\$305.4</u>	<u>\$381.2</u>	<u>\$380.0</u>	<u>\$360.4</u>	<u>\$468.1</u>	<u>\$679.6</u>	<u>\$5,406.9</u>
Net Capital Funds	(\$647.0)	(\$294.3)	\$246.1	\$205.9	(\$303.4)	\$36.5	(\$193.3)	\$536.7	(\$240.9)	\$561.0	(\$212.0)	(\$461.4)	(\$766.1)
Financing Activities:													
Cash Flow Financing Activities Inflows/(Outflows):													
<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
<u>Total Cash Flow Financing Activities Inflows</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$8,800.5	\$7,578.5	\$8,161.2	\$7,118.4	\$5,659.0	\$5,924.3	\$5,700.0	\$4,900.0	\$5,348.3	\$9,310.2	\$7,159.3	\$7,232.3	\$7,232.3

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

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

(3) Anticipated bond issuances during fiscal 2026 are subject to various market conditions and the Commonwealth may determine to change the principal amount or timing of such issuance, including or may determine not to issue such bonds.

Overview of Fiscal 2027 Non-Segregated Operating Cash Flow

(in millions) (1) (2)

	<u>Jul 26</u>	<u>Aug 26</u>	<u>Sep 26</u>	<u>Oct 26</u>	<u>Nov 26</u>	<u>Dec 26</u>	<u>Jan 27</u>	<u>Feb 27</u>	<u>Mar 27</u>	<u>Apr 27</u>	<u>May 27</u>	<u>Jun 27</u>	Total FY 2027
Opening Non-Segregated Operating Cash Balance:	\$7,232.4	\$8,658.4	\$8,295.0	\$9,254.5	\$8,239.6	\$7,173.6	\$7,099.9	\$8,282.4	\$6,025.1	\$6,177.9	\$10,193.3	\$8,324.4	\$7,232.4
Operating Activities:													
Budgetary Funds:													
Total Budgetary Revenue/Inflows	\$5,169.4	\$5,189.8	\$7,091.0	\$5,954.7	\$5,174.7	\$6,316.1	\$6,793.5	\$5,123.9	\$6,926.2	\$10,238.2	\$4,782.7	\$6,677.2	\$75,437.2
<u>Total Budgetary Expenditures/Outflows</u>	<u>\$3,616.4</u>	<u>\$4,942.7</u>	<u>\$5,517.6</u>	<u>\$6,032.9</u>	<u>\$5,671.8</u>	<u>\$5,255.4</u>	<u>\$5,400.0</u>	<u>\$6,296.1</u>	<u>\$5,735.7</u>	<u>\$5,834.7</u>	<u>\$5,770.0</u>	<u>\$6,864.9</u>	<u>\$66,937.9</u>
Net Budgetary Funds	\$1,553.0	\$247.1	\$1,573.4	(\$78.1)	(\$497.1)	\$1,060.7	\$1,393.6	(\$1,172.1)	\$1,190.5	\$4,403.4	(\$987.3)	(\$187.7)	\$8,499.3
Non Budgetary Funds (Non-Budgetary, Higher Ed and Trust Funds):													
Total Non-Budgetary Revenue/Inflows	\$1,080.1	\$1,323.6	\$1,518.5	\$1,280.1	\$1,116.1	\$1,112.3	\$1,534.0	\$1,089.7	\$1,396.9	\$1,258.1	\$1,153.6	\$1,177.0	\$15,040.1
<u>Total Non-Budgetary Expenditures/Outflows</u>	<u>\$1,853.8</u>	<u>\$1,976.9</u>	<u>\$2,271.7</u>	<u>\$2,212.0</u>	<u>\$1,782.9</u>	<u>\$2,335.8</u>	<u>\$1,917.2</u>	<u>\$1,772.9</u>	<u>\$2,184.4</u>	<u>\$1,840.2</u>	<u>\$1,938.6</u>	<u>\$2,006.6</u>	<u>\$24,092.9</u>
Net Non-Budgetary Funds	(\$773.6)	(\$653.3)	(\$753.2)	(\$931.9)	(\$666.7)	(\$1,223.5)	(\$383.2)	(\$683.1)	(\$787.5)	(\$582.1)	(\$785.0)	(\$829.5)	(\$9,052.8)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$16.0</u>	<u>\$192.0</u>
Net Operating Activities	\$795.4	(\$390.2)	\$836.2	(\$994.0)	(\$1,147.8)	(\$146.7)	\$1,026.4	(\$1,839.3)	\$419.0	\$3,837.3	(\$1,756.3)	(\$1,001.2)	(\$361.5)
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$288.3	\$400.5	\$207.4	\$422.9	\$229.7	\$365.1	\$246.3	\$263.7	\$772.4	\$4,382.5	\$288.3	\$400.5	\$207.4
<u>Total Federal Grants Expenditures/Outflows</u>	<u>\$354.7</u>	<u>\$392.5</u>	<u>\$283.3</u>	<u>\$318.3</u>	<u>\$384.8</u>	<u>\$400.4</u>	<u>\$360.5</u>	<u>\$421.2</u>	<u>\$363.7</u>	<u>\$4,382.1</u>	<u>\$354.7</u>	<u>\$392.5</u>	<u>\$283.3</u>
Net Federal Grants	(\$22.6)	\$119.6	(\$13.4)	(\$66.4)	\$8.0	(\$75.9)	\$104.6	(\$155.1)	(\$35.3)	(\$114.2)	(\$157.5)	\$408.7	\$0.4
Capital Funds:													
Capital Inflow from Federal Reimbursements	\$60.1	\$35.5	\$86.3	\$117.0	\$197.7	\$100.0	\$135.4	\$110.3	\$88.4	\$83.4	\$122.2	\$182.1	\$1,318.3
Capital Inflow from Segregated Bond Fund (3)	\$810.0	\$0.0	\$362.0	\$351.0	\$590.0	\$410.0	\$405.0	\$25.0	\$0.0	\$510.0	\$364.0	\$0.0	\$3,827.0
Total Capital Revenue/Inflows	\$870.1	\$35.5	\$448.3	\$468.0	\$787.7	\$510.0	\$540.4	\$135.3	\$88.4	\$593.4	\$486.2	\$182.1	\$5,145.3
<u>Total Capital Expenditures/Outflows</u>	<u>\$216.8</u>	<u>\$128.2</u>	<u>\$311.6</u>	<u>\$422.5</u>	<u>\$713.9</u>	<u>\$361.0</u>	<u>\$488.9</u>	<u>\$398.3</u>	<u>\$319.2</u>	<u>\$301.1</u>	<u>\$441.4</u>	<u>\$657.4</u>	<u>\$4,760.2</u>
Net Capital Funds	\$653.2	(\$92.7)	\$136.7	\$45.5	\$73.8	\$149.0	\$51.5	(\$263.0)	(\$230.8)	\$292.3	\$44.9	(\$475.4)	\$385.1
Financing Activities:													
Cash Flow Financing Activities Inflows/(Outflows):													
<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
<u>Total Cash Flow Financing Activities Inflows</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Ending Non-Segregated Operating Cash Balance:	\$8,658.4	\$8,295.0	\$9,254.5	\$8,239.6	\$7,173.6	\$7,099.9	\$8,282.4	\$6,025.1	\$6,177.9	\$10,193.3	\$8,324.4	\$7,256.5	\$7,256.5

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures are projected.

(3) Anticipated bond issuances during fiscal 2027 are subject to various market conditions and the Commonwealth may determine to change the principal amount or timing of such issuance, including or may determine not to issue such bonds.

ECONOMIC CONSIDERATIONS AND RISKS

Financial information in this Information Statement, including, but not limited to, the financial condition of the Commonwealth and various state agencies and authorities, revenue and expenditure projections, the budget, pension funding and other matters 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, 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, social, public health, political and environmental risks and uncertainties and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities.

This section is intended to provide readers with information on certain factors that may affect the financial condition of the Commonwealth. This discussion of risk factors is not, and is not intended to be, exhaustive. The descriptions set forth below of certain governmental policies are not intended as a complete discussion of all aspects of laws and regulations and such matters that may affect the financial performance of the Commonwealth.

Commonwealth Revenue and Expense Risks

The projections of Commonwealth revenues and expenses are based on reasonable assumptions at the time they were prepared. Actual results may differ significantly from projections as a result of a number of factors, including:

Revenues. Revenue forecasting is subject to significant uncertainty. Uncertainties and risks that may affect forecasts include, but are not limited to, local, national and international events, economic and business conditions, taxpayer and consumer behavior, interest rates, inflationary factors, commodity prices, supply chain disruptions, terrorism, hostilities or war, climate change and extreme weather, unanticipated demographic changes, epidemic and pandemics, federal laws and regulations, financial markets and other factors.

Federal funds received by the Commonwealth can vary significantly as a result of political, legislative and regulatory actions at the federal level. Significant reductions in federal funding could materially adversely impact the Commonwealth.

Federal policies can shift significantly from one presidential administration or Congress to another. These shifts may lead to reduced federal funding for a variety of state policy priorities and programs or otherwise adversely impact the Commonwealth. Recently, several such policy shifts that involve, among other things, delaying or canceling various grants and other appropriations for a broad range of programs, reducing the federal workforce, eliminating certain federal agencies and departments, imposing new or increased tariffs for certain imported goods, and increasing immigration enforcement actions have been effectuated through presidential executive orders and other official and unofficial actions at the federal level. Certain of these federal actions have been challenged in court by the Commonwealth and other parties, and in some cases enjoined. The ultimate outcome of many of these federal actions and the impact on the Commonwealth remains uncertain.

The Commonwealth and its agencies and instrumentalities receive a significant amount of funding from the federal government, including for MassHealth and other healthcare programs, state and local education programs, infrastructure projects, and other initiatives. In fiscal 2025, federal revenue accounted for approximately 23.9% of the Commonwealth's total budgeted operating revenues and other financing sources. See "COMMONWEALTH REVENUES – Federal and Other Non-Tax Revenues" and "SELECTED FINANCIAL DATA – Statutory Basis Distribution of Budgetary Revenues and Expenditures." Recent changes to federal policies and priorities have increased the uncertainty of federal funding and have reduced funding for specific projects and programs in the current and future state fiscal years. The Commonwealth continues to review relevant executive orders, policy documents and notices issued by the current federal administration and analyze the magnitude of expected impact of these federal policy changes and associated federal funding reductions. In some cases, the Attorney General's Office is pursuing legal action to challenge these funding cuts and certain of the federal funding cuts have been challenged in court and their implementation stayed. The Commonwealth anticipates additional impacts to its operating and capital budget in future fiscal years. As a result of such reductions in federal funding and other actions by the federal government, the Commonwealth may adjust certain programs or otherwise take action to manage programs in fiscal 2026 and future fiscal years.

As of [May 7, 2026], the Commonwealth has identified approximately \$3.7 billion in cuts to projects and programs in Massachusetts that were expected to be funded by the federal government over the next three fiscal years.

Of this amount, approximately \$320 million in funding cuts have been successfully challenged. While a limited amount of the identified reductions in federal funding are expected to directly impact the Commonwealth's operating budget, the majority of these changes in federal funding affect programs that are paid through federally-funded accounts or direct federal funding to Massachusetts cities and towns, residents, and businesses. Approximately \$3.5 billion of the estimated reductions in federal funding identified by the Commonwealth result from revised Medicaid eligibility requirements that are expected to reduce enrollment in MassHealth and decreased federal share of administrative costs for the Supplemental Nutritional Assistance Program.

Changes in federal policies and priorities outlined above could also impact consumer and business behavior and the economy. Currently proposed changes to trade policy and the imposition of tariffs could have material effects on supply chains, inflation and federal monetary policy, and otherwise materially impact consumers and industries within the Commonwealth. Shifts in immigration policy and significant reductions in the federal workforce could also impact the labor market. The aggregate impact of these various proposed federal policy changes is uncertain but could involve adverse impacts on the Commonwealth's economy overall and state revenues.

The financial information and projections set forth herein assume no material changes in federal disbursements to the Commonwealth, but remains a source of budgetary uncertainty. The Commonwealth continues to monitor and analyze potential risks to federally supported state programs posed by the executive orders and guidance issued to date and other potential changes in federal policy. At this time, it is not possible to predict the impact, in terms of timing or scope, of shifts in federal policies, individually or as a whole, on the Commonwealth's economy and budget.

Expenses. Projections and timing of expenses may be impacted by many of the same uncertainties and risks as those outlined above with respect to revenues. In addition, expenses are impacted by, among other factors, the size of the Commonwealth workforce, wages and benefits, health care costs, fluctuations in energy costs, caseloads for certain programs, and cost reduction measures. In the event that during any fiscal year, the Secretary of Administration and Finance determines that revenues or appropriations 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 Governor and the Secretary are required by state law to take certain actions, including to reduce allotments or submit proposals to increase revenues or make appropriations from the Stabilization Fund. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Over of the Operating Budget Process and – Cash and Budgetary Controls."

Climate Change

The Commonwealth faces diverse risks related to climate change, including extreme weather events such as coastal storm surges, floods, rising sea levels, severe weather events and rising temperatures. Threats of sea-level rise are of particular concern to Massachusetts given the percentage of the Commonwealth's economic activity that is concentrated on the coast. The increasing frequency and severity of natural disasters within the Commonwealth and the long-term effects of climate change could have material impacts on the Commonwealth's budget. See Exhibit A of Appendix A – "Socioeconomic Indicators for Massachusetts – Environment" for a discussion of the climate related risks to the Commonwealth.

Climate Change Risk Mitigation. The Commonwealth adopted a State Hazard Mitigation and Climate Adaptation Plan on September 17, 2018 and adopted an updated plan, known as the ResilientMass Plan, on October 11, 2023. The plan 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.

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 program, the Commonwealth awards funding to communities to complete vulnerability assessments and develop resiliency project implementation plans. Communities that complete the MVP planning program are eligible for grant funding to implement the actions identified in their resiliency plans.

"An Act Creating A Next-Generation Roadmap for Massachusetts Climate Policy" approved in March 2021 established 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 two overarching approaches: (i) electrify non-electric energy uses; and (ii) decarbonize the electricity system. 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.

“An Act driving clean energy and offshore wind” approved in August 2022 introduced that several new climate change measures, including those aimed at renewable energy and reducing transportation sector GHG emissions.

On January 6, 2023, Governor Healey signed Executive Order N. 604 establishing the position of Climate Chief and creating an Office of Climate Innovation and Resilience (OCIR) within the Governor’s Office. OCIR is charged with harnessing all of the resources and authority available to the Governor and the executive department to advance climate innovation, mitigation, adaptation and resilience policies. The fiscal year 2025 budget established the Disaster Relief and Resiliency Fund (DRRF) to provide immediate disaster relief and to support resilience and infrastructure improvements. DRRF funding is intended to be distributed to municipal governments, individuals, and businesses that are significantly impacted by natural disasters. For initial funding, \$14 million in fiscal 2025 consolidated net surplus funds were directed to the fund. The fiscal 2026 budget allocates an additional \$14 million in consolidated net surplus funds to the DRRF, and the Governor’s fiscal 2027 budget proposal includes \$20 million from excess capital gains collections to be directed to the DRRF.

For a discussion of climate risks facing the Commonwealth, see Exhibit A – Socioeconomic Indicators for Massachusetts.

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.

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, phishing, 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 100% successful or that such attacks will not materially or partially impact the Commonwealth.

To mitigate the risk of cyber threats on the Commonwealth’s IT network and systems, the Commonwealth invests in infrastructure, processes and cybersecurity and operational controls. See discussion of the Commonwealth IT infrastructure under “COMMONWEALTH CAPITAL INVESTMENT PLAN – Cybersecurity.”

Special Disclosure Regarding COVID-19 Matters

The Commonwealth’s fiscal 2020-2022 were significantly impacted by COVID-19 and measures taken in response to the pandemic, some of which were temporary, and others that resulted in longer term changes. In response to COVID-19, the federal government enacted several laws providing resources for emergency response and recovery efforts and economic assistance. The Commonwealth expended the remainder of available federal COVID-19 funds in fiscal 2024.

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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 2021</u>	<u>June 2022</u>	<u>June 2023</u>	<u>June 2024</u>	<u>June 2025</u>
Executive Office	83	76	71	78	81
Executive Departments					
Administration and Finance	2,143	2,151	2,229	2,278	2,306
Energy and Environmental Affairs	1,877	1,838	2,025	2,384	2,411
Health and Human Services	20,125	19,515	19,774	20,911	21,395
Economic Development (2)	783	811	605	647	648
Labor and Workforce Development	375	345	355	376	368
Executive Office of Education	609	617	670	980	1,016
Public Safety and Security	8,108	7,858	7,932	8,143	8,101
Office of the Veteran Advocate (3)	-	-	-	5	12
Veterans' Services (4)	-	-	713	733	757
Housing and Livable Communities (2)	-	-	239	348	417
Technology Services and Security	466	443	437	467	483
Federal Grant, Trust and Capital Funded (5)	<u>7,940</u>	<u>8,133</u>	<u>8,600</u>	<u>8,848</u>	<u>8,540</u>
Subtotal under Governor's Authority	<u>42,509</u>	<u>41,787</u>	<u>43,650</u>	<u>46,198</u>	<u>46,535</u>
Judiciary	7,061	7,094	7,435	7,680	7,851
Higher Education	24,437	24,779	25,076	25,353	26,047
Other (6)	<u>11,167</u>	<u>10,989</u>	<u>11,265</u>	<u>11,527</u>	<u>11,951</u>
Total	<u>85,174</u>	<u>84,649</u>	<u>87,426</u>	<u>90,758</u>	<u>92,384</u>

SOURCE: Office of the Comptroller.

- (1) This table has been revised from prior presentations to conform to changes in the Governor's Cabinet.
- (2) The Executive Office of Housing and Livable Communities was established in June 2023 and the Executive Office of Housing and Economic Development was renamed as the Executive Office of Economic Development.
- (3) The Office of the Veteran Advocate was established in fiscal 2024.
- (4) The Executive Office of Veterans' Services was established in March 2023.
- (5) The Massachusetts Department of Transportation is included in Federal Grant, Trust, and Capital Funded.
- (6) Other includes members of the Legislature and their staff, constitutional officers, other independently elected officials and other independent state agencies.

Unions and Labor Negotiations

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

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

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

Approximately 33,738 executive branch full-time-equivalent state employees are organized in 13 bargaining units, the employees of the Commonwealth's colleges and universities are organized in 47 bargaining units, and the employees of the judicial branch, MassDOT, the Lottery Commission, the Registries of Deeds, the state sheriffs, Personal Care Attendants at MassHealth, and family child care providers at the Department of Early Education and Care are organized in 67 bargaining units. Public employees of the Commonwealth do not have a legal right to strike or otherwise withhold services.

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

1. The contract with the National Association of Government Employees (NAGE), representing Units 1, 3, and 6, runs from July 1, 2024 through June 30, 2027 providing salary increases of 3.0% effective January 1, 2025, 2.0% effective July 1, 2025, 2.0% effective January 1, 2026, 2.0% effective July 1, 2026, and 2.0% effective January 1, 2027. The total estimated incremental cost is \$146.4 million over the length of the contract.

2. The contract with the American Federation of State, County and Municipal Employees (Alliance, AFSCME – SEIU Local 888), representing Unit 2, runs from July 1, 2024 through June 30, 2027 providing salary increases of 3.0% effective January 1, 2025, 2.0% effective July 1, 2025, 2.0% effective January 1, 2026, 2.0% effective July 1, 2026, and 2.0% effective January 1, 2027. The total estimated incremental cost is \$77.2 million over the length of the contract.

3. The contract with the Massachusetts Correction Officers Federated Union (MCOFU), representing Unit 4, ran from July 1, 2024 through June 30, 2025 providing salary increases of 4.0% effective July 1, 2024 and 4.0% effective January 1, 2025. Negotiations are ongoing for a successor agreement.

4. The contract with the New England Police Benevolent Association (NEPBA), representing Unit 4A, runs from July 1, 2024 through June 30, 2027 providing salary increases of 3.0% effective January 1, 2025, 2.0% effective July 1, 2025, 2.0% effective January 1, 2026, 2.0% effective July 1, 2026, and 2.0% effective January 1, 2027. The total estimated incremental cost is \$1.5 million over the length of the contract.

5. The contract with the Coalition of Public Safety (COPS), representing Unit 5, ran from July 1, 2024 through June 30, 2025, providing salary increases of 4.0% effective July 1, 2024 and 4.0% effective January 1, 2025. A successor agreement running from July 1, 2025 through June 30, 2028 is currently pending ratification by the legislature. This agreement would provide salary increases of 3.0% effective January 1, 2026, 2.0% effective July 1, 2026, 2.0% effective January 1, 2027, 2.0% effective July 1, 2027, and 2.0% effective January 1, 2028.

6. The contract with the State Police Association of Massachusetts (SPAM) representing Unit 5A, ran from January 1, 2024 through December 31, 2024, and provided salary increases of 4.0% effective on January 14, 2024 and 4.0% effective on July 14, 2024. An additional \$500 was added per FTE for hazardous duty payments to address specific recruitment and retention issues. The total estimated incremental cost is \$6.0 million over the length of the contract. Negotiations are ongoing for a successor agreement.

7. The contract with the Massachusetts Nurses Association (MNA), representing Unit 7, ran from January 1, 2024 through December 31, 2024 providing salary increases of 4.0% effective January 1, 2024 and 4.0% effective July 1, 2024 with an additional amount for a Classification/Adjustment Pool equivalent to \$500 per FTE. The total estimated incremental cost is \$12.5 million over the length of the contract. A successor agreement running from January 1, 2025 through December 31, 2027 is currently pending ratification by the legislature. This agreement would provide salary increases of 3.0% effective July 1, 2025, 2.0% effective January 1, 2026, 2.0% effective July 1, 2026, 2.0% effective January 1, 2027, and 2.0% effective July 1, 2027.

8. The contract with the Service Employees International Union (SEIU), representing Units 8 and 10, runs from January 1, 2024 through December 31, 2026 providing salary increases of 3.0% effective July 1, 2024, 2.0% effective January 1, 2025, 2.0% effective July 1, 2025, 2.0% effective January 1, 2026, and 2.0% effective July 1, 2026. The total estimated incremental cost is \$129.1 million over the length of the contract.

9. The contract with the Massachusetts Organization of State Engineers and Scientists (MOSES), representing Unit 9, runs from July 1, 2024 through June 30, 2027 providing salary increases of 3.0% effective January 1, 2025, 2.0% effective July 1, 2025, 2.0% effective January 1, 2026, 2.0% effective July 1, 2026, and 2.0% effective January 1, 2027. The total estimated incremental cost is \$38.0 million over the length of the contract.

10. The contract with the International Association of Fire Fighters (IAFF), representing Unit 11, ran from January 1, 2024, through December 31, 2024, providing salary increases of 4.0% effective on January 14, 2024 and 4.0% effective on July 14, 2024. An additional estimated \$30,500 was added as a result of a Classification/Adjustment Pool to address specific recruitment and retention issues. The total estimated incremental cost of the contract is \$0.4 million. A successor agreement running from January 1, 2025 through December 31, 2027 is currently pending ratification by the legislature. This agreement would provide salary increases of 3.0% effective July 1, 2025, 2.0% effective January 1, 2026, 2.0% effective July 1, 2026, 2.0% effective January 1, 2027, and 2.0% effective July 1, 2027.

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

<u>Contract Unit</u>	<u>Bargaining Union</u>	<u>Type of Employee</u>	<u>FTEs</u>	<u>Contract Expiration Dates</u>
1, 3, 6	National Association of Government Employees	Clerical, Skilled Trades, Administrative Professionals	8,370	6/30/27
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	7,997	6/30/27
4	Massachusetts Correction Officers Federated Union	Corrections	2,869	6/30/25 (2)
4A	New England Police Benevolent Association	Corrections	73	6/30/27
5	Coalition of Public Safety	Law enforcement	206	6/30/25 (3)
5A	State Police Association of Massachusetts	State Police	2432	12/31/24 (2)
7	Massachusetts Nurses Association	Health professionals	1,738	12/31/24 (3)
8, 10	Alliance/Service Employees International Union	Social workers, Secondary Education	8,529	12/31/26
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	1,490	6/30/27
11	International Association of Fire Fighters	Fire fighters	34	12/31/24 (3)
Total			33,738	

SOURCE: Executive Office for Administration and Finance.

- (1) Numbers represent full-time equivalent filled positions (FTEs) in the standard workforce as of July 1, 2024, 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). Total may not sum due to rounding.
- (2) This contract has expired and negotiations regarding a successor contract are ongoing.
- (3) This contract has expired and a successor contract is pending before the legislature.

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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 and the MTRS as of January 1, 2025 is as follows:

Retirement Systems Membership

	<u>MSERS</u>	<u>MTRS</u>
Retirees and beneficiaries currently receiving benefits	70,243	71,006
Terminated employees entitled to benefits but not yet receiving them	<u>5,516</u>	<u>N/A</u>
Subtotal	75,759	71,006
Current Members	<u>93,138</u>	<u>101,122</u>
Total	168,897	172,128

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 2026 has been determined to be \$299.6 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 2025 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.

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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

<u>MTRS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	12	0.0%
1975-1983	7	38	0.0
1984-June 30, 1996	8	2,610	2.6
July 1, 1996--June 30, 2001	9	8,305	8.2
July 1, 2001-Present	11	<u>90,157</u>	<u>89.2</u>
Totals		101,122	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from Teachers' Retirement System January 1, 2025. Actuarial Valuation.

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

<u>MSERS (1)</u>			
<u>Hire Date</u>	<u>% of Compensation (1)</u>	<u>Active Members</u>	<u>% of Total Active</u>
Pre-1975	5%	104	0.1%
1975-1983	7	697	0.8
1984-June 30, 1996	8	7,191	7.7
July 1, 1996-Present	9	82,797	88.9
State Police 1996-Present	12	<u>2,349</u>	<u>2.5</u>
Totals		93,138	100.0%

SOURCE: Public Employee Retirement Administration Commission. Membership data from State Retirement System January 1, 2025. 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.

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, 2026. The assumptions underlying the funding schedule

include valuation of assets and liabilities as of January 1, 2025, an annual rate of return on assets of 7.0%, and appropriation increases of 4.0% per year through fiscal 2038. The proposed funding schedule achieves final amortization of the unfunded actuarial liability by fiscal year ending June 30, 2039, which is within the current statutory requirement.

Funding Schedule for Unfunded Actuarial Liability
(in thousands)

<u>Fiscal Year</u>	<u>Payments</u>	<u>Fiscal Year</u>	<u>Payments</u>
2027	\$5,130,519	2034	\$6,751,413
2028	5,335,739	2035	7,021,469
2029	5,549,169	2036	7,302,328
2030	5,771,136	2037	7,594,421
2031	6,001,981	2038	7,898,198
2032	6,242,060	2039	4,947,374
2033	6,491,743		

SOURCE: Executive Office for Administration and Finance

Actuarial Valuations

Pursuant to Chapter 32 of the Massachusetts General Laws, an actuarial valuation of each retirement system is required to be conducted biennially. The most recent valuation report for the Commonwealth's total pension obligation as of January 1, 2025 was issued on October 28, 2025. The unfunded actuarial accrued liability for the Commonwealth's total pension obligation as of January 1, 2025, based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2024, was approximately \$40.465 billion, including approximately \$13.790 billion for MSERS, \$24.252 billion for MTRS, \$2.358 billion for Boston teachers that are members of the BRS, and \$64.8 million for cost-of-living increases reimbursable to local systems. The estimated total actuarial accrued liability as of January 1, 2025 is approximately \$124.030 billion (comprising \$52.799 billion for MSERS, \$66.149 billion for MTRS, \$5.017 billion for Boston teachers and \$64.8 million for cost-of-living increases reimbursable to local systems). Total assets are estimated to be valued on an actuarial basis at approximately \$83.564 billion based on a five-year average valuation method (comprising \$39.008 billion for MSERS, \$41.897 billion for MTRS and \$2.660 billion for Boston teachers), which equaled 100.4% of the December 31, 2024 total asset market value.

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. The estimated overall actuarial gain since the January 1 2024 valuation is \$1.238 billion, consisting of a non-investment related gain on actuarial liability of approximately \$701 million and a gain of approximately \$537 million on the actuarial value of assets.

The January 1, 2025 valuation report used a 7.0% investment return assumption, the same assumption used since the January 1, 2021 valuation. The investment return assumption had previously decreased consistently from 8.25% as of January 1, 2012 to 7.0% as of January 1, 2021.

For the January 1, 2015 valuation, a fully generational mortality assumption was adopted that reflected expected future mortality improvements (increasing life expectancy). This assumption was adopted based on a review of retiree mortality in 2012, 2013 and 2014. PERAC performed an updated analysis of retiree mortality in 2015 and 2017 and, based on this review, the generational mortality assumption was adjusted in the January 1, 2017 valuation. PERAC maintained this assumption in the January 1, 2018 valuation. There was a small adjustment for disability retirees of MSERS in the January 1, 2018 valuation. PERAC maintained these assumptions in the January 1, 2019 valuation. In 2020, PERAC performed an analysis of mortality for retirees of MSERS and MTRS. Based on this analysis, PERAC adopted the Pub-2010 Teachers mortality table (headcount weighted) for MTRS and made no changes to MSERS. The most recent change in the mortality assumption reduced the total actuarial accrued liability by approximately \$759 million. The January 1, 2025 actuarial valuation maintained these mortality assumptions.

PERAC issued detailed experience analyses in 2014 for MSERS and MTRS. These experience studies encompassed the years 2006-2011 and reviewed salary increases and rates of retirement, disability, turnover and mortality. As detailed above, PERAC performed an analysis of mortality for retirees of MSERS and MTRS in 2015, 2017 and 2020.

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, 2025 are estimated to be 100.4% of the market value. The actuarial value of assets as of January 1, 2024 was 102.2% of the market value. The actuarial value of assets as of January 1, 2023 was 105.2% of the market value.

While reviewing the January 1, 2025 actuarial results for the MTRS, an error was discovered in the January 1, 2024 results for the MTRS in which the liabilities were overstated. The figures in the charts on the following pages reflect the corrected figures. The revised January 1, 2024 Commonwealth Actuarial Valuation Report was issued on October 16, 2025, and the revised January 1, 2024 Massachusetts Teachers' Actuarial Valuation Report was issued on November 15, 2025.

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

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

Valuation Date (Jan. 1)	Actuarial Value of Assets (1)	Market Value of Assets	% of Actuarial Value to Market Value	Funded Ratio (Actuarial Value)	Funded Ratio (Market Value)
2025	\$83,564	\$83,213	100.4%	67.4%	67.1%
2024	78,567	76,843	102.2	65.2	63.7
2023	73,831	70,164	105.2	63.5	60.4
2022	72,168	80,187	90.0	64.3	71.5
2021	63,407	68,090	93.1	58.2	62.5
2019	56,661	55,100	102.8	56.3	54.7
2018	54,918	58,038	94.6	57.0	60.3
2017	51,952	51,107	101.7	56.7	55.8
2016	49,535	48,943	101.2	56.7	56.0
2015	48,106	50,290	95.7	59.0	61.7

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 Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
<u>MSERS</u>						
Actuarial						
Valuation as of						
Jan. 1						
2025	\$39,007,768	\$52,798,510	\$13,790,742	73.9%	\$8,247,464	167.3%
2024	37,065,525	51,151,483	14,085,958	72.5	7,688,333	183.2
2023	35,079,598	49,200,205	14,120,607	71.3	7,088,063	199.2
2022	34,467,610	47,275,156	12,807,546	72.9	6,651,010	192.6
2021	30,370,096	45,704,298	15,334,202	66.5	6,544,575	234.3
2019	27,136,639	42,595,224	15,458,585	63.7	6,354,473	243.3
2018	26,248,250	40,456,611	14,208,361	64.9	6,155,194	230.8
2017	24,773,042	38,316,719	13,543,677	64.7	5,927,012	228.6
2016	23,465,963	36,966,278	13,500,315	63.5	5,792,288	233.1
2015	22,720,160	33,679,150	10,958,990	67.5	5,591,911	196.0
<u>MTRS</u>						
Actuarial						
Valuation as of						
Jan. 1						
2025	\$41,896,825	\$66,149,090	\$24,252,265	63.3%	\$9,037,950	268.3%
2024	39,078,937	64,387,108	25,308,171	60.7	8,731,185	289.9
2023	36,536,834	62,286,199	25,749,365	58.7	8,371,450	307.6
2022	35,569,967	60,308,295	24,738,328	59.0	7,704,176	321.1
2021	31,170,723	58,829,999	27,659,276	53.0	7,670,306	360.6
2019	27,854,444	53,864,141	26,009,697	51.7	7,074,960	367.6
2018	27,057,700	51,653,285	24,595,585	52.4	6,829,012	360.2
2017	25,638,136	49,193,503	23,555,367	52.1	6,583,871	357.8
2016	24,593,787	46,562,807	21,969,020	52.8	6,388,732	343.9
2015	23,946,759	44,115,769	20,169,010	54.3	6,204,274	325.1
<u>Aggregate Commonwealth Pension Obligations (1)</u>						
Actuarial						
Valuation as of						
Jan. 1						
2025	\$83,564,367	\$124,029,797	\$40,465,430	67.4%	\$18,085,713	223.7%
2024	78,567,120	120,540,333	41,973,213	65.2	17,183,313	244.3
2023	73,831,127	116,211,224	42,380,097	63.5	16,141,447	262.6
2022	72,168,013	112,194,901	40,026,888	64.3	15,022,224	266.5
2021	63,406,551	108,981,772	45,575,221	58.2	14,851,350	306.9
2019	56,661,376	100,650,744	43,989,368	56.3	13,994,455	314.3
2018	54,918,125	96,316,894	41,398,769	57.0	13,531,845	305.9
2017	51,952,206	91,573,998	39,621,792	56.7	13,059,709	303.4
2016	49,535,323	87,401,722	37,866,399	56.7	12,702,727	298.1
2015	48,105,862	81,535,003	33,429,141	59.0	12,302,162	271.7

SOURCE: Public Employee Retirement Administration Commission.

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

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

	<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>
<u>MSERS</u>						
Actuarial						
Valuation as of						
Jan. 1						
2025	\$38,827,939	\$52,798,510	\$13,970,571	73.5%	\$8,247,464	169.4%
2024	36,244,038	51,151,483	14,907,445	70.9	7,688,333	193.9
2023	33,346,387	49,200,205	15,853,818	67.8	7,088,063	223.7
2022	38,297,344	47,275,156	8,977,812	81.0	6,651,010	135.0
2021	32,611,969	45,704,298	13,092,329	71.4	6,544,575	200.0
2019	26,384,598	42,595,224	16,210,626	61.9	6,354,473	255.1
2018	27,735,916	40,456,611	12,720,695	68.6	6,155,194	206.7
2017	24,366,420	38,316,719	13,950,299	63.6	5,927,012	235.4
2016	23,176,451	36,966,278	13,789,827	62.7	5,792,288	238.1
2015	23,739,487	33,679,150	9,939,663	70.5	5,591,911	177.8
<u>MTRS</u>						
Actuarial						
Valuation as of						
Jan. 1						
2025	\$41,735,717	\$66,149,090	\$24,413,373	63.1%	\$9,037,950	270.1%
2024	38,228,453	64,387,108	26,158,655	59.4	8,731,185	299.6
2023	34,712,145	62,286,199	27,574,054	55.7	8,371,450	329.4
2022	39,522,186	60,308,295	20,786,109	65.5	7,704,176	269.8
2021	33,473,661	58,829,999	25,356,338	56.9	7,670,306	330.6
2019	27,090,335	53,864,141	26,773,806	50.3	7,074,960	378.4
2018	28,597,562	51,653,285	23,055,723	55.4	6,829,012	337.6
2017	25,225,451	49,193,503	23,968,052	51.3	6,583,871	364.0
2016	24,308,553	46,562,807	22,254,254	52.2	6,388,732	348.3
2015	25,046,692	44,115,769	19,069,077	56.8	6,204,274	307.4
<u>Aggregate Commonwealth Pension Obligations (1)</u>						
Actuarial						
Valuation as of						
Jan. 1						
2025	\$83,212,793	\$124,029,797	\$40,817,004	67.1%	\$18,085,713	225.7%
2024	76,842,998	120,540,333	43,697,335	63.7	17,183,313	254.3
2023	70,163,755	116,211,224	46,047,469	60.4	16,141,447	285.3
2022	80,186,681	112,194,901	32,008,220	71.5	15,022,224	213.1
2021	68,089,639	108,981,772	40,892,133	62.5	14,851,350	275.3
2019	55,099,732	100,650,744	45,551,012	54.7	13,994,455	325.5
2018	58,037,680	96,316,894	38,279,214	60.3	13,531,845	282.9
2017	51,107,139	91,573,998	40,466,859	55.8	13,059,709	309.9
2016	48,943,080	87,401,722	38,458,642	56.0	12,702,727	302.8
2015	50,289,777	81,535,003	31,245,226	61.7	12,302,162	254.0

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.

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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Annual required contribution (ARC) (1)	\$4,230,000	\$3,950,000	\$4,345,000	\$4,549,000	\$4,617,000
Contributions made (2)	\$3,415,154	\$3,744,033	\$4,104,583	\$4,499,855	\$4,933,191
% of ARC funded for the fiscal year	80.7%	94.8%	94.5%	98.9%	106.8%

SOURCE: Public Employee Retirement Administration Commission.

- (1) The ARC is developed assuming amortization of the unfunded actuarial liability on a 4% annual increasing basis through fiscal 2040. This is the minimum allowable funding schedule for local systems under state pension law.
- (2) The amounts shown for contributions include the costs associated with the fiscal 2015 early retirement incentive program.

The percentage of the ARC has generally increased each fiscal year and the contribution for fiscal 2026 now exceeds the ARC, although changes to actuarial assumptions and plan provisions as well as 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 2024. See Exhibit C – Annual Comprehensive Financial Report for the year ended June 30, 2024. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was effective for the Commonwealth's ACFR for fiscal 2015, requires changes to governments' reporting of and inclusion of pension assets and liabilities in their annual audited financial statements. GASB 68 requires governments to report in their statements of net position (or balance sheet) a net pension liability, defined as the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. GASB 68 requires recognition in the financial statements of pension expense. The rate used to discount projected benefit payments to their present value is based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met.

The tables that follow show certain pension-related information for both the MTRS and the MSERS as required by GASB 67 and GASB 68. The MTRS and MSERS tables subtitled "Schedule of Changes in the Net Pension Liability and Related Ratios" show the beginning and ending liabilities and assets for the MTRS and MSERS, as well as both systems' unfunded pension liability, or NPL, with the NPL being the amount that the Commonwealth records on its Statement of Net Position as its unfunded pension liability. The table also shows the components of the change in the NPL between the beginning (July 1) and end (June 30) for fiscal years 2020 through 2024.

The tables subtitled "Pension Expense" shows pension expenses that, under GASB 68, was recognized in the ACFR for fiscal 2024. Additional information regarding the inflows and outflows that under GASB 68 are recognized

either in the ACFR for fiscal 2024 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 2024. See “SELECT FINANCIAL DATA – GAAP Basis – Financial Reports.”

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

Under GASB 68, in order to provide adequate time for pension plans to distribute pension-related information to pension plan participants (which include state authorities, local school collaboratives and municipal governments) for use in their annual audited financial statements, governments are permitted to use the prior year’s NPL and other pension-related measures in the current year’s audited financial statements. In conformance with GASB 68, the Commonwealth determined that for the ACFR for fiscal 2024 it would use the pension valuation information as of June 30, 2023. The Commonwealth will use the June 30, 2024 pension information in its ACFR for fiscal 2025.

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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 2025 through 2021 (1)
(in thousands, except for percentages)

	<u>Fiscal 2025 (1)</u>	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>
Total pension liability (as of July 1)	\$65,779,000	\$63,314,000	\$61,273,000	\$59,795,000	\$57,862,841
Service cost	1,255,816	1,259,763	1,182,258	1,084,503	1,085,414
Interest	4,564,413	4,395,268	4,249,912	4,143,763	4,097,558
Differences between expected and actual experience	(641,387)	378,415	(17,711)	(384,483)	(555,322)
Changes of assumptions (2), (3)	-	-	111,000	-	584,000
Benefit payments, including refunds of member contributions	(3,657,842)	(3,568,446)	(3,484,459)	(3,365,783)	(3,279,491)
Net change in total pension liability	<u>1,521,000</u>	<u>2,465,000</u>	<u>2,041,000</u>	<u>1,478,000</u>	<u>1,932,159</u>
Total pension liability (as of June 30)	<u>\$67,300,000</u>	<u>\$65,779,000</u>	<u>\$63,314,000</u>	<u>\$61,273,000</u>	<u>\$59,795,000</u>
Plan fiduciary net position (as of July 1)	\$40,422,539	\$37,023,729	\$35,384,862	\$37,088,124	\$29,317,997
Contributions:					
Non-employer - Commonwealth	2,594,483	2,417,533	2,148,676	2,104,604	1,748,483
Plan members	1,010,643	987,837	943,929	892,123	833,236
Other additions	<u>418,698</u>	<u>395,017</u>	<u>319,016</u>	<u>276,758</u>	<u>254,903</u>
Total contributions	<u>4,023,824</u>	<u>3,800,387</u>	<u>3,411,621</u>	<u>3,273,485</u>	<u>2,836,622</u>
Net investment income (loss)	3,878,155	3,501,432	1,997,214	(1,353,547)	8,455,507
Benefit payments, including refunds of plan member contributions	(3,657,842)	(3,568,446)	(3,484,459)	(3,365,783)	(3,279,491)
Administrative expense	(21,940)	(20,120)	(21,332)	(19,196)	(21,783)
Other changes	<u>(329,239)</u>	<u>(314,443)</u>	<u>(264,177)</u>	<u>(238,221)</u>	<u>(220,728)</u>
Net change in plan fiduciary net position	<u>3,892,958</u>	<u>3,398,810</u>	<u>1,638,867</u>	<u>(1,703,262)</u>	<u>7,770,127</u>
Plan fiduciary net position (as of June 30)	<u>\$44,315,497</u>	<u>\$40,422,539</u>	<u>\$37,023,729</u>	<u>\$35,384,862</u>	<u>\$37,088,124</u>
Plan net pension liability/(asset) (as of June 30)	<u>\$22,984,503</u>	<u>\$25,356,461</u>	<u>\$26,290,271</u>	<u>\$25,888,138</u>	<u>\$22,706,876</u>
Plan fiduciary net position as a percentage of the total pension liability	65.8%	61.5%	58.5%	57.7%	62.0%
Covered employee payroll (4)	<u>\$9,037,950</u>	<u>\$8,731,185</u>	<u>\$8,371,450</u>	<u>\$7,704,176</u>	<u>\$7,670,306</u>
Net pension liability/(asset) as a percentage of covered employee payroll	254.3%	290.4%	314.0%	336.0%	296.0%

SOURCE: Office of the Comptroller.

(1) Fiscal 2025 is unaudited.

(2) The changes in assumption in fiscal 2021 were due to a decrease in the discount rate to 7.00% from 7.15%.

(3) There were no changes in assumption in fiscal 2022, 2023, 2024 and 2025 because the same discount rate as fiscal 2021 were used.

(4) Reflects compensation in January 1 actuarial valuation for each fiscal year.

GASB 68 Information for the Massachusetts Teachers' Retirement System
Pension Expense for Fiscal 2025 (1)
(in thousands)

Service cost	\$1,259,763
Interest	4,395,268
Employee contributions	(987,837)
Projected earnings on plan investments	(2,570,281)
Recognized portion of difference between expected and actual experience	(2,826)
Recognized portion of difference in projected and actual earnings on investments	(304,168)
Recognized portion of plan benefit changes	-
Recognized portion of assumption change	363,499
Transfers and reimbursements from other systems	(130,437)
Member make up, redeposit and payments from rollovers	(23,723)
Other reimbursements	(2,386)
Administrative expense	20,120
Other changes (net)	<u>75,971</u>
Pension expense	<u>\$2,092,963</u>

SOURCE: Office of the Comptroller.

(1) In conformance with GASB 68, pension valuation information as of June 30, 2024 was used in the ACFR for fiscal 2025.

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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 2025 through 2021 (1)
(in thousands, except for percentages)

	<u>Fiscal 2025</u>	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>
Total pension liability (as of July 1)	\$52,027,000	\$50,005,000	\$48,041,000	\$46,476,000	\$45,725,000
Service cost	1,199,805	1,143,160	1,043,783	981,998	968,648
Interest	3,615,138	3,472,563	3,332,796	3,223,993	3,243,594
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	46,004	486,506	424,236	160,909	(904,845)
Changes of assumptions (2), (3)	-	-	110,000	-	101,000
Benefit payments, including refunds of member contributions	(3,163,947)	(3,080,229)	(2,946,815)	(2,801,900)	(2,657,397)
Net change in total pension liability	<u>1,697,000</u>	<u>2,022,000</u>	<u>1,964,000</u>	<u>1,565,000</u>	<u>751,000</u>
Total pension liability (as of June 30)	<u>\$53,724,000</u>	<u>\$52,027,000</u>	<u>\$50,005,000</u>	<u>\$48,041,000</u>	<u>\$46,476,000</u>
Plan fiduciary net position (as of July 1)	\$37,901,857	\$35,357,510	\$34,131,126	\$36,039,471	\$28,567,300
Contributions:					
Employers – Commonwealth and MassDOT	1,547,546	1,408,975	1,368,423	1,310,596	1,105,838
Non-employer contributions – Commonwealth	46,883	57,185	63,822	56,988	41,963
Employers and non-employers – other	14,107	16,572	13,764	11,454	13,352
ERIP funding contribution - Commonwealth	-	28,260	28,449	28,449	28,449
Plan members	885,959	760,851	722,382	693,853	652,911
Other additions	<u>96,171</u>	<u>81,973</u>	<u>130,982</u>	<u>138,957</u>	<u>90,879</u>
Total contributions	<u>2,590,666</u>	<u>2,353,816</u>	<u>2,327,822</u>	<u>2,240,297</u>	<u>1,933,392</u>
Net investment income (loss)	3,604,429	3,308,422	1,916,176	(1,297,464)	8,232,417
Benefit payments, including refunds of plan member contributions	(3,163,947)	(3,080,229)	(2,946,815)	(2,801,900)	(2,657,397)
Administrative expense	(18,600)	(17,632)	(16,120)	(14,461)	(21,685)
Other changes	<u>(22,224)</u>	<u>(20,030)</u>	<u>(54,679)</u>	<u>(34,817)</u>	<u>(14,556)</u>
Net change in plan fiduciary net position	<u>2,990,324</u>	<u>2,544,347</u>	<u>1,226,384</u>	<u>(1,908,345)</u>	<u>7,472,171</u>
Plan fiduciary net position (as of June 30)	<u>\$40,892,181</u>	<u>\$37,901,857</u>	<u>\$35,357,510</u>	<u>\$34,131,126</u>	<u>\$36,039,471</u>
Plan net pension liability/(asset) (as of June 30)	<u>12,831,819</u>	<u>\$14,125,143</u>	<u>\$14,647,490</u>	<u>\$13,909,874</u>	<u>\$10,436,529</u>
Plan fiduciary net position as a percentage of the total pension liability	76.1%	72.9%	70.7%	71.0%	77.5%
Covered employee payroll (4)	<u>\$8,247,464</u>	<u>\$7,688,333</u>	<u>\$7,088,063</u>	<u>\$6,651,010</u>	<u>\$6,544,575</u>
Net pension liability/(asset) as a percentage of covered employee payroll	155.6%	183.7%	206.7%	209.1%	159.5%

SOURCE: Office of the Comptroller.

(1) Fiscal 2025 is unaudited.

(2) The changes in assumptions in fiscal 2021 were due to a decrease in the discount rate to 7.00% from 7.15%

(3) There were no changes in assumption in fiscal 2022, 2023, 2024 and 2025 because the same discount rate as fiscal 2021 were used.

(4) Reflects compensation in the January 1 actuarial valuation for each fiscal year.

GASB 68 Information for the State Employees' Retirement System

Pension Expense for Fiscal 2025 (1)

(in thousands)

Service cost	\$1,143,160
Interest	3,472,563
Employee contributions	(760,851)
Projected earnings on plan investments	(2,432,248)
Recognized portion of difference between expected and actual experience	117,914
Recognized portion of difference in projected and actual earnings on investments	(298,305)
Recognized portion of assumption change	144,808
Change in benefit terms	-
Transfers and reimbursements from other systems	(54,822)
Member make up, redeposit and payments from rollovers	(7,714)
COLA reimbursements	20,030
Other reimbursements	(7,837)
Administrative expense	17,632
Other expenses that do not reduce the total pension liability	<u>(11,600)</u>
Pension expense	<u>\$1,342,730</u>

SOURCE: Office of the Comptroller.

(1) In conformance with GASB 68, pension valuation information as of June 30, 2024 was used in the ACFR for fiscal 2025.

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 2030. Actuarial results reflect assumptions outlined in the January 1, 2025 actuarial valuation report, except as noted below. The fiscal 2026 assets are as of December 31, 2025. The 2025 actuarial valuation reflects a 7.0% investment return assumption. All projections are estimates and will vary based on actual investment returns and plan experience. The projections shown in the table assume that all assumptions will be realized exactly. The actuarially determined contributions reflect the funding schedule filed by the Secretary of Administration and Finance on January 14, 2026. Under the funding schedule, appropriations increase by 4.0% per year until fiscal 2038, with a smaller, final amortization payment in fiscal 2039. The allocations to individual retirement systems for fiscal 2025 and fiscal 2026 reflect the amounts identified in memoranda dated May 10, 2024 and June 5, 2025 respectively from the Executive Director of PERAC to the Secretary of Administration and Finance. The allocations to individual retirement systems for fiscal 2027 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, 2025 is 100.4% of the market value of assets. The actuarial value of assets on January 1, 2026 is 96.0% of the market value of assets. The actuarial value of assets on January 1, 2027 is assumed to be 95.3% of the market value of assets. The actuarial value of assets on January 1, 2028 is assumed to be 97.6% of the market value of assets. The actuarial value of assets on January 1, 2029 is assumed to be 99.0% of the market value of assets. The actuarial value of assets on January 1, 2030 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, 2025 to January 1, 2026 using standard methodology. Projections beyond January 1, 2026 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 2027 and beyond are estimated. The actual fiscal 2026 ADC for MSERS, MTRS and Boston teachers were provided in a memorandum dated June 5, 2025 from the Executive Director of PERAC to the Secretary of Administration and Finance.

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

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>						
2025	\$1,613	\$39,008	\$52,799	\$13,791	73.9%	2.2%
2026	1,768	41,291	54,666	13,376	75.5	2.3
2027	1,839	43,050	56,561	13,511	76.1	2.4
2028	1,913	46,355	58,521	12,166	79.2	2.5
2029	1,990	49,480	60,549	11,069	81.7	2.6
2030	2,070	52,638	62,647	10,009	84.0	2.7
<u>MTRS (3)</u>						
2025	\$2,579	\$41,897	\$66,149	\$24,252	63.3%	3.5%
2026	2,827	45,050	68,470	23,420	65.8	3.6
2027	2,940	47,692	70,769	23,077	67.4	3.8
2028	3,058	52,084	73,145	21,061	71.2	4.0
2029	3,180	56,349	75,601	19,252	74.5	4.2
2030	3,307	60,721	78,139	17,418	77.7	4.3
<u>Boston Teachers (3)</u>						
2025	\$261	\$2,660	\$5,017	\$2,358	53.0%	0.4%
2026	300	2,892	5,209	2,317	55.5	0.4
2027	312	3,130	5,402	2,272	57.9	0.4
2028	324	3,489	5,601	2,112	62.3	0.4
2029	337	3,847	5,807	1,960	66.2	0.4
2030	350	4,218	6,021	1,803	70.1	0.4
<u>Aggregate Commonwealth Pension Obligations (4)</u>						
2025	\$4,500	\$83,565	\$124,030	\$40,465	67.4%	6.1%
2026	4,933	89,233	128,406	39,173	69.5	6.5
2027	5,130	93,872	132,787	38,915	70.7	6.8
2028	5,335	101,928	137,318	35,390	74.2	7.1
2029	5,548	109,676	142,004	32,328	77.2	7.5
2030	5,770	117,577	146,851	29,274	80.1	7.5

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, 2025 Commonwealth Actuarial Valuation Report, with revisions to the investment return and mortality assumptions as noted above. Fiscal 2026 assets are as of December 31, 2025.

(2) The Funded Ratio is equal to the Actuarial Value of Assets divided by the Actuarial Accrued Liability.

(3) Fiscal 2027 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 67% funded public pension fund. Under current law and projections, by the year 2036 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 12, 2025. 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 27, 2025.

PRIT Fund Asset Allocation

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Target Ranges</u>		
Global Equity	42.7%	37.3%	39.3%	40.6%	39.6%	31.0	–	41.0%
Core Fixed Income	15.3	14.5	13.3	13.9	14.8	12.0	–	18.0
Value-Added Fixed Income	6.9	6.8	7.1	7.3	7.9	6.0	–	12.0
Private Equity	14.5	18.4	17.4	17.0	16.6	13.0	–	19.0
Real Estate	8.3	10.6	10.9	9.6	9.2	7.0	–	13.0
Timberland	3.0	3.2	3.1	3.0	2.8	1.0	–	7.0
Portfolio Completion Strategies	8.3	8.6	8.4	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
(Net of Fees)**

<u>Fiscal Year</u>	<u>Rate of Return</u>	<u>Fiscal Year</u>	<u>Rate of Return</u>
2025	9.62%	2020	1.95%
2024	9.46	2019	5.67
2023	5.58	2018	9.51
2022	(3.38)	2017	12.71
2021	29.40	2016	1.87
3yr annualized		8.20%	
5yr annualized		9.63%	
10yr annualized		7.93%	

SOURCE: Pension Reserves Investment Management Board.

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, 2025, 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, 2025, the GIC had 153,947 state enrollees as of January 1, 2025. As of that date, the Commonwealth was responsible for the OPEB liability of 136,744 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 2025, the rate of return for assets in the OPEB trust was assumed to be 7.00%, consistent with the rate used for the Commonwealth’s pension trust, while the relevant municipal bond rate was 5.20%, resulting in a 5.94% 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, 2025, which was issued on January 20, 2026, 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 5.94%, was approximately \$12.720 billion as of June 30, 2025.

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

The State Retiree Benefits Trust Fund was created to consolidate the state's retiree funding efforts and better project future liabilities, and beginning in fiscal 2008, expenses for current state retirees' healthcare were paid from the fund. Also in fiscal 2008, the fund benefited from a one-time transfer of approximately \$329 million from the Health Care Security Trust. The fiscal 2012 budget included a requirement that, beginning in fiscal 2013, 10% of the annual tobacco settlement payments be transferred to the State Retiree Benefits Trust Fund, with the amount deposited to the State Retiree Benefits Trust Fund to increase by 10% increments annually thereafter until 100% of all payments would be transferred to that Fund, subject to such requirement being subsequently modified or waived by the Legislature. In fiscal 2018, 2019, 2020, 2021, 2022, 2023 and 2024 the required transfer was modified to 10%, 30%, 10%, 10%, 10%, 10% and 10% respectively, of annual tobacco settlement payments. The fiscal 2025 and 2026 budgets provide for the continued transfer of 10% of annual tobacco settlement payments. Commencing with fiscal 2014, the budget has required that this specified percentage of the annual tobacco settlement payments be the amount transferred from the unexpended balances in certain appropriations to the State Retiree Benefits Trust Fund. If these unspent appropriation are less than the specified percentage, the budget requires that the difference be made up through a transfer from the tobacco settlement payments to the State Retiree Benefits Trust Fund. 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 recent fiscal years has made adjustments to the disposition of excess capital gains tax revenue and the Governor's fiscal 2027 proposed further modifications to the transfer. See Fiscal 2026 and Fiscal 2027 – Fiscal 2027.

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

**Transfers to State Retiree Benefits Trust Fund
(in millions)**

<u>Fiscal Year</u>	<u>Unexpended Appropriations</u>	<u>Tobacco Settlement Proceeds</u>	<u>Capital Gains Tax Revenue</u>
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	24.7	-	126.3
2023	25.7	-	41.7
2024	18.6	-	19.4
2025	-	-	28.9

Source: Office of the Comptroller.

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

The plan net position as of June 30, 2025 was approximately \$2.8 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 (3)	Net OPEB liability as % of Covered Payroll
2025	\$2,807,002	\$15,527,409	\$12,720,407	18.1%	\$7,395,339	172.0%
2024	2,525,645	16,241,790	13,716,145	15.6	6,395,957	214.5
2023	2,266,842	16,470,056	14,203,214	13.8	5,721,250	248.3
2022	1,988,383	15,340,605	13,352,222	13.0	5,772,086	231.3
2021	1,910,940	17,910,405	15,999,465	10.7	5,594,324	286.0
2020	1,414,312	22,105,511	20,691,199	6.4	5,625,684	367.8
2019 (2)	1,368,548	19,662,106	18,293,558	7.0	5,491,214	333.1
2018 (2)	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 (4):	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) Certain amounts were restated due to errors in calculations during subsequent audit procedures as more fully described below.
- (3) Fiscal 2017 through fiscal 2023 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.
- (4) Amounts are as of January 1 and prepared in accordance with GASB Statement No. 43, which was replaced by GASB Statement No. 74.

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 2021 to 2025.

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

GASB 74 Information for the State Retirees' Benefit Trust
Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Years 2025 through 2021
(in thousands, except for percentages)

	<u>Fiscal 2025</u>	<u>Fiscal 2024</u>	<u>Fiscal 2023</u>	<u>Fiscal 2022</u>	<u>Fiscal 2021</u>
Total OPEB liability (as of July 1)	\$16,241,790	\$16,470,056	\$15,340,605	\$17,910,405	\$22,105,511
Service cost	547,890	551,863	530,964	774,039	992,669
Interest	759,968	725,635	672,136	510,542	521,143
Differences between expected and actual experience	1,267,952	(96,894)	591,887	(16,054)	(2,926,517)
Changes of assumptions	(2,674,320)	(797,949)	(179,432)	(3,328,161)	(2,297,649)
Benefit payments, including refunds of member contributions	<u>(615,871)</u>	<u>(610,921)</u>	<u>(486,104)</u>	<u>(510,166)</u>	<u>(484,752)</u>
Net change in total OPEB liability	<u>(714,381)</u>	<u>(228,266)</u>	<u>1,129,451</u>	<u>(2,569,800)</u>	<u>(4,195,106)</u>
Total OPEB liability, June 30	<u>\$15,527,409</u>	<u>\$16,241,790</u>	<u>\$16,470,056</u>	<u>\$15,340,605</u>	<u>\$17,910,405</u>
Plan fiduciary net position, July 1	2,525,645	\$2,266,842	\$1,988,383	\$1,910,940	\$1,414,312
Contributions:					
Employer	654,739	648,694	653,178	660,800	569,989
Other additions	<u>230</u>	<u>150</u>	<u>176</u>	<u>175</u>	<u>200</u>
Total contributions	<u>654,969</u>	<u>648,844</u>	<u>653,354</u>	<u>660,975</u>	<u>570,189</u>
Net investment income/(loss)	<u>242,542</u>	<u>221,103</u>	<u>111,455</u>	<u>(73,126)</u>	<u>411,438</u>
Benefit payments, including refunds of plan member contributions	<u>(615,871)</u>	<u>(610,921)</u>	<u>(486,104)</u>	<u>(510,166)</u>	<u>(484,752)</u>
Administrative expense	(283)	(223)	(246)	(240)	(247)
Other changes	-	-	-	-	-
Net change in plan fiduciary net position	<u>281,357</u>	<u>258,803</u>	<u>278,459</u>	<u>77,443</u>	<u>496,628</u>
Plan fiduciary net position, June 30	<u>2,807,002</u>	<u>2,525,645</u>	<u>2,266,842</u>	<u>\$1,988,383</u>	<u>\$1,910,940</u>
Plan net OPEB liability - June 30	<u>\$12,720,407</u>	<u>\$13,716,145</u>	<u>\$14,203,214</u>	<u>\$13,352,222</u>	<u>\$15,999,465</u>
Plan fiduciary net position as a percentage of the total OPEB liability	18.1%	15.6%	13.8%	13.0%	10.7%
Covered payroll (1)	<u>\$7,395,339</u>	<u>\$6,395,957</u>	<u>\$5,721,250</u>	<u>\$5,772,086</u>	<u>\$5,594,324</u>
Net OPEB liability as a percentage of covered employee payroll	172.0%	214.5%	248.3%	231.3%	286.0%

SOURCE: Office of the Comptroller.

(1) Fiscal 2021 covered payroll amount has been restated to exclude certain employees for whose benefits the Commonwealth is not liable.

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The following table shows OPEB expenses that are recognized in the ACFR for fiscal 2025 pursuant to GASB 75, as well as the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2025 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, 2024 is used in the ACFR for fiscal 2025. Additional information regarding the inflows and outflows that under GASB 75 are recognized either in the ACFR for fiscal 2025 or are deferred and projected to be recognized in the ACFRs for future fiscal years will appear in Note 10D to Basic Financial Statements to the ACFR for fiscal 2025. See "SELECT FINANCIAL DATA – GAAP Basis – Financial Reports."

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

(in thousands)

OPEB Expense for Fiscal 2025 (1)

Service cost	\$551,863
Interest on the total OPEB liability	725,635
Projected earnings on plan investments	(159,976)
Recognized portion of difference between expected and actual experience	(436,287)
Recognized portion of difference in projected and actual earnings on investments	(9,249)
Recognized portion of assumption change	(1,044,665)
Administrative expense	223
Other changes, net	<u>(150)</u>
OPEB Expense	<u>(\$372,606)</u>

SOURCE: Office of the Comptroller.

(1) In conformance with GASB 75, OPEB valuation information as of June 30, 2024 was used in the ACFR for fiscal 2025.

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COMMONWEALTH CAPITAL INVESTMENT PLAN

The Executive Office for Administration and Finance updates its rolling five-year capital investment plan on a biennial 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 sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the “bond cap,” is to keep Commonwealth debt within affordable levels. On June 30, 2025, the Governor announced the five-year capital investment plan for fiscal years 2026 through 2030 (FY26–FY30 CIP), with an administrative bond cap of \$3.227 billion for fiscal 2026 and an administrative bond cap of \$3.337 billion for fiscal 2027. This recommendation is in line with Capital Debt Affordability Committee modeling and analysis.

Actual capital spending is subject to variance from budget due to the nature of capital projects, the programs comprising the plan, shifts between fiscal years, and other factors. Variances between planned and actual capital spending by category in any fiscal year may be material. 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 current five-year capital investment plan.

Fiscal 2026 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 2026, as contained in the FY26–FY30 CIP.

Fiscal 2026 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>
MassDOT	\$1,077.0	-	\$1,373.5	\$1,075.9	\$3,526.5
Capital Asset Management	736.9	\$22.1	150.0	120.2	1,029.2
Housing and Livable Communities	446.0	-	-	-	446.0
Energy and Environmental Affairs	311.7	-	324.3	208.9	844.9
Economic Development	283.1	-	-	20.5	303.6
Technology Services and Security	196.7	87.8	98.1	150.2	532.7
Administration and Finance	118.3	12.5	-	38.3	169.1
Public Safety (1)	31.2	5.4	0.8	-	37.3
Education (2)	<u>26.4</u>	<u>-</u>	<u>-</u>	<u>2.0</u>	<u>28.4</u>
Total (3)	\$3,227.2	\$127.7	\$1,946.6	\$1,616.0	\$6,917.6

SOURCE: Executive Office for Administration and Finance as of June 30, 2025.

(1) Includes public safety vehicles and equipment; does not include public safety facilities, which are funded by the Commonwealth through Capital Asset Management.

(2) Does not include public higher education facilities' projects, which are funded by the Commonwealth through Capital Asset Management.

(3) Totals may not add due to rounding.

Fiscal 2027 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 year 2027, as contained in the FY26–FY30 CIP.

Fiscal 2027 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>
MassDOT	\$1,185.4	-	\$1,263.1	\$1,150.3	\$3,598.7
Capital Asset Management	717.6	25.6	43.1	54.3	840.6
Housing and Livable Communities	497.0	-	-	-	497.0
Energy and Environmental Affairs	303.6	-	168.5	85.6	557.7
Economic Development	299.9	-	-	17.2	317.0
Technology Services and Security	171.6	53.5	106.5	153.4	485.1
Administration and Finance	108.3	12.5	-	39.3	160.1
Public Safety (1)	27.6	6.6	0.8	-	34.9
Education (2)	<u>26.4</u>	<u>-</u>	<u>-</u>	<u>2.0</u>	<u>28.4</u>
Total (3)	\$3,337.2	\$98.2	\$1,581.9	\$1,502.2	\$6,519.5

SOURCE: Executive Office for Administration and Finance as of June 30, 2025.

(1) Includes vehicles and equipment; does not include public safety facilities, which included in Capital Asset Management amounts.

(2) Does not include public higher education facilities, which are included in Capital Asset Management amounts.

(3) Totals may not add due to rounding.

MassDOT’s capital investment plan (CIP) centers around strategic priority areas identified in its statewide long-range transportation plan, *Beyond Mobility*. These priority areas include safety, reliability, destination connectivity, resiliency, travel experience, and supporting clean transportation to reduce greenhouse gas emissions.

The Division of Capital Asset Management and Maintenance CIP addresses the facility needs for state agencies across all branches of government, totaling over 65 million square feet. Funding for the state buildings including new construction, major renovations, minor improvements and building repairs, is provided through Capital Asset Management bond cap. This is also a significant source of funding for decarbonization of state buildings.

The Executive Office of Housing and Livable Communities CIP focuses on investments related to housing production and preservation, public housing reinvestments, and housing vulnerable populations. These investments are designed to increase affordable and mixed-income housing, address blight and problematic properties, fund the capital needs of state-aided public housing, develop permanent supportive housing, climate resiliency, and decarbonization.

The Executive Office of Energy and Environmental Affairs CIP provides investments to help protect communities from extreme weather and rising seas and builds climate change adaptation and resilience, grow our clean energy economy, restores Massachusetts’ natural assets through ecological restoration projects, supports communities as they plan for the future including the Municipal Vulnerability Program and state match funding for the Clean Water Trust revolving fund. The Executive Office of Economic Development CIP invests in capital programs including the Life Sciences Capital Program, the R&D Matching Grant Program, and strengthening communities with substantial investments in capital programs that help municipalities advance local economic priorities including the MassWorks Infrastructure program and other Community One Stop for Growth grant programs.

The Executive Office of Technology Services and Security capital investment portfolio includes information technology infrastructure to support citizen-centric digital services, improve the performance of government technology, modernize IT infrastructure to support policy goals and government operations, protect our data, and enhance the state’s cyber security posture. See “COMMONWEALTH CAPITAL INVESTMENT PLAN – Cybersecurity.”

More detailed information on the Commonwealth's CIP can be found at <https://budget.digital.mass.gov/capital/fy26>.

Sources of Capital Investment

The different sources of funding for the capital program, as reflected in the fiscal year 2026 and 2027 capital budget tables above include:

Administrative Bond Cap:	Commonwealth general obligation borrowing to support the capital program.
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>Special Obligation Bonds</i> – Commonwealth special obligation bonds secured by revenues credited to the Commonwealth Transportation Fund (CTF) for transportation infrastructure improvements including but not limited to the <i>Accelerated Bridge Program (ABP)</i> to fund capital improvements to structurally deficient bridges, the <i>Rail Enhancement Program (REP)</i> and <i>Rail Reliability and Modernization Program (RRAMP)</i> to finance certain infrastructure projects of the MBTA, enhanced Chapter 90 local aid program, and various other MassDOT programs to improve bridges, culverts, and pavement statewide on an accelerated schedule. <i>Pay-As-You-Go</i> – Funding from current revenue for capital projects, including toll revenue. <i>Third Party Contributions</i> – Made by third parties to capital projects being carried out by the Commonwealth, including contributions from campuses for higher education projects, matching funds from cities and towns, and capital projects funded by assessments. <i>Next Generation Bridge GANs</i> – 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 2021 through fiscal 2025 according to these categories.

Commonwealth Historical Capital Spending
(in millions)⁽¹⁾

	<u>Fiscal 2021</u>	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>
Investment Category:					
Information technology	\$107	\$135	\$177	\$191	\$280
Infrastructure/facilities	438	506	612	508	661
Environment	233	328	247	320	276
Housing	218	278	258	316	458
Public safety	-	7	35	43	38
Transportation	2,048	1,625	1,378	1,367	1,569
Other	<u>177</u>	<u>269</u>	<u>299</u>	<u>421</u>	<u>475</u>
Total	<u>\$3,225</u>	<u>\$3,148</u>	<u>\$3,006</u>	<u>\$3,166</u>	<u>\$3,757</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. 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 assistance 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 is responsible for providing an estimate of the total amount of new Commonwealth debt that can prudently be utilized 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 to inform its recommendations. The Committee's estimates are advisory and not binding on the Governor or the Legislature. The Legislature is responsible for authorizing Commonwealth debt. The Governor determines the total amount of capital spending for each fiscal year and the amount of new Commonwealth debt that she considers advisable to finance such spending. The Committee consists of seven voting members, including the Secretary of Administration and Finance (who chairs the Committee), the State Treasurer, the Comptroller, the Secretary of Transportation, one appointee of the Governor and two appointees of the State Treasurer. The Committee also includes non-voting, legislative leaders, including the House and Senate chairs and the ranking minority members of the Committees on Bonding, Capital Expenditures and State Assets, and the Committees on Ways and Means.

On December 15, 2025, the Capital Debt Affordability Committee submitted to Governor Healey and the Legislature the Committee's advisory estimate of the total amount of new Commonwealth debt that prudently may be utilized for capital spending for fiscal 2027. The Committee determined that \$3.337 billion of general obligation debt may be prudently utilized by the Commonwealth in fiscal 2027, which is a \$110 million increase over the prior fiscal year.

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, several state agencies, departments, and branches continue to maintain their own distinct IT infrastructure.

The Executive Office of Technology Services and Security (EOTSS) was established as the cabinet-level lead IT organization for the Executive Branch under Chapter 64 of the Acts of 2017, as memorialized and articulated in General Laws Chapter 6A, § 7A and Chapter 7D. EOTSS maintains much of the Executive Branch's enterprise infrastructure in the form of multiple on-premises data centers and cloud hosted services 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 cybersecurity training for Commonwealth employees and administers the annual Municipal Cybersecurity Awareness Program for municipalities, public safety organizations and public-school districts to build stronger cyber hygiene habits and detect and avoid cyber threats. Additionally, many independent and constitutional offices utilize the services provided by EOTSS, including its operating environment and cybersecurity policies and practices, while some separately maintain certain aspects of their IT infrastructure.

EOTSS also provides a set of enterprise-wide cybersecurity services, including operating a unified Security Operations Center (SOC) that coordinates all incident reporting and responses for the executive branch agencies. The SOC 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. EOTSS' Enterprise Privacy Office promotes privacy and security in the use and dissemination of personally identifiable information (PII), including development of standards for the collection, use, retention, and sharing of PII and sensitive data.

Aligned with the SOC, the Massachusetts Cyber Incident Response Team (MA-CIRT) enhances the Commonwealth's ability to prepare for, respond to, mitigate against, and recover from significant cybersecurity threats. Under the direction of the EOTSS Secretary, the MA-CIRT is comprised of public safety and information technology subject matter experts from across state government to strengthen the Commonwealth's ability to prevent attacks and increase cybersecurity resiliency.

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

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 Commonwealth CIO maintains authority and oversight over all Executive Branch IT planning, procurement, and projects. Agencies are obligated to report on these matters to the Commonwealth CIO on a regular basis. The fiscal 2026 capital budget includes approximately \$196 million of bond cap for EOTSS, Executive Branch Secretariats and other Agencies.

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, phishing, 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 100% successful or that such attacks will not materially or partially impact the Commonwealth.

Given the growing availability of artificial intelligence (AI) applications, EOTSS launched the AI Center of Excellence (AICoE) to unify and accelerate AI adoption across government. The AI Risk Evaluation Group within the AI CoE proactively assesses AI use cases and guides teams adopting or implementing AI tools by providing tailored feedback and considerations to mitigate risks and promote ethical use. EOTSS also published standardized guidance and minimum requirements for the development and use of AI across the state through a state-wide Generative AI policy and enterprise-wide contracting and procurement guidelines.

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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 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. Effective January 1, 2013, state finance law was amended to (i) 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 and (ii) change the statutory definition of outstanding debt from net proceeds (the principal amount of outstanding bonds including the amount of any premium and was measured net of any discount, costs of issuance and other financing costs) to principal outstanding, a change that brings the outstanding debt definition in conformance with GAAP. Based on this calculation, the statutory limit on “direct” bonds during fiscal 2026 is \$33.797 billion.

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

The outstanding Commonwealth debt, the amounts of such outstanding debt excluded from the statutory debt limit, the net amounts of such outstanding Commonwealth debt subject to the statutory debt limit and the statutory debt limit as of the end of each of the last four fiscal years and as of April 30, 2026 for fiscal year 2026 are shown in the following table on a statutory basis.

Calculation of the Debt Limit
(in thousands)

	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Preliminary Fiscal 2026 (3)</u>
Total principal balance	\$29,335,406	\$29,520,860	\$32,361,758	\$34,183,840	\$35,324,042
Less: principal of direct debt excluded from the statutory debt limit:					
Special obligation debt (1)	(453,675)	(426,235)	(397,245)	(366,620)	-
Accelerated bridge program	(1,537,604)	(1,507,359)	(1,480,071)	(1,524,990)	(1,658,954)
Rail enhancement program	(1,958,461)	(1,928,881)	(2,393,389)	(2,528,685)	(2,754,081)
Federal grant anticipation notes (1)	(478,235)	(389,675)	(255,805)	(133,620)	(95,620)
Transportation Infrastructure Fund	(691,378)	(618,232)	(551,473)	(490,556)	(409,272)
School Building Assistance (SBA)	(337,411)	(242,630)	(143,163)	(49,759)	(14,380)
Outstanding direct debt, principal (2)	\$23,878,642	\$24,407,848	\$27,140,612	\$29,089,610	\$30,391,735
Statutory Debt Limit	\$27,805,231	\$29,195,493	\$30,655,267	\$32,188,031	\$33,797,432

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) Includes accretion of capital appreciation bonds.
- (3) Amounts as of April 30, 2026 are preliminary.

General Obligation Debt

As of April 30, 2026, the Commonwealth had \$30.8 billion in general obligation bonds outstanding, of which \$30.7 billion, or 99.5%, was fixed rate debt and \$152.2 million, or 0.5%, was variable rate debt. As of April 30, 2026, \$27.0 billion, or 87.5%, of the Commonwealth’s general obligation debt was tax-exempt and \$3.8 billion, or 12.5%, was taxable.

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

The Commonwealth's outstanding general obligation variable rate debt as of April 30, 2026 consists solely of its college opportunity bonds (COBs). The outstanding \$152.2 million of COBs (\$73.3 million of original principal and including a discount equal to \$73.9 million) were 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 April 30, 2026, the Commonwealth did not have any RANs outstanding. The Commonwealth does not currently anticipate issuing RANs for fiscal year 2026.

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; none of the sales tax receipts or General Fund transfers has been pledged to secure Commonwealth special obligation bonds.

Pursuant to Chapter 233 of the Acts of 2008, as it may be amended from time to time (the Accelerated Bridge Program Act), the Commonwealth commenced a program in 2010 to finance the accelerated capital improvements of bridges and related infrastructure. The Accelerated Bridge Program Act authorized the aggregate issuance of \$3.0 billion of special obligation bonds secured by revenues in the Commonwealth Transportation Fund (CTF Bonds) and federal highway grant anticipation notes (GANs) secured by federal highway reimbursements to finance the design, construction, reconstruction, and repair of or improvements to bridges and approaches. As of April 30, 2026, the Commonwealth has financed \$3.0 billion of projects for the Accelerated Bridge Program with \$1.9 billion from CTF Bonds and \$1.1 billion from GANs.

The GANs are secured by reimbursements received or to be received by the Commonwealth, acting through MassDOT, from the federal government pursuant to the federal-aid highway program. Additionally, the GANs are secured by a back-up pledge of net amounts in the Commonwealth Transportation Fund after application of such amounts in accordance with the trust agreement securing the CTF Bonds. The Commonwealth has and expects to continue to pay interest on the GANs supporting the ABP from state appropriations. As of April 30, 2026, \$95.6 million of GANs were outstanding.

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

Chapter 383 of the Acts of 2020 (Transportation Bond Bill or Chapter 383), as amended, authorized approximately \$16.3 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 \$16.3 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

\$1.3 billion of GANs to fund repairs, rehabilitation or replacement of the Commonwealth's bridges, helping to achieve long-term bridge condition targets. An additional \$5.5 billion is authorized for highway, rail and transit, planning and multi-modal transportation, aeronautics safety and modernization, transportation IT, and grant programs and local projects, and is eligible to be issued as either general obligation bonds or special obligation bonds. The remaining authorization includes \$4.4 billion for federally-aided highway projects, with \$880.0 million eligible to be issued as either general obligation or special obligation bonds.

On August 10, 2022, "An Act Relative to Massachusetts' Transportation Resources and Climate" (MassTRAC) was signed into law. MassTRAC authorizes a total of approximately \$11.4 billion of expenditures to support significant investments in the Commonwealth's roads, bridges, railways, transit agencies, and environmental infrastructure, including investments made possible by the federal Bipartisan Infrastructure Law (BIL) enacted in November 2021. MassTRAC allows MassDOT, the MBTA, and the Executive Office of Energy and Environmental Affairs to continue work supported by recent transportation and environmental bond bills, while also allowing the Commonwealth to take advantage of the increased federal funding provided in the BIL. MassTRAC includes approximately \$6.3 billion in authorization to support the Commonwealth's core programs for highway, rail, transit, aeronautics, planning and shared services, and energy and environmental affairs. This authorization does not factor in anticipated federal reimbursements, which would reduce the amount of bonds needed to fund planned projects. MassTRAC also includes \$3.5 billion to support the pursuit of federal discretionary and competitive grant program funding, as well as \$400.0 million in authorization to support capital projects that improve safety of the MBTA's transit assets and address findings identified during the Federal Transit Administration's safety management inspection of the MBTA, \$275.0 million in authorization for investments in the East-West passenger rail project, and \$920.9 million in authorization for various local and regional transportation projects.

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

Chapter 17 of the Acts of 2025 authorized a total of \$1.185 billion to improve the Commonwealth's municipal roads and bridges and non-federally aided state and municipal roadways and related transportation infrastructure. As with Chapter 383 and MassTRAC, all bonds authorized under Chapter 17 may be issued as either general obligation bonds or special obligation bonds, depending on market conditions and the most effective borrowing strategies for the Commonwealth. Chapter 17 authorized \$300 million for the construction and reconstruction of municipal ways. Also included is the authorization for \$885 million for construction, reconstruction and improvements to non-federally aided roadway and bridge projects; for a program of transportation capital projects to ease congestion and improve safety in the Commonwealth; and for the nonparticipating portion of federal aided projects and for a program of culvert and small bridge modernization and related transportation improvements.

On January 23, 2026, Governor Healey filed "An Act Financing Long-Term Improvements to Municipal Roads and Bridges", which would authorize a total of \$2.3 billion for municipal roads and bridges, statewide acceleration of road and bridge improvements, MBTA vehicle renewal projects, transportation infrastructure projects that unlock new housing production, and capital improvements for transportation infrastructure under the care and control of the Department of Conservation and Recreation. If authorized by the legislature, these bonds could be issued as either general obligation bonds or special obligation bonds. In addition the legislation proposed an increase of \$3.177 billion to various authorizations included in MassTRAC, including federal-aid highway, non-federally aided highway, municipal pavement, and municipal grant programs. The legislation is currently pending.

As of April 30, 2026, the Commonwealth had outstanding approximately \$4.4 billion of CTF Bonds, which are secured by a pledge of registry fees and a specified portion of the motor fuels excise tax.

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 December 30, 2025, all remaining outstanding prior bonds pursuant to such authorization have been defeased.

On July 29, 2014, the Governor approved legislation authorizing the Commonwealth to issue an additional \$1.1 billion in special obligation bonds to finance an expansion of the convention center in Boston, to finance costs of issuance and fund a debt service reserve fund. Such bonds would be secured by and payable from the Convention Center Fund,

with the State Treasurer and Secretary of Administration and Finance having the authority to pledge additional state hotel/motel room occupancy excises to the new bonds.

Special Contribution Unemployment Compensation Trust Fund. Chapter 9 of the Acts of 2021, as amended, authorizes the Commonwealth to issue special obligation bonds secured by special assessments on private contributory employers for the purposes of repaying the federal advances made to the Commonwealth's account within the Unemployment Insurance Trust Fund (UITF) for fiscal years 2020 to 2025 and reducing the amount of or avoiding the need to obtain additional federal advances. On August 30, 2022, the Commonwealth issued \$2.7 billion of special obligation bonds and as of April 30, 2026, \$1.1 billion were outstanding. Proceeds of the bonds were used to repay the outstanding federal advances, including interest thereon, make a deposit into the Commonwealth's account within the UITF, and pay costs of issuance.

Commonwealth Public Higher Education Capital Projects Fund. On June 21, 2025, Governor Healey filed "An Act to Build Resilient Infrastructure to Generate Higher-Ed Transformation" (the BRIGHT Act), which would authorize a total of \$3.0 billion to fund capital projects at Massachusetts public higher education institutions, including state universities, community colleges, and the University of Massachusetts system. The legislation directs funding toward campus development, housing, decarbonization initiatives, lab modernization, career technical education facilities, technology improvements, and deferred maintenance. If authorized by the legislature, these bonds could be issued as special obligation bonds. The legislation is currently pending.

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 April 30, 2026, \$1.7 billion of the Commonwealth's outstanding general obligation debt was comprised of BABs, \$376.1 million of the outstanding CTF Bonds consisted of BABs, and \$156.4 million of the outstanding CTF Bonds consisted of RZEDBs.

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The following table shows long-term debt of the Commonwealth issued and retired from fiscal 2022 through fiscal 2025, and preliminary amounts as of April 30, 2026 for fiscal 2026, exclusive of unamortized bond premiums.

General and Special Obligation Long-Term Debt Issuance and Repayment Analysis

(in thousands) (1)

	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Preliminary Fiscal 2026 (3)</u>
Beginning Balance as of July 1	\$29,048,457	\$29,335,406	\$29,520,860	\$32,361,758	\$34,183,840
Debt Issued	<u>1,748,241</u>	<u>1,615,105</u>	<u>4,562,196</u>	<u>3,335,129</u>	<u>2,684,238</u>
Subtotal	<u>30,796,698</u>	<u>30,950,511</u>	<u>34,083,056</u>	<u>35,696,887</u>	<u>36,868,078</u>
Debt retired or defeased, exclusive of refunded debt	(1,394,122)	(1,360,386)	(1,327,280)	(1,348,412)	(895,256)
Refunding debt issued, net of refunded debt (2)	<u>(67,170)</u>	<u>(69,265)</u>	<u>(394,018)</u>	<u>(164,635)</u>	<u>(648,780)</u>
Ending Balance June 30	<u>\$29,335,406</u>	<u>\$29,520,860</u>	<u>\$32,361,758</u>	<u>\$34,183,840</u>	<u>\$35,324,042</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) Amounts as of April 30, 2026 are 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 four fiscal years, and as of April 30, 2026, the preliminary amounts for fiscal 2026.

Outstanding Long Term Commonwealth Debt

(in thousands)

	<u>Fiscal 2022</u>	<u>Fiscal 2023</u>	<u>Fiscal 2024</u>	<u>Fiscal 2025</u>	<u>Preliminary Fiscal 2026 (1)</u>
General Obligation Debt	\$24,907,431	\$25,268,710	\$27,835,248	\$29,629,925	\$30,815,387
Special Obligation Debt	3,949,740	3,862,475	4,270,705	4,420,295	4,413,035
Federal Grant Anticipation Notes	<u>478,235</u>	<u>389,675</u>	<u>255,805</u>	<u>133,620</u>	<u>95,620</u>
TOTAL	<u>\$29,335,406</u>	<u>\$29,520,860</u>	<u>\$32,361,758</u>	<u>\$34,183,840</u>	<u>\$35,324,042</u>

SOURCE: Office of the Comptroller.

(1) Amounts as of April 30, 2026 are preliminary and unaudited.

Debt Service Requirements

The tables on the following pages set forth, as of April 30, 2026, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal GANs. For variable-rate bonds, the schedule assumes a 5% interest rate.

Debt Service Requirements on Outstanding Commonwealth Bonds as of April 30, 2026 through Maturity

General Obligation Bonds

<u>Period</u> <u>Ending</u>	<u>Principal</u>	<u>Gross</u> <u>Interest</u>	<u>CABs</u>	<u>Build America</u> <u>Bond Subsidies</u>	<u>Net</u> <u>Interest</u>	<u>Debt</u> <u>Service</u>
6/30/2026	\$125,000,000	\$236,519,340	-	(\$3,489,150)	\$233,030,190	\$358,030,190
6/30/2027	907,303,526	1,370,964,536	\$6,067,576	(30,202,869)	1,340,761,667	2,254,132,769
6/30/2028	1,098,558,007	1,340,151,779	6,601,205	(28,953,369)	1,311,198,410	2,416,357,622
6/30/2029	1,231,976,833	1,289,018,869	6,502,085	(26,687,119)	1,262,331,750	2,500,810,669
6/30/2030	1,181,541,878	1,230,581,476	6,670,073	(22,892,244)	1,207,689,232	2,395,901,183
6/30/2031	1,183,965,509	1,167,532,980	6,826,904	(16,807,669)	1,150,725,310	2,341,517,723
6/30/2032	1,251,249,506	1,111,085,301	6,765,651	(14,775,919)	1,096,309,381	2,354,324,538
6/30/2033	1,128,868,151	1,055,310,836	5,953,010	(12,440,089)	1,042,870,747	2,177,691,908
6/30/2034	1,216,411,843	1,001,970,094	5,195,455	(11,068,042)	990,902,052	2,212,509,350
6/30/2035	1,184,195,236	949,079,120	4,711,770	(9,647,490)	939,431,630	2,128,338,636
6/30/2036	1,171,050,075	895,953,282	4,043,116	(8,176,716)	887,776,566	2,062,869,757
6/30/2037	1,125,004,983	843,679,886	3,359,483	(6,654,001)	837,025,884	1,965,390,350
6/30/2038	1,156,062,835	791,762,369	2,607,943	(5,077,435)	786,684,934	1,945,355,712
6/30/2039	1,108,223,839	741,056,716	2,133,751	(3,445,109)	737,611,607	1,847,969,197
6/30/2040	1,167,628,149	692,341,169	1,637,408	(1,608,766)	690,732,403	1,859,997,960
6/30/2041	1,174,935,488	639,733,306	1,536,074	-	639,733,306	1,816,204,867
6/30/2042	1,135,011,933	590,022,296	1,261,494	-	590,022,296	1,726,295,723
6/30/2043	1,140,132,699	539,505,848	970,156	-	539,505,848	1,680,608,703
6/30/2044	1,162,001,264	491,241,047	616,072	-	491,241,047	1,653,858,383
6/30/2045	1,095,330,173	441,416,973	298,481	-	441,416,973	1,537,045,627
6/30/2046	1,070,970,729	391,880,921	116,464	-	391,880,921	1,462,968,114
6/30/2047	1,077,055,000	343,849,681	-	-	343,849,681	1,420,904,681
6/30/2048	973,120,000	298,338,938	-	-	298,338,938	1,271,458,938
6/30/2049	898,385,000	254,413,088	-	-	254,413,088	1,152,798,088
6/30/2050	978,655,000	212,817,400	-	-	212,817,400	1,191,472,400
6/30/2051	883,655,000	175,104,525	-	-	175,104,525	1,058,759,525
6/30/2052	870,105,000	132,436,475	-	-	132,436,475	1,002,541,475
6/30/2053	705,115,000	93,907,619	-	-	93,907,619	799,022,619
6/30/2054	645,000,000	56,250,000	-	-	56,250,000	701,250,000
6/30/2055	495,000,000	26,000,000	-	-	26,000,000	521,000,000
6/30/2056	200,000,000	6,875,000	-	-	6,875,000	206,875,000
Totals (1)	\$30,741,512,655	\$19,410,800,869	\$73,874,170	(\$201,925,990)	\$19,208,874,879	\$50,024,261,704

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

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Special Obligation Revenue Bonds
(Commonwealth Transportation Fund)

<u>Period Ending</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>Build America Bond Subsidies</u>	<u>Net Interest</u>	<u>Debt Service</u>
6/30/2026	\$67,950,000	\$107,657,770	(\$5,764,625)	\$101,893,145	\$169,843,145
6/30/2027	71,410,000	211,789,490	(11,065,116)	200,724,374	272,134,374
6/30/2028	74,395,000	208,062,123	(10,575,162)	197,486,961	271,881,961
6/30/2029	78,100,000	204,273,668	(10,057,913)	194,215,755	272,315,755
6/30/2030	82,825,000	200,193,817	(9,511,790)	190,682,027	273,507,027
6/30/2031	86,175,000	196,024,400	(8,935,317)	187,089,083	273,264,083
6/30/2032	90,615,000	191,489,917	(8,315,910)	183,174,007	273,789,007
6/30/2033	95,280,000	186,720,605	(7,661,301)	179,059,304	274,339,304
6/30/2034	100,070,000	181,823,320	(6,969,584)	174,853,736	274,923,736
6/30/2035	115,915,000	176,747,444	(6,238,652)	170,508,792	286,423,792
6/30/2036	120,100,000	171,057,459	(5,466,299)	165,591,160	285,691,160
6/30/2037	125,570,000	164,965,402	(4,650,219)	160,315,183	285,885,183
6/30/2038	133,490,000	158,372,609	(3,717,943)	154,654,665	288,144,665
6/30/2039	139,635,000	151,540,815	(2,546,326)	148,994,489	288,629,489
6/30/2040	145,925,000	144,557,136	(1,308,301)	143,248,835	289,173,835
6/30/2041	152,885,000	136,896,538	-	136,896,538	289,781,538
6/30/2042	159,420,000	129,854,763	-	129,854,763	289,274,763
6/30/2043	166,050,000	122,728,588	-	122,728,588	288,778,588
6/30/2044	173,605,000	114,671,850	-	114,671,850	288,276,850
6/30/2045	181,485,000	106,294,950	-	106,294,950	287,779,950
6/30/2046	190,370,000	98,352,250	-	98,352,250	288,722,250
6/30/2047	198,040,000	90,268,400	-	90,268,400	288,308,400
6/30/2048	207,040,000	80,516,400	-	80,516,400	287,556,400
6/30/2049	216,395,000	70,414,400	-	70,414,400	286,809,400
6/30/2050	226,465,000	59,594,650	-	59,594,650	286,059,650
6/30/2051	235,965,000	49,340,000	-	49,340,000	285,305,000
6/30/2052	245,665,000	38,893,000	-	38,893,000	284,558,000
6/30/2053	257,195,000	26,609,750	-	26,609,750	283,804,750
6/30/2054	200,000,000	13,750,000	-	13,750,000	213,750,000
6/30/2055	75,000,000	3,750,000	-	3,750,000	78,750,000
Totals (1)	\$4,413,035,000	\$3,797,211,514	(\$102,784,461)	\$3,694,427,053	\$8,107,462,053

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

Federal Highway Grant Anticipation Notes

<u>Period Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
6/30/2026	-	\$2,390,500	\$2,390,500
6/30/2027	\$95,620,000	4,781,000	100,401,000
Totals (1)	\$95,620,000	\$7,171,500	\$102,791,500

SOURCE: Office of the Comptroller.

(1) Totals may not add due to rounding.

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Liquidity Facilities

The Commonwealth has a line of credit in the aggregate principal amount of \$1.0 billion from a syndicate of banks, which line of credit is available to be drawn for cash flow purposes. The line of credit has an interest rate based on SOFR and expires on May 1, 2029. As of April 30, 2026, no amount was outstanding under the line of credit.

Direct Purchase Agreements

As of April 30, 2026, the Commonwealth has no outstanding series of bonds that have been directly purchased by a commercial banking institution. In December 2025, The General Obligation Bonds, Consolidated Loan of 2016 (Multi-Modal Bonds), Series B were redeemed in full.

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 February 28, 2026, the Trust had approximately \$2.8 billion of bonds outstanding.

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

projects associated with the Fan Pier development in Boston, the Assembly Row project in Somerville, the Chestnut Hill Square project in Newton, the Boston Landing project in Boston, the Van Ness project in Boston, the University Station project in Westwood, the North Point project in Cambridge and the Hub on Causeway project in Boston. As of January 31, 2026, total I-Cubed bonds were outstanding in the amount of approximately \$167.7 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 January 31, 2026, approximately \$18.7 million of such bonds were outstanding.

The following table sets forth the Commonwealth's general obligation contract assistance requirements for all of fiscal 2026 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).

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>Total</u>
2026	\$63,384	\$125,000	\$12,601	\$200,985
2027	35,394	125,000	12,818	173,212
2028	23,808	125,000	12,824	161,632
2029 through 2056	<u>363,578 (1)</u>	<u>1,525,500 (2)</u>	<u>221,396 (3)</u>	<u>2,110,474</u>
Total (4)	<u>\$486,164</u>	<u>\$1,900,500</u>	<u>\$259,639</u>	<u>\$2,646,303</u>

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

(1) Current contract assistance payments end in fiscal year 2056.

(2) Represents \$125 million per year for fiscal years 2029 to 2039, inclusive, and \$25 million per year for fiscal years 2040 to 2050, inclusive.

(3) Aggregate of fiscal years 2029 to 2049.

(4) Totals may not add due to rounding.

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Long-Term Operating Leases and Capital Leases

The Commonwealth has entered into various right to use leases for land, buildings, and equipment, infrastructure, facilities, and improvements. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. One of the lease agreements calls for both fixed and variable (based on changes in index rates) payments; the latter of which are not included in the initial measurement of the lease liability. These variable payments totaled \$3 million and were recognized as expense during the year ended June 30, 2025. The following schedule summarizes future minimum payments of non-cancelable leases for governmental activities for fiscal year ended June 30, 2025.

Governmental Activities - Long-Term Lease (in thousands)

<u>Fiscal Year</u>	<u>Minimum Payment(1)</u>
2026	\$155,523
2027	136,396
2028	122,990
2029	107,094
2030	77,684
2031 – 2035	184,246
2036 – 2040	42,402
2041 – 2045	36,579
2046 – 2050	36,570
2051 – 2055	13,794
2056 – 2060	599
2061 - 2065	600
2066 - 2070	599
2071 - 2075	<u>359</u>
Total	<u>\$915,435</u>

SOURCE: Office of the Comptroller

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

The Commonwealth has entered into various agreements for software as a service. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities.

Governmental Activities - Long-Term Subscription-Based Information Technology Arrangements (SBITAs) (in thousands)

<u>Fiscal Year</u>	<u>Minimum Payment(1)</u>
2026	\$54,620
2027	10,308
2028	3,288
2029	159
2030	=
Total	<u>\$68,375</u>

SOURCE: Office of the Comptroller

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

Contingent Liabilities

Massachusetts Bay Transportation Authority. The MBTA issues its own bonds and notes. Prior to July 1, 2000, the Commonwealth supported MBTA bonds, notes and other obligations through guaranties of the debt service on its bonds and notes, contract assistance generally equal to 90% of the debt service on outstanding MBTA bonds and payment of the MBTA's net cost of service (current expenses, including debt service, minus current income). Beginning July 1, 2000, the Commonwealth's annual obligation to support the MBTA for operating costs and debt service is limited to a

portion of the revenues raised by the Commonwealth's sales tax, but the Commonwealth remains contingently liable for the payment of MBTA bonds and notes issued prior to July 1, 2000 and for MBTA payment obligations related to leases, reimbursement obligations, interest exchange agreements and other financing obligations entered into prior to July 1, 2000. The Commonwealth's obligation to pay such prior bonds is a general obligation for which its full faith and credit have been pledged. As of September 2025, all remaining outstanding prior bonds have been redeemed and are no longer outstanding.

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 March 3, 2026, the Steamship Authority had approximately \$82.8 million of bonds outstanding. The Commonwealth's obligations to the Steamship Authority are general obligations for which its full faith and credit have been pledged.

Regional Transit Authorities. The Commonwealth has 15 Regional Transit Authorities (RTAs) that provide fixed route and paratransit service in communities across the state. The RTAs were established by legislation, and are funded by rider fares, advertising, assessments to the local governments served by an RTA, federal grants and state assistance. An RTA may issue revenue anticipation notes to be repaid from Federal Transit Administration operating subsidies, net cost of service payments from the Commonwealth, which are included in the Commonwealth's annual budget, and local government assessments. Commonwealth support of the revenue anticipation notes of an RTA includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide an RTA with funds sufficient to meet the principal of and interest on its notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to such RTA and the Commonwealth's payment, under applicable statutory provisions, of the net cost of service of RTA (current expenses, including debt service, minus current income). The Commonwealth assesses each of the cities and towns within the applicable RTA service area for a portion of the net cost of service. The Commonwealth's obligations to the RTAs are general obligations for which its full faith and credit have been pledged.

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 January 31, 2026, the Building Authority has no Commonwealth-guaranteed debt outstanding.

Authorized and Unissued Debt

General obligation bonds of the Commonwealth are authorized to correspond with capital appropriations. See “COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Capital Investment Process and Controls.” Over the last decade, the Commonwealth has typically had a large amount of authorized and unissued debt. However, the Commonwealth’s actual expenditures for capital projects in a given year relate more to the capital needs which the Commonwealth determines it can afford to finance in such year than to the total amount of authorized and unissued debt. The table below presents authorized and unissued debt at year end for fiscal years 2020 through 2025 and as of April 30, 2026 for fiscal 2026:

Authorized and Unissued Debt (in thousands)

<u>Fiscal Year</u>	<u>Authorized and Unissued Debt</u>
2020	\$26,397,710
2021	38,964,565
2022	38,201,424
2023	49,156,874
2024	45,637,190
2025	52,677,009
2026 (1)	50,994,582

SOURCE: Office of the Comptroller.

(1) Amounts as of April 30, 2026 are preliminary and unaudited.

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

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

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LEGAL MATTERS

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

Programs and Services

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

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

Through mediation, the parties agreed to settlement terms in February 2024. The settlement agreement has an 8-year term. The Commonwealth may seek an early exit from the settlement if it achieves the required transitions sooner. The estimated cost of the settlement is \$1.3 billion over eight years.

Federal Audits and Regulatory Reviews

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The federal Health Care Financing Administration (now the Centers for Medicare and Medicaid Services (CMS)) asserted in June 2000 that the portion of the Medicaid program funded by the Commonwealth's Health Safety Net Trust Fund (formerly the Uncompensated Care Pool) might violate federal regulations regarding permissible taxes on health care providers. The Commonwealth believes that the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor, the Health Safety Net Trust Fund, are within the federal law pertaining to health care-related taxes, but nevertheless sought federal waivers for the assessments as instructed by CMS. In 2017, a change in state law was made to the hospital assessment making a federal waiver for the hospital assessment unnecessary. In 2022, the hospital assessment was restructured pursuant to another change in state law and is currently operating under an approved federal waiver. Additionally, effective January 1, 2025, the surcharge payer assessment was repealed and replaced with a managed care organization services assessment, which was approved under a federal waiver. 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 collected an estimated \$4.052 billion in surcharge payments between 1998 and June 30, 2025. Effective January 1, 2025, Health Safety Net Trust Fund has all necessary federal approvals for its new managed care organization assessment.

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. EOHHS appealed the disallowance, and in November 2025, the dispute was settled with CMS agreeing to return \$30.365 million in FFP to the Commonwealth.

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.

Commencing with NPM Adjustment Year 2005, the PMs sought to reduce the MSA payments they made to the States for sales in each year thereafter and 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, of the 2003 NPM Adjustment Arbitration proceedings. On August 1, 2024, the Commonwealth and the PMs reached settlement with respect to seven of the disputed years (2005 through 2011) pursuant to which the Commonwealth received approximately \$696.11 million in April 2025 as part of this settlement. This money represents both a settlement of the 2005-2011 disputes as well as the release of other amounts from a disputed payment account. Additionally, the settlement agreement contemplates other remaining NPM Adjustment disputes being resolved more efficiently and additional annual payments in future years.

Gaming

In March 2016, the Mashpee Wampanoag tribe announced that it would commence construction of a tribal resort casino in the third region (Region C), based upon the assumed power of the U.S. Secretary of the Interior to take land into trust for the tribe. After several years of litigation, the Department of the Interior’s decision in 2021 to retain the land in the trust as the Tribe’s reservation was upheld, permitting the tribe to move forward with its plans.

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 on May 23, 2022, the Supreme Judicial Court affirmed the lower court’s allowance of the Gaming Commission’s motion to dismiss the plaintiff’s intentional interference with contract claim and reversed its entry of summary judgment in favor of the Gaming Commission on the plaintiff’s regulatory takings claim. The matter was remanded to the Superior Court for further proceedings. On October 18, 2024, the Superior Court heard arguments on the Commission’s renewed motion for summary judgement and the plaintiff’s opposition. On December 12, 2024, the Court allowed the Commission’s motion for summary judgement. In the same decision it denied the third-party defendant’s motion for summary judgment and accordingly, the case remains open until that claim is resolved. On February 20, 2026 a Stipulation of Dismissal with prejudice was filed with the Middlesex Superior Court. The Stipulation of Dismissal included all claims, crossclaims, counterclaims, and third-party claims and waiving all rights of appeal.

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 21,500 criminal cases potentially affected by altered drug evidence from the Boston laboratory were vacated or dismissed, with only a few hundred potentially affected criminal cases remaining open for re-prosecution. Pursuant to a court order, indigent defendants in the cases that remain who wish to pursue vacatur or a new trial will be assigned counsel, at state expense. Additionally, in actions relating to the Amherst laboratory, a court found that, in addition to the chemist's malfeasance, two former prosecutors "tampered with the fair administration of justice" and perpetrated "a fraud upon the court" by deliberately concealing documents relevant to the chemist's actions, with implications for thousands of drug tests conducted by the Amherst laboratory. Notwithstanding the court's finding that, with the exception of the identified chemist's work, the Amherst laboratory was "free from any deficiency in analytical procedure, was kept in an orderly fashion, and that work flowed through the lab smoothly," the Supreme Judicial Court ordered, in relevant part, that all convictions based on evidence tested at the Amherst laboratory on or after January 1, 2009 and through January 18, 2013, must be vacated and dismissed, regardless of the chemist who signed the drug certificate, as well as all methamphetamine convictions where the drugs were tested at the Amherst laboratory during the convicted chemist's tenure (2004-2013). See *Committee for Public Counsel Services, et al. v. Attorney General of Massachusetts, et al.*, SJC-12471 (Oct. 11, 2018). In September 2019, a court-appointed Special Master filed a report, stating that more than 24,000 convictions in more than 16,000 cases had been dismissed due to misconduct in the Amherst laboratory.

Consequently, several civil actions ensued, in both state and federal court, relating to the rights of those defendants potentially affected by the malfeasance of the two chemists and two attorneys' misconduct described above, and more are expected. In addition, plaintiffs have sought, and may in the future seek, compensatory as well as punitive damages, interest, costs, and attorneys' fees. In *Nelson v. Colorado*, 137 S. Ct. 1239 (2017), the United States Supreme Court declared that when a criminal conviction is invalidated by a reviewing court and no retrial will occur, a state is obliged to refund fees, court costs, and any restitution exacted from a defendant, because of the conviction. Based on this Supreme Court decision, a class action was filed in federal court 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). On February 3, 2023, the Plaintiffs filed a Second Amended Complaint in the federal action seeking relief only related to forfeitures of money and property from class members in connection with now-vacated criminal convictions, with the action now styled as *Cotto, et al. v. Campbell, et al.*, 23-2069 (1st Cir.). A motion to dismiss for certain of the defendants in the federal case was granted on November 13, 2023, and the remaining Commonwealth defendants appealed the November 13, 2023 order denying their motions to dismiss. On January 22, 2025, the First Circuit issued an opinion and judgment ordering that the remainder of the case be dismissed. On February 13, 2025, in accordance with the First Circuit's mandate, the District Court issued an order dismissing the case. On June 18, 2025, the Plaintiffs filed a petition for a writ of certiorari appealing the case to the Supreme Court. Certiorari was denied on January 12, 2026.

The District Attorneys for both Middlesex and Suffolk Counties have separately filed motions asking that the Supreme Judicial Court (SJC) consider whether the remedies in response to the overall conduct and operation of the Boston and Amherst drug labs are sufficient, or whether convictions based on the drug analyses performed by all the chemists, in addition to the two identified chemists, should also be set aside. The motion of the Middlesex County District Attorney was denied without prejudice as premature. See *Commonwealth v. Ricky Simmons*, No. SJC-13114 (July 28, 2021). Notwithstanding the SJC's denial in the Simmons matter, the Court has ordered each of the Massachusetts State Police (MSP), the state Office of the Inspector General (OIG) and the Attorney General's Office to produce certain internal documentation for review of whether there have been violations of state or federal law. The Simmons matter has been consolidated with three other pending matters (*Commonwealth v. Israel Cedeno-Martinez*, 0381CR0123; *Commonwealth v. Reginold Remy*, 061CR00155; *Commonwealth v. Justin Deprospro*, 0781CR00294) for Motions for New Trial. Evidentiary hearings are scheduled for the week of March 16, 2026 (to continue thereafter) in Middlesex Superior Court.

Additionally, the Suffolk County District Attorney unsuccessfully moved the Superior Court to report certain questions to the SJC. See *Commonwealth v. Justino Escobar*, 479 Mass. 1010, 94 N.E.3d 844 (2018). After the Superior Court denied the motion on October 6, 2021, the Defendant filed a notice of appeal and a petition for direct appellate review. See *Commonwealth v. Justino Escobar*, No. 0984-CR-10059; *Commonwealth v. Justino Escobar*, DAR-28550. Although the petition for direct appellate review was denied on January 6, 2022, and the appeal vacated without prejudice on January 23, 2023. Should the Defendant prevail in this matter, the number of affected criminal defendants could be significantly increased. On March 7, 2024, the Superior Court in *Escobar*, like in the *Simmons* matter, ordered the production of OIG communications. On March 28, 2024, the Commonwealth moved for reconsideration of the March 7, 2024 Order. At a scheduled hearing, on March 29, 2024, Judge Haggan ordered OIG to produce the relevant documents to the Court by May 31, 2024, for an *in-camera* review. On July 9, 2024, the Commonwealth filed a response to the Defendant's Motion for a New Trial, assenting to the Defendant's Motion and informing the Court of its intent to file a

nolle prosequi should a New Trial be granted. In June 2025, the parties in *Escobar* requested to take part in the evidentiary hearings scheduled in the consolidated *Simmons* matters (listed above). As a result, the pending Motion for a New Trial will not be taken under advisement until the conclusion of the evidentiary hearings. Based on the court decisions to date and depending on the outcomes of the additional cases filed and cases that may be filed in the future, the Commonwealth could be required to budget for millions of dollars' worth of refundable exactions, settlements, and administrative expenses.

Paid Family Medical Leave Appeal. On April 12, 2021, the Executive Office of Labor and Workforce Development ("EOLWD") and the Department of Family and Medical Leave ("DFML") denied a request from a group of twenty-five affiliated employers (collectively, the "taxpayers") for a refund of medical leave contributions remitted from October 2019 through September 2020. The taxpayers argued that they were entitled to refunds because their private medical plans were approved for exemption in the fourth quarter of 2020, prior to the date when, by statute, employees became eligible to file medical-leave claims with DFML. EOLWD and DFML assert there is no statutory provision for a refund of contributions properly remitted where an employer later becomes exempt from remitting contributions. On April 6, 2022, the taxpayers filed amended Paid Family Medical Leave ("PFML") returns for quarters ended December 31, 2019 through September 30, 2020 reporting zero tax. The amended returns were not accepted as the refund requests had been previously denied. On January 30, 2023, the Department of Revenue provided notice to the taxpayers that it would not accept the amended returns. The taxpayers filed Applications for Abatement with the Department of Revenue seeking a refund of the medical leave contributions at issue in the total amount of approximately \$38.8 million. Those refund requests were deemed denied on November 14, 2023, and the taxpayer filed a Petition with the Appellate Tax Board ("Board") on January 22, 2024, challenging the denial of their refund requests. After the parties negotiated and submitted a statement of agreed facts, the Board heard oral arguments on September 30, 2025. A decision in the matter remains pending.

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CONTINUING DISCLOSURE

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

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

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

A rating upgrade notice related to the Commonwealth's special obligation bonds issued in 2004 and 2005 for the Boston convention center was posted to EMMA but not properly linked to all the related CUSIPs. A corrective filing was made.

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 [x.com/BuyMassBonds](https://twitter.com/BuyMassBonds) and on the Commonwealth's "Mass. Investor Disclosure" mobile app.

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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.

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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.

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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 Christopher Marino, Assistant Secretary for Budget, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (857) 400-5460. Questions regarding legal matters relating to this Information Statement should be directed to Poonam Patidar, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-3038.

THE COMMONWEALTH OF MASSACHUSETTS

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

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

May 26, 2026

EXHIBIT A

SOCIOECONOMIC INDICATORS FOR MASSACHUSETTS

Socioeconomic Indicators for Massachusetts

May 20, 2026

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, except where noted, the information in text, tables, charts, and graphs are the most recently available information as of May 6th, 2026.

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 foster healthy communities, and support economies that alleviate poverty and promote opportunity. In collaboration with partner organizations and clients, we carry out our mission through research, education and training, capacity building, and direct services to strengthen our collective impact. We serve clients in the public, non-profit, and private sectors in the Commonwealth and throughout the nation and the world. For more information, www.donahue.umass.edu.

The Institute's Economic & Public Policy Research (EPPR) group provides clients in Massachusetts, New England, and beyond with impartial analyses on economic and other policy matters. EPPR is at the front lines of action-oriented public policy research examining the social determinants of health and work, as well as broad issues of economic opportunity, community vitality, inequality, and upward mobility. Featuring mixed methods research approaches including economic modeling, population projections, geospatial analysis, surveys, interviews, focus groups, and secondary data analysis, EPPR helps clients make informed decisions about strategic policy, planning, and investment priorities. Since 2003, EPPR has been the officially designated State Data Center for Massachusetts and serves as the state's liaison to the Population Division of the U.S. Census Bureau. Additionally, EPPR produces MassBenchmarks, an economic journal that presents timely information on the performance and strategic direction of the Massachusetts economy.

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Economy

Overall Employment

Over the past decade, Massachusetts has been a leader in job growth in the Northeast, with jobs located in the city of Boston leading the state in both the late 2010s and throughout the post-pandemic recovery (**Figure 1**). This growth has been 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, scientific, 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, scientific, and technical services moved from being the fourth to the second highest concentration of jobs by industry, essentially tied with educational services at 10 percent of all jobs in 2024. The industry accounted for 14.4 percent of the state GDP in 2025 as well. While the industry 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.

The clusters of colleges, universities, and teaching hospitals contribute to Massachusetts being a hub for technology and research. Educational services and health care and social assistance have consistently been among the top industries in the state. Finance and insurance have played an important role in the Massachusetts economy, making up roughly 5 percent of jobs but contributing 8.7 percent to the state GDP. At sixth in terms of employment in 2024, the Commonwealth's share of manufacturing employment remained lower than the share of employment in the United States as a whole, but at higher average pay. Computer and electronic products is the largest subsector of manufacturing in Massachusetts, underscoring the relative importance of advanced manufacturing to the Commonwealth's economy. In comparison, manufacturing in the United States is primarily concentrated in automobiles and food manufacturing.¹

¹ U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2024 annual averages.

Figure 1. Employment Growth Index in Massachusetts, the Northeast, and the United States, 2010-2024 (2010=1.00)

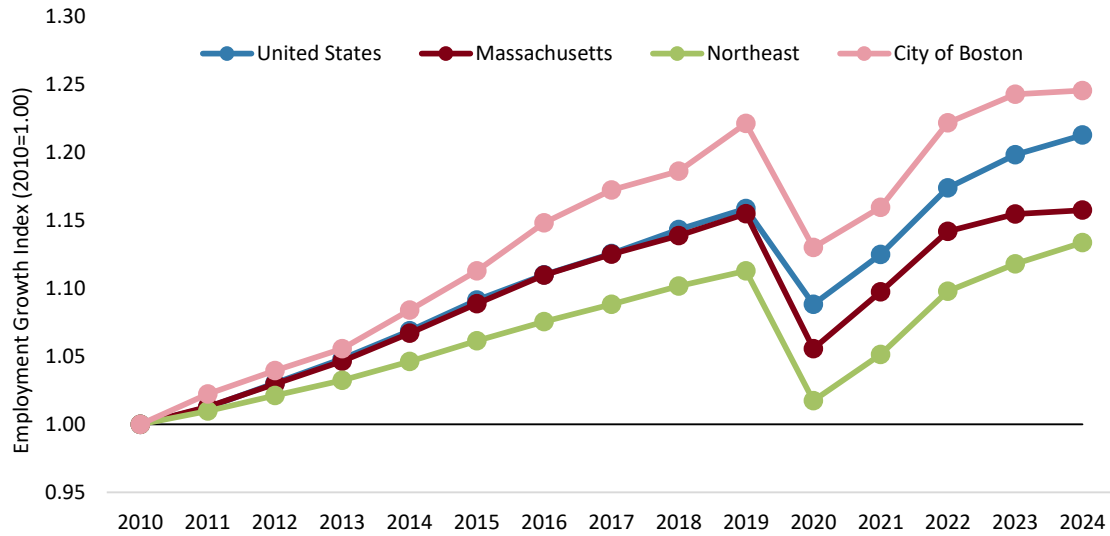
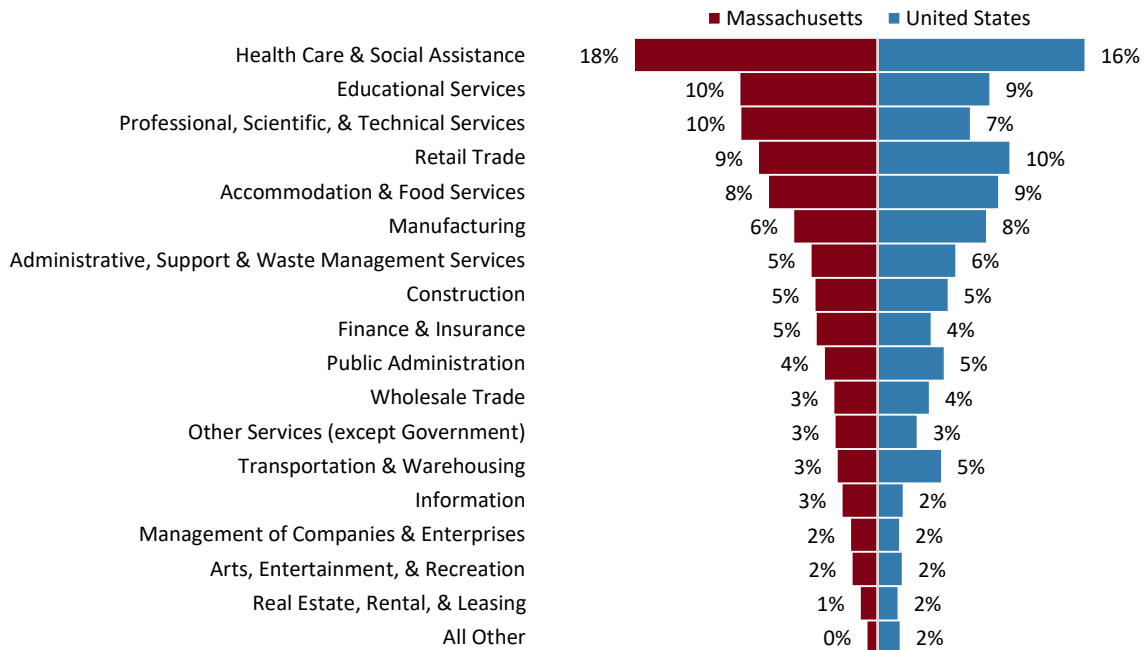


Figure 2. Industry Mix in Massachusetts and the United States, 2024 (Percent of Total Jobs)

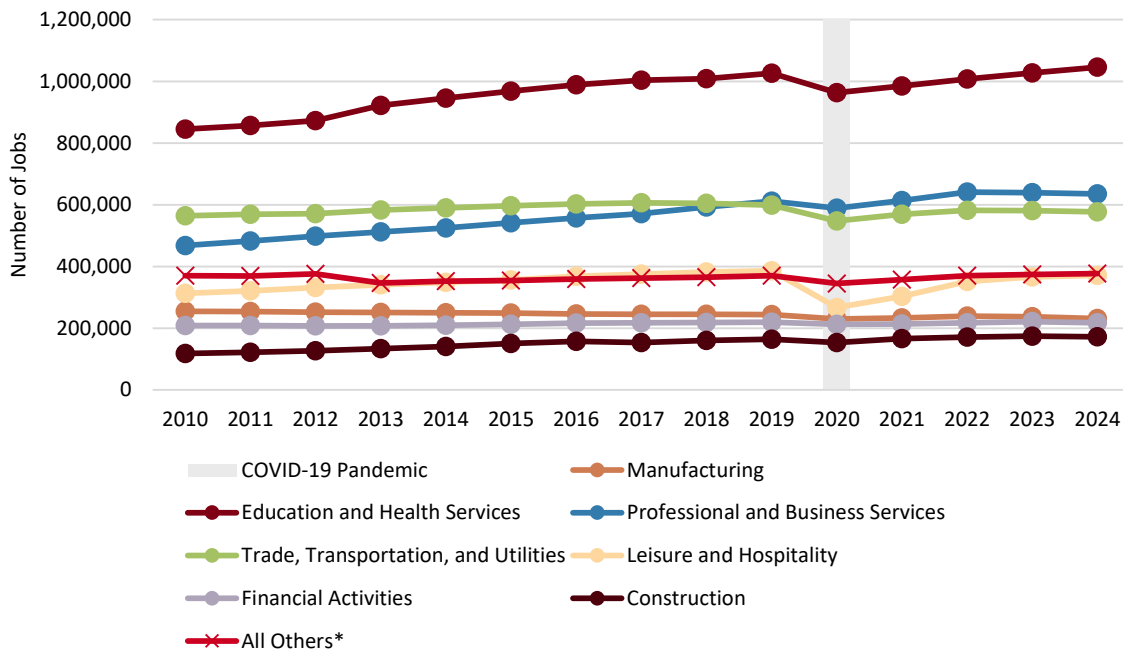


Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), UMDI analysis.

Note: All Other includes: Utilities; Agriculture, Forestry, Fishing, & Hunting; and Mining, Quarrying, and Oil & Gas Extraction. QCEW divides government jobs between Public Administration (jobs directly related to public programs and governmental bodies) and all other industries where local, state, and federal employment could be categorized, i.e. public school teachers will be categorized as Educational Services. Not seasonally adjusted.

Looking at Bureau of Labor Statistics supersectors, education and health services, professional and business services, and leisure and hospitality continue to drive the Massachusetts economy and account for 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 by NAICS Supersector, 2010-2024



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW); UMDI analysis. For purposes of analysis, the Bureau of Labor Statistics aggregates NAICS sectors into groupings called supersectors.

*Includes the supersectors: Public Administration, Mining & Natural Resources, Information, and Other Services.

Education Services, Health Care, and Social Assistance

The strength of the education and health services sectors within Massachusetts has historically been an asset. In 2024 employment was up in both sectors. There were over 667,000 employees in the health care and social assistance industry and 378,000 in the educational services sector. With changes to federal policy there is reduced federal funding support to these key industries and the technological and scientific advancement that have benefited residents of the Commonwealth and the nation. Because we use annual data to understand industry trends and the most recent year available is 2024, it is unclear to what extent federal policy changes will negatively impact the trajectory of these industries in Massachusetts and the nation.

The industries often referred to as “Eds and Meds”—education services, health care, and social assistance—consist of many subsectors. Within health care there is significant variation among subsectors in terms of wages and employment (**Figure 4**). Hospitals comprise a slightly higher percentage of education and health services employment at the state level compared to the U.S., while

ambulatory health care services (such as doctor's offices, outpatient care centers, medical and diagnostics laboratories, and home health care services) are slightly less concentrated in the Commonwealth. Massachusetts is home to several prominent teaching hospitals affiliated with medical schools that are home to advanced research. There has been a loss of employment in nursing care facilities and skilled nursing with overall employment in the subsector down 29 percent from 56,313 in 2014 to 40,100 in 2024. Though it is difficult to identify the exact cause of this recent trend, there have been employment shortages at nursing care facilities at the national level as well.² Ultimately, demand for these services is anticipated to grow as the population ages. Any reductions in international immigration may further exacerbate this workforce shortage. The MassHealth Personal Care Attendant Program seeks to promote aging in place for seniors and people with disabilities and preserve quality of life for Massachusetts residents.³

Within health care, wages vary considerably depending on education requirements and setting. The highest earning occupations in the sector include health care providers such as surgeons, physicians, and pharmacists, which require years of specialized education. In addition, occupations requiring a master's degree, such as nurse practitioners, physician assistants, and occupational therapists earn annual wages above the average for all industries in Massachusetts.

Figure 4: Education and Health Services Subsectors Employment and Wages, 2024

Description	US % of		MA Average Weekly Wages	US Average Weekly Wage
	MA % of Total Health Care and Education	Total Health Care and Education		
Education and Health Services	100%	100%	\$1,452	\$1,509
Educational services	36%	35%	\$1,514	\$1,425
Elementary and secondary schools	20%	23%	\$1,419	\$1,212
Colleges and universities	13%	8%	\$1,811	\$1,722
Other Educational Services	3%	3%	\$984	\$1,058
Health Care and Social Assistance	64%	65%	\$1,418	\$1,601
Ambulatory health care services	19%	24%	\$1,676	\$1,606
Hospitals	21%	19%	\$1,811	\$1,766
Nursing and residential care facilities	10%	9%	\$1,043	\$1,232
Social assistance	14%	13%	\$783	\$981

Source: Massachusetts Executive Office of Labor and Workforce Development, ES-202; Bureau of Labor Statistics Quarterly Census of Employment and Wages.

² Bock, Anna, "Only 1 in 5 US Nursing Homes Have Enough Staff to Meet New Requirements," accessed July 25, 2025. <https://jamanetwork.com/journals/jama/fullarticle/2820425>

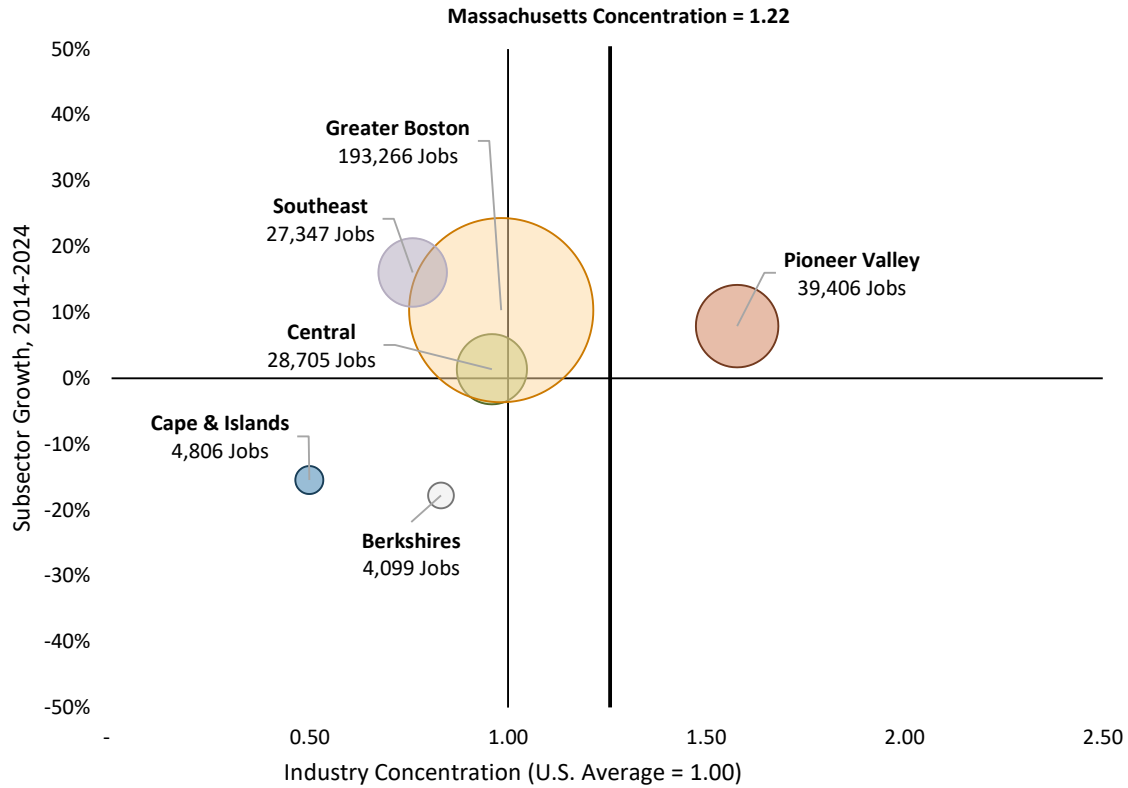
³ MassHealth, "MassHealth Personal Care Attendant Program", accessed July 7, 2025. <https://www.mass.gov/masshealth-personal-care-attendant-program>

Employment in educational services grew more quickly than overall job growth in the Commonwealth over the past decade at 9.2 percent; however, wages did not keep pace. Educational services industry inflation-adjusted wages increased only 4.4 percent; in contrast wages across all industries grew by 13.1 percent. The largest subsector is elementary and secondary schools with employment over 214,000 in 2024, which is up slightly (7%) since 2014. The second largest subsector in the industry is colleges and universities, where employment is up 11 percent from 2014 to over 130,000 in 2024. Employment in higher education is more concentrated in the Commonwealth compared to the U.S. overall. Many of the jobs in higher education are supported in part or wholly by federal research grants and recent layoffs and hiring freezes at higher education institutes reflect the impact of funding cuts. For example, one estimate of the impact of canceled and frozen National Institutes of Health grants alone is that Massachusetts could lose roughly 11,000 jobs.⁴ Childcare services have also seen growing employment up 20 percent from 24,300 in 2014 to over 29,100 in 2024. Like health care, there is wide variation in wages for the most common occupations in the educational services sector, and much of that variation is tied to education requirements. Most occupations within the industry require a college degree or more, though notable exceptions are school bus drivers, and teaching assistants.

There is regional variation in the strength of each industrial sector across the state. In the educational services industry, the Pioneer Valley region stands out with an exceptionally high employment concentration in this industry, it is the only region where the jobs are more highly concentrated in the industry than the national average, shown by the bubble in the following chart appearing on the far right of the axis.

⁴ Harris, Mallory, Alyssa H. Sinclair, Joshua S. Weitz, and Emily Falk. "SCIMaP Website," 2026.
<https://doi.org/10.17605/OSF.IO/H398E> accessed on May 14, 2026.

Figure 5: Regional Educational Services Employment Size, Growth, Relative Concentration, 2024

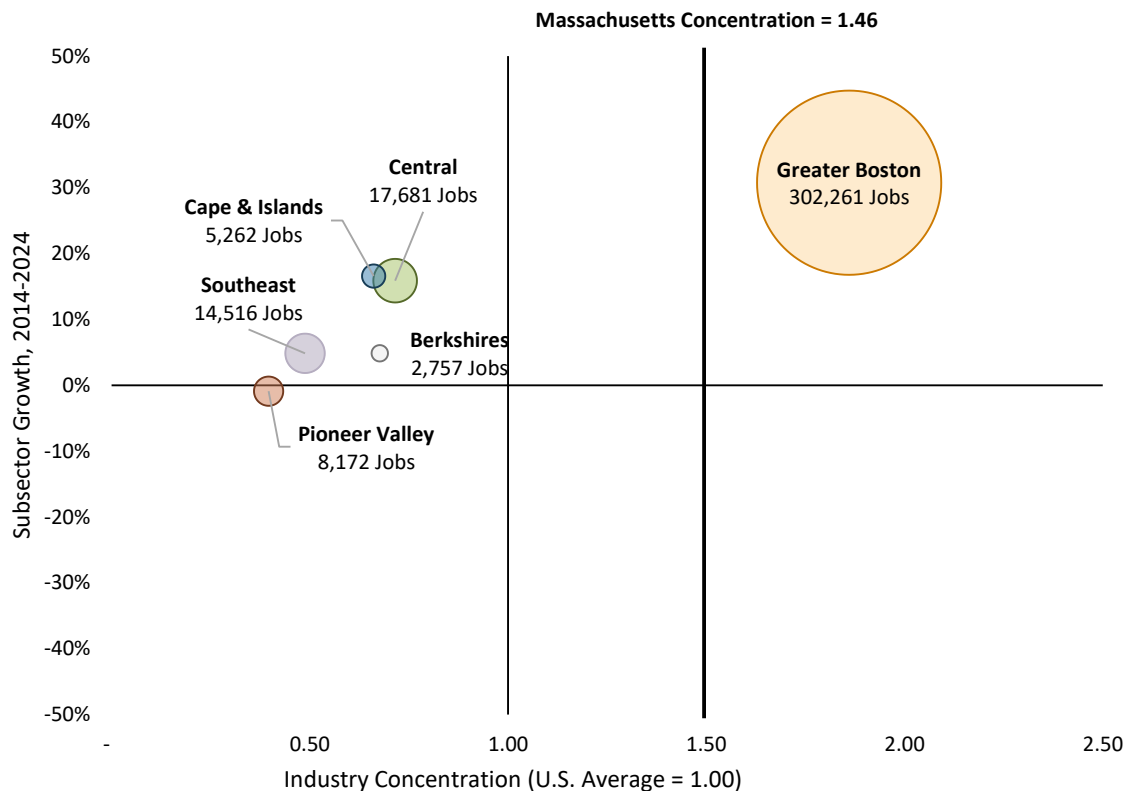


Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2014 and 2024

Note: In the chart above, Greater Boston encompasses Essex, Middlesex, Norfolk, and Suffolk counties.

There are other industries critical to the state with similarly strong single-region concentration. Regionally, the professional and technical services industry is almost entirely concentrated in the Greater Boston area, both in terms of job counts, industry concentration, and job growth from 2014 to 2024. This industry includes scientific services, management of companies and enterprises, administrative and support services, and waste management and remediation, the first two sectors being largely more remunerative than the latter two. The Greater Boston area has clear dominance in industry size, concentration, and ten-year growth, as represented by its bubble in the far upper right of the following chart. The other regions are below the national concentration, as they are far to the left of that bar.

Figure 6: Regional Professional & Technical Services Employment Size, Growth, Relative Concentration, 2024



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2014 and 2024

Note: In the chart above, Greater Boston has a different definition encompassing more area, extending north up to the border with NH.

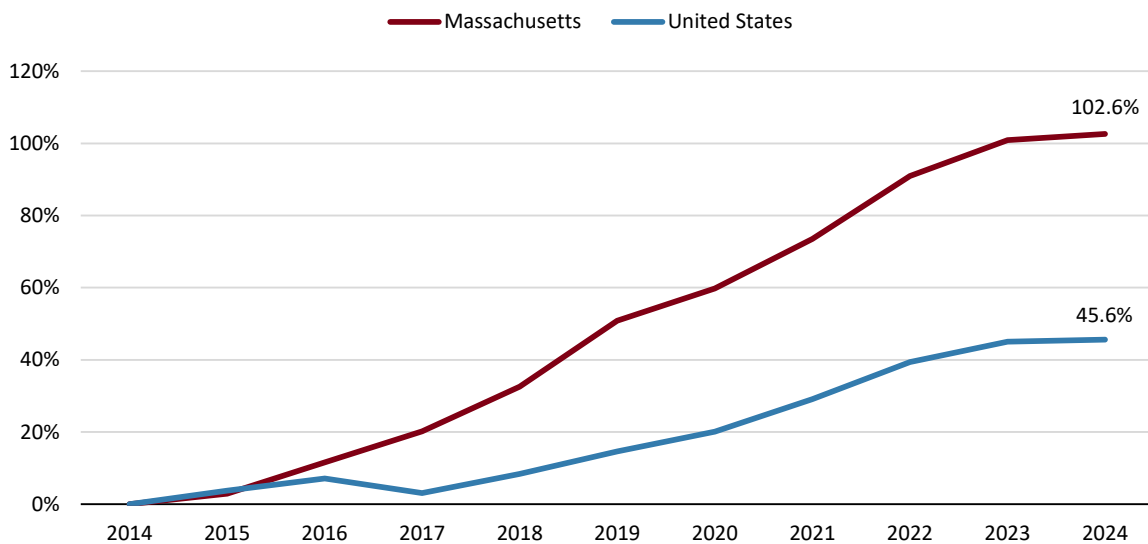
The professional and technical services industry is economically important to Massachusetts, despite its lack of dispersion around the state, and is reliant on several other related industries with strong representation in the state to feed into it. This industry has a key subsector, scientific research and development, which relies heavily on industries which surround it, while drawing outside funding.

Scientific Research and Development

Tied to the concentration of higher education and teaching hospitals in the state, scientific research and development (R&D) is intensely clustered in Massachusetts compared to the U.S. and has become more concentrated over the past decade. This is true when we look at both jobs in the industry and establishments. The concentration of research universities, hospitals, research institutes, and private companies pursuing advances in biomedical research, life sciences, and other areas of research and development has contributed to the competitiveness of this industry. Over the past decade, employment in this area has nearly doubled in the Commonwealth with roughly 105,000 individuals working in scientific R&D (**Figure 7**). While these numbers are meaningfully large, they likely understate

the significance of the industry in the Massachusetts economy, when considering employment in other industries that support research and development. R&D activity here also constitutes a large portion of national scientific activity: in 2024, roughly one out of every nine scientific research and development jobs in the nation were in Massachusetts. This is despite the Commonwealth being home to only one in every 40 jobs overall in the nation (**Figure 8**). Jobs in scientific R&D pay notably higher wages than average for both Massachusetts and the US.

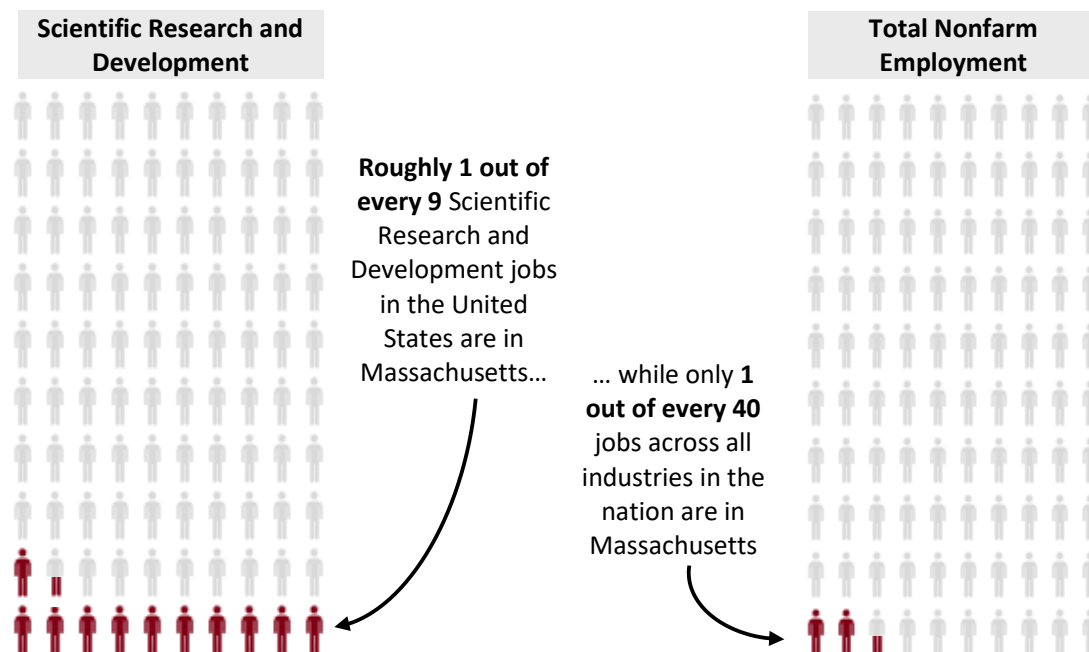
Figure 7: Employment Growth in Scientific Research and Development, 2014-2024



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages. NAICS Code 5417, Scientific Research and Development Activities

Much of the funding for research and development comes from the federal government, including 54 percent of higher education research funding in Massachusetts in fiscal year 2023.⁵ Trends in three prominent sources of this funding, National Institutes of Health, Small Business Administration, and National Science Foundation, illustrate the historic competitiveness of Massachusetts in research and development and the importance of these funding sources to the Massachusetts economy. Federal changes to these funding sources could have significant impacts on the Commonwealth. With the state's concentration of Eds and Meds and R&D employment, coupled with its history of being extremely competitive winning grants to fund federally sponsored research, any changes to federal funding for scientific research will likely have negative ramifications on the state economy and its residents and stifle innovation.

⁵ National Science Foundation, Higher Education Research and Development (HERD) survey. Table 70. <https://nces.nsf.gov/surveys/higher-education-research-development/>

Figure 8: Concentration of Scientific Research and Development Employment in Massachusetts, 2024

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages. NAICS Code 5417, Scientific Research and Development Activities

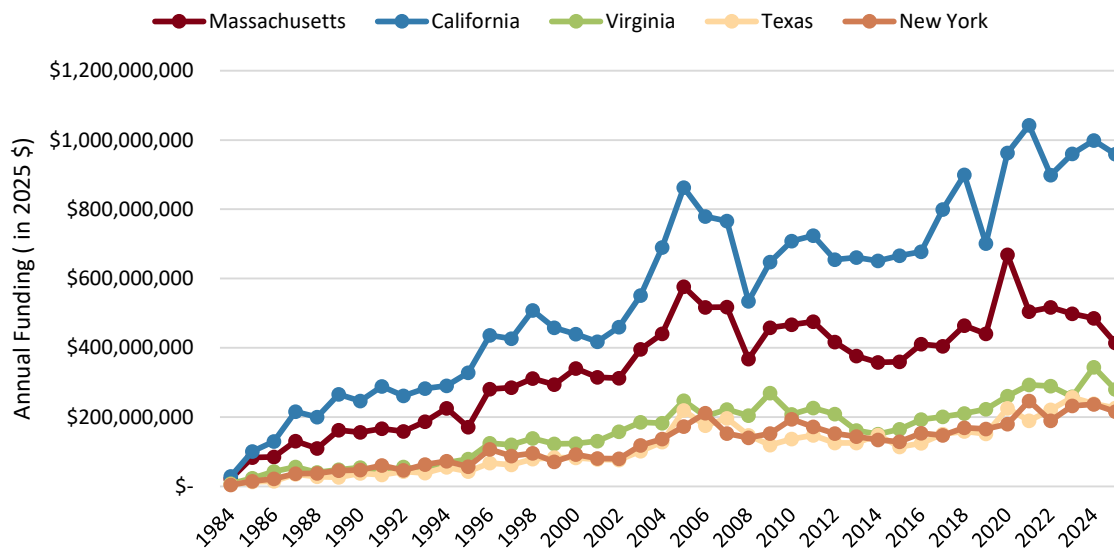
The National Institutes of Health (NIH) has a budget of nearly \$48 billion.⁶ Over 80 percent of that budget goes towards funding research through competitive grants. Researchers in Massachusetts have been successful at securing NIH awards at consistently high levels. In fiscal year 2025, Massachusetts researchers were awarded over \$3.4 billion in funding from the NIH, which was down slightly from the prior year, and behind only New York and California. When considered on a per capita level, Massachusetts has been first in the nation every year for the last decade. Within Massachusetts the majority of the funding is focused in the Greater Boston area, though Worcester (home of UMass Chan Medical School) and Western Massachusetts (home of UMass Amherst) have also received large shares of grants from the NIH.

Similar to NIH funding, Massachusetts also leads in the US Small Business Administration's (SBA) innovation focused programs (**Figure 9**). The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, administered by SBA, are highly competitive award programs that encourage American small businesses to engage in federal R&D with the potential for commercialization. Focused on stimulating high-tech innovation, the purpose of the SBIR/STTR program is tech transfer and to bridge the gap between basic science and commercialization of the resulting innovations for small businesses while meeting federal research needs. Businesses must be owned and

⁶ National Institutes of Health, www.nih.gov/about-nih/what-we-do/budget. Accessed 10 Oct 2025.

located in the US and have fewer than 500 employees. In addition, for the STTR program, small businesses are required to do at least 40 percent of the research, while formally collaborating with nonprofit research institutions. In FY2025 Massachusetts organizations and businesses received over \$414 million in SBIR and STTR funding, behind California in total awards, but first in the nation when considered on a per capita basis.

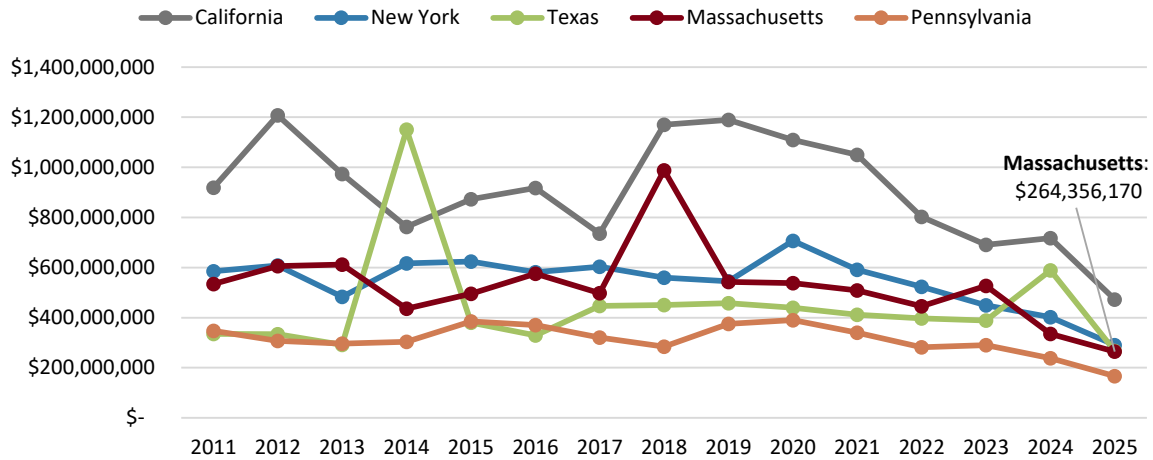
Figure 9: Annual SBIR and STTR Funding for Top 5 States with Highest Funding in 2025



Source: Small Business Administration, Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs. Bureau of Labor Statistics Consumer Price Index, All Urban Consumers, U.S. City Average.

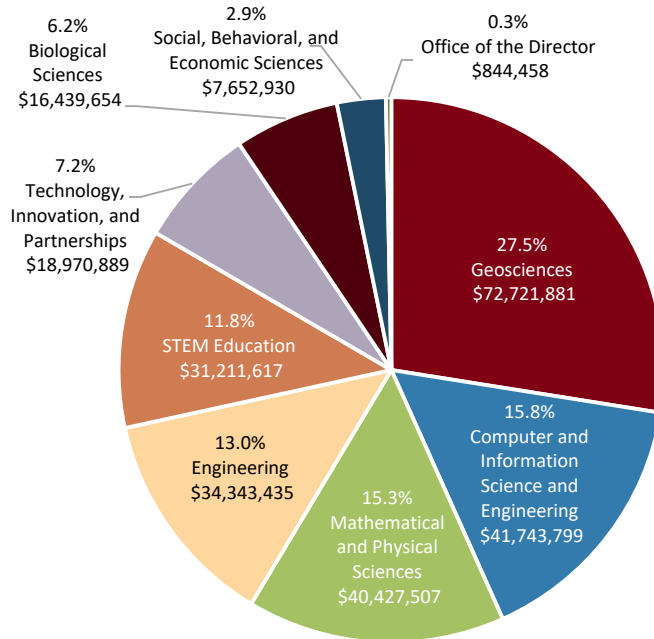
National Science Foundation (NSF) funding is another area where Massachusetts leads, among the top states in terms of overall funding, and first when funding is adjusted to reflect population size. In 2025, Massachusetts researchers were awarded over \$264 million in NSF funding (**Figure 10**), placing Massachusetts behind California, New York and Texas in terms of total funding, but ahead of these states on a per capita basis (Massachusetts ranks third out of all states behind Alaska and Rhode Island). Within the state, the majority of funding is directed to universities in the Greater Boston area, though Woods Hole Oceanographic Institution on Cape Cod and University of Massachusetts in Western Massachusetts are consistently among the five top-funded institutions in the Commonwealth. NSF funds research in many disciplines. In the Commonwealth, geosciences, computer and information sciences, and mathematical physical sciences account for more than half of NSF funding (**Figure 11**).

Figure 10: Annual National Science Foundation Funding for Top 5 States with Highest Funding in 2025



Source: National Science Foundation. Bureau of Labor Statistics Consumer Price Index, All Urban Consumers, U.S. City Average.

Figure 11: Percent of State Funding by NSF Directorate for Massachusetts, 2025



Source: National Science Foundation

Research funding has declined during the Trump administration for several reasons.⁷ A decline in federal funding for organizations such as the National Science Foundation has resulted in fewer new grant awards for fiscal year 2025. Additionally, grants have been cancelled that had already been awarded. This seems to have retroactively reduced federal funding for Massachusetts for previous years. For instance, the National Science Foundation posted a list of cancelled grants in June 2025 that included upwards of \$200 million in funding cuts for institutions in the Commonwealth.⁸

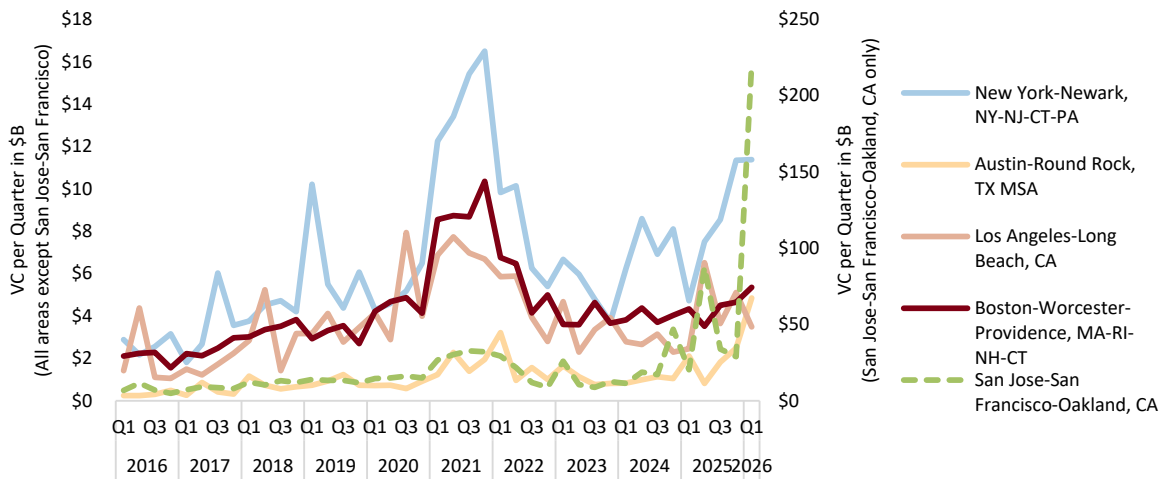
At almost \$5.5 billion dollars in university expenditures in 2024, Massachusetts is among the top states in university research and development spending, and the states whose universities outspend Massachusetts have much larger populations, these include California, New York, Texas, and Pennsylvania. The National Center for Science & Engineering Statistics conducts an annual Higher Education R&D survey which solicits responses directly from all universities and colleges that generate at least \$150,000 in R&D expenditures in a year. This survey accounts for R&D funding from all sources, including federal, state, and local governments; businesses and non-profit foundations; and the institution's own funding. After adjusting for population size, Maryland and Massachusetts' per capita research spending at universities is noticeably higher than all other states in the U.S. Both states are home to large concentrations of urban research institutions. Fifty four percent of Massachusetts' higher education R&D spending in 2023 was funded from federal government sources; this is roughly the same as the United States overall.

The investment of federal funding for research may be a driving factor in Massachusetts' standing as a leader in terms of patents. According to most recently available data, in 2020, 8,790 patents were awarded in Massachusetts, among the top five states in the country. California by far has the most, but again Massachusetts was nearly on par with California on a per capita basis.

The Commonwealth has also attracted venture capital funding. Silicon Valley has recently attracted record amounts of venture capital, over \$200 billion, related to the expansion of artificial intelligence firms in that region and this level of funding dwarfs all other regions. At the same time, Greater Boston has received levels of venture capital funding similar to Los Angeles, despite that metro area being the second most populous region in the country (**Figure 12**). In the first quarter of 2026, Greater Boston's venture capital deals totaled \$5.35 billion, compared to \$3.49 billion for the Los Angeles metro. Over several periods in the past ten years, Greater Boston has drawn similar levels of venture capital as the New York metro area.

⁷ *US science after a year of Trump*, Nature. January 20, 2026. <https://www.nature.com/immersive/d41586-026-00088-9/index.html>. Accessed May 13, 2026.

⁸ *Updates on NSF Priorities*, U.S. National Science Foundation. Page last updated: July 30, 2025. <https://www.nsf.gov/updates-on-priorities#termination-list>

Figure 12: Venture Capital for Top 4 Metro Areas, 2016-2026

Source: Pitchbook. Note: Not adjusted for inflation.

Investment in research and development has also attracted talent from around the globe. Over the past two decades H-1B approvals in Massachusetts have increased dramatically, peaking in 2019 at almost 20,000 before settling into a range of 15,500 to 18,800 between 2020 and 2025. Boston is dominant in Massachusetts for H-1B visas, and the overall trajectory of visas in the state can be mostly attributed to approvals in Boston, particularly since the COVID-19 Pandemic. From 2009 to 2025, the number of approvals in Cambridge, Waltham, and Somerville more than doubled, though these cities combined account for about half as many H-1B visas as Boston. New fees imposed by the Trump Administration in September 2025 and the Trump administration's immigration policies are likely to reduce the number of workers entering the United States with these visas heading into 2026, which has the potential to limit the supply of labor for the R&D industry in Massachusetts.

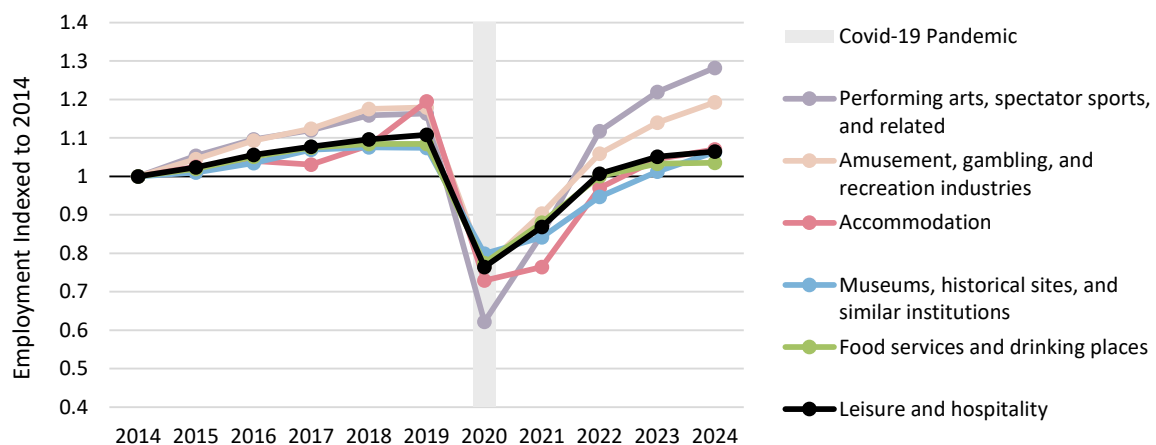
Leisure and Hospitality

The leisure and hospitality supersector is another important part of the Massachusetts economy. The sector is maintained by both the activity of residents, as well as visitors from other states and countries. Residents' use of eating, drinking, lodging, and cultural and entertainment establishments, combined with the tourism of visitors, support the 370,000 jobs and \$33 billion of GDP in Massachusetts associated with leisure and hospitality. Local residents and visitors are drawn in part to the wealth of cultural richness here in the Commonwealth, and its importance to the economy and quality of life here was recently acknowledged by Governor Healey in the formation of the Massachusetts Cultural Policy Development Advisory Council in 2024 and its report released in April 2025.⁹ Combined with local use of Massachusetts' cultural, natural, and entertainment assets, tourist visitation provides an important

⁹ <https://www.mass.gov/doc/cultural-policy-development-advisory-council-report/download>

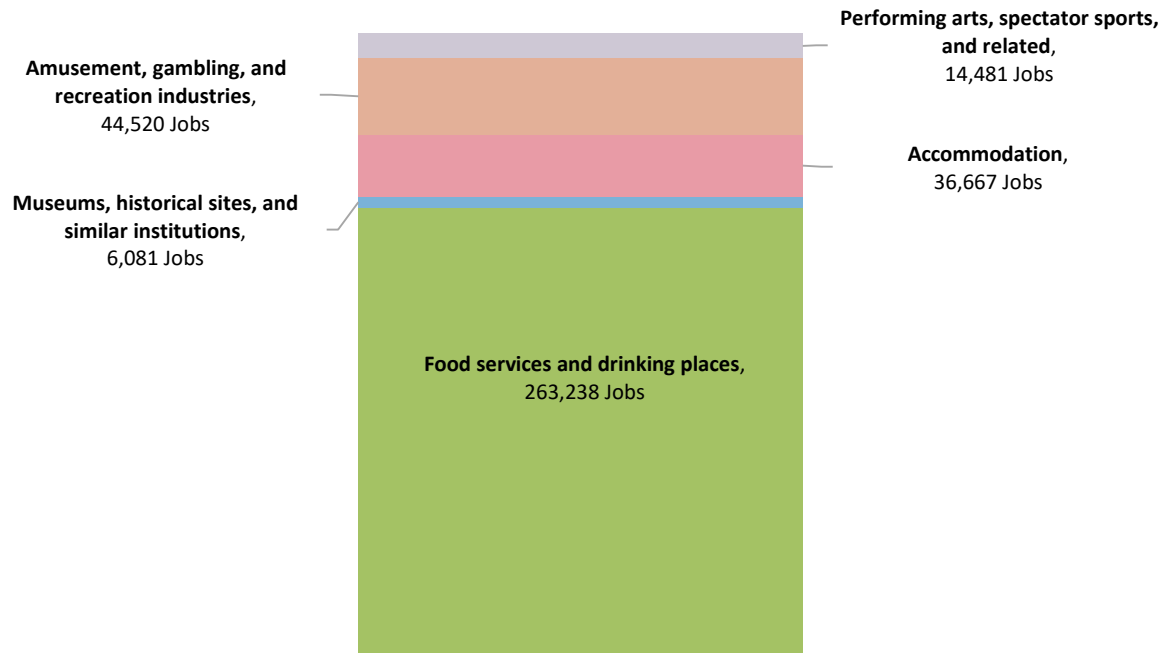
boost to the economy because it also draws dollars from outside of the state. Massachusetts 250 is one example of a statewide effort to increase tourism to the Commonwealth. Throughout 2025 and 2026 Massachusetts will commemorate the 250th anniversary of American independence, and the Massachusetts Office of Tourism and Travel has supported local business and non-profits with grants to support related tourism destinations and attractions. In the summer of 2026, seven World Cup matches will be played at Boston Stadium (Gillette Stadium) in Foxborough. The games will attract visitors from around the world to the Greater Boston region. Leisure and hospitality encompass a wide range of activities with varying contributions to employment and economic vitality in Massachusetts. Some subsectors are highly vulnerable to global and national changes. Economic slowdowns and recession tend to disproportionately impact leisure and hospitality because the sector relies heavily on the discretionary income of visitors and patrons. For example, the COVID crisis had a devastating impact on the leisure and hospitality sector, as restricted travel and social distancing guidelines, coupled with job losses in other sectors, led to a significant contraction of the leisure and hospitality industry (**Figure 13**).

Figure 13: Change in NAICS Subsector Employment, Leisure & Hospitality, 2014-2024



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2014-2024, UMDI Indexed to 2014

The subsectors of the leisure and hospitality industry vary in terms of employment, wages, types of work, and overall contributions to the economy. Restaurants and bars by far employ the most people in the leisure and hospitality supersector, representing over 260,000 Massachusetts jobs in 2024 (food services and drinking places). Many of these jobs have markedly lower wages and benefits. Jobs in amusement, gambling, and recreation establishments were a distant second at just under 45,000 jobs, followed closely by hotel and other related employment, with just over 36,500 jobs. Less than 15,000 jobs across the Commonwealth were in performance and sports spaces, while museums and historical sites employed just over 6,000 workers (Error! Not a valid bookmark self-reference.).

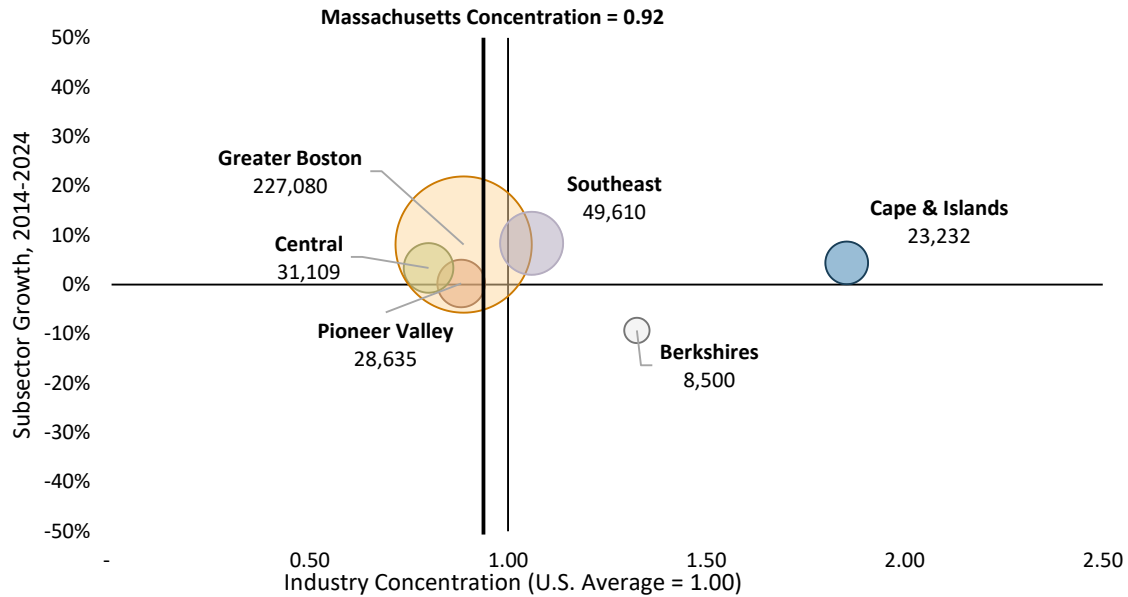
Figure 14: Leisure & Hospitality Subsectors' Employment Contribution to Total Industry, 2024

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2024

A more detailed view of leisure and hospitality employment allows us to see regional differences in growth across the state over time for leisure and hospitality jobs. Moreover, some regions rely more heavily on tourism as a share of their employment and economic activity, which can be seasonal, especially in the Berkshires and Cape Cod and Islands.

In the bubble chart below, leisure and hospitality employment concentration in the Cape and Islands stands out around double the state average and nearly double the national employment concentration (MA and US rates are shown in the chart as the two vertical bars). The Berkshires also stand out in relative employment in the sector as well, though to a smaller degree, and employment is shrinking there (as represented by being below the horizontal bar demarcating growth or employment loss since 2014) while Cape and Islands has modestly grown in the same 10-year period. Most of the other regions are less reliant on leisure and hospitality jobs, although it is worth noting that the Southeast region also averages a slightly higher proportion of jobs in this industry than the nation and state as well.

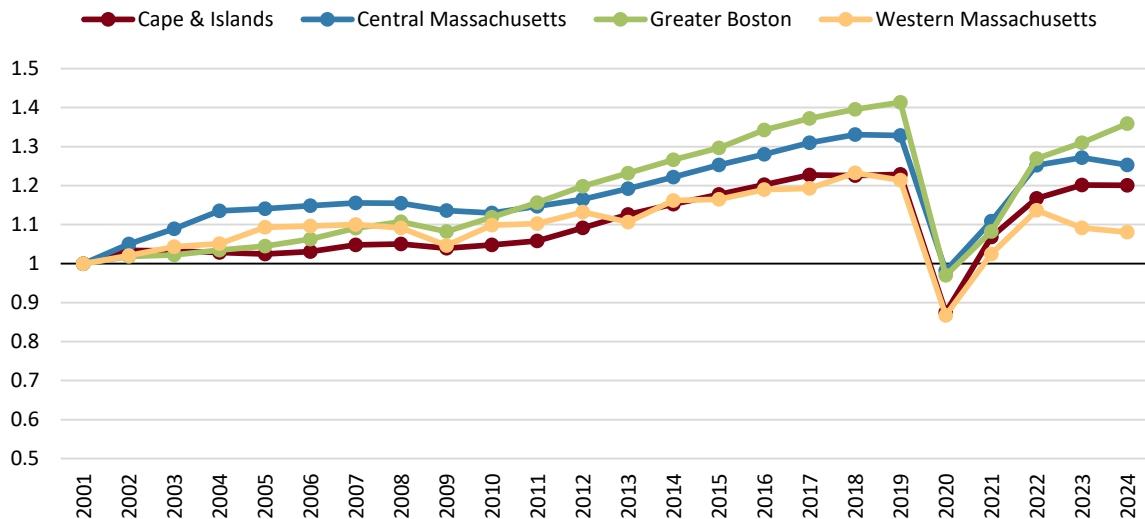
Figure 15: Regional Leisure & Hospitality Employment Size, Growth, Relative Concentration, 2024



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2014 and 2024

Note: In the chart above, Greater Boston has a different definition encompassing more area, extending north up to the border with NH.

Figure 16: Leisure and Hospitality Employment over Time, Selected Regions, Indexed to 2001



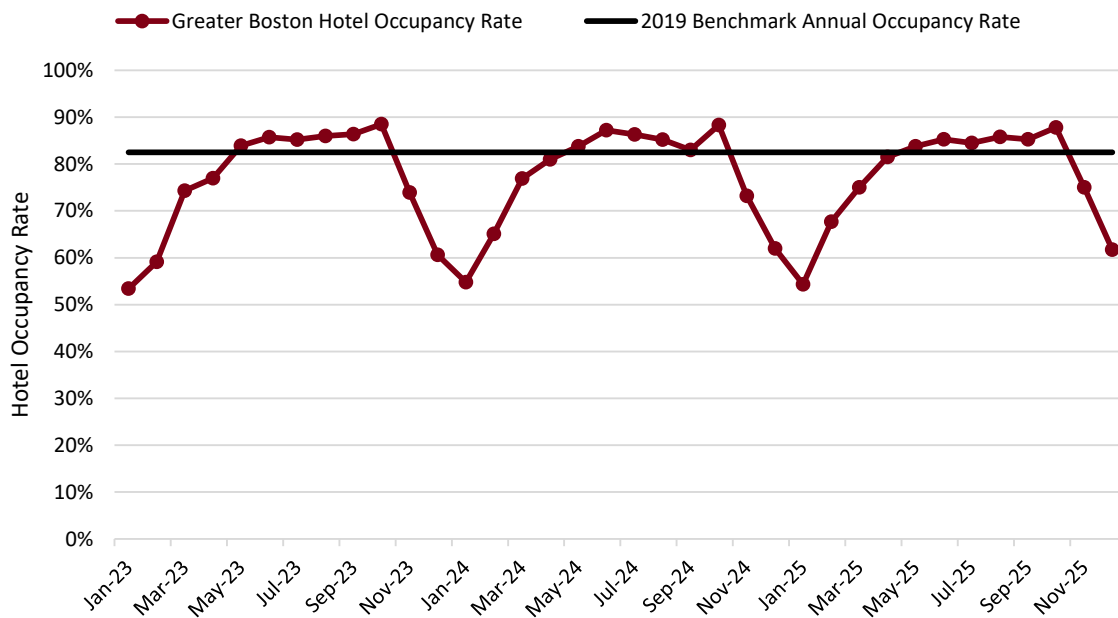
Source: Massachusetts Executive Office of Labor and Workforce Development, ES-202; UMDI Analysis.

In 2001 Massachusetts was in a recession, and Greater Boston and Central Massachusetts' leisure and hospitality employment recovered more quickly, as compared to Western Massachusetts and the Cape

and Islands region of Cape Cod, Nantucket, and Martha's Vinyard. These predominantly rural regions depend on seasonal visitation as an important part of their economies. In 2020 the pandemic impacted this industry everywhere, but even more severely in the Western and Cape areas.

While overall, Greater Boston showed comparatively more strength recovering from the 2020 Covid impacts, the hotel occupancy data in Greater Boston shows tourism may not have bounced all the way back (**Figure 17**), visitors to hotels in the Greater Boston region lag below pre-pandemic levels.

Figure 17: Greater Boston Hotel Quarterly Occupancy Rate, 2023-2025, Benchmarked to 2019 Annual Rate



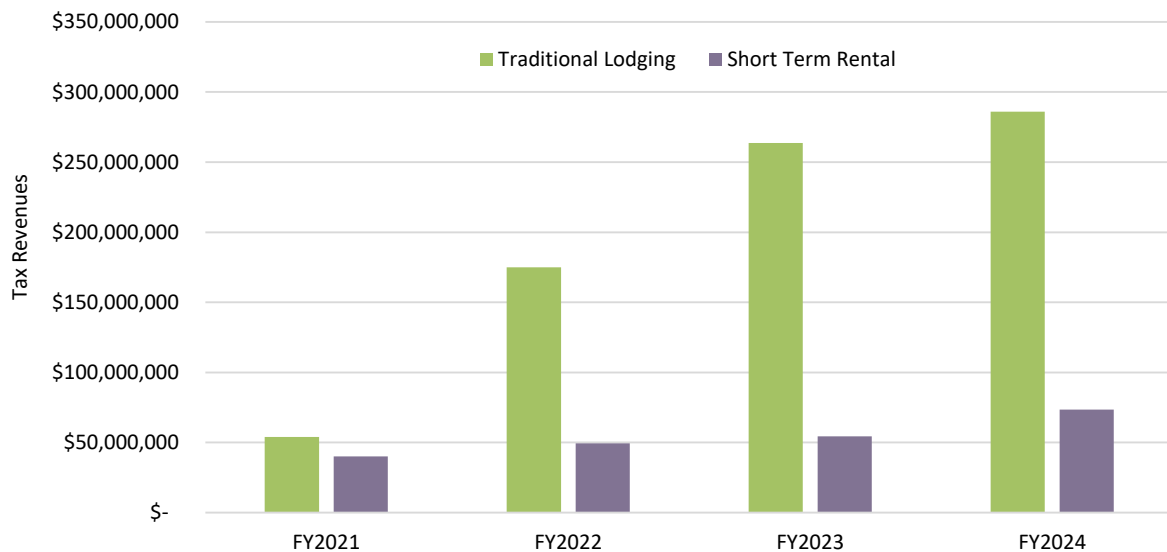
Source: Meet Boston, <https://www.meetboston.com/press-room/statistics-and-reports/hotel-openings-and-statistics/> accessed January 2026.

In the Greater Boston hotel occupancy data, recent years show usual seasonality with winter lows but compared to the pre-pandemic year of 2019 (shown in black) when hotel occupancy was, on average, above 80 percent of available hotel rooms, good seasons seem to struggle to exceed this amount, while January dips far below this average. Meanwhile, the Economic Analysis and Planning Report for the Massachusetts Convention Center Authority Facilities reports that while hotels across Massachusetts

have experienced full recovery of their revenue per available room (also known as revPAR), 2024 softened below 2019 rates and the growth is below the overall rate of inflation.¹⁰

In addition, not all visitors use hotels. Tax revenue data includes both hotels and short-term rental stays, through online platforms like Airbnb and VRBO, provides additional insight into trends for the hospitality sector across the whole state. It shows that across Massachusetts there has been a recovery curve since 2021 in both traditional lodging and short term rentals (which remain a much smaller share of total tax revenue). Traditional lodging tax revenue has regained a larger share of tax contributions in this period (**Figure 18**).

Figure 18: Traditional Lodging & Short Term Rentals, Total Tax Revenue by Hospitality Type, FY2021-2024



Source: Massachusetts Department of Revenue, Total Tax Revenue by Hospitality Type, FY 2021-2024.

Direct visitor spending has come primarily from US-based residents and locals but is also supported by international visitor spending, especially as domestic visitor spending has flattened and even slightly declined from 2022 to 2024 after recovery from 2020, to just under \$20 billion a year. Meanwhile the smaller share of international spending has been gently but steadily rising since 2020 to a total of \$4.2 billion in 2024. International visitor dollars represented 17 percent of direct visitor spending in the Commonwealth in 2024 as reported to the Massachusetts Office of Travel and Tourism.¹¹ This

¹⁰ Economic Analysis and Planning Report prepared by Pinnacle Advisory Group for the Massachusetts Convention Center Authority Facilities March 2025, p. 46. <https://www.mass.gov/doc/chapter-1-executive-summary-1/download> Accessed October 2025.

¹¹ *The Economic Impact of Travel in Massachusetts*, Prepared for Massachusetts Executive Office of Economic Development by Dean Runyan Associates. August, 2025. https://www.visitma.com/wp-content/uploads/2025/08/2024p_MA_TravelImpacts_8.22.25.pdf

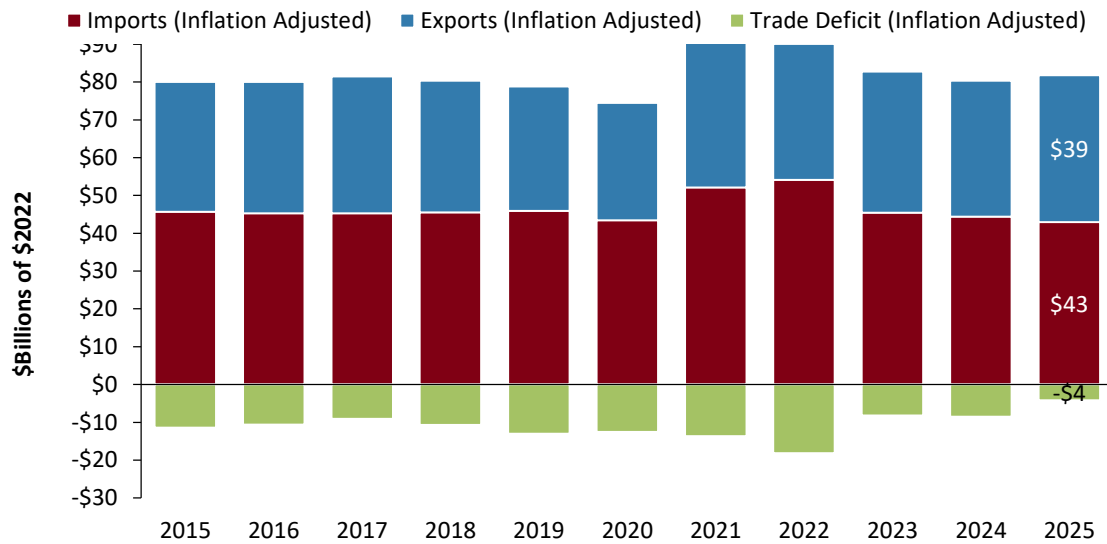
underscores the potential that future federal policy or changes in the national cultural atmosphere may dent international visitation income to the state. While local data for 2025 are not available yet, national data show that the number of overseas international travelers (i.e. not including Canada and Mexico) is down 1.6 percent from this time last year. Industry analysts point to rising travel costs, political uncertainty, tariffs, immigration crackdowns, and other forms of geopolitical tension as presenting downward pressure on international travel to the United States.¹² Massachusetts's special draws include cultural, natural, and intellectual strengths unique to the Commonwealth, and tourism of our residents as well as those coming from other states and countries make up a vital part of our economy and employment picture. The impacts of global and national events show up in our regional and state level data, and as data from the current year are released, we are likely to see changes in visitation important to the state from current events. The question will be to what level.

Trade

Keeping track of tariffs under the current administration has been a challenge. On February 20, 2026 the Supreme Court ruled that President Trump could not invoke the International Emergency Economic Powers Act of 1977 to set tariffs on imports. This invalidated tariffs the administration had imposed without congressional approval. In response to this ruling, the administration put into effect a 10 percent tariff globally. However, on May 7, 2026, the Court of International Trade ruled that the global 10 percent tariff was illegal.¹³ The new tariffs and the uncertainty around them have impacted trade globally. Despite this uncertainty, in Massachusetts the total trade volume (exports and imports) in goods increased 9.98 percent between 2024 and 2025. The total trade volume was \$81.8 billion in 2025 (**Figure 19**). Canada was by far our largest single-country trading partner, with a trade volume of \$13.1 billion, 16 percent of total Massachusetts trade. The European Union negotiates trade policy with the United States as a bloc. When considered as a bloc, the European Union becomes Massachusetts's leading trade partner, surpassing Canada with \$21.4 billion in trade volume, or 26.2 percent of total Massachusetts trade. Massachusetts trade in goods tends to be dominated by industries related to the state's innovation economy, including medical devices, industrial machinery (which includes computer equipment), electronics, and pharmaceuticals. This discussion focuses on merchandise trade, but Massachusetts with its services-centered economy also has substantial services exports (i.e., exports related to engineering, computer services, consulting, finance, etc.). Services exports, unlike merchandise exports, are only available at the state-level through interpolation from third party sources. Based on these third-party estimates, Massachusetts services exports, \$47 billion in 2024, would be substantially higher than the state's goods exports (\$36 billion in 2024).

¹² A downturn in international travel to the U.S. may last beyond summer, experts warn, PBS News. September 1, 2025. <https://www.pbs.org/newshour/politics/a-downturn-in-international-travel-to-the-u-s-may-last-beyond-summer-experts-warn>

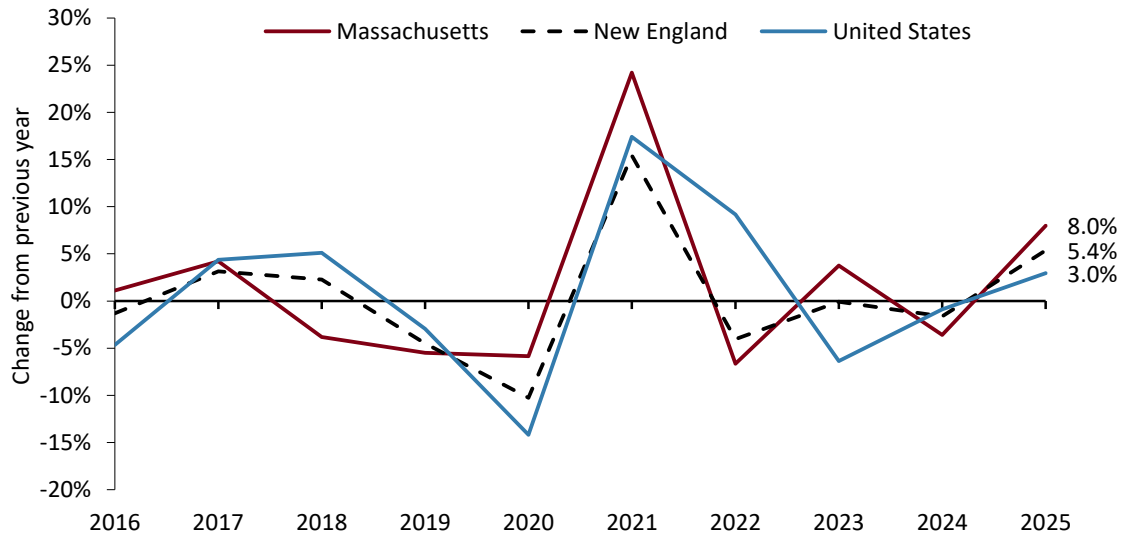
¹³ Romm, Tony, and Ana Swanson. "Trade Court Rules Trump's 10% Global Tariff Is Illegal." Business. *The New York Times*, May 7, 2026. <https://www.nytimes.com/2026/05/07/business/economy/trump-global-tariff-ruled-illegal.html>.

Figure 19. Massachusetts Imports, Exports, and Trade Deficit, 2013-2025 (in Billions of \$2025)

Source: WISERTrade.org; UMDI analysis

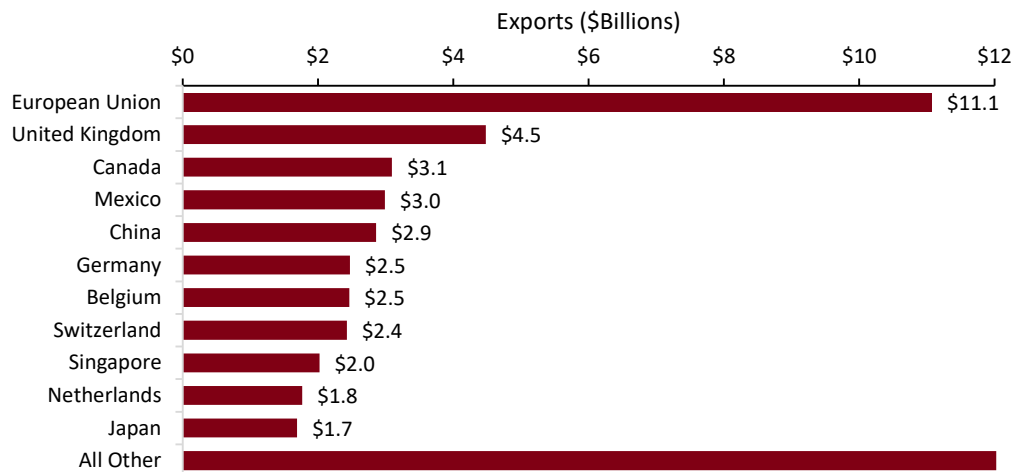
With exports valued at \$39 billion in 2025, Massachusetts ranked 18th among U.S. states in 2025 and first in New England. This represented a 8 percent increase from the previous year's export value (in inflation adjusted terms), while national exports increased by 3 percent and total exports from New England increased 5.4 percent (**Figure 20**). Massachusetts, in 2025, accounted for 1.8 percent of U.S. exports and 1.3 percent of total U.S. imports. Considering the state in 2025 accounted for about 2.1 percent of the country's population and 2.7 percent of its economy (in terms of gross domestic product), Massachusetts' share of U.S. international trade in goods is relatively low. On the other hand, Massachusetts exports of services (interpolated by Trade Partnership Worldwide) were an estimated \$47 billion in 2024 (and substantially higher than the state's \$36 billion in merchandise exports that same year) which would account for approximately 3.9 percent of the U.S. total.¹⁴

¹⁴ Trade Partnership Worldwide as shown in the Coalition of Services Industries "State and District Services Jobs and Export Numbers" publication. <https://uscsi.org/service-exports/>

Figure 20. Export Growth for Massachusetts, the United States, and New England, 2016-2025

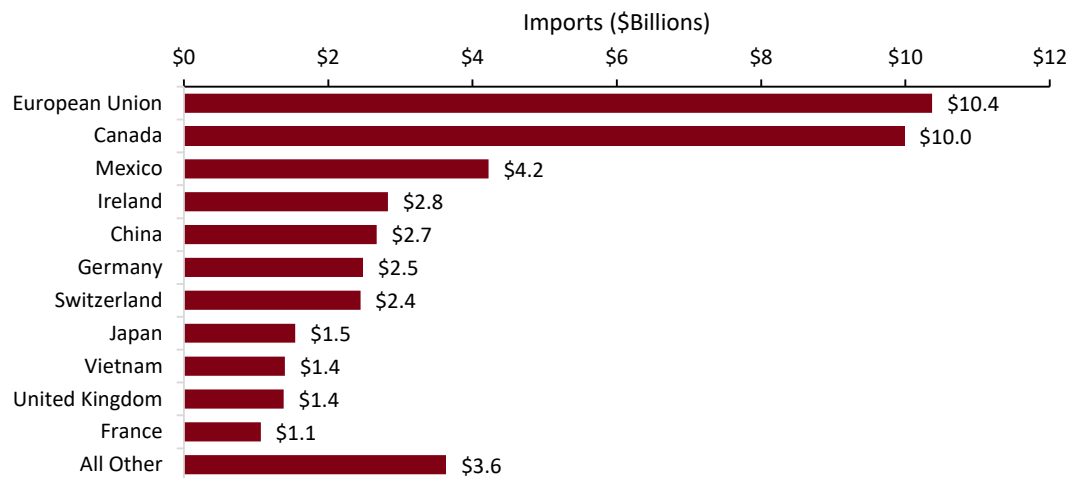
Source: WISERTrade.org; UMDI analysis

The United Kingdom and Canada were the top two single-country destinations for Massachusetts goods in 2025 with exports valued at \$4.5 and \$3.1 billion, respectively (**Figure 21**). The E.U. overall, when considered as a bloc, was by far the most common destination for Massachusetts goods, with exports valuing \$11.1 billion in 2025. Historically, Canada has been the biggest market for Massachusetts exports. That has only changed in recent years, with China, Mexico, and more recently the U.K. rising to the rankings. Massachusetts exports to both China and Mexico tend to be connected to the state's tech industries, including computers, medical equipment, and machinery. Large economies in Europe, including the United Kingdom as well as Germany and the Netherlands tend to remain among the top ten export destinations on a year-to-year basis. Beyond China, Japan and South Korea (Republic of Korea) are highly ranked for Massachusetts exports. Singapore has recently ranked in the top ten for Massachusetts exports as well, seemingly led by exports of precious metals. Interestingly, a North Attleboro company, Metalor, is the largest gold refiner in the world which results in large volumes of trade in this industry and has material effects on overall Massachusetts international trade in terms of value.

Figure 21: Massachusetts 2025 Top 10 Trade Partners for Exports (in billions of \$2025)

Source: WISERTrade.org; UMDI analysis

Imports coming to Massachusetts from other nations decreased to \$43 billion in 2025, a drop of 3.3 percent compared to 2024. Canada was by far the largest source for Massachusetts imports in 2025, accounting for almost one-quarter of the state total, almost matching imports from all E.U. countries (**Figure 22**). Canada's status as the top importer to Massachusetts, not surprisingly, is constant year after year. Imports from Canada are led by fuel oils. Refineries in St. John, New Brunswick are suppliers of gasoline and heating oil for Massachusetts. Mexico has remained in either the number two or number three positions for the last decade. China is usually highly ranked for imports into Massachusetts as well. Imports from both countries are heavily linked to technology industries, including medical equipment and industrial machinery (including computers). Ireland has jumped recently to become the third most common single-county importer for Massachusetts in 2025. Imports from Ireland were mainly in optical, photo, medical, or surgical instruments (\$2.3 billion for that specific commodity out of \$2.8 billion out of all imports from Ireland).

Figure 22: Massachusetts 2025 Top 10 Trade Partners for Imports (in billions of \$2025)

Source: WISERTrade.org; UMDI analysis

Massachusetts' top exports are connected to the state's tech industries as well, including industrial machinery (which includes computers), medical equipment, and electronics (**Figure 23**). These three industries, combined, account for more than half of the state's exports. Precious stones and metals generally account for a significant portion of Massachusetts exports by value and tend to be volatile on a yearly basis though have risen in recent years. Pharmaceuticals, a major component of the state's life sciences sector, also represent a substantial share of exports (14.1 percent in 2025). Massachusetts has a substantial plastics industry, with plastics products consistently ranking among the top 10 export industries for the state. Aircraft and aircraft parts exports from Massachusetts also rank highly and include companies like General Electric and its Lynn facility which has global markets for its engines and engine parts.

Figure 23: Massachusetts Top 10 Exporting Industries, 2025

Commodity	Share	Value (in \$billions)
Pearls, Precious Stones, Precious Metals, etc.	19.0%	\$ 7.36
Industrial Machinery, Including Computers	17.8%	\$ 6.92
Optical, Photo, Medical, or Surgical Instruments, etc.	16.3%	\$ 6.31
Pharmaceutical Products	14.1%	\$ 5.48
Electric Machinery, Sound Equip, Tv Equip and Parts	10.2%	\$ 3.98
Plastics and Articles Thereof	4.1%	\$ 1.59
Miscellaneous Chemical Products	2.7%	\$ 1.05
Aircraft, Spacecraft, and Parts Thereof	1.4%	\$ 0.54
Organic Chemicals	1.2%	\$ 0.46
Vehicles, Except Railway or Tramway, And Parts etc.	0.9%	\$ 0.35
Other	12.3%	\$ 4.77
TOTAL	100%	\$ 38.80

Source: WISERTrade.org; UMDI analysis

With some exceptions, the industry mix of Massachusetts top imports is similar to its exports. High-tech-related industries including medical equipment, electronics, and machinery (including computers) lead the state's imports in terms of value (**Figure 24**). These imports can either be finished products for consumers (e.g., computers, imaging equipment, etc.) or be intermediate goods (parts) that Massachusetts companies integrate into their manufacturing production. Crucially, and quite apart from the leading export industries, fuel oils (77.6 percent of which are from Canada in 2025) consistently rank among the state's top imports. The historic and cultural role of seafood in New England is evidenced by the high value of fish brought into the state. Led by shipments from Canada, fish ranks among the top six imports coming into Massachusetts.

Figure 24: Massachusetts Top 10 Imports by Industry, 2025

Commodity	Share	Value (in \$billions)
Optical, Photo, Medical, or Surgical Instruments, etc.	15.1%	\$ 7.31
Industrial Machinery, Including Computers	12.9%	\$ 5.18
Mineral Fuel, Oil, Bitumen, Mineral Wax, etc.	11.3%	\$ 4.60
Electric Machinery, Sound Equip, Tv Equip and Parts	11.2%	\$ 4.44
Pearls, Precious Stones, Precious Metals, etc.	6.1%	\$ 3.15
Fish, Crustaceans & Aquatic Invertebrates	3.7%	\$ 2.66
Special Classification Provisions	3.6%	\$ 1.91
Footwear, Gaiters Etc. and Parts Thereof	3.5%	\$ 1.23
Pharmaceutical Products	3.2%	\$ 1.16
Vehicles, Except Railway or Tramway, And Parts etc.	2.8%	\$ 10.52
Other	26.6%	\$ 10.52
TOTAL	100%	\$ 43.27

Source: WISERTrade.org; UMDI analysis

International trade is critical to the functioning of the Massachusetts economy. The state's exports, \$39 billion in 2025, are equivalent to about 6 percent of the Commonwealth's \$644 billion economy. The state's businesses, notably in high tech and life sciences-related industries, successfully sell their products globally, creating substantial numbers of jobs in the state. Imports into Massachusetts also skew towards the same technology-intensive industries and are important to consumers and the businesses that use imported parts and machinery to build their own products. Importantly, Massachusetts imports large volumes of fuel oils and gases for transportation, heating, and power. While Massachusetts may not be as dependent on the international trade of goods as a number of other states (states with particular concentrations in industries like oil, gas, chemicals, and manufacturing including Louisiana, Texas, Indiana, and Michigan are more dependent on exports for their economies than Massachusetts), its businesses benefit through their access to global markets and are thus exposed to policy changes and the war in Iran, that may raise pricing levels, transportation costs, and limit the flow of goods both into and out of the state.

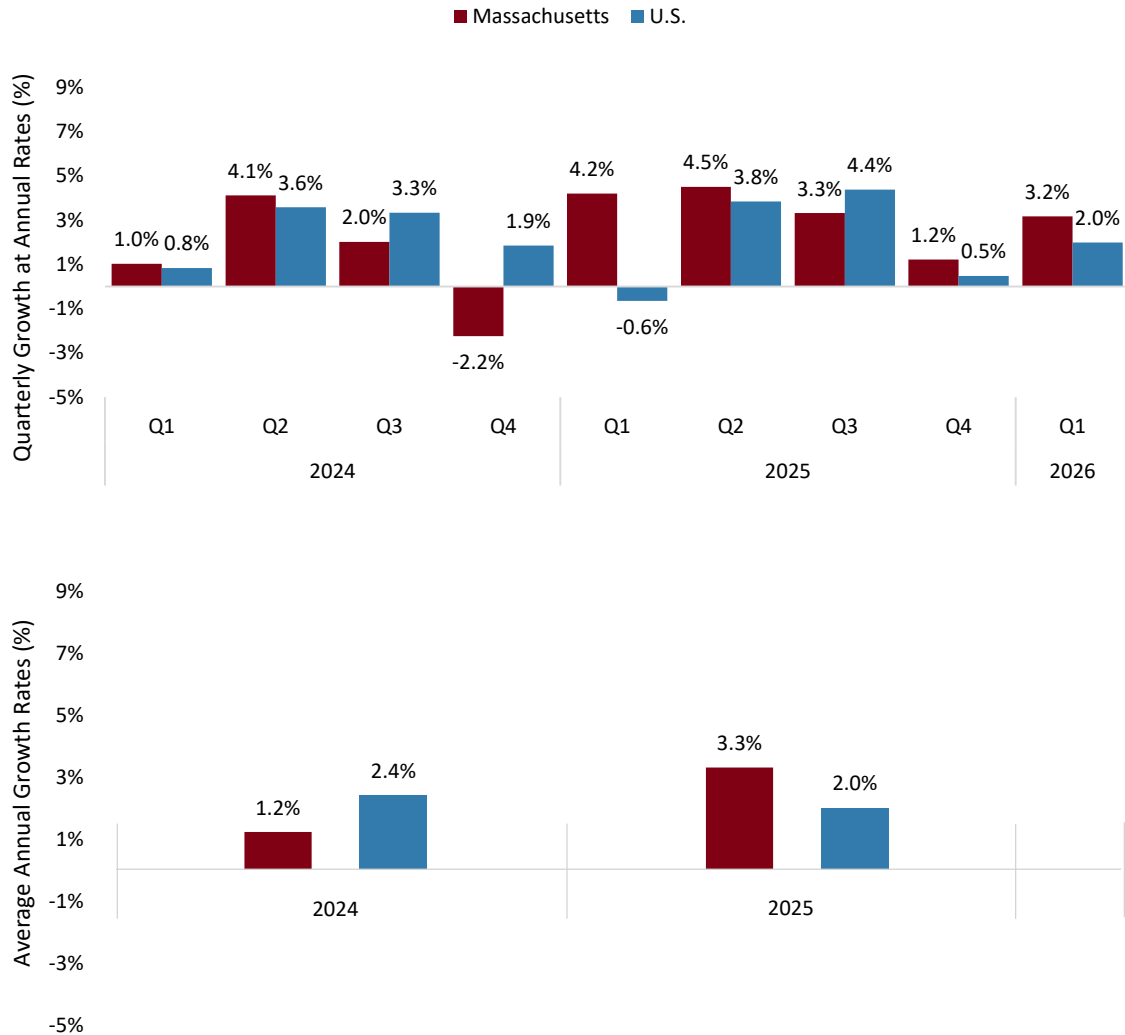
MassBenchmarks Index

According to *MassBenchmarks*, the journal of the Massachusetts economy produced by the University of Massachusetts Donahue Institute (UMDI), in the first quarter of 2026, Massachusetts real gross state domestic product (GDP) increased at an annual rate 3.2 percent¹⁵, while U.S. GDP increased at an annual rate of 2.0 percent, according to the U.S. Bureau of Economic Analysis (BEA). This is up from the fourth quarter of last 2025 when these rates of growth were 1.2 percent for Massachusetts and 0.5 percent for the U.S., according to the BEA.

The federal government shutdown in the fourth quarter of last year accounted for the slower growth in the fourth quarter of 2025. The war with Iran began at the end of February and so had little effect on growth in the first quarter of this year. Analysts expect the war will have a negative impact on growth due to supply disruptions. The magnitude of these effects will depend on how long the Strait of Hormuz is closed, which is uncertain. The projections in this report, which were made in Spring of 2026, reflect a scenario in which shipments through the Strait return to normal quickly this quarter. Even before the war the economy was expected to grow more slowly this year due to a drop in labor force growth related to an aging working-age population and sharp reductions in net international migration.

Payroll employment barely increased in the first quarter, with a 0.3 percent annualized increase in Massachusetts, and a 0.3 percent increase in the U.S. Employment was also stagnant in the fourth quarter of last year. In Massachusetts, employment in the first quarter was 0.4 percent *less* than in the first quarter of last year; in the U.S., it was up only 0.2 percent over the same period. This low-to-no growth in employment situation is expected to continue. The mean U.S. employment projection over the next four quarters by the economists surveyed by the Wall Street Journal is only a third of one percent for the U.S. In Massachusetts, Bureau of Labor Statistics' (BLS') revised estimates of Massachusetts labor force and resident employment have been declining at a slow rate since early 2025, and the BLS's population projections for Massachusetts residents 16 years and older – the working age population – appear to be flat.

¹⁵ The current and historic quarterly estimates for state domestic product growth include adjustments for changes in productivity growth. These adjustments are estimates of the quarterly deviations from the 1978-2025 trend in the growth of the ratio of output to employment. In the first quarter of 2026, these adjustments added 0.0 percentage points to growth. In the fourth quarter of 2025, these adjustments subtracted 0.9 percentage points from growth. In the second and third quarters of 2026, these adjustments are expected to subtract 0.1 percentage points from growth in each quarter. The current and historical quarterly estimates also include “cyclical” adjustments, as the relationship between the growth in the current indicators and that of gross domestic product changes over the course of the business cycle. In the first quarter of 2026, these adjustments subtracted 0.1 percentage points from growth. In fourth quarter of 2025, these adjustments added 0.5 percentage points to growth. In the second and third quarters of 2026, these adjustments are expected to add 0.5 and 0.2 percentage points to growth respectively.

Figure 25. Growth in Real Product, Massachusetts and the United States, 2026 Q1

Source: U.S. Bureau of Economic Analysis, MassBenchmarks calculations by Dr. Alan Clayton-Matthews. U.S. projections from Wall Street Journal. Note: average annual growth is calculated by averaging the four quarters of annual growth rates for the calendar year. 2026 annual averages are omitted as there is only one quarter of data.

This means that all or almost all economic growth now reflects increases due to productivity gains. A rough but good proxy for this is growth in real GDP per payroll worker. For Massachusetts this productivity measure grew 3 percent in 2025 over 2024, and in recent quarters this measure of productivity growth is trending half a percentage point higher than the corresponding measure for the U.S.

Wage and salary income in Massachusetts in the first quarter, as estimated by MassBenchmarks from state personal income withholding tax revenues, grew at a 31.1 percent annual rate. Withholding tax

revenues have tended to be quite volatile from month to month and quarter to quarter, but the trend has also been strong. The BEA estimates that wage and salary income grew at 6.5 percent annualized rate in Massachusetts in the last quarter of last year, and this withholding tax-based measure for Massachusetts is up 6.4 percent from the first quarter of last year. In contrast, the BEA estimates that wage and salary income for the U.S. was up 4.1 percent in the first quarter of this year, and up 4.3 percent from the first quarter of last year. The very strong growth for Massachusetts in the first quarter is due most likely to a better-than-average bonus season and may also reflect in part growth in high-earners' salaries subject to the state's surtax on incomes over a million dollars.

Spending on items subject to the Massachusetts regular sales tax and motor vehicle sales tax was down 9.2 percent on an annualized basis in the first quarter, and down 1.1 percent from the first quarter of last year. This measures seasonally-adjusted nominal, i.e., not inflation-adjusted, spending on non-exempt goods by Massachusetts households and businesses, roughly \$127 billion in 2025. (Exempt goods include groceries, most clothing, home fuels and energy, and gasoline and other motor vehicle fuels.) This reflects weak spending on goods and was particularly weak for motor vehicles, which was down \$1.5 billion in the first quarter on an annual basis from the fourth quarter of last year and down \$2.1 billion from the first quarter of last year.

Inflation in the first quarter and year-over-year from the first quarter of 2025 was lower in the Boston metropolitan area than in the U.S. The CPI-U consumer price index rose at an annual rate of 1.2 percent in Boston in the first quarter versus 3.6 percent in the U.S. The core rate which excludes food and energy was also lower in Massachusetts in the first quarter, at an annual rate of 1.0 percent in Boston versus 2.8 percent in the U.S. From the first quarter of 2025 to the first quarter of this year, the Boston CPI rose 1.7 percent versus 2.7 percent for the U.S., and the core CPI rose 1.6 percent in Boston versus 2.5 percent in the U.S. The low rise in Boston area prices over the past year was broad based, including food, housing/shelter, new and used vehicles, and medical care. Gasoline prices were an exception for both Boston and the U.S. In March gasoline prices were up 19.9 percent in Boston from January, and up 18.3 percent from March of 2025.

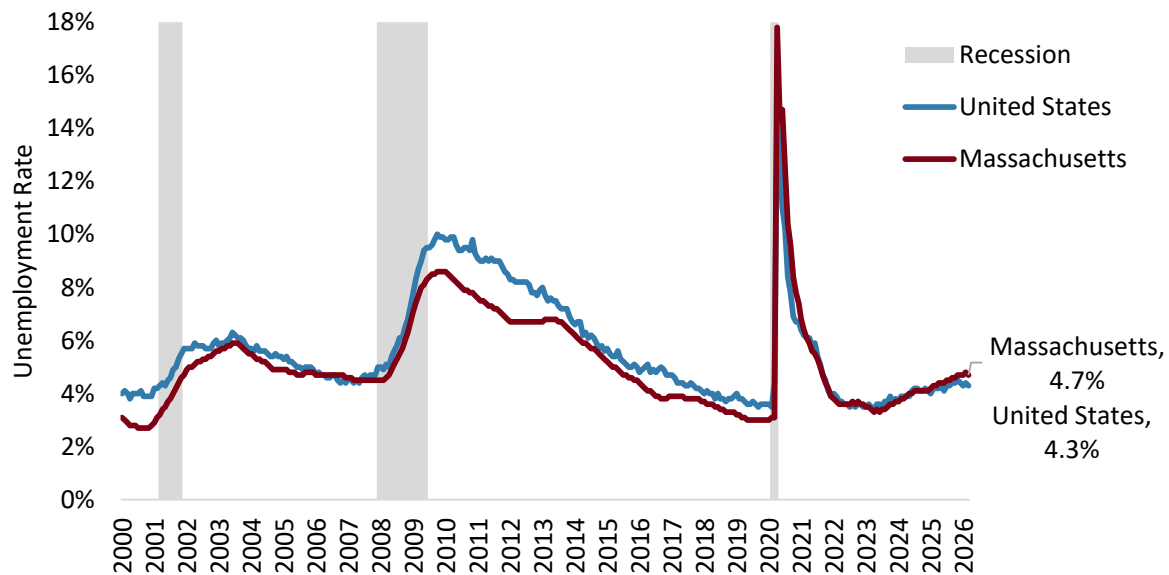
The MassBenchmarks leading index in the current scenario, that is, with the quick opening of the Strait of Hormuz, is projecting moderate annualized growth of Massachusetts GDP of 2.1 percent in the second quarter, and 2.5 percent in the third quarter. The Wall Street Survey of economists' mean projection for U.S. GDP is 1.7 percent in the second quarter and 1.8 percent in the third quarter. A continuation of the stalemate in the Middle East would likely result in slower growth than this scenario.

Workforce

Labor Market Indicators

The unemployment rate in Massachusetts continues to be more elevated than that of the U.S., at 4.7 percent in March for Massachusetts versus 4.3 percent for the U.S. (**Figure 26**). This differential between the state and the nation is the reverse of the typical relationship, where Massachusetts has a lower unemployment rate due to a higher proportion of college educated adults, and could suggest some weakness in the state's labor market relative to the nation. Nevertheless, initial unemployment claims continue to be at low levels and consistent with the low level of unemployment claims nationally. The broader U-6 unemployment measure, which counts as unemployed part-time workers who want full-time work and persons who want a job but have not looked in the last four weeks, is at 7.8 percent in March for Massachusetts, on par with 8.0 percent for the U.S. in March. In Massachusetts, the U-6 rate was 7.4 percent in March 2025. The 0.4 percentage point rise over the year reflects primarily the corresponding rise the headline U-3 rate, from 4.3 percent in March 2025 to 4.7 percent in March 2026.

Figure 26. Unemployment Rates in Massachusetts and the United States as March 2026 of (Seasonally Adjusted)

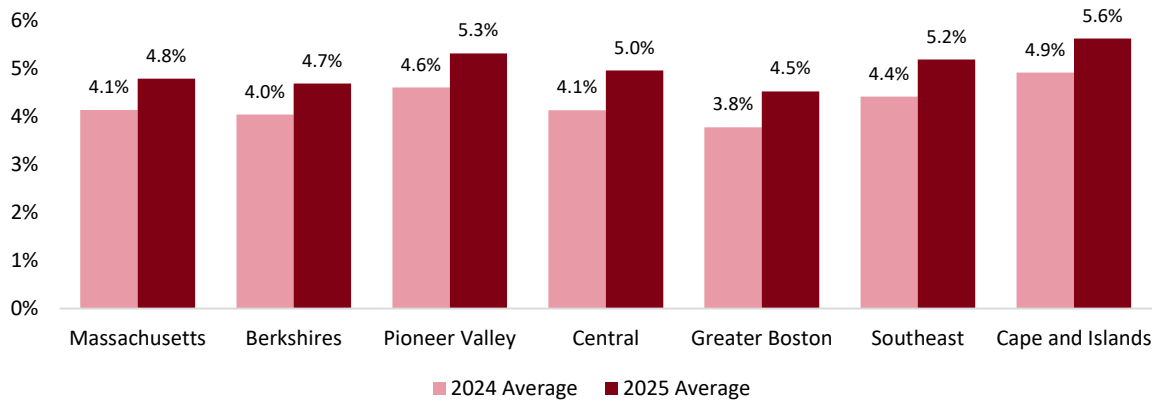


Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis

The unemployment picture for regions across Massachusetts is uneven, with some parts of the state frequently experiencing more heightened unemployment rates than others. Unemployment has risen everywhere in Massachusetts. However, it is felt unevenly, and in 2024 and 2025 was highest on the

Cape, followed by the Pioneer Valley, closely followed by the Southeast, then Central. The largest annual unemployment increases were in Central and Southeast.

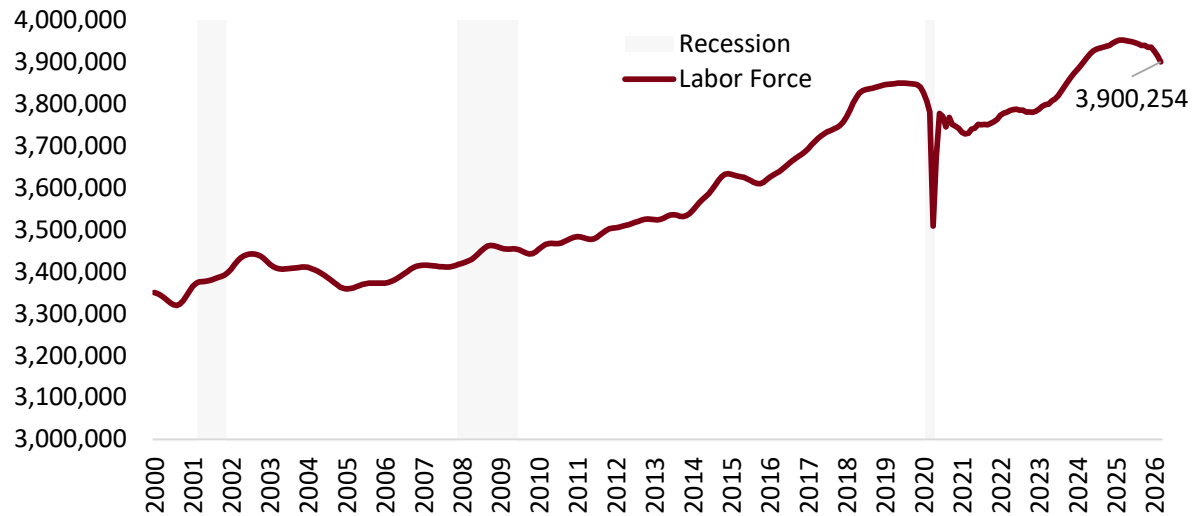
Figure 27: Average Annual Unemployment, Massachusetts and Regions, 2024 and 2025



Source: Massachusetts Executive Office of Labor and Workforce Development, Labor Force and Unemployment Data, 2024-25

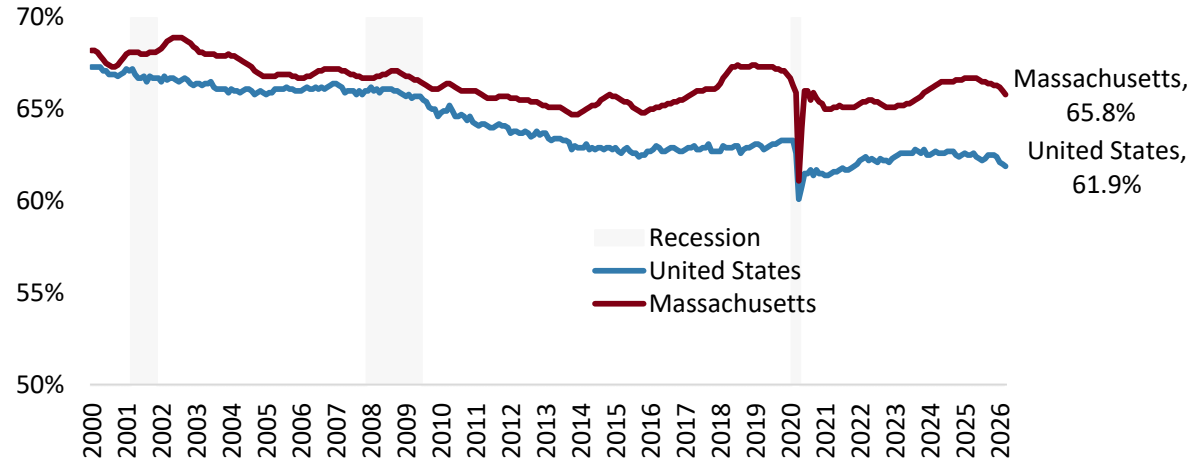
A longer view of the labor force puts the post-pandemic gains—then slowdown—in perspective (**Figure 28**). Since March 2025, the labor force has decreased by 50,000 or 1.3 percent, effectively reducing the gains that happened over the course of 2023 and 2024. Pre-pandemic, the labor force grew from March 2018 to March 2019, by roughly 33,000, or 0.6 percent. At the same time, Massachusetts has consistently maintained higher rates of labor force participation than the U.S.; the difference had narrowed after the pandemic until 2023, when the Massachusetts labor force started increasing rapidly. Over the past year, participation rates in the state and the nation have both declined modestly. The labor force participation rate declined from 66.7 percent in March 2025 to 65.8 percent in March 2026. (**Figure 29**). The rate is below the pre-pandemic level of 67.3 percent in March 2019. As of March 2026, jobs in Massachusetts have mostly recovered to their pre-pandemic levels, but the recovery has slowed in the past few years and has been slower than in most states. Overall in the United States, employment across all non-farm industries is 4.2 percent above February 2020 levels, whereas in Massachusetts overall employment hovers just below pre-pandemic levels.

Figure 28. Massachusetts Labor Force, January 2000-March 2026 (Seasonally Adjusted)



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

Figure 29. Labor Force Participation Rates in Massachusetts and the United States, January 2000-March 2026 (Seasonally Adjusted)

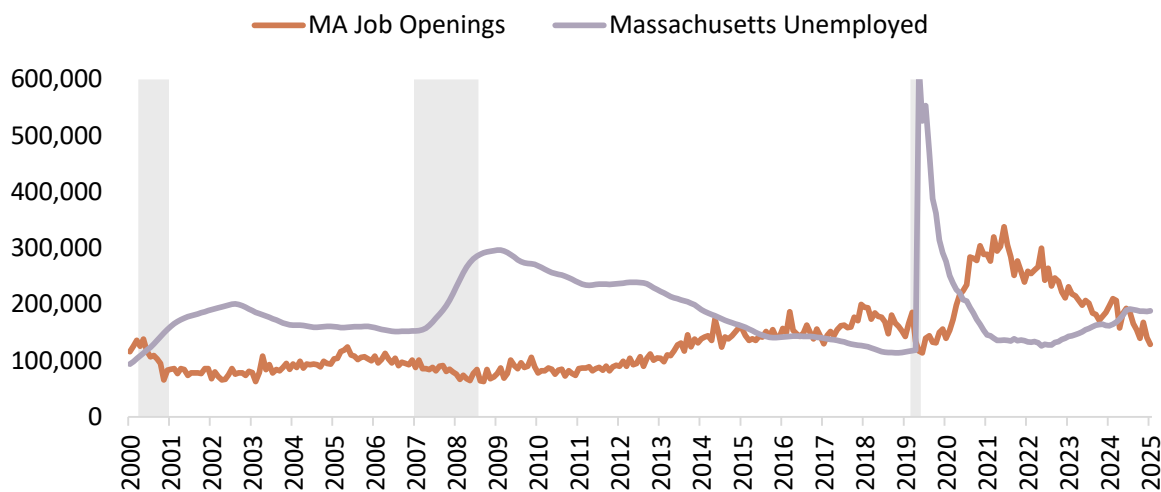


Source: Massachusetts Executive Office of Labor and Workforce Development, Local Area Unemployment (LAU) Statistics; UMDI analysis

The labor market has changed from the era of post-pandemic “Big Quit” to an era of “job hugging” where employees are staying in jobs due to the perception that finding a new job is increasingly

difficult.¹⁶ Labor market data supports the job huggers perception. The gap between Massachusetts job openings and unemployed workers has shrunk considerably from the immediate boom post-pandemic when multiple job opportunities were available per job seeker (**Figure 30**). The measures have moved closer together as the number of unemployed has risen and job openings have consistently declined. Since mid-2025, for the first time since the pandemic, there are more unemployed workers than job openings in Massachusetts, and the number of job openings continued to decline through the end of 2025 while unemployment has plateaued. This suggests that the employers are regaining power in the labor market and that potential workers looking for work may have more difficulties.

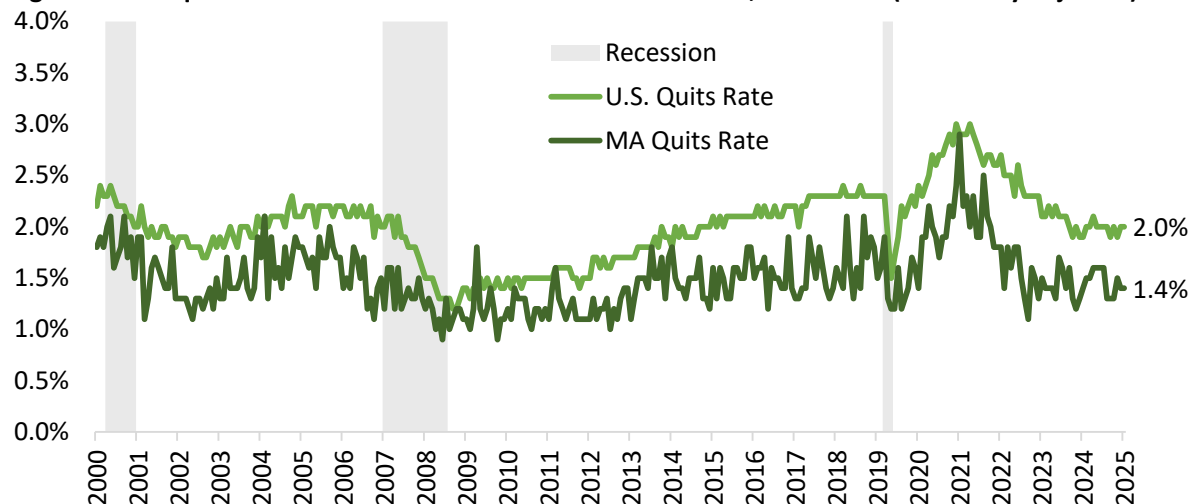
Figure 30. Job openings and Unemployed in Massachusetts, 2000-2025 (Seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS); UMDI analysis

Another indicator of the “job hugging” trend is that voluntary job changes have declined significantly (**Figure 31**). The monthly job quit rate for Massachusetts and the U.S. have returned to pre-pandemic rates. As one would expect, quits tend to go down during recessionary periods in the economy and increase when labor demand is stronger. The quit rate for the U.S. tends to be a bit higher than Massachusetts historically. This is likely due to the high educational attainment of Massachusetts workers coupled with the state’s industry mix. State-level estimates of quits can be volatile month-to-month.

¹⁶ Lora Kelley, “Have You Hugged Your Job Today?,” Business, *The New York Times*, October 10, 2025, <https://www.nytimes.com/2025/10/10/business/job-hugging-labor-market.html>.

Figure 31. Job quits rate in Massachusetts and the United States, 2000-2025 (Seasonally adjusted)

Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS); UMDI analysis

Competition for workers in a tight labor market led to wage increases across the Massachusetts economy. According to the BLS, year-over-year wages increased 11 percent from 2019 to 2020 and 4.8 percent from 2020 to 2021. Wage growth then moderated to 2.3 percent from 2021 to 2022 and to only 1.9 percent between 2022 to 2023. However, wage growth accelerated again to 5.0 percent from 2023 to 2024 and a further 4.8 percent from the third quarter in 2024 to the third quarter in 2025. Despite the wage gains experienced by many workers in the economic recovery period, those gains have largely failed to keep up with the rate of inflation, leading to households having reduced spending power, despite any wage gains experienced over the economic recovery period.

AI and Workforce

New uses of large language models, commonly known today as AI, shorthand for ‘generative artificial intelligence’, have been front and center in the press and public policy discussions on the future of the economy. There has been an explosion of venture capital and business capital investment, albeit highly concentrated in California’s Bay Area. Firms are rapidly adopting AI for business implementation, even though AI tools inherently lack discernment and create outputs that require revision and correction. The embrace of AI by businesses has also driven up prices for computer chips and energy and led to massive projects to build data centers nationwide. The effects of adopting AI on work and the labor market has become an important question. In Massachusetts, the Commonwealth has been working on investing in and fostering AI in public-private partnerships to bolster activity in the state. In addition, private groups of businesses supporting implementation of applied AI in the state have formed. As with the prior tech boom, this nascent technology is likely to cause economic changes. Although it trails far behind California’s Bay Area, Massachusetts is currently highly competitive at a second-tier level in its attraction of AI venture capital investment and AI-related job offerings, with Boston on par with New York. Although Massachusetts has industries and jobs with high AI exposure, data does not currently show economy-wide employment loss. Some economists predict that jobs will ultimately change in function

more than they are eliminated, with some limited exceptions where jobs are exposed and workers are unable to adapt.

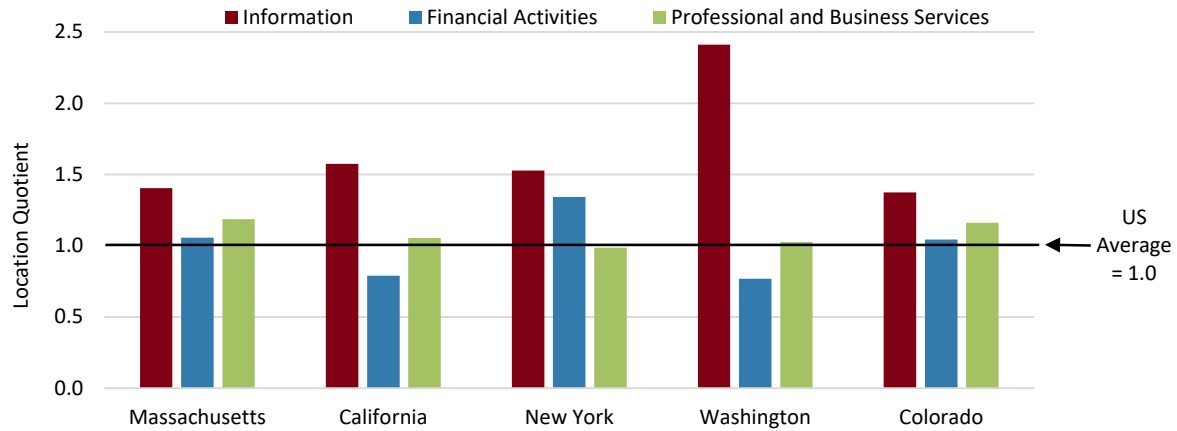
AI is not currently affecting jobs as much as it may in the future. The Budget Lab at Yale (measuring occupational exposure) and the New York Federal Reserve (measuring trends in recent graduate employment) published data and analysis in reports concluding that the labor market is relatively unaffected, though this could change.^{17,18} Economists predict AI will likely reshape job tasks and required skills more than total employment levels, although technology adoption can reduce workforce needs and slow hiring as productivity gains shift business investments toward capital. The industries and jobs most likely to be affected either by changes or reduction (or both) are deemed more “exposed” to AI. These industries include professional and technical services, finance, and information (which includes both news, and tech, which as the developers of AI, is already changing to some degree).

Massachusetts’ strengths in the life sciences sector and others position it to be highly AI-involved, given the significant AI implementation already underway in that sector. Massachusetts has above-average concentration in AI-exposed industries. For example, Massachusetts ranks 4th in information supersector job concentration, 14th for financial activities, and 3rd for professional & business services (**Figure 32**).

¹⁷ Martha Gimbel , Molly Kinder , Joshua Kendall and Maddie Lee, “Evaluating the Impact of AI on the Labor Market: Current State of Affairs,” *The Budget Lab at Yale*, October 1, 2025, <https://budgetlab.yale.edu/research/evaluating-impact-ai-labor-market-current-state-affairs> and <https://budgetlab.yale.edu/research/evaluating-impact-ai-labor-market-novemberdecember-cps-update> updated January 28, 2026, accessed October 7, 2025 and January 30, 2026. They continue to monitor using a deep analysis combining national occupational and employment data combined with usage and exposure information from released AI companies' data (Anthropic and OpenAI, admittedly just a subset of the companies developing the current versions of AI).

¹⁸ Federal Reserve Bank of New York, “The Labor Market for Recent College Graduates,” <https://nyfed.org/collegelabor>, accessed December, 2025.

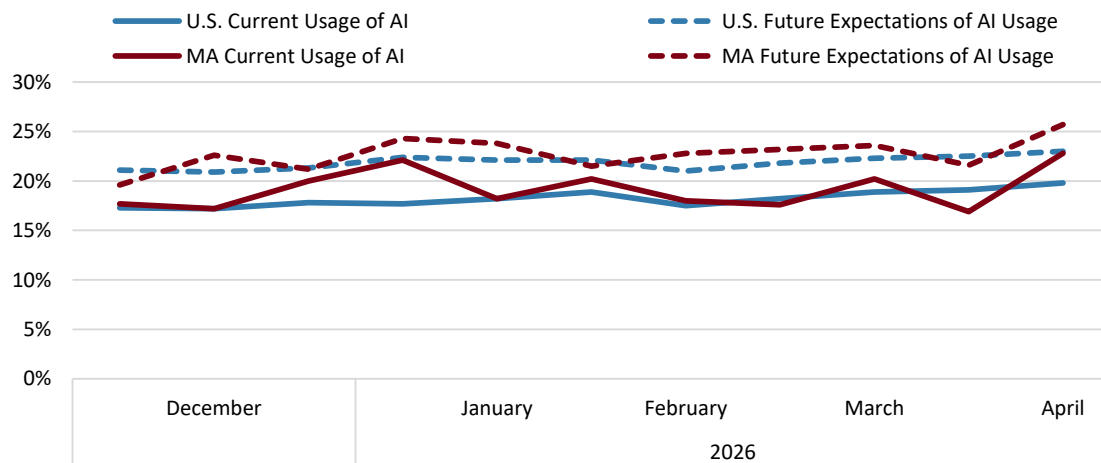
Figure 32: Location Quotients: Job Concentrations in Information; Financial Activities; and Professional & Business Services, Massachusetts & Competitor States, 2024



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, State Job Location Quotients, Annual

AI usage among U.S. businesses is low but increasing. In 2023 U.S. Census Bureau started asking businesses if they currently use AI to produce goods or services, or if they expect to in the next 6 months, use has been increasing in recent years: rising from about 4 percent in 2023 to about 10 percent in 2025. These same patterns hold in Massachusetts as well. After being shut down in October 2025, the Census changed the AI use question to be more expansive. In December 2025, the question was revised to ask firms whether they were using AI in *any* of their business functions. This results in estimates closer to one fourth of U.S. firms using AI (**Figure 33**).

Figure 33: Current Usage and Future Expectations of AI Use to Produce Goods or Services in US and MA Businesses



Source: U.S. Census Bureau, Business Trends and Outlook Survey, Items 7 and 24. Note: past data discontinuous.

Massachusetts tracks closely with national trends in business uptake and future expectations of AI use ranking 12th and 13th respectively in 2025. Colorado, Utah, Florida, and Washington report the highest rates of both current and expected future use.

Despite predictions of broader adoption, overall U.S. business AI uptake remains below 10 percent as of 2025, and economy-wide employment effects thus far have been minimal. Tracking occupational exposure and industry-specific adoption patterns is key to understanding future labor market impacts.

Exploration of occupational exposure paints a national picture of how many, and which, workers are most likely to be at risk. Recent research from Brookings and NBER estimate the number of U.S. workers with high AI exposure to be over 35 million, but more than 70 percent of the workers in those jobs likely have the flexibility and skills to adapt to their job functions changing. The 4 percent of workers most likely to be left behind, however, are concentrated in sales, retail, clerical and routine office roles and are predominantly women.¹⁹ Across Massachusetts' micropolitan and metropolitan regions, this percentage of most vulnerable workers was estimated to range from 3.1 to 3.75 percent.²⁰

Displacement for the vulnerable is likely but not a foregone conclusion. In some instances, layoffs in favor of AI have resulted in reversals or subsequent further reorganization when the technology fails to deliver desired results, as with errors in customer service or medicine. This suggests occupational exposure may have potential as a measure of other AI-related business shocks, as eliminating and rehiring can be costly to firms.

Brookings Institution developed a typology to assess regional readiness for AI using data from multiple sources. Boston metro area was ranked as a "Star Hub", their 2nd tier designation, with Seattle, Austin, and Washington, D.C., following only the "Superstars" of the San Jose and San Francisco areas. The Springfield, Massachusetts area was classified within "Focused Movers" (their 4th tier of six tiers).²¹

The state of Massachusetts is working to ensure it maintains or elevates its status as a leader in AI. Currently there are several areas of investment happening across the country in AI development and application. While the prospective boom in establishing many new data centers is unlikely to be a part of the strategy here, due to energy costs and land availability, the nature of cloud computing means data centers do not need to be co-located with AI use or development. Furthermore, thanks to state investment, the current Massachusetts Green High Performance Computing Center (MGHPCC), and existing strengths in workforce and research, key factors are already present to apply ethical and equitable AI and accelerate its use. The State's report from the Strategic Task Force on AI in November 2024 identified targeted fields for AI investment: health care, life sciences, financial services, robotics,

¹⁹ Sam Manning, Tomás Aguirre, "How Adaptable Are American Workers to AI-Induced Job Displacement?" NBER, January 9, 2026, accessed February 4, 2026.

²⁰ Sam Manning, Tomás Aguirre, Mark Muro, and Shriya Methkuppally, "Measuring US workers' capacity to adapt to AI-driven job displacement," January 21, 2026 <https://www.brookings.edu/articles/measuring-us-workers-capacity-to-adapt-to-ai-driven-job-displacement/>, accessed February 2, 2026.

¹⁹ Sources used in the Brookings regional readiness assessment included: job listings, AI-related degrees and skills, venture capital funding, R&D and patent density, high performance computing resources, and firms' adoption of AI.

advanced manufacturing, climate tech, education.²² These fields are well-established in Massachusetts and likely to be changed by AI. Likewise, Massachusetts' research and innovation talent may be able to advance the future development of computer-driven intelligence beyond AI in these and other fields.

In alignment with the AI Strategic Task Force's guidance, the Governor launched the Massachusetts AI Hub on December 19th, 2024, focused on making Massachusetts a global leader in innovation in applied AI, in other words, to encourage the development of AI use.²³ For example, to advance leadership in the application of AI in the state, Governor Healey announced funding for AI projects for businesses in Boston and Western Massachusetts and appointed a new director for Massachusetts AI Hub. In partnership with MGHPCC's six member universities, the Commonwealth made a five-year, \$120 million investment to create the Artificial Intelligence Compute Resources (AICR) environment at MGHPCC that will support computing and data capacity for AI innovation. AICR will give higher education institutions, startups and businesses, and the residents of Massachusetts access to AI-ready infrastructure. In addition, this initiative establishes an incubator for AI in partnership with IBM and Red Hat.²⁴ The relationship between the research and applied communities could become a foundation for making Massachusetts a leader in generalized, rather than generative, artificial intelligence and further revolutionize AI. A leap beyond large language models may be needed for accurate, intelligent machine-led activity.

The AI ecosystem is also developing within the private Massachusetts business community. Private firms have formed independent AI groups, with participation and coordination from the economic development state officials, such as the industry group Mass AI Coalition.

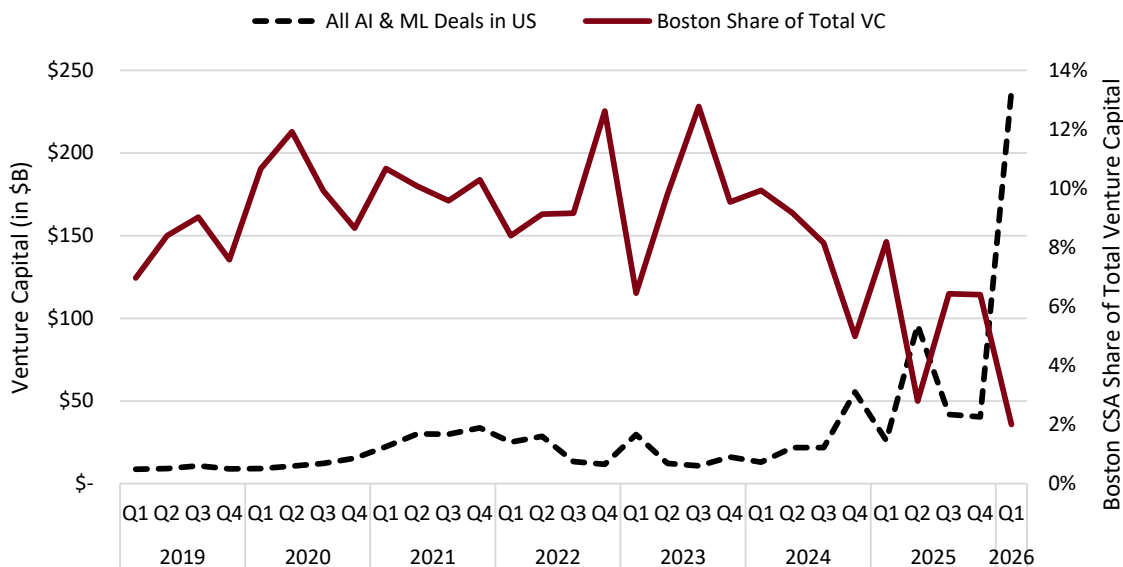
Competition for prominence in the AI space, as measured by venture capital investment (VC), is dominated by California's Bay Area with nearly all of AI and machine learning VC landing there resulting in surging investments in recent quarters (**Figure 12**). The Boston region is a distant third place for total venture capital behind New York as well. While investments in Boston have been stable in dollar value, the share of total venture capital has declined as investments specifically for artificial intelligence have risen (**Figure 34**).

²² Yvonne Hao, Jason Synder, Michael Milligan, Santiago Garces, co-chairs, "Massachusetts AI Strategic Task Force, 2024 Report to the Governor", February 2024, <https://www.mass.gov/doc/massachusetts-ai-strategic-task-force-2024-report-to-the-governor/download>, accessed January 5, 2026.

²³ <https://www.mass.gov/news/governor-healey-announces-massachusetts-ai-hub-to-make-state-global-leader-in-applied-ai-innovation> Commonwealth of Massachusetts, "Governor Healey Announces Massachusetts AI Hub to Make State Global Leader in Applied AI Innovation", December 19, 2024, <https://www.mass.gov/news/governor-healey-announces-massachusetts-ai-hub-to-make-state-global-leader-in-applied-ai-innovation>, accessed January 5, 2026.

²⁴ <https://www.mass.gov/news/governor-healey-advances-states-ai-leadership-with-major-investments-in-massachusetts-ai-hub> Commonwealth of Massachusetts, "Governor Healey Advances State's AI Leadership with Major Investments in Massachusetts AI Hub", May 5, 2025, <https://www.mass.gov/news/governor-healey-advances-states-ai-leadership-with-major-investments-in-massachusetts-ai-hub>, accessed January 6, 2026.

Figure 34: All Artificial Intelligence and Machine Learning VC in the United States Vs Boston, MA CSA VC (Share of Total VC), 2019-2026



Source: Pitchbook, All Venture Capital by CSA, State, and Total AI and ML Venture Capital, 2019-2026

AI has the potential to be highly disruptive and could reshape the landscape of work and investment. The dot-com boom and bust resulted in a business environment, economy, and internet ready to utilize the successful survivors of a generative and destructive process of software and networking innovation. Similarly, investors in AI are working to position themselves. Massachusetts is well positioned to advance the technology. The current AI boom poses immediate opportunities and challenges to overcome. Even though Massachusetts boasts a highly skilled workforce, workers are still likely to experience the growing pains as jobs change and some may be lost. There is also the potential for new jobs to emerge, requiring worker training in new skills. Firms may also need support as they experience AI-related changes.

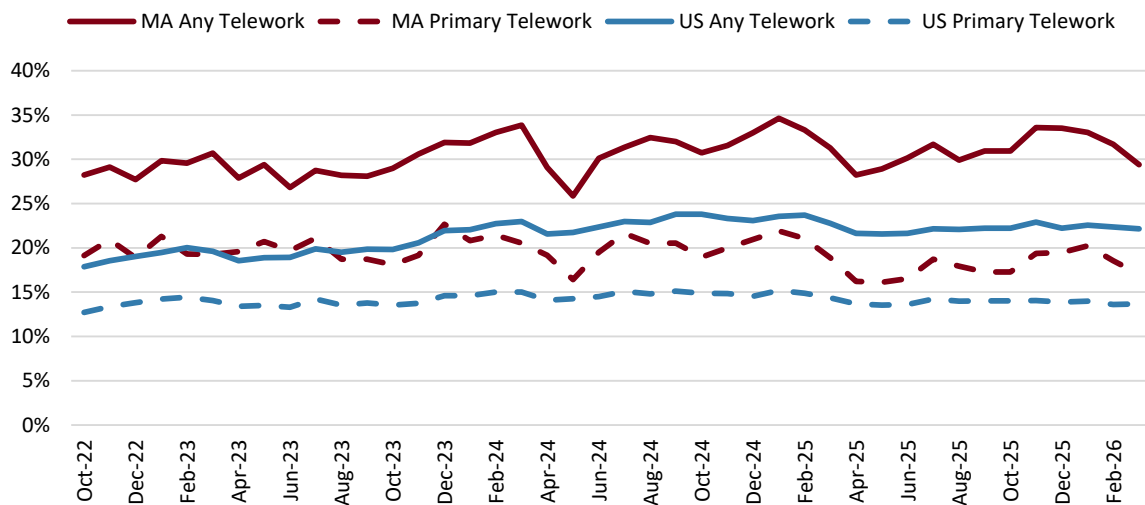
Commuting and Transportation

One way the pandemic appears to have permanently altered the workforce is by increasing the prevalence of teleworking. Prior to the pandemic the technology to work remotely existed, however uptake among firms was limited. Then, nearly overnight in March 2020, employers and employees across industries and occupations were forced to adopt new ways of doing business and working. Analysis of American Community Survey data on commuting patterns estimate that, in 2019, less than 6 percent of working adults worked from home in the week prior to responding to the survey. In contrast in 2024, 14.8 percent of respondents in Massachusetts reported working from home, more than twice the rate prior to the pandemic, but down from relatively high rates in 2021 and 2022. While the share of workers primarily working from home has declined since 2020, telework, remote work, hybrid work, and flexible schedules are unlikely to return to pre-pandemic levels. Nearly one in three employees in Massachusetts reported working remotely at least some of the time since the U.S. Census Current

Population Survey incorporated remote work into their questionnaire in October 2022 (**Figure 35**). The embrace of remote and hybrid work has implications for employers, employees, businesses that cater to commuters in downtowns, and regions centered on dense urban cores.

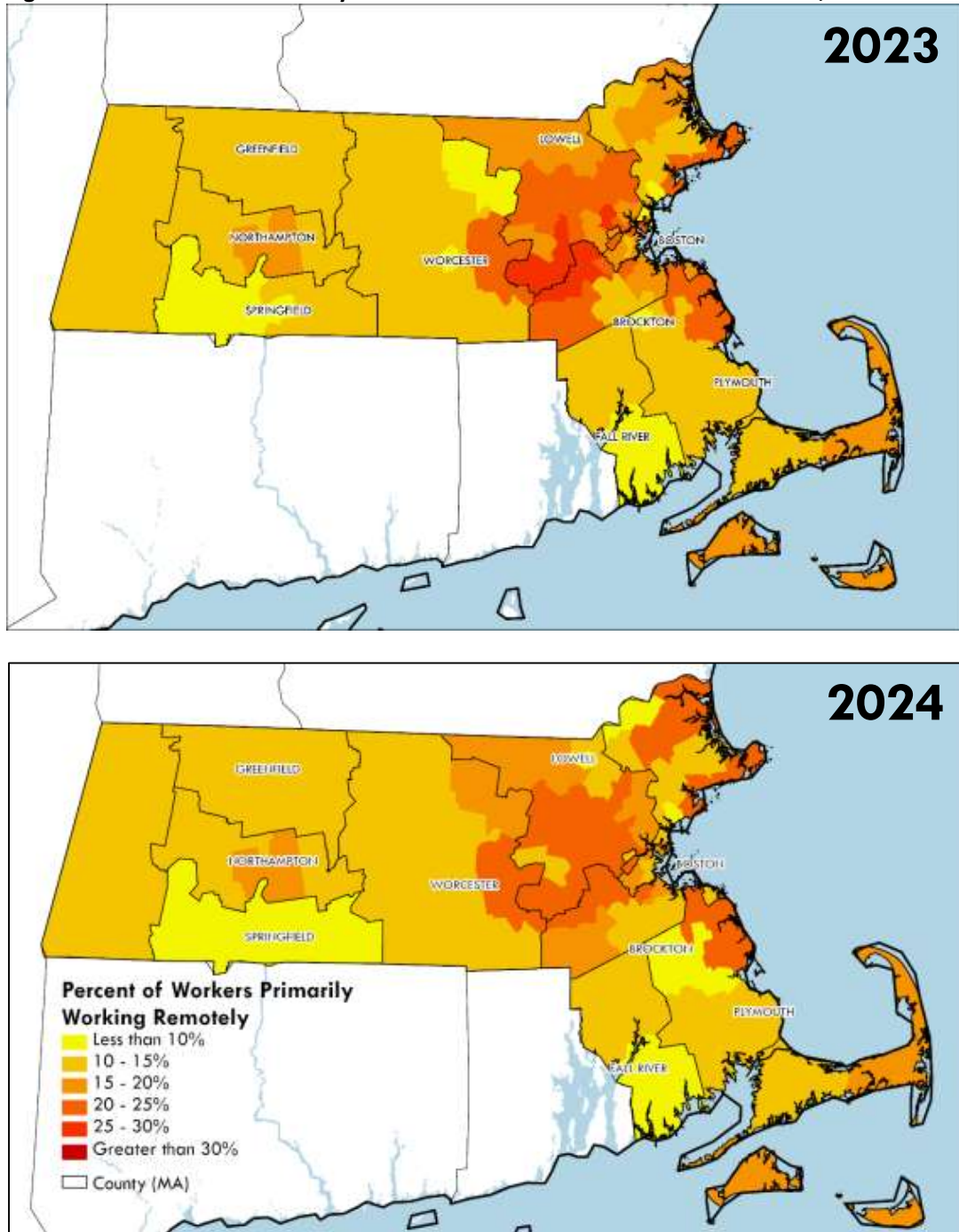
Throughout the nation and the Commonwealth, rates of telework vary geographically. Massachusetts has higher rates of teleworking than the nation. Roughly 30 to 35 percent of workers in Massachusetts are working remotely at least part of the time and 20 percent are working from home primarily (**Figure 35**). While rates of remote work have declined somewhat since 2021 in the state, teleworking remains concentrated in the suburbs just west of Boston (**Figure 36**).

Figure 35: Rate of Telework (all teleworkers and primary teleworkers) in Massachusetts and United States, 2022-2026



Source: U.S. Census Bureau, Current Population Survey Microdata Massachusetts

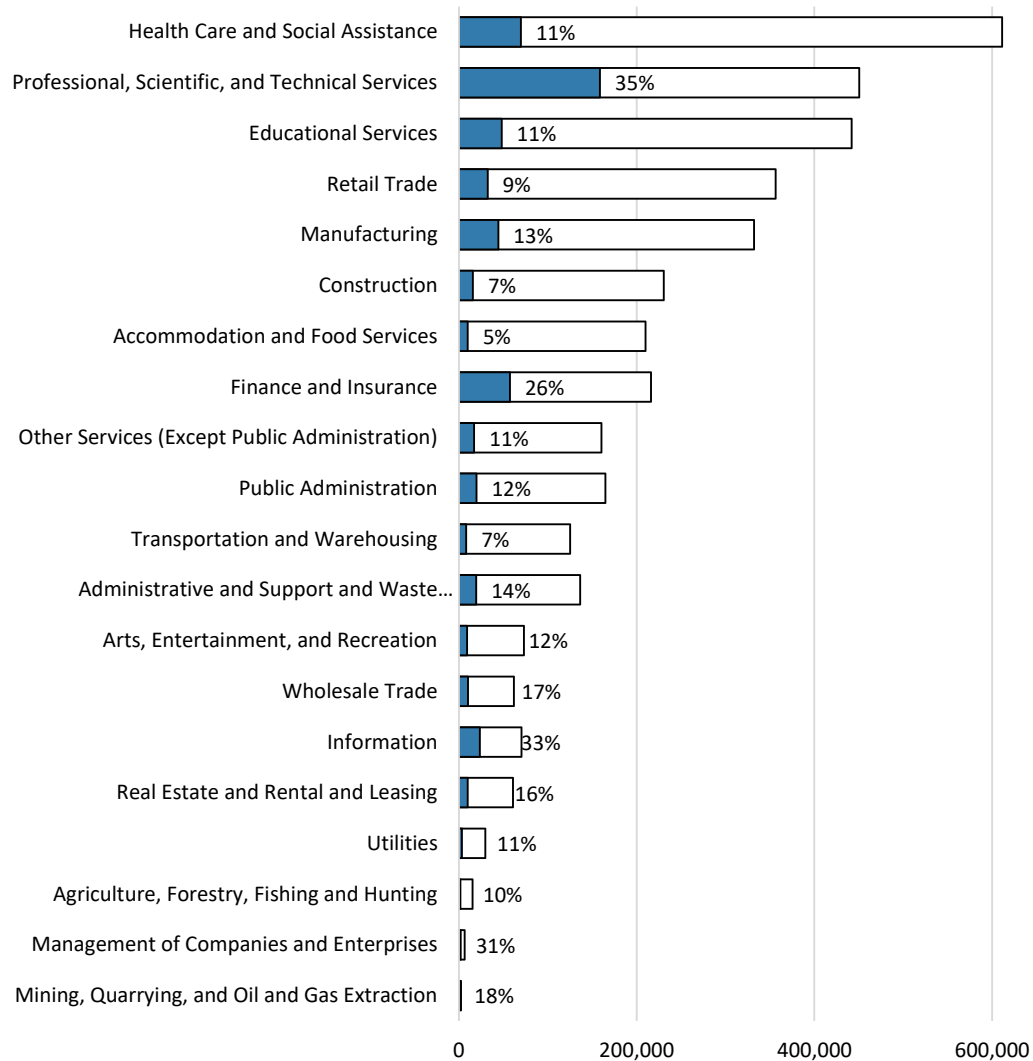
Figure 36: Remote Work Rates by Public Use Microdata Areas in Massachusetts, 2023 and 2024



Source: U.S. Census American Community Survey Microdata via IPUMS. Calculations by UMDI.

Teleworking is also concentrated in certain industries: information, professional, scientific and technical services, finance and insurance, and management are all above the state average in terms of telework (**Figure 37**). Related to the industries where remote work is concentrated, it is not surprising that the advantages of flexible work arrangements are disproportionately accruing to workers who are relatively well-off. Remote workers are more likely to be college educated; more likely to be white or AAPI; and more likely to be high-wage earners. They are slightly more likely to be native born, to have children under the age of 18 in their household, and 35-54 years old. While changes in federal policy may reduce rates of teleworking among federal workers in the future, it is uncertain whether other employers will follow the federal government's lead.

Figure 37: Remote Work Rates by Industry in Massachusetts, 2024



Source: U.S. Census American Community Survey Microdata via IPUMS. Calculations by UMDI.

In addition to upending the labor market, the pandemic has had lasting impacts on transportation in the Commonwealth. Transportation and mobility are essential to the economy and workforce. On one side, the industry sectors – transportation, warehousing, and wholesale trade – are indicative of the activities related to the movement of people and freight in Massachusetts and can be measured by jobs and contribution to the state’s GDP. On the other side, indicators like congestion levels, vehicle miles traveled (VMT), public transit ridership, and air passengers have traditionally served as proxy measures of how the economy is performing.

For many workers, the transition to remote or hybrid work has been beneficial as it reduced or eliminated commuting. Leading up to the pandemic, the delays that Massachusetts drivers faced for their commutes had risen dramatically. The typical driver in Boston sat in traffic for nearly 90 hours per year as compared to just over 30 in the early 1980s. Nationally, the Boston urban area has consistently ranked among the highest in the nation in terms of annual hours of delay and Boston’s traffic congestion has outpaced other areas of the Commonwealth for this period, at times, more than doubling the hours of delay incurred by Worcester or Springfield area drivers.

Freeway daily vehicle miles traveled (VMT) throughout the three most populous regions of the state thoroughly outpaced population growth for the period of 1982-2019, increasing roughly 120 percent for the Boston, Springfield, and Worcester urban areas, regardless of the varying changes in population growth that each area experienced. This points potentially to statewide changes in driving behavior (e.g., more cars taking more and longer-distance trips) independent of population growth as well as land use patterns potentially favoring vehicle-focused types of development. Traffic volumes across the state have largely reversed and almost fully recovered from the significant dip in VMT that occurred in 2020 due to the pandemic, with average traffic volumes in March 2025 closely tracking those from March 2019.²⁵

In contrast to daily VMT, total public transit ridership has lagged economic recovery in Massachusetts following the beginning of the COVID-19 pandemic in spring 2020 (**Figure 38**). 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 started recovering, showing signs of seasonal variation with dips in the winters and relative peaks in summers.

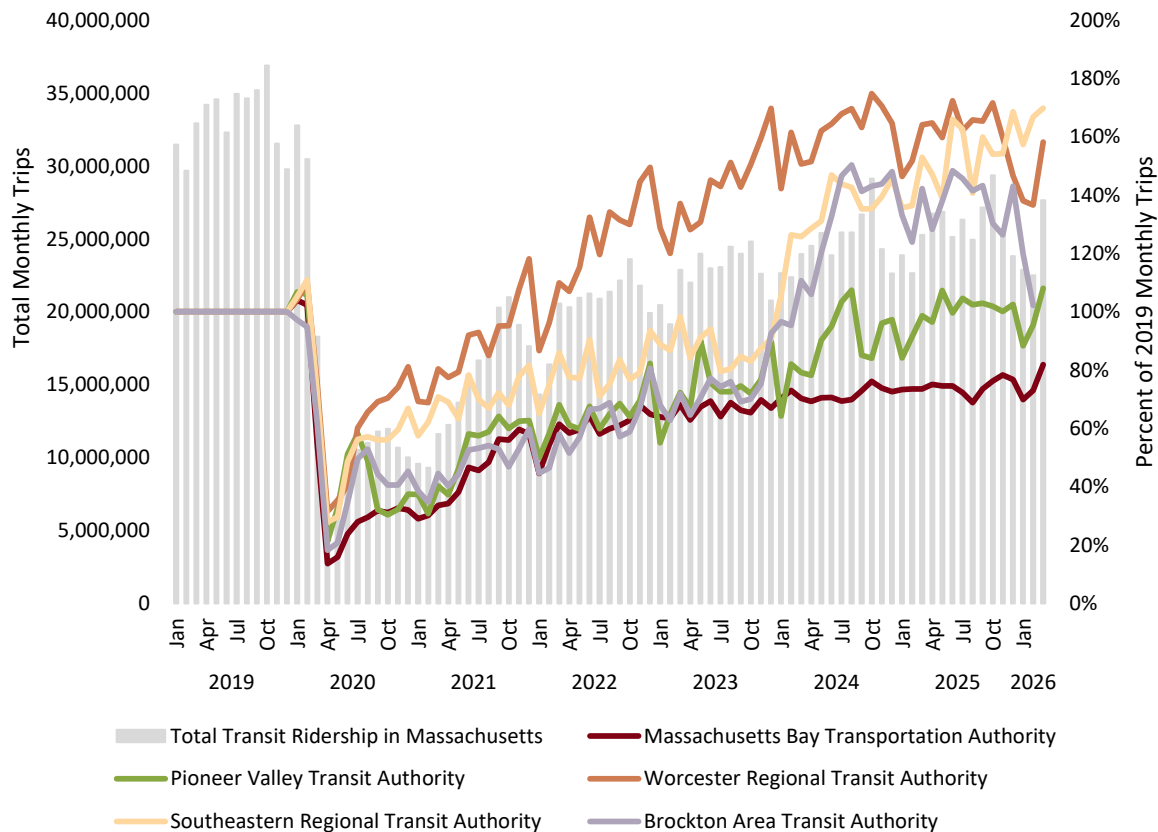
The Massachusetts Bay Transportation Authority (MBTA) and the Commonwealth’s regional transit authorities (RTAs) have seen highly variable rates of recovery. Among the top five largest transit authorities in the state measured by February 2020 ridership, the four RTAs have exceeded pre-pandemic ridership and are experiencing strong ridership growth especially over the course of 2024 and 2025. The Worcester RTA was among the first RTAs to suspend fare collection on its buses since the beginning of the pandemic, and this is one possible explanation for why the region has consistently had the state’s best ridership recovery overall. Various funding was made available through 2023 and 2024 to extend fare free transit in Worcester and other regions of the state. The Fiscal Year 2026 state budget

²⁵ Massachusetts Department of Transportation Mobility Dashboard, Weekday Average Hourly Roadway Volume by Month. <https://geodot-massdot.hub.arcgis.com/pages/massdot-mobility-dashboard>

includes funding to allow all of Massachusetts's Regional Transit Authorities to continue to offer fare-free services, and the Governor's Fiscal Year 2027 budget proposal renews these funds. The MBTA, however, has experienced relatively slow ridership growth over the past several years. The rising price of gasoline may push more residents to use public transit.

Industry mix may explain some variation in ridership recovery across the Commonwealth as well. Worcester, with its emphasis on health care jobs, likely has many commuters who must still travel to their place of work. Boston, on the other hand, has a greater share of financial, tech, and professional services jobs - employees who are much more likely to work from home at least part of the time, and industries which have grown slowly or even shed jobs in recent years. Income may play a role as well. Low-income residents of Worcester may still rely on buses, whereas the MBTA serves different income groups across its commuter rail, rapid transit rail lines, and bus network. High-income workers may be less likely to return to transit if they have easier access to a personal vehicle.

Figure 38. Monthly Transit Ridership, 2019-2026



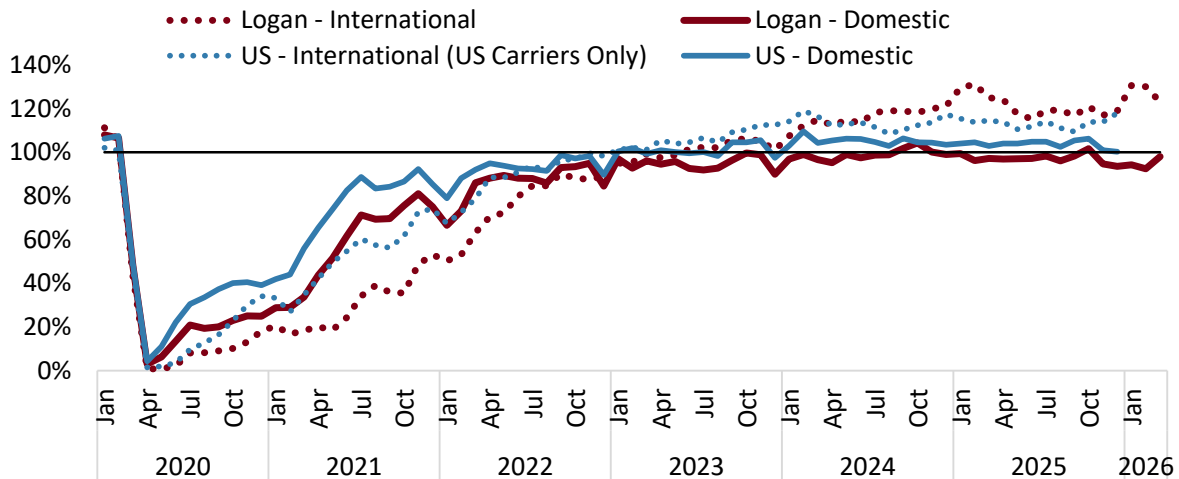
Source: National Transit Database. Note: total ridership is the sum of MBTA and Regional Transit Authority ridership per month. Top five transit authority by February 2020 ridership are shown as a share of their monthly ridership relative to the comparable month in 2019, e.g. September 2020 / September 2019.

Public transportation continues to make progress in Massachusetts but still faces delays and headwinds. Through its Track Improvement Program, the MBTA removed all slow zones from the rail system by the end of 2024. Other modernization efforts at the MBTA include installing new signals and purchasing new subways trains throughout 2025 and 2026. After several delays, Commuter Rail service to New Bedford and Fall River, both Gateway Cities, through the South Coast Rail project officially opened to passengers on March 24, 2025. In September 2025, the Massachusetts Department of Transportation released an update on Compass Rail, an initiative that combines East-West Rail, a plan to connect Boston, Worcester, Springfield, and Pittsfield by passenger rail, with improvements in other rail routes particularly in Western Mass.²⁶ Design work is ongoing for the rail upgrades with a tentative start date for construction in 2027. After construction is completed between 2029 and 2030, MassDOT plans for Amtrak to begin operating two initial round-trips between Boston-Springfield and New Haven, CT.

Logan International Airport, like the state's transit agencies, logged a significant decline in passenger volume in 2020 and 2021 below record-high numbers seen in 2019 (**Figure 39**). After reaching over 42 million domestic and international passengers in the calendar year before the COVID-19 pandemic, passenger volumes collapsed to less than 13 million in 2020. Many air carriers expanded service to Asian, European, Middle Eastern, South American, and African destinations from Logan during the 2010s, but with the onset of COVID-19 and its travel restrictions, international passenger volumes were still only a fraction of the 2019 peak.

Logan initially lagged the U.S. overall in passenger recovery throughout 2020 and 2021 for both domestic flights and international flights carried out by U.S. carriers. Throughout 2022, resumption in overseas service and resurgent domestic travel helped passenger levels at Logan and across the country to continue their recovery. By October 2025, domestic passenger recovery had matched that of the U.S. and international passenger growth at Logan exceeded that of the US compared to pre-pandemic levels. As a global hub of education, technology, finance, medicine, and tourism, Massachusetts benefits from higher service levels and the passengers they bring into the state via Logan Airport.

²⁶ Compass Rail: Inland Route intercity passenger rail service. Accessed 10/15/2025. <https://www.mass.gov/info-details/inland-route-intercity-passenger-rail-service>

Figure 39. Logan Airport and U.S. Monthly Passenger Volumes as a Percent of 2019

Source: MassPort; Bureau of Transportation Statistics, T-100 Domestic & International Market Note: U.S. International passenger data are from U.S. carriers only.

In June 2025, the Healey-Driscoll Administration released the FY26 – FY30 Capital Investment Plan (CIP).²⁷ This document, in addition to the MassDOT and MBTA CIPs, as well as those from Massachusetts Municipal Planning Organizations (MPOs) steer significant funding toward transportation priorities in the Commonwealth. The Commonwealth’s CIP includes a commitment to replacing the aging Cape Cod Bridges and advancing the I-90 Allston Multimodal project; supporting local pedestrian and bike infrastructure; funding repair and modernization efforts at the MBTA and electric buses for the regional transit authorities; some early projects related to Compass Rail; and building out electric vehicle charging facilities across the state. In addition, much of the FY26-30 CIP is focused on state-of-good-repair for the state’s roadways and bridges. The CIP states: “at an average year of construction of 1960, the Massachusetts bridge inventory is 15 years older than the national mean.”²⁸

Much of this planned work relies on millions of dollars in federal funding that the Trump administration is actively moving to cut. For example, in summer 2025, Trump signed a spending bill that cuts federal funds for projects that are intended to connect communities divided by interstate highways. Massachusetts had planned on \$335 million in federal funding for the \$2 billion Allston Multimodal Project however, \$327 of these funds will now need to be found elsewhere because the bill cut any unobligated funds from the Neighborhood Access and Equity program.²⁹ The future of the project is

²⁷ *Five-Year Capital Investment Plan FY2026–FY2030*. (2025). Commonwealth of Massachusetts Executive Office for Administration and Finance. <https://www.mass.gov/doc/2026-2030-capital-investment-plan-final>. Released Jun 30, 2025.

²⁸ Massachusetts Department of Transportation, “Current Capital Investment Plan (CIP).” Accessed July 7, 2025. <https://www.mass.gov/info-details/current-capital-investment-plan-cip>. Released June 30, 2025.

²⁹ Jaime Moore-Carrillo, “Transit Plans in Mass. Hit by Cuts from Trump: Projects in Allston and Roxbury among Those Now in Need of Funding,” *Metro, Boston Globe* (Boston, Mass., United States), September 24, 2025.

uncertain. This federal program was also slated to support projects in Haverhill, Lynn, Everett, and Cambridge.

Environment

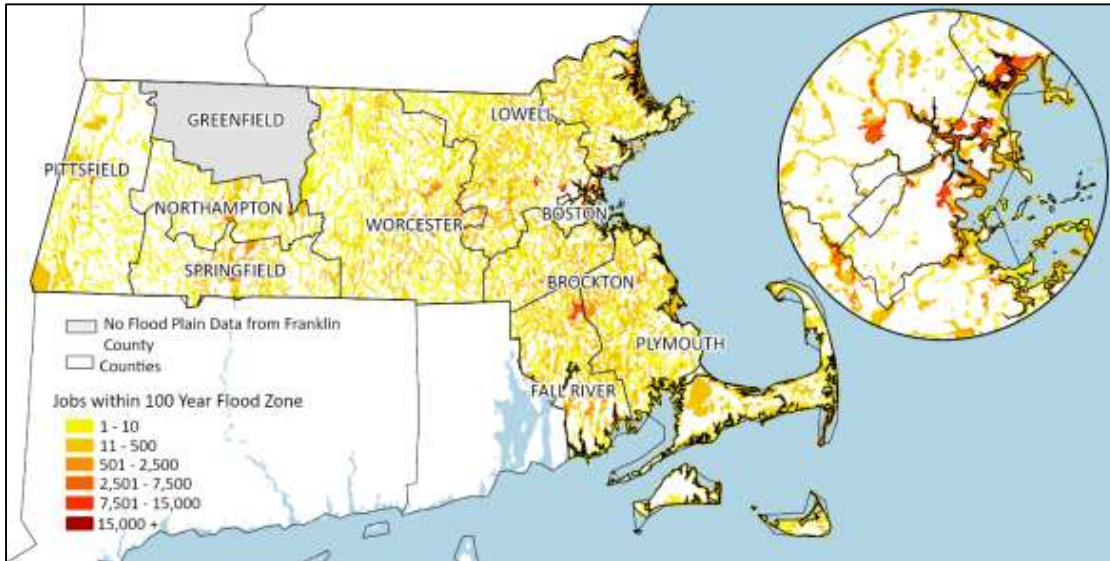
Climate Risks

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 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 2022, approximately 1,100,000 jobs in Massachusetts were located in 100-year flood plains (**Figure 40**).³⁰ Considering the economic recovery that has since occurred of jobs lost during the pandemic, the number of jobs in flood zones in 2025 is most certainly greater than this. With rising sea levels, flooding in these areas is likely to be more frequent and intense. The summer of 2023 illustrated that flooding can occur far from the coast, as Central and Western Massachusetts experienced flooding that endangered residents and resulted in the loss of crops. Hurricanes are expected to threaten the East Coast more frequently.³¹ The number of jobs potentially affected 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 41**).

³⁰ This estimate excludes jobs located in Franklin County because flood maps for Franklin County were not available.

³¹ Gori, A., Lin, N., Xi, D. *et al.* Tropical cyclone climatology change greatly exacerbates U.S. extreme rainfall–surge hazard. *Nat. Clim. Chang.* 12, 171–178 (2022). <https://doi.org/10.1038/s41558-021-01272-7>

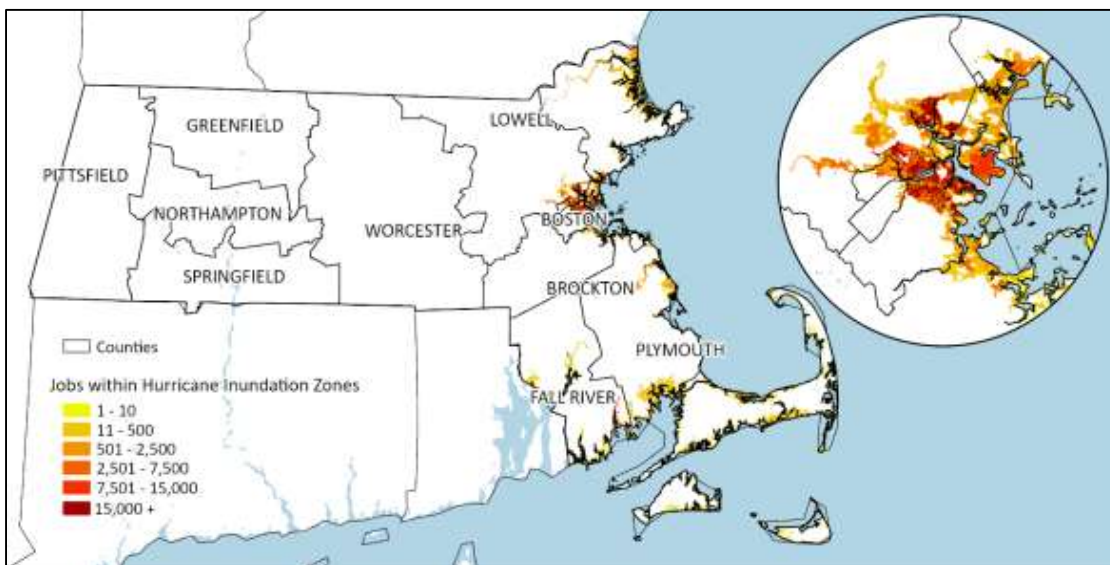
Figure 40. Jobs Located in 100-Year Flood Zones, 2023



Source: FEMA National Flood Hazard Layer via MA GIS, U.S. Census Bureau 2023 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.

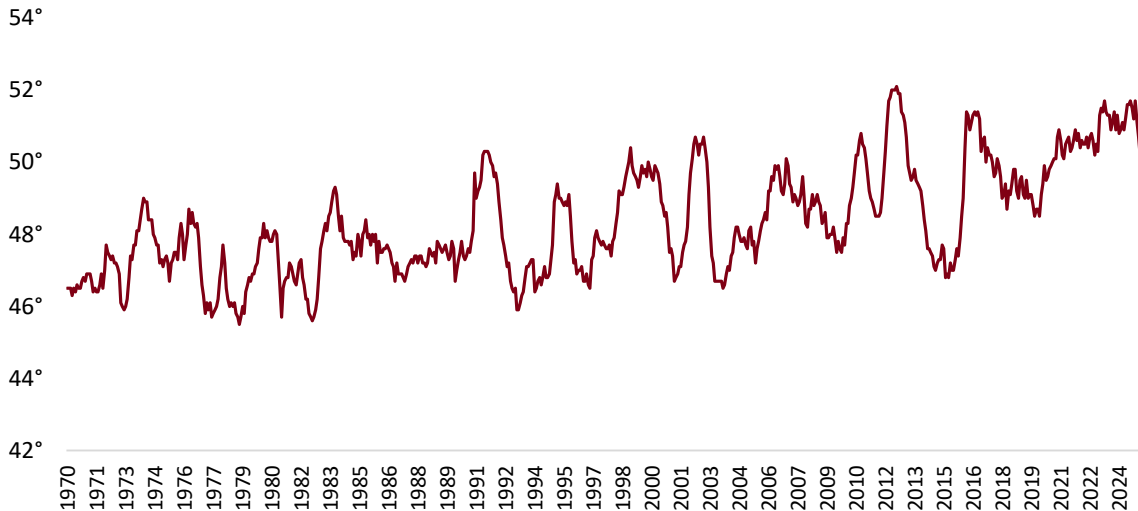
Figure 41. Jobs Located in Hurricane Inundation Zones, 2023



Source: U.S. Army Corps of Engineers Hurricane Surge Inundation Zones via MA GIS, U.S. Census Bureau 2023 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 (**Figure 42**).

Figure 42: Massachusetts Average (12-Month) Temperature (Fahrenheit), 1970-2025



Source: National Oceanic and Atmospheric Administration

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. Furthermore, while the magnitude of these impacts on the overall economy may be small, for those businesses and communities impacted the effects could be intense. For example, the winter 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 both drought and flooding. For example, as of April 1, 2026, all regions of Massachusetts experienced mild or significant 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, in 2017 Massachusetts established the Municipal

Vulnerability Preparedness (MVP) grant program. Funded through the state Capital Improvement Plan (CIP), the program supports city and towns through grants and technical assistance that fund and support local assessments of vulnerability to climate change and adaptation projects. Since its inception with an initial \$1 million in funding, the MVP has awarded \$125 million to 341 communities across the state. The program has grown each year, funding 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. Today, over 97 percent of municipalities in the state have enrolled in the program. The Commonwealth's FY2026 5-year CIP allocates nearly \$130 million for the Municipal Vulnerability Preparedness (MVP) program, to help communities plan for and improve local infrastructure. Additionally, nearly \$120 million is allocated to implement the ResilientMass Plan, which includes over 125 actions from various state agencies to reduce the impacts that changing weather and climate have on our communities and infrastructure.

There have been significant legislative efforts to address the environmental risks of climate change. In August 2022, legislation was passed and signed that, among other provisions focused on creating a local clean energy economy and modernizing the grid, requires that all new vehicles in the state be zero-emission beginning in 2035. This builds on the March 2021 net-zero emissions law that set the goal of Massachusetts achieving net-zero emissions by 2050. In addition, the law sets interim emission targets and sets targets for six sectors: electricity, transportation, commercial and industrial buildings, residential buildings, industrial processes, and natural gas distribution. In October 2023, the state's new Climate Chief released a set of recommendations to outline how the Commonwealth will meet its goals related to climate change. The Governor's 2023 Economic Development Plan also includes a strategy to support the growth of "climatetech" in the Commonwealth. Despite these efforts, federal policy changes and increasing construction costs have limited the progress made so far in achieving climate goals in Massachusetts.³²

Energy

In 2022, Massachusetts consumed twice as much electricity as the state produced. Overall, Massachusetts consumes about 22 times more energy than it produces and relies on the regional grid to meet demand. However, Massachusetts is among the five states in the nation that use the least amount of energy to produce a dollar of GDP. Furthermore, according to the U.S. Energy Information Administration, Massachusetts used less energy per capita than all but four other states in 2023.³³

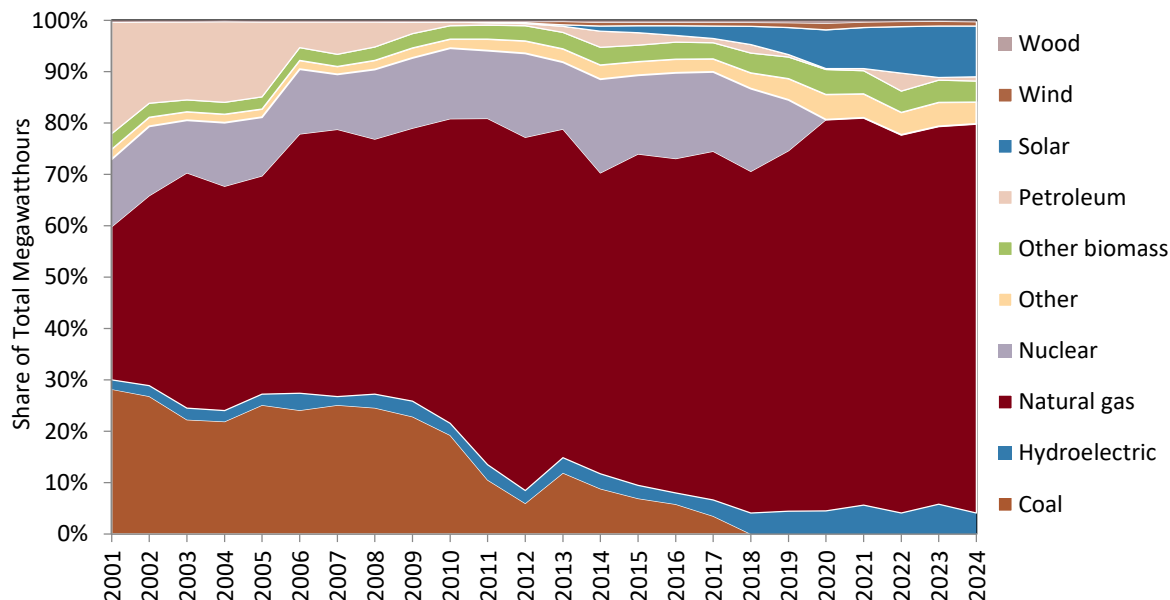
Over the past 20 years, Massachusetts has increasingly been reliant on natural gas for electric power generation, with the share of electric power from natural gas more than doubling from 2001 to 2020; **(Figure 43)**. The state receives most of its natural gas through pipelines that bring in natural 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. There is

³² "2025 Massachusetts Climate Report Card," Massachusetts Executive Office of Energy and Environmental Affairs, accessed March 5, 2026, <https://www.mass.gov/report/2025-massachusetts-climate-report-card>

³³ "U.S. Energy Information Administration - EIA - Independent Statistics and Analysis," Massachusetts State Profile and Energy Estimates, accessed October 20, 2025, <https://www.eia.gov/state/analysis.php?sid=MA>.

uncertainty as to whether potential changes in national tariff policies could lead to higher costs for consumers. 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. Electricity prices in Massachusetts are higher than in the nation as a whole. As of October 2025, Massachusetts consumers faced the third highest electricity prices in the nation.³⁴

Figure 43. Electric Power Generation by Primary Energy Source, 2001-2024



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

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

The state Capital Investment Plan (CIP)³⁵ for the five years of FY26 – FY30 plans to invest in decarbonization by promoting electric vehicles and making school buildings, housing, and public transportation more efficient. In addition, the Highway Resiliency Improvements Program is included in the CIP to prepare the state for future extreme weather events. In November 2024, the Massachusetts legislature passed, and Governor Healey signed into law an act promoting clean energy grid, advancing equity, and protecting ratepayers. This new legislation is intended to accelerate clean energy development by shifting energy generation to sources like wind and solar electrifying transportation systems, heating, and cooling in buildings. This advances the state's goals of net zero gas emissions by

³⁴ U.S. Department of Energy, Rankings: Average Retail Price of Electricity to Residential Sector, Accessed 10/20/2025. <https://www.eia.gov/state/rankings/?sid=US#/series/31>

³⁵ *Five-Year Capital Investment Plan FY2026–FY2030*. (2025). Commonwealth of Massachusetts Executive Office for Administration and Finance. <https://www.mass.gov/doc/2026-2030-capital-investment-plan-final>. Released Jun 30, 2025.

2050. The bill requires distributors to provide discounts to low-income residents and eligible middle-income residents, allows multistate energy procurements, promotes non-gas heating, expands the electric vehicle charging network, and incentivizes battery storage. The legislation also includes environmental justice requirements for cumulative impact analysis for clean energy projects, establishing a site-suitable methodology to minimize or mitigate the social or environmental impacts of clean energy projects. The legislation also establishes a fund for under-resourced organizations to engage in the siting process. The Commonwealth's focus on addressing climate change and promoting clean energy development stands in sharp contrast to federal policy initiatives that may hamper efforts by the state to move away from fossil fuels.

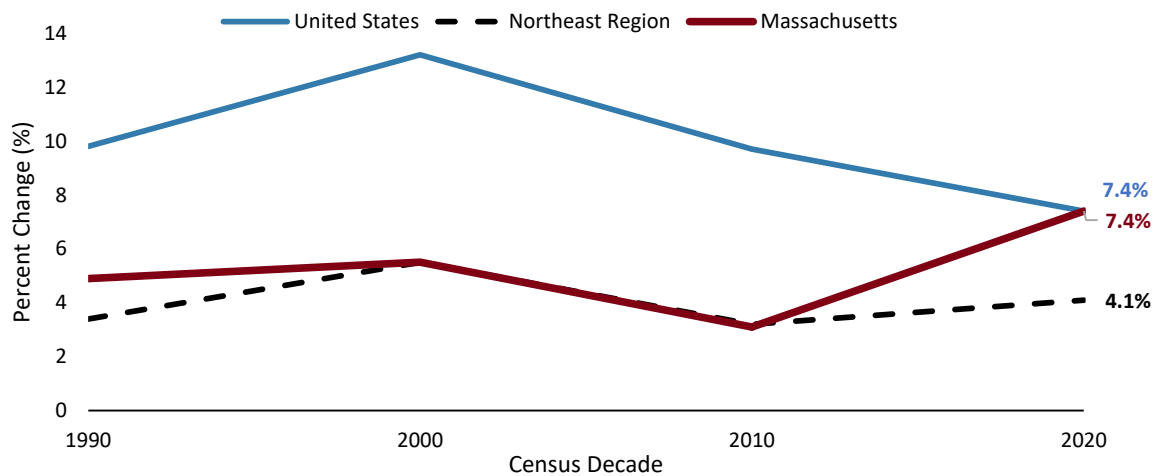
The One Big Beautiful Bill Act, signed into law on July 4th, 2025, will have significant impacts on the renewable energy industry and will make it harder to finance renewable energy projects at every scale. Massachusetts' efforts to encourage the adoption of renewable energy technologies by individuals and firms will be hampered by the elimination of federal tax incentives to adopt renewable energy technologies, like rooftop solar. The imposition of tariffs may further increase the cost of these technologies and drive up the cost of construction. While state and local governments remain committed to addressing climate change, changes in policy at the federal level will likely create significant headwinds to the implementation of new technologies in the clean energy space.

Residents

Population Trends

From 2010 through 2020, Massachusetts enjoyed a sustained period of population growth, driven largely by significant growth in the foreign-born population, that was followed by slower growth in the total population that occurred during the pandemic and due to increased domestic out migration, that alarmed economists and public policy makers alike (**Figure 44**). However, the latest population estimates from the U.S. Census Bureau, also known as the Vintage 2025 population estimates (V2025), show that population growth has slowed for both the U.S. and the Commonwealth. According to the V2025 estimates, the U.S. population grew by only 0.5 percent since 2024 and Massachusetts grew at slightly slower rate.³⁶ The state population increased by 15,524 over the year, from 7,138,560 to 7,154,084, representing a percentage increase of 0.2 percent. This increase represents a slowdown in population growth for the state compared to the previous year, when the Census Bureau estimated a 1.0 percent increase in the state population in its Vintage 2024 series for the 2023-to-2024 period.

Figure 44. Change in Resident Population by Decade



Source: U.S. Census Bureau; UMDI analysis

³⁶ U.S. Census Bureau, "U.S. Population Growth Slows Due to Historic Decline in Net International Migration," Press Release no. CB26-20, January 27, 2026, <https://www.census.gov/newsroom/press-releases/2026/population-growth-slows.html>

While New England has been a slow growth region for much of the last several decades, as higher numbers of people move to the southeast and western parts of the U.S., Massachusetts stands out as maintaining relatively strong population growth decade-to-decade among the New England states. Between the 2000 and 2010 census decennial enumerations, Massachusetts resident population grew at the same rate as the Northeast region. From 2010-2020, Massachusetts experienced considerable resident population growth, from approximately 6.5 million to 7.0 million residents, placing it well above the average population change throughout the Northeast region (**Figure 44**).³⁷ This marked a 7.4 percent increase in the state's population, in line with the U.S. overall growth and making the Bay State the fastest growing state in the Northeast. In contrast, the average population growth in the Northeast was 4.1 percent.

According to the new county-level population estimates released by the U.S. Census Bureau in March 2026, the greatest population increases in Massachusetts counties from July 1, 2024 to July 1, 2025 were seen in Middlesex County at 6,050 net persons gained; Worcester at 4,780; and Bristol at 2,775. In terms of percentage change, the largest net gains were in Worcester County and Bristol County both with 0.5% increases, from 2024 to 2025.

These modest population increases are attributed primarily to a positive natural increase and total migration figure in Worcester County, and positive international and domestic migration in Bristol County. The slowest growing counties in the 2024-2025 period by population count include Suffolk, with an estimated 1,644-person net loss; Berkshire, with an 825-person net loss; and Hampshire, with an estimated loss of 614 persons. The largest percentage decreases were in Berkshire (-0.6%), Dukes (-0.6%) and Hampshire Counties (-0.4%). Population loss in Berkshire, Dukes, and Hampshire is driven by more deaths than births and net negative migration while in Suffolk County domestic outmigration is the primary cause, exacerbated by declining immigration.

Cumulatively since the 2020 Census, Massachusetts has gained population along with seven other Northeast States, with New York being the only state to have lost population since 2020. According to the latest estimates, while the Massachusetts population increased by 0.2 percent over the past year, since the last Census count on April 1, 2020 the state population increased by 120,972, up from 7,033,132. This 1.7 percent cumulative increase is more substantial than some other Northeast states, including Rhode Island (1.6%), Vermont (0.2%), Pennsylvania (0.4%), and New York (-1.0%) over the same period.

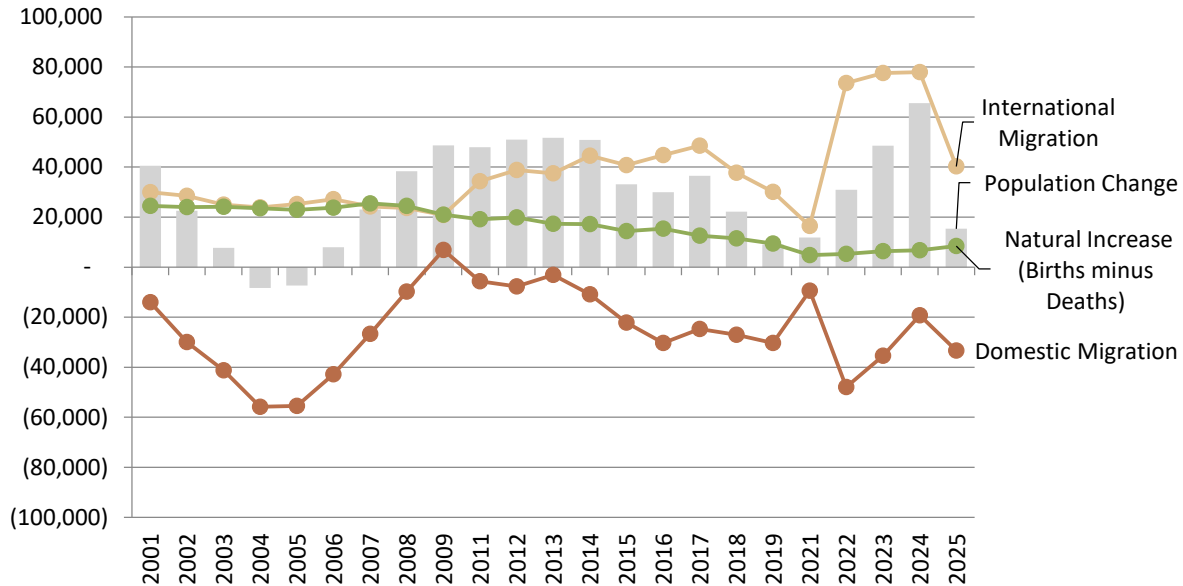
³⁷ The Northeast includes: Maine, New Hampshire, Vermont, Massachusetts, New York, Connecticut, Rhode Island, Pennsylvania, and New Jersey.

Within Massachusetts there is variation in population growth. When we consider population change since 2020, Nantucket County has been growing the fastest, in terms of percentage growth, since Census 2020 at 3.6%, followed by Worcester at 3.1% and Dukes at 3.0%. The increases in Dukes and Nantucket County were initially fueled by COVID era moves, but the population levels have remained elevated when compared to 2020. By total population change, the large Middlesex, Worcester, and Essex Counties have seen the largest population growth at 38,067, 26,409, and 16,710 people, respectively.

The Northeast Region increased by 0.7 percent since the 2020 Census count, compared to the 1.7 percent increase estimated in Massachusetts. Meanwhile, the Midwest (1.1%), South (6.0%), and the West (1.9%) have all increased in population since 2020 at faster rates than the Northeast, as has been the trend for many years, as the U.S. population gradually moves south and west over time. Annual population estimates from the Census Bureau build on the enumerations generated by the decennial census. The Census Bureau compiles data on the various components of population change (i.e., birth, death, in-and-out migration) each year to estimate an annual population. These components of change offer insights into broad demographic patterns. For example, during the 2000s, population growth in Massachusetts has largely been driven by significant gains in international migration and that continued to be the case through 2025 (**Figure 45**).

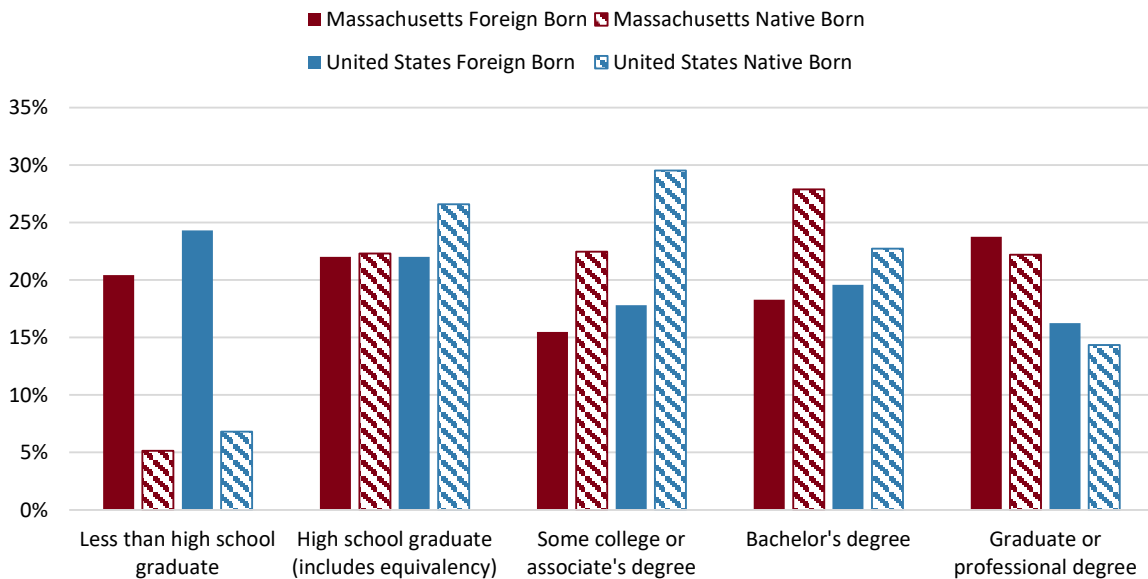
Massachusetts' combination of higher education institutions and knowledge-based industries appears to be an important factor in attracting and retaining foreign-born residents. The foreign-born population in Massachusetts has a bimodal education distribution with a high concentration with less than a high school education (20.4% in 2024) and a significant concentration with college degree or more (42.1%). A similar proportion of immigrants in the state hold a graduate degree as native-born residents (23.8% and 22.2%, respectively) (**Figure 46**).

Figure 45. Massachusetts Estimated Components of Population Change, 2001-2009, 2011-2019, 2021-2025



UMass Donahue Institute. Source Data: ST-2000-7; CO-EST2010-ALLDATA; and NST-EST2025-ALLDATA, U.S. Census Bureau Population Division. Components of population change data for decennial Census years (2010 and 2020) are based on only three months of data, and so are excluded.

Figure 46. Educational Attainment by Nativity in Massachusetts and the United States, 2024



Source: U.S. Census Bureau, 2024 1-Year American Community Survey; UMDI analysis.

These gains in international migration have offset typical losses in domestic outmigration (i.e. people moving from Massachusetts to another state). The decline in natural population change (i.e. the difference between births and deaths) is notable as well (**Figure 45**). Massachusetts has an extremely well-educated population, with high labor force participation from women. This often equates to later family formation and smaller household sizes. Couple this with an aging population and a global pandemic reducing birth rates and increasing death rates, the natural increase in Massachusetts has declined precipitously over the last several years.

Outmigration from Massachusetts has been a focus of policy makers in recent years as 2022 showed a dramatic increase in the state's domestic outmigration rate, essentially doubling from the typical outmigration seen in the state over the last several years (**Figure 45**). Though domestic migration has rebounded since, suggesting that the 2022 period may have been related to a short-term shock effect potentially influenced by work-from-home trends or urban-to-rural movement following the COVID-19 pandemic, the general trend over the past 15 years has been increased outmigration. By 2024, net domestic outmigration decreased to just -19,195 and in 2025 it is estimated at -33,340.

At the same time, estimated net international migration for the state fell off sharply between 2017, when it peaked at 48,583, and 2021, when it hit a low point of just 16,475. A downward trend in immigration continued through 2021 and then reversed again in 2022 with the national surge in humanitarian immigration boosting immigration. The surge continued through 2024 at an estimated 77,957 before falling off to 40,240 in 2025. The sharp drop off in immigration is driven by new federal immigration policies under the Trump Administration.

Massachusetts' relatively slow population growth in recent years is driven in part by outmigration. The outmigration rate in Massachusetts increased between 2020-2022 compared to other states in the Northeast region who experienced net increases in domestic migration. The one state in the Northeast that has experienced a higher rate of out-migration than Massachusetts is New York, which experienced an outmigration rate of -1.6 percent in 2021 compared to -0.9 percent in 2019. Starting in 2023, migration trends appear to be reverting to pre-pandemic rates; though recent annual estimates have been volatile, Massachusetts's outmigration rate has trended downward since 2008, improving from -0.8 percent in 2022 to -0.4 percent in 2024, only to decrease again to -0.5 percent in 2025. Many other states in the Northeast that were benefitting from outmigration from Massachusetts and New York reversed as well and saw declining in-migration in 2023, 2024, and 2025 compared to 2022. In 2025, of all the Northeast states, only Maine and New Hampshire experienced positive domestic migration. There is empirical evidence that the dramatic spike in out-migration following 2020 can largely be attributed to the fact that Massachusetts has some of the highest rates of remote work in the nation due to the state's industry mix.³⁸ With the embrace of work from home arrangements many workers in Massachusetts were newly able to live further from their employer and chose to move out of state.

³⁸ Bick, Alexander, Hannah Rubinton, Adam Blandin, and Karel Mertens. "Work from Home and Interstate Migration," 2024. <https://doi.org/10.20955/wp.2024.012>.

Across the country, young adults are the most mobile and this is true in Massachusetts as well. According to microdata from the 2024 U.S. Census Bureau's American Community Survey, there were roughly 45,000 in-movers to Massachusetts who were between 18 to 24 years old. Many of the young adults in this age group migrate to Massachusetts for their college education. However, 50,000 of this age group moved out of Massachusetts in 2024, as well, indicating that many Massachusetts residents leave the state as well for their college education. Many in the 25–34-year-old age group migrate between states, as well. This group contains post graduate professionals, many of whom are at a point in their life where personal priorities include focusing on home ownership and starting families. Among this group, 56,000 left Massachusetts in 2024. It is likely that this group finds the cost of living, particularly housing costs, challenging, and so are moving to states where the cost of living is lower. However, 44,000 25–34-year-olds moved to Massachusetts in 2024, resulting in the lowest out-migration of this age cohort since 2019. It is possible that job opportunities or graduate school education were draws for this age group despite the affordability challenges. The most popular destinations for those leaving Massachusetts were other New England states, as well as Florida, New York, and Texas. New Jersey, sent more residents to Massachusetts than it received, while California and Pennsylvania were net-beneficiaries of Massachusetts movers.

Figure 47: Net Migration to Massachusetts, 2023-2024

Rank	State	In-Migration	Out-Migration	Net Migration	Total Migration
1	New York	18,697	17,862	835	36,559
2	Florida	10,580	21,834	-11,254	32,414
3	New Hampshire	11,286	20,310	-9,024	31,596
4	California	13,810	15,720	-1,910	29,530
5	Rhode Island	15,235	11,568	3,667	26,803
6	Connecticut	9,936	11,612	-1,676	21,548
7	Texas	6,191	9,454	-3,263	15,645
8	Maine	6,746	6,723	23	13,469
9	Pennsylvania	5,490	5,948	-458	11,438
10	New Jersey	6,536	4,041	2,495	10,577
	All Other States and D.C.	47,255	57,243	-9,988	104,498
	Total	151,762	182,315	-30,553	334,077

Source: U.S. Census Bureau, American Community Survey State-to-State Migration Flows, 2024

Looking at the out-migration trend during the pandemic raises understandable concern over the increase in the rate of former residents moving out of the state. It is important to note that the COVID crisis upended residential patterns and migration trends. At this point, it is unclear which of these patterns are short-term reactions to the pandemic and which ones may be more durable. Indeed, the U.S. Census Population Estimates data for 2023, 2024, and 2025 has signaled the start of a return to pre-pandemic trends, albeit with more volatile swings in annual data.

Immigration

Changes to federal policy under the Trump administration may have significant impacts on the levels of immigration to the U.S. and Massachusetts. Reductions in immigration may be challenging for Massachusetts as the region faces population headwinds due to the aging of the population and domestic out migration. Historically, immigration has buoyed the Commonwealth's population in part because fertility rates among foreign-born women are generally higher, though like native-born women, rates have declined in recent years. Most importantly though, international migration has been essential to ensure that the state has enough prime-age workers to support an aging population both in terms of providing health care and other essential services and generating economic activity to ensure that the state economy and public services remain strong. Opportunities for employment, access to services, and participation in civic life are often tied to citizenship. According to American Community Survey data in 2024, 52 percent of foreign-born residents in Massachusetts were naturalized citizens and the remaining 48 percent did not hold citizenship. International immigrants live throughout the Commonwealth, though immigrant communities are clustered in Boston and the Gateway Cities.

From 1990 through 2024, foreign-born workers accounted for 76 percent of the growth in the state's labor force, with the native-born population accounting for only 24 percent. This is driven largely by the aging of the population. In 2024, foreign born workers made up 22 percent of the Massachusetts labor

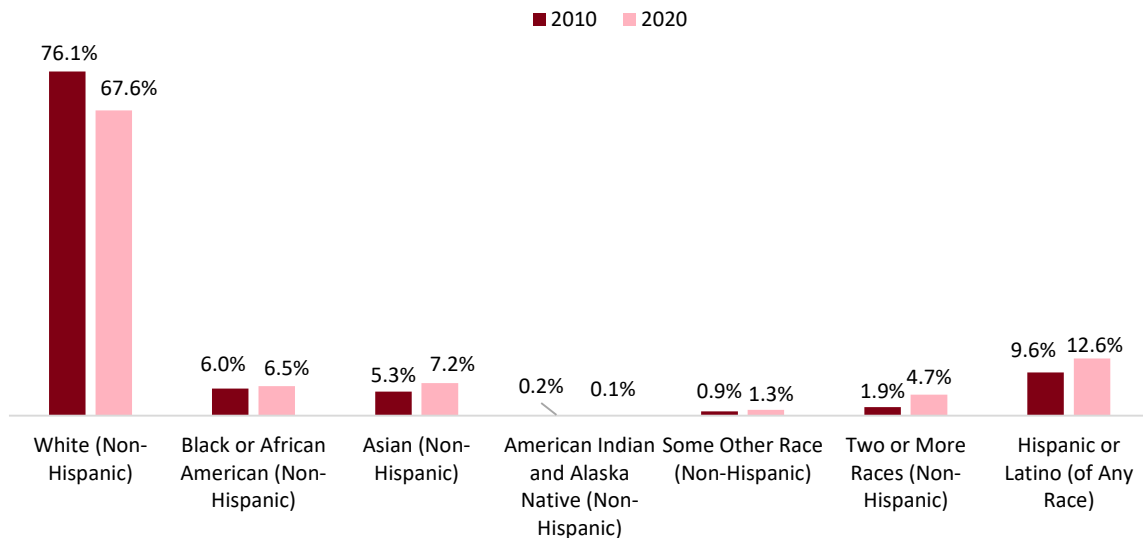
force, up from 10 percent in 1990. This shift is also driven by the fact that labor force participation rates are slightly higher among foreign-born residents.

Immigration to Massachusetts is diverse. Forty-two percent of the state's foreign-born population are originally from Latin America, just under a third are from Asia, 16 percent are from Europe, and 10 percent are from Africa. Reflecting the regions of origin Spanish, Portuguese, Chinese and Haitian Creole are the most common languages other than English spoken in Massachusetts. As noted before, the educational attainment of foreign-born residents represents the diversity in the population. While foreign-born residents are more likely not to have a high school diploma, they are also just as likely to have a graduate degree as native-born residents. Furthermore, the foreign-born population in Massachusetts has higher levels of education as the Commonwealth attracts a higher share of immigrants with advanced degrees (**Figure 46**).

Reflecting the importance of foreign-born workers to the health care industry, in Massachusetts 27 percent of foreign-born workers are employed in Educational Services and Health Care and Social Assistance. The second most common industry is Professional, Scientific, and Management, and Administrative and Waste Management Services, in which 17 percent of foreign-born workers are employed.

For those with graduate degrees, many come to the U.S. with visas sponsored by their employers or education visas and can put their high-level of training to good use. However, there are also many immigrants and refugees to the Commonwealth who struggle to find employment that matches their skill sets due to language barriers or challenges obtaining the necessary certifications and licenses to work in the U.S. In Massachusetts, roughly one in ten residents speak English less than very well or has low English proficiency and one in 20 live in a linguistically isolated household; many of these residents are immigrants. To enhance the productivity of foreign-born workers with low levels of English language proficiency the Commonwealth invests in English for Speakers of Other Languages (ESOL) services. The state's investment, however, has not kept pace with growth in the population.

As with the nation, immigration and other factors are leading to Massachusetts becoming more racially and ethnically diverse. The share of the population that identifies as white non-Hispanic 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 48**). The state's population is older than the nation as a whole, with a median age of 40.1 compared to 39.2 for the nation in 2024. The Commonwealth has the lowest median age in New England, primarily due to the presence of higher education institutions.

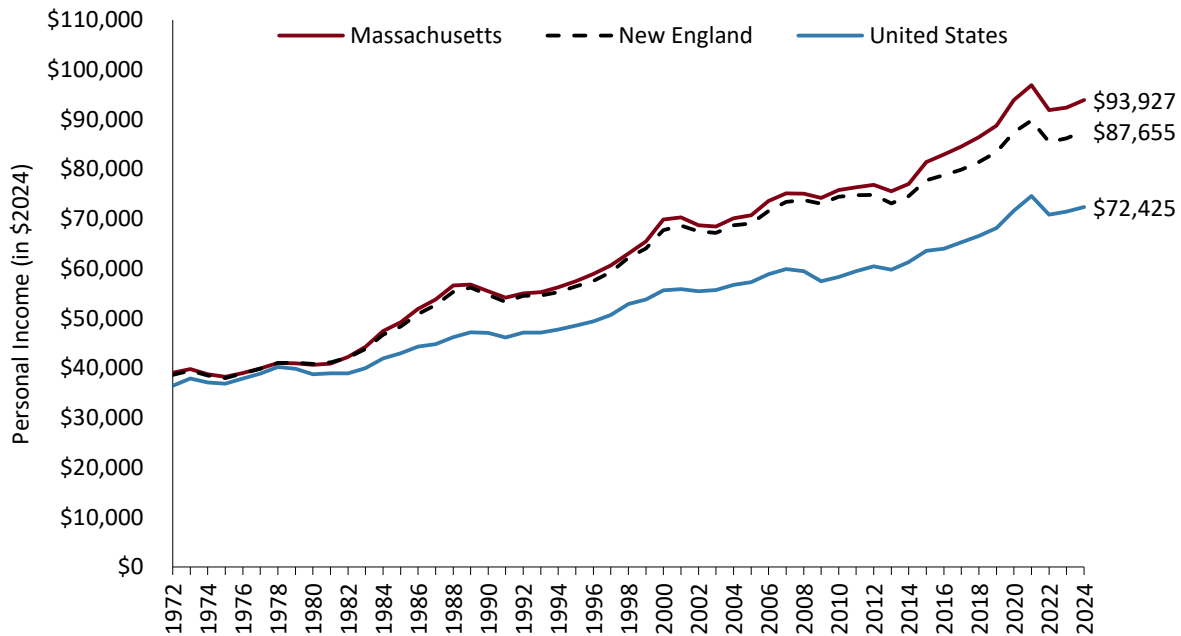
Figure 48. Share of Total Massachusetts Population by Race and Ethnicity in 2010 and 2020

Source: 2010 Source Data: Census 2010 Summary File 1; 2020 Source Data: Census 2020 PL-91-171; UMDI analysis

Income

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 2024, Massachusetts had the highest real per capita personal income in the nation, excluding the District of Columbia. In 2024, the Commonwealth's real per capita income was almost \$94,000 compared to approximately \$88,000 in New England and just over \$72,000 in the U.S. (**Figure 49**). High inflation in 2021-2022 eroded some purchasing power for consumers nationwide, and so inflation adjusted incomes in 2022 were lower than in 2020 or 2021 but bounced back in 2023 and 2024 as inflation eased. The relatively high-income levels reflect the high level of education and the concentration of high-wage industries such as health care, professional services, and finance and insurance. The poverty rate is lower in Massachusetts than in the nation at 9.7 percent compared to 12.2 percent according to the 2024 One-Year American Community Survey. However, in several cities, the poverty rate exceeds the state average. For example, in the Gateway cities of Springfield and Worcester poverty rates were 23.8 percent and 17.6 percent, respectively. Boston is also above the state average with a rate of 16.5 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.

Figure 49. Real Per Capita Personal Income in Massachusetts, the United States, and New England, 1971-2024 (in \$2024)



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

Education

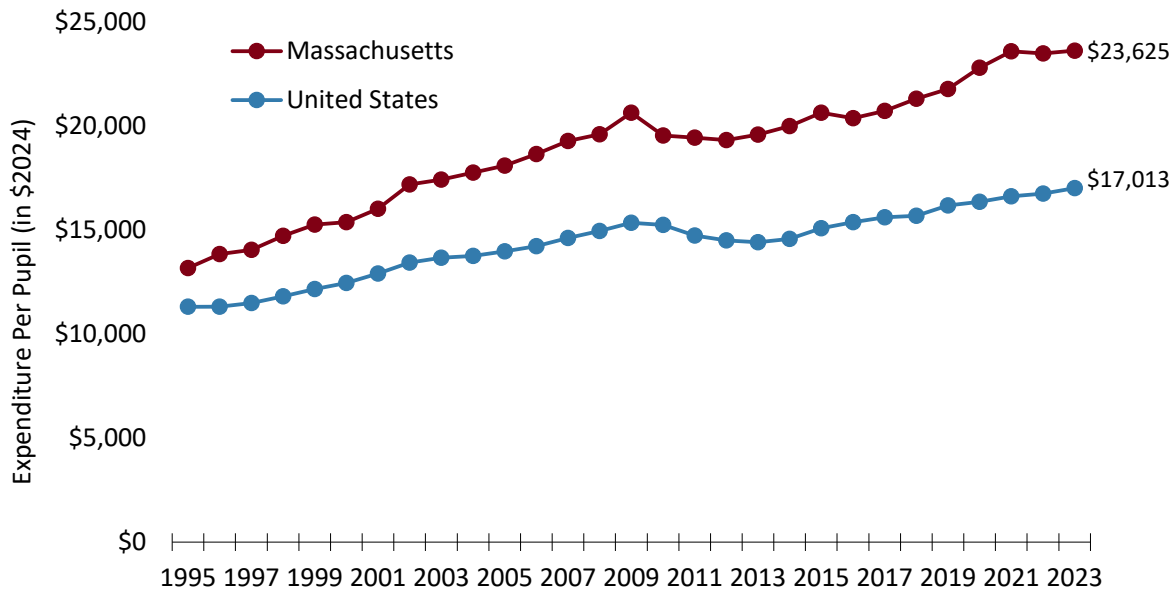
The presence of a skilled and well-educated population is an important resource for the Commonwealth. At the primary and secondary level, the state invests more than the national average in its public schools (**Figure 50**). Furthermore, students in Massachusetts's K-12 public schools consistently outperform their peers in the U.S. on national assessments. The state has the most well-educated population in the country, with over 48.3 percent of all residents 25 years of age or older earning a bachelor's degree or more. However, educational attainment varies significantly across racial groups: Black and Hispanic residents are less likely to have a bachelor's degree than the state average, at 32 percent and 23 percent respectively. Fifty-two percent of white residents and 66 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 51**). For adults without a high school diploma and/or low English proficiency, the state has recently increased investment in adult basic education and English for speakers of other languages services through its Department of Elementary and Secondary Education. For adults with a high school diploma but no college degree (associates or bachelor's), the state launched a program in fiscal year 2024 called MassReconnect which offers free tuition at Massachusetts's 15 public community colleges.³⁹ Implementation of this program started in Fall 2023,

³⁹ <https://www.mass.edu/osfa/programs/massreconnect.asp>

and the effects of which will start being seen in the coming years as the first cohorts of students complete their degrees.

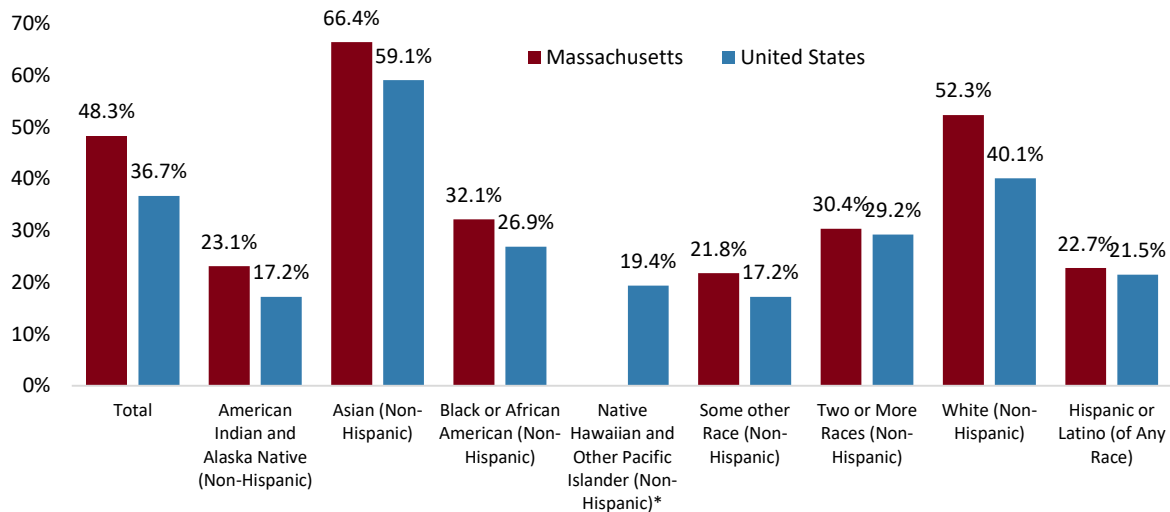
The well-educated population supports and is a product of the concentration of elite public and private colleges and universities in the state. Educational services is the third largest industry in Massachusetts in terms of jobs. Nearly half a million students are enrolled in higher education in the state. The number of international students has rebounded from pandemic-era lows of 66,000 in the 2020/2021 academic year to an all-time high of 84,097 international students in the 2024/2025 academic year. Recent actions by the Trump administration to limit or terminate student visas are likely to have a negative impact on higher education institutions in the Commonwealth, as Massachusetts attracts a significant number of foreign students. Aside from contributing to academic research, the educational, and eventually the labor market, international students are also more likely to pay full tuition at Massachusetts colleges and universities.

Figure 50: Per Pupil Expenditure in Public Elementary and Secondary Schools (in \$2024)



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

Figure 51. Persons in Massachusetts and the United States 25 Years and Older with a Bachelor's Degree or Higher by Race and Ethnicity in 2024



Source: U.S. Census Bureau, 2024 1-Year American Community Survey via Social Explorer; UMDI analysis.

*Note: The estimate for Native Hawaiian and Other Pacific Islander (Non-Hispanic) in Massachusetts cannot be displayed because there were an insufficient number of sample cases in the selected geographic area.

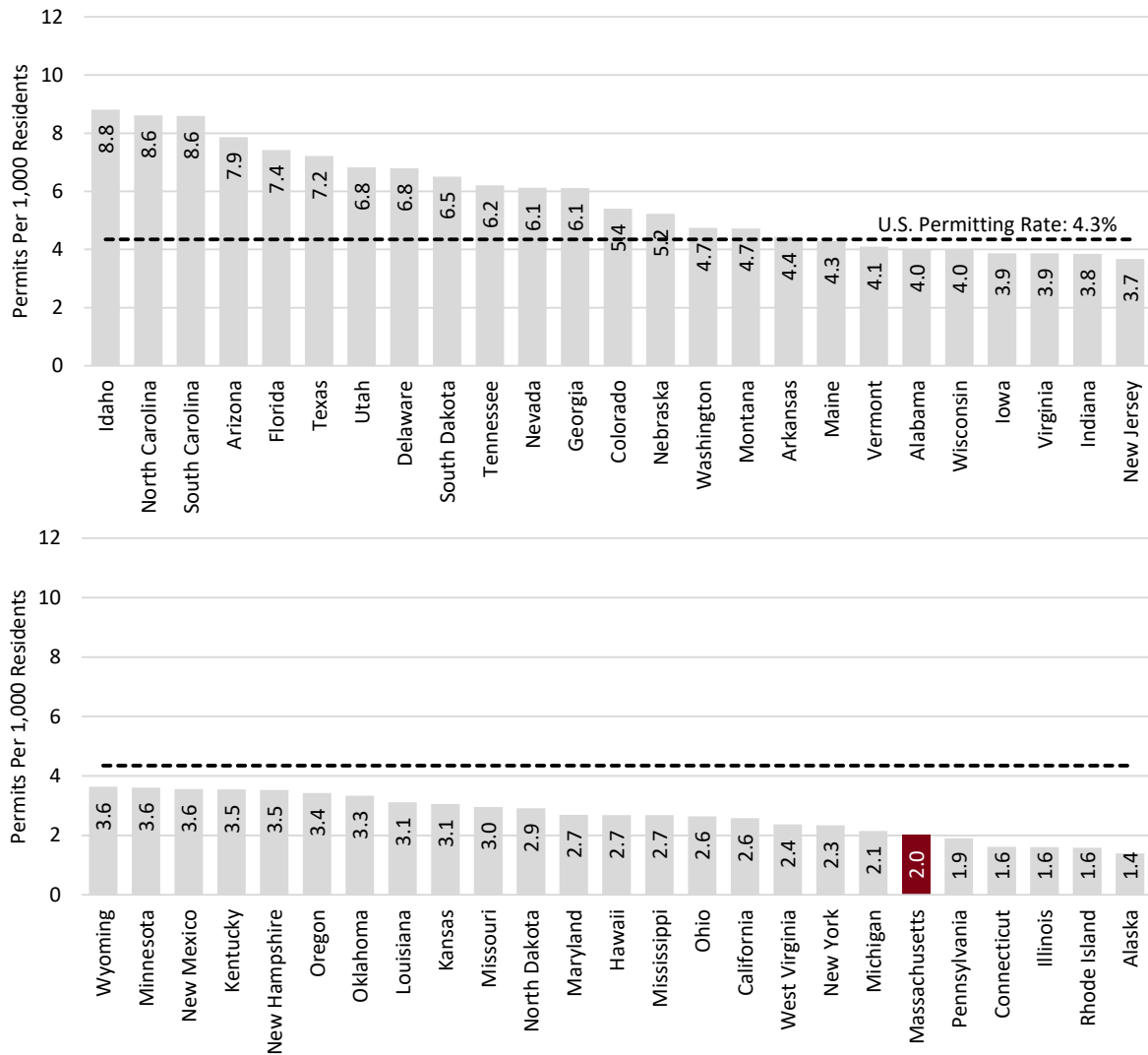
Housing

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 remain high across the Commonwealth, driven in part by population and economic growth and inadequate housing production over the last couple of decades. The sales price of existing homes continued to increase, but at a slower rate. In 2025, median single-family home prices increased to \$665,000 from \$640,000 in 2024, a 3.9 percent increase.⁴⁰ Prices have remained well above the national median of existing homes, which according to the National Association of Realtors was \$405,000 in 2025.⁴¹ Construction is not keeping up with demand. Nationally, the number of building permits decreased 2.2 percent from 2023 to 2024. In Massachusetts, permits decreased 25 percent between 2022 and 2023 before rebounding by 8.5 percent the next year.⁴² Massachusetts ranks sixth lowest in the nation when building permits are adjusted for population (**Figure 52**).

⁴⁰ Massachusetts Association of Realtors, December 2025 Closed Sales Report. <https://www.marealtor.com/market-data>

⁴¹ National Association of Realtors, Existing-Home Sales. <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

⁴² U.S. Census Bureau, Building Permits Survey. <https://www.census.gov/construction/bps/index.html>

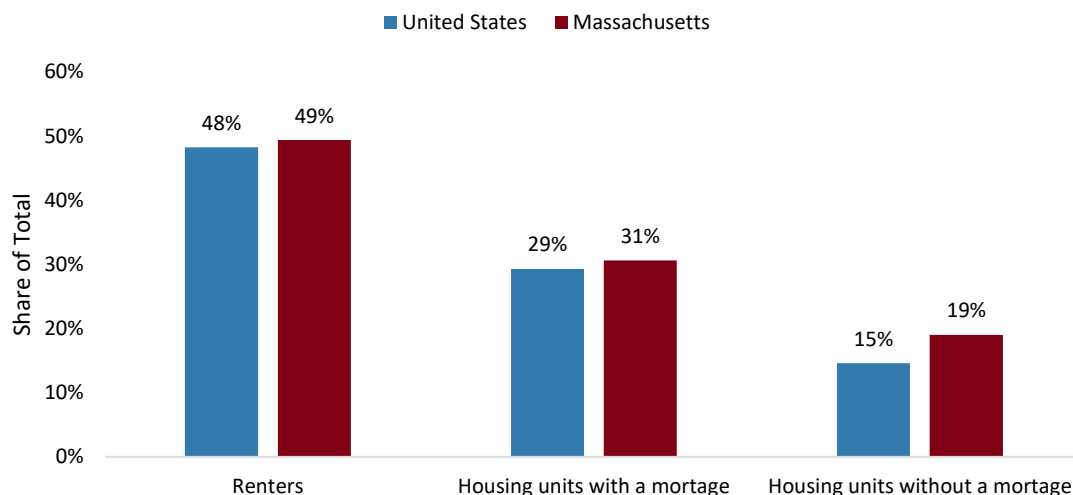
Figure 52. Building Permits Per 1,000 Residents by State, 2024

Source: U.S. Census Bureau Building Permits Survey; U.S. Census Bureau Population Estimates Program.

The increase in sale prices and the low supply of homes for sale has translated into high rental costs. In addition, low vacancy rates have contributed to higher costs. Mirroring rates in the U.S., nearly half of renters are cost burdened, meaning they spend over 30 percent of their income on housing costs (**Figure 53**). In contrast, 29 percent of owners with a mortgage are 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. 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

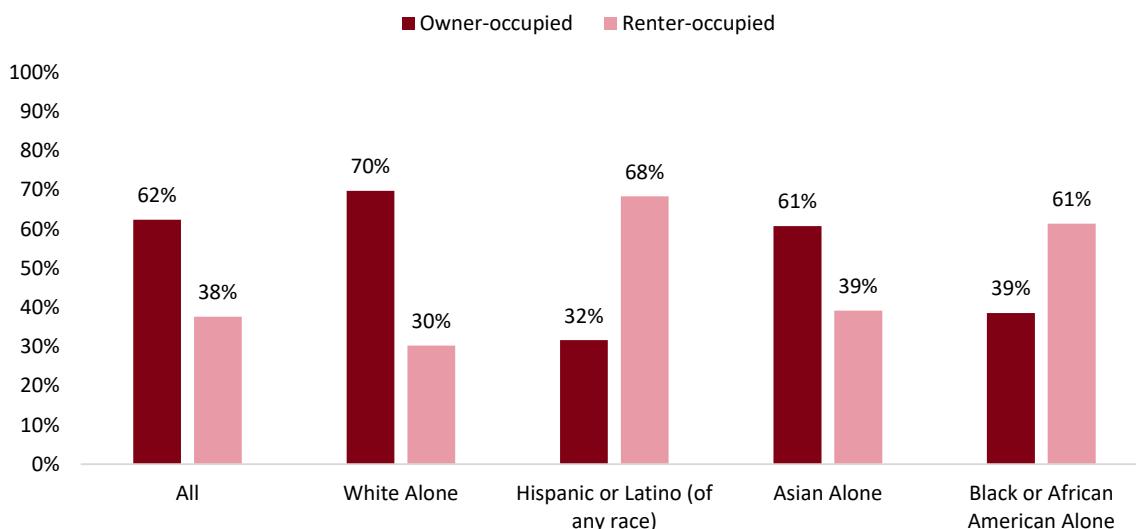
racial and ethnic identity were a primary factor in the determination of loan risk, leading to the racist assignment of lower ratings to communities of color than neighboring and similar white communities. This system kept people of color from buying their own homes, one of the most important forms of 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 53. Housing-Cost-Burdened Households by Housing Tenure in Massachusetts and the United States (Spending 30 Percent or More of Income on Housing Costs)



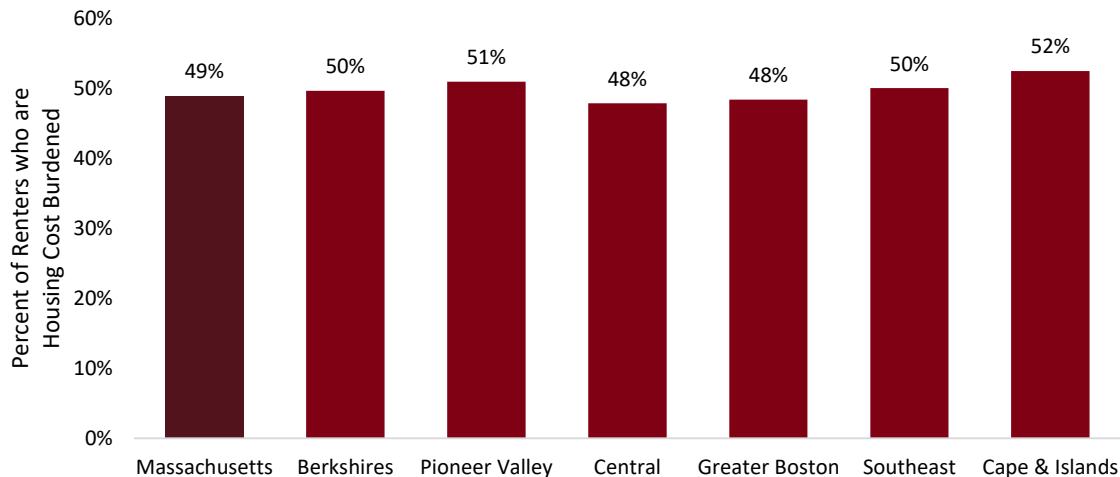
Source: ACS 2024 1-Year Estimate, via Social Explorer.

Overall, 62 percent of households in Massachusetts are owner-occupied and 38 percent are renter-occupied. The majority of white and Asian households own their homes and Black and Latino households are more likely to rent (**Figure 54**). 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.

Figure 54. Housing Tenure in Massachusetts in 2024 by Race and Ethnicity

Source: ACS 2024 1-Year Estimate, Table B25003, A through I. Via Social Explorer.

Renters face higher rates of housing cost burden than owners do. In Massachusetts overall, the housing cost burden is slightly higher than nationwide. Almost half of all renters in Massachusetts pay 30 percent or more of the household income for their housing. In some regions, this is even higher (**Figure 55**). Differences in both earnings and rents across the state mean that some of the highest incidences of burden are in some of the lowest wage regions: the Pioneer Valley, Southeast, and the Berkshires. Surprisingly, given high prices in the region, the rate of renter cost burden in Greater Boston (which in this analysis, includes the counties north of Suffolk as well) is slightly lower than the state average, as is Central, where wages and rents are comparatively lower. Unsurprisingly, the Cape and Islands region, where high housing costs reflect the tourism and housing demand, has the highest incidence of housing cost burden for its renters, some of whom face lower wages given the industry mix and wages in the occupations available.

Figure 55: Renter Housing Cost Burden in Massachusetts Regions, 2024

Source: U.S. Census Bureau, 2024 1-Year American Community Survey, Table B25070

In recent years the state has taken steps to address the housing crisis. With the goal of increasing housing production, particularly near transit hubs, the Commonwealth passed legislation to amend the state Zoning Act. The Massachusetts Bay Transportation Authority (MBTA) communities law includes several provisions to remove zoning-related barriers to housing production. The law 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 requires “by right”, multi-family zoning in 177 MBTA communities. Communities that fail to comply with the law shall not be eligible for certain funds from the State. As of April 10, 2026, 166 communities have submitted and/or adopted zoning to comply with the law and 154 have been determined to be compliant by the Executive Office of Housing and Livable Communities.⁴³ Governor Healey’s Affordable Homes Act was signed into law in August 2024. The bill authorized \$5.2 billion in spending and numerous policy changes to support the construction of housing and address the housing crisis in the state. Notably, it legalizes accessory dwelling units statewide in single-family zoning districts effective February 2025. In February 2025, Governor Healey also released the first statewide housing plan for Massachusetts and set a goal to increase the number of homes in Massachusetts by 222,200 units by 2035.

⁴³ “Multi-Family Zoning Requirement for MBTA Communities,” accessed February 3, 2026, <https://www.mass.gov/info-details/multi-family-zoning-requirement-for-mbta-communities>.

EXHIBIT B

STATUTORY BASIS FINANCIAL REPORT

Commonwealth of Massachusetts

STATUTORY BASIS FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2025



Commonwealth of Massachusetts



Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2025

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

Mallard Duck Landing With A Splash

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Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2025

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Honorable Michael J. Rodrigues, Chair
Senate Committee on Ways and Means
State House, Room 212
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Mr. Timothy Carroll
Clerk of the House of Representatives
State House, Room 145
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Mr. Michael D. Hurley
Clerk of the Senate
State House, Room 335
Boston, MA 02133

Legislative filing to be made in the LAWS system

The Office of the Comptroller hereby files the Commonwealth's Statutory Basis Financial Report (SBFR) for Fiscal Year 2025, the 12-month period ended June 30, 2025.

The SBFR provides independent and unbiased accounting of Commonwealth revenues and expenditures for Fiscal Year 2025. The SBFR was prepared by the professional staff of the Office of the 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.

M.G.L c. 7A, § 12, requires the Comptroller 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. As in each of the last seven cycles, that deadline has been missed substantially.

The final supplemental budget for Fiscal Year 2025 (“the closeout supp”) was signed on November 25, 2025, well past that statutory deadline. It was at this point that final year-end transfers and transactions could begin, managed mainly by the Executive Office for Administration & Finance with the support of the Office of the Comptroller. Finally, the exacting work of building the SBFR was able to proceed in December and January.

Although its timing is late, the content of the Fiscal Year 2025 SBFR is a very positive story for the Commonwealth:

First, the continued growth of revenues reflects the vitality of the Massachusetts economy and the hard work of the Commonwealth’s residents and businesses.

Second, as a statutory-basis report, the SBFR reflects the decisions of the Commonwealth’s elected officials, with the detail required for understanding and accountability. The Fiscal Year 2025 edition continues the long record of sound fiscal management, including healthy ending balances in the General Fund and in the Stabilization Fund.

Third, our ability to build this detailed and accurate report reflects the capability of the Commonwealth’s financial and administrative professionals. In every region of the state, and in departments that vary dramatically in size, mission, and structure; there are dedicated financial and management professionals who have chosen state service as their passion. Their skills and hard work are foundational not just to this report, but to the operation of state government.

In addition to thanking our colleagues in departments statewide, I thank the key partner organizations to the Office of the Comptroller. That includes the Executive Office for Administration & Finance, the Office of the Treasurer and Receiver-General, and the Office of the State Auditor, each of which plays a critical role at the center of state finance. I thank them all for their partnership in Fiscal Year 2025 and throughout the process of creating this report.

Within the Office of the Comptroller, the issuance of the SBFR is one of our most serious duties and most important annual milestones. I thank Assistant Comptroller & Chief Financial Reporting Officer Pauline Lieu and every member of her team, as well as Senior Advisor Howard Merkowitz. I also recognize our Statewide General Accounting Team, under the leadership of Assistant Comptroller & Chief Accounting Officer Kristin Lacroix. For both groups, the SBFR represents not just a yearly deliverable, but the outcome of a full year of work and engagement with departments, with the other key teams in the Office, and with our independent auditors.

Sincerely,



William McNamara
Comptroller of the Commonwealth

Report Summary

As of June 30, 2025, the Commonwealth had a budgeted fund balance of approximately \$14.020 billion and completed FY25 with a balanced budget, or a “consolidated net surplus” of zero. (See below for the statutory definition of consolidated net surplus and a balanced budget.) However, prior to calculating the consolidated net surplus, per a provision in the FY25 final supplemental budget, \$297 million in capital gains tax revenue was retained in the General Fund to eliminate deficits in the funds included in the calculation of the Commonwealth’s consolidated net surplus.

During the fiscal year, the balance of the Commonwealth Stabilization (or rainy day) Fund decreased by \$413 million, to \$8.111 billion, primarily the result of provision in the FY24 final supplemental appropriations bill that required all FY24 interest earned on the Fund’s balances be transferred to the Commonwealth Federal Matching and Debt Reduction Fund. and a provision incorporated in statute that all future interest earned on the Stabilization Fund’s balances (including FY25 interest) be transferred to the Commonwealth Federal Matching and Debt Reduction Fund. (The [Budgeted Funds – Operations](#) table on page 10 displays the FY25 summary of budgeted funds compared to FY24. Details of the FY25 Stabilization Fund activity are provided on pages 12-15 and page [178](#).) The total budgeted fund balance of \$14.020 billion reflects a reduction in budgeted fund balances (revenues and other financing sources less than expenditures and other financing uses) of approximately \$984 million from the FY25 beginning balance of \$15.004 billion. This follows an FY24 operating loss of \$334 million. In addition to the \$8.111 billion reserved in the Stabilization Fund, \$921 million is held in the General Fund (all of which is reserved for FY25 appropriations continued into FY26, referred to as “PACs”), \$966 million is held in the Transitional Escrow Fund (including \$496 million for PACs), which was created at the end of FY21 to hold that year’s budget surplus as well as the surplus in FY22 and FY23 ending balances, and \$4.022 billion is held in other budgeted funds, primarily the three education and transportation funds financed by the “fair share” 4% surtax on incomes over \$1 million, which hold \$2.993 billion, including \$1.212 billion reserved for PACs. For all budgeted funds, \$2.743 billion is reserved for PACs.

During FY25, budgeted fund tax revenues increased by \$2.872 billion, or 7.5%, from FY24, with the increase primarily due to growth in personal income taxes. Before transfers between budgeted funds (which do not affect total budgeted fund balances), total budgeted fund revenues and other financing sources increased by \$5.367 billion, or 8.7%. Budgeted fund expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) increased by \$6.017 billion, or 9.7%, with the largest changes being new spending on Transportation and Education projects from revenue generated by the “Fair Share” 4% personal income tax surtax, growth in Medicaid expenditures, increases in local aid spending, growth in post-employment benefits, and spending for family shelters. 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 non-budgeted 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 FY25 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 (the largest of which funds Unemployment Insurance benefits) 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 more consistent 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 ("modified cash basis").

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 many budgeted funds (including the Transitional Escrow Fund and those funded by the 4% surtax through the education and transportation-related funds) 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 in FY25 was the General Fund, which accounted for 87.2% of total expenditures and other financing uses, and the Commonwealth Transportation Fund, the Education and Transportation Fund, and the Transitional Escrow Fund which together accounted for an additional 8.6% of spending. The remaining approximately 4.2% of budgeted fund activity comprises 23 other funds, 17 of which by statute are excluded from the consolidated net surplus calculation.

In accordance with [Section 12 of Chapter 7A of the Massachusetts General Laws \(MGL\)](#), the Office of the Comptroller is required to transmit the SBFR by October 31st. However, due to the fact that the final FY25 supplemental budget bill was not enacted and signed into law until November 25, 2025, this SBFR is being transmitted on January 28, 2026 in order to provide sufficient time to accurately incorporate that 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, 2025 is reviewed, not audited, by the state's independent auditor, CliftonLarsonAllen ("CLA"), and represents the closing of the Commonwealth's books for the fiscal year.

The Economic Context

The funding available to the Commonwealth to finance its programs is determined largely by the performance of the state's economy, particularly growth in employment, wages and investment income, 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 FY25, the Commonwealth's economy continued to recover from the economic impact of the global Coronavirus or COVID-19 pandemic, though growth moderated as the economy reached full employment. Between June 2024 and June 2025, employment increased by approximately 3,000 jobs, or 0.1%, compared to increased employment of 1.0% for the United States as a whole. As of June 2025, the Massachusetts unemployment rate was 4.8%, compared to 4.1% nationally. As the Massachusetts economy reached full employment, wages and salaries, which largely determine personal income tax collections, grew slightly less than the national average, by 4.6% from FY24, compared to 4.9% median growth rate of all other states.

The Budgeted Funds

The FY25 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY25 tax revenue estimate of \$41.502 billion prior to tax initiatives (and excluding \$50 million in tax settlements greater than \$10 million each) and \$1.050 billion in personal income tax revenue estimated to be generated by a 4% surtax on incomes above \$1 million that was in effect for all of FY25.

The GAA tax revenue estimate was increased by a net of \$210 million, to \$41.712 billion, including tax law changes included in the budget that were forecasted to increase FY25 tax revenues by \$100 million, \$50 million in assumed tax-related settlements and judgments exceeding \$10 million, and \$60 million generated from increased tax enforcement and elimination of tax certain tax loopholes. \$38.914 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.798 billion to be deposited into non-budgeted funds, including transfers of sales tax revenue of \$1.465 billion dedicated to the Massachusetts Bay Transportation Authority, \$1.305 billion dedicated to the Massachusetts School Building Authority, and \$27 million in Unemployment Insurance surcharges allocated to the non-budgeted Workforce Training Funds. In addition, the estimate assumed that \$138 million of capital gains tax revenues would be transferred to the Stabilization Fund, State Pension Fund, and State Retiree Benefits Trust Fund. Subsequent to the enactment of the FY25 General Appropriation Act, there were no revisions to the FY25 tax revenue estimate.

The GAA also assumed budgeted fund non-tax revenue of \$24.777 billion, including \$14.369 billion in federal reimbursements, \$6.297 billion in departmental revenue, and \$4.111 billion in consolidated transfers, or transfers from non-budgeted to budgeted funds. Total budgeted fund tax and non-tax revenues assumed in the GAA (excluding the non-budgeted fund portions allocated to the MBTA, MSBA, and Unemployment Insurance surcharge) was \$63.691 billion.

FY25 spending authorizations, including direct appropriations and retained revenue included in the General Appropriation Act (GAA) and FY24 appropriations continued to FY25, totaled approximately \$66.207 billion, including approximately \$4.500 billion in required pension contributions.

Approximately \$5.451 billion in supplemental appropriations were authorized during FY25, \$2.774 billion of which were enacted by June 30, 2025. Subsequent to year end, a supplemental budget was enacted totaling approximately \$2.677 billion in new appropriations. Of the FY25 appropriations included in the GAA and supplemental budgets, \$2.743 billion was authorized to be continued into FY26.

The year's significant supplemental appropriations (some of which were carried forward and reappropriated to be expended in FY26):

- \$2.046 billion for MassHealth (Medicaid) services;
- \$1.411 billion appropriated from revenues generated from the 4% "Fair Share" surtax, including:
 - \$585 million for MBTA and RTA programs including a deficiency fund, workforce safety, capital investments, and means tested fares
 - \$235 million for other transportation related projects, including supplemental local transportation projects, snow and ice removal, small bridge repair, and water transportation
 - \$438 million for K-12 programs, including circuit breaker reimbursements, capital improvements for vocational schools, local education capital projects, early literacy programs, and school meals
 - \$153 million for higher education programs, including for deferred maintenance, supplemental financial aid, and endowment matches
- \$600 million for a family shelters and services reserve
- \$240 million state employee health insurance costs

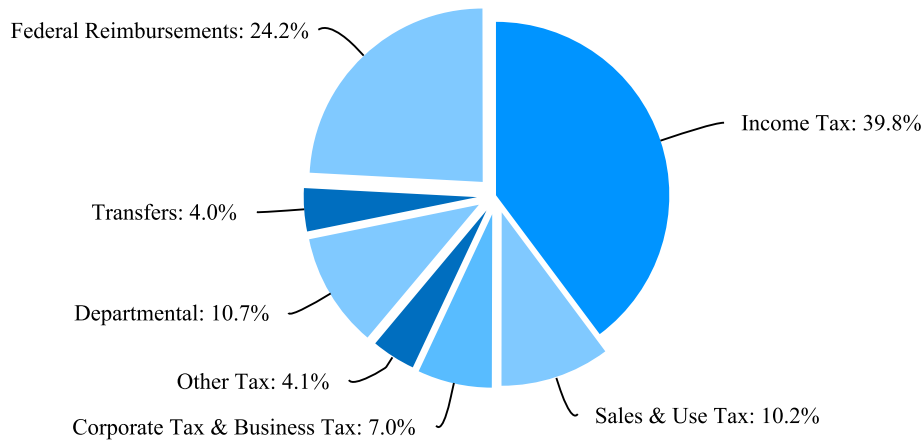
- \$200 million for collective bargaining costs
- \$156 million to fund a transfer from the Medical Assistance Trust Fund to hospitals that treat large numbers of Medicaid-eligible patients
- \$122 million for fiscally strained hospitals

FY25 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 total budgeted fund balances) totaled \$67.102 billion, an increase of \$5.367 billion, or 8.7%, from FY24. Most of this increase from FY24 was due to growth in tax revenue and federal reimbursements. These changes are discussed below.

FY25 tax revenues ended the year at \$43.822 billion (including \$58 million in tax settlements exceeding \$10 million each), of which \$41.011 billion was deposited in the budgeted funds after accounting for the transfer of sales tax revenue of \$1.443 billion to the Massachusetts Bay Transportation Authority and \$1.283 billion to the Massachusetts School Building Authority, and \$27 million in unemployment tax surcharges to the Workforce Training Fund. Tax revenue deposited in the budgeted funds increased by \$2.872 billion, or 7.5%, from FY24, \$2.097 billion above the final FY25 estimate, with above-forecast revenue due almost entirely to growth in the personal income tax (see following paragraph).

The \$2.872 billion increase in budgeted fund tax revenues between FY24 and FY25 was primarily the result of growth in personal income tax revenues, partially offset by the implementation of certain tax reforms, which reduced FY25 income tax revenues by \$179 million. Total personal income tax collections totaled \$26.712 billion, an increase of \$2.600 billion, or 10.8%, which included “fair share” 4% surtax revenues of \$3.049 billion, up of \$633 million, or 26.2%. Personal income tax withholding totaled \$19.056 billion, an increase of \$1.089 billion or 6.1% as there was healthy growth in wages and salaries in FY25. Non-withheld personal income tax (primarily quarterly estimated tax payments and final payments with tax returns, reduced by refunds), totaled \$7.656 billion, up \$1.511 billion, or 24.6%, and up by \$1.690 billion, or 27.5%, when adjusted for the impact of tax law changes, due mainly to an increase in capital gains taxes, both those collected on incomes of less than \$1 million and those that were part of the fair share surtax. According to estimates from the Department of Revenue, non-fair share capital gains totaled \$2.696 billion, up \$687 million or 34.2%, from FY24, and fair share capital gains taxes totaled approximately \$1.189 billion, \$537 million, or 82.3%, above fair share tax capital gains taxes collected in FY24. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) totaled \$4.670 billion, a decrease of \$163 million, or 3.4%, and revenue from sales and use taxes (including regular sales, meals, and motor vehicle sales tax, but excluding cannabis sales tax and the revenues allocated to the MBTA and MSBA) totaled \$6.859 billion, up \$233 million, or 3.5%, including a \$162 million, or 3.2%, increase in regular sales tax and a \$71 million, or 4.6%, increase in meals tax, with motor vehicle sales tax virtually unchanged (up \$1 million) from FY24. Other notable tax revenue sources included motor fuels taxes, which totaled \$707 million, down \$7 million, or 0.9% from FY24, deeds excise tax revenues, which totaled \$334 million, up \$30 million, or 10.0%, cannabis sales and excise taxes, which totaled \$253 million, up \$15 million, or 6.2%, as the legal cannabis market continued to expand, and estate and inheritance taxes, which totaled \$740 million, an increase of \$166 million, or 28.9%, as this continued to be a volatile revenue source.

**Fiscal Year 2025 Budgeted Fund Revenues and Other Financing Sources
Before Transfers Between Budgeted Funds (Total of \$67.102 billion)**



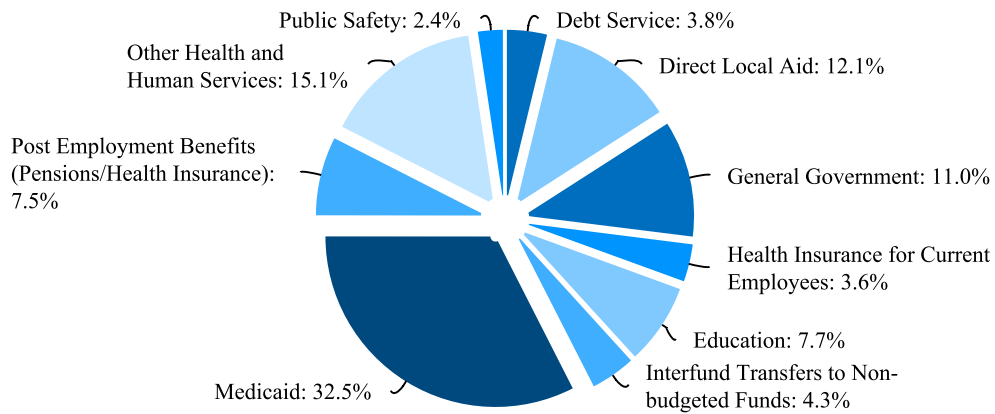
Budgeted fund federal reimbursements totaled \$16.210 billion, an increase of \$1.606 billion, or 11.0%, with the increase resulting primarily from growth in reimbursements for Medicaid expenditures (see explanation of Medicaid expenditure changes on the following page). Medicaid federal reimbursements totaled \$14.486 billion, an increase of \$1.268 billion, or 9.6%.

Budgeted fund departmental and other non-federal revenue totaled \$7.187 billion, an increase of \$758 million, or 11.8%, from FY24. Most of this growth was in tobacco settlement revenues, which totaled \$875 million, up \$688 million, with virtually all of that increase resulting from the resolution of outstanding claims from prior years. Other significant sources of growth included payments from the University of Massachusetts to the Commonwealth, which totaled \$189 million, an increase of \$141 million, or 300.9%, from FY24, and reimbursements from cities and towns for GIC health insurance benefits paid on their behalf, which totaled \$719 million, up \$64 million, or 9.8%, as health insurance costs continued to rise from FY24. This growth was partially offset by a decline in interest earnings, which fell by \$193 million, from \$980 million in FY24 to \$787 million in FY25, as a primarily the result of lower average balances in the General Fund in FY25 than in FY24. Other significant revenue sources include fees received by the state, which totaled \$1.298 billion, up \$26 million, or 2.0%.

Interfund transfers from non-budgeted funds to the budgeted funds totaled \$2.694 billion, an increase of \$130 million, or 5.1%, from FY24. Gaming revenues transferred to the budgeted funds totaled \$422 million, up \$77 million, or 22.3% from FY24. Lottery Fund transfers to the General Fund totaled \$1.032 billion, a decrease of \$93 million, or 8.3% (see *Lottery and Gaming* section on page 11). Fringe benefit and indirect cost recovery from non-budgeted funds totaled \$695 million, up \$13 million, or 1.9% from FY24, with increases in the fringe benefit rate and offset by lower spending in federal grant accounts that are charged that rate.

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 FY25 and after. For FY25, the statutorily required transfer was 100% of tobacco settlement revenues; however, the FY25 final supplemental appropriations act suspended that requirement, resulting in no FY25 transfer to the SRBTF.

**Fiscal Year 2025 Budgeted Expenditures and Other Financing Uses
Before Transfers Between Budgeted Funds (Total of \$68.086 billion)**



FY25 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$68.086 billion, an increase of \$6.017 billion, or 9.7%, from FY24, with the increase primarily attributable to growth in local aid, pensions, higher education, transfers to hospitals that treat large numbers of Medicaid-eligible patients, and spending of revenue generated by the 4% personal income tax surtax.

Spending on programs and services totaled \$57.491 billion, an increase of \$4.086 billion, or 7.7%, from FY24. Medicaid expenditures totaled \$22.129 billion, an increase of \$2.059 billion, or 10.3%, from FY24, due to growth in Medicaid caseloads and the general increase in healthcare costs, particularly in costs for nursing home care covered by Medicaid. Spending on other Executive Office of Human Services programs totaled \$10.282 billion, an increase of \$868 million, or 9.2% from FY24, including spending for residential and daily services at the Department of Developmental Services, which increased by \$387 million, or 23.7%, from FY24, adult mental health services, which grew by \$109 million, or 18.5%, and behavioral health workforce supports, which increased by \$107 million. Across executive offices, spending on shelters increased by \$236 million, or 31.4%. Spending for direct local aid (both education aid and unrestricted aid), at \$8.248 billion, was up \$300 million, or 3.8%, from FY24, higher education spending (separate from \$264 million in spending of revenues from the 4% surtax — see below and on [page 185](#)) totaled \$1.835 billion, an increase of \$71 million, or 4.0%, from FY24. Spending on state employee health insurance benefits paid through the Group Insurance Commission (including benefits for retiree health insurance) increased by \$235 million, or 8.6%, from \$2.736 billion to \$2.971 billion, as a result of increasing health care costs under the Commonwealth’s self insured health plans. These increases were partially offset by decreases in Covid 19-related spending, with expenditures and other financing uses from the Federal COVID-19 Response Fund dropping from \$2.386 billion in FY24 to \$7 million in FY25.

As noted above, approximately \$3.049 billion was generated in FY25 by the “Fair Share” 4% personal income surtax. The surtax revenues fund three different funds, with the revenues initially being deposited in the Education and Transportation Fund and then, after meeting certain threshold, are transferred to the Education and Transportation Reserve Fund, and the Education and Transportation Innovation and Capital Fund. In FY25, approximately \$1.510 billion of those revenues was expended on various budgeted fund transportation and education programs, an increase of \$607 million, or 67.2%, from FY24. The most significant expenditures funded by the fair share tax were:

- \$289 million for subsidies and grants to childcare providers
- \$170 million for school meals programs funding

- \$135 million for free community college program funding
- \$125 million for supplemental chapter 90 (transportation) local aid to cities and towns
- \$121 million for regional transit funding and grants
- \$100 million for a transfer to Student Opportunity Act Investment Fund
- \$90 million for Massachusetts Bay Transportation Authority (MBTA) Funding
- \$80 million for higher education financial aid expansion
- \$61 million for MassDOT Snow and Ice Removal Costs
- \$37 million for supplemental education local aid
- \$26 million for higher education endowment matches
- \$21 million for water transportation funding
- \$20 million for subsidies and grants to childcare providers

At the close of FY25, the surtax related funds had ending balances totaling \$381 million in the Education and Transportation Fund, \$429 million in the Education and Transportation Reserve Fund, and \$2.183 billion in the Education and Transportation Innovation and Capital Fund.

Transfers to the state and teachers' pension funds totaled \$4.498 billion in accordance with the Commonwealth's actuarially-determined pension funding schedule, an increase of \$394 million, or 9.6%, from FY24, and an additional pension contribution of \$29 million from capital gains tax taxes, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold. As a result, total FY25 contributions to the pension fund totaled \$4.526 billion an increase of \$393 million, or 9.5% from FY24. Budgeted fund debt service totaled \$2.600 billion, up \$175 million, or 7.2%, from FY24.

Interfund transfers from budgeted to non-budgeted funds totaled \$2.901 billion, an increase of \$1.381 billion or 90.9%, from FY24 with the largest increases being transfers of \$827 million of FY24 and FY25 interest earnings from the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund and \$640 million from the General Fund to the Medical Assistance Trust Fund (MATF) for payments to hospitals that treat large populations of lower income patients, an increase of \$135 million, or 26.8%, from FY24. Transfers to and payments from the MATF vary significantly from year-to-year depending on the timing of federal reimbursements. The MATF increase was partially offset by net reductions in other transfers.

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 on page 10 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 FY25, transfers among the budgeted funds totaled \$6.010 billion, an increase of \$1.801 billion, or 42.8%, from FY24. This net increase was primarily transfers from the General Fund due to revenue generated by the 4% surtax, the largest of which were a \$2.998 billion transfer in surtax revenue from the General Fund to the Education and Transportation Fund, an increase of \$798 million from FY24, and transfers totaling \$1.698 billion of that surtax revenue out of the Education and Transportation Fund to the Education and Transportation Reserve Fund, the Education and Transportation Innovation and Capital Fund, as required by the Constitution and statute to fund various education and transportation programs, an increase of \$498 million from FY24. It should be noted that the 4% surtax estimate was revised upward in December 2025 to \$3.049 billion, but per statute the FY25 transfer to the Education and Transportation Fund was based on the July 2025 estimate of \$2.998 billion, with the difference between the July and December estimates being transferred to the Education and Transportation Fund in FY26.

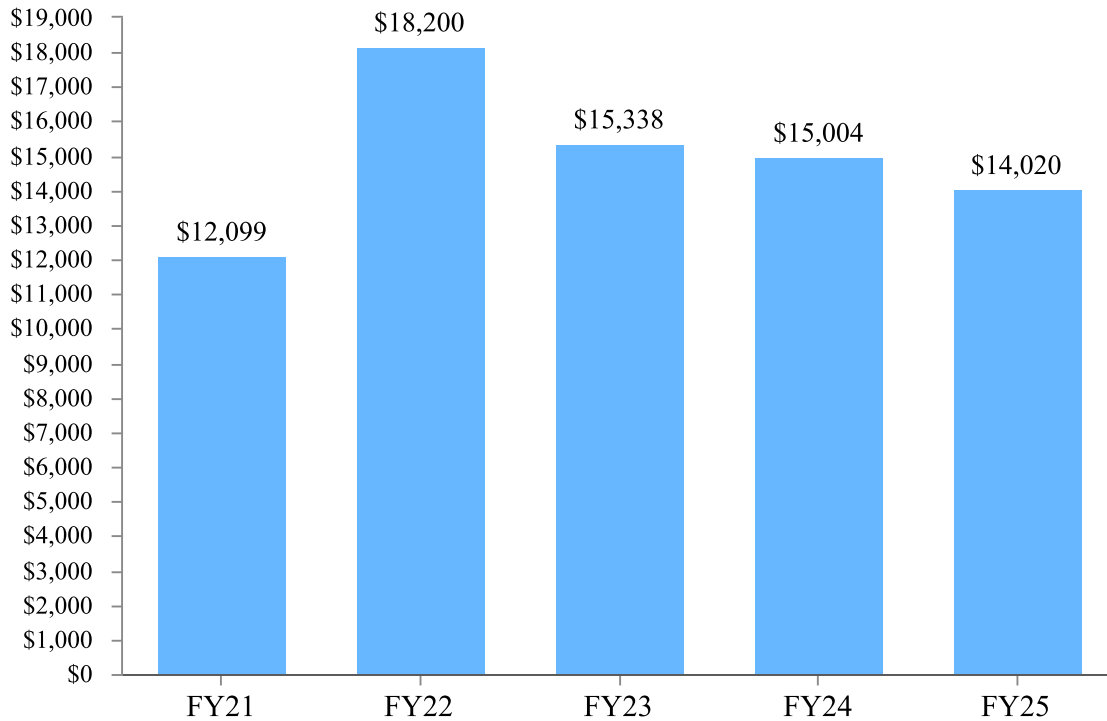
A detailed list of these FY25 interfund transfers is included in [Note 3](#) of the financial statements and [Schedule C](#) of the Supplemental Information section of this report.

The following table summarizes the beginning balances, revenues and expenditures, and ending balances of the Commonwealth's budgeted funds:

Fiscal Year 2025 Budgeted Funds - Operations
(Amounts in thousands)

	2025	2024
Beginning fund balances:		
Reserved and designated	\$ 3,172,368	\$ 4,577,541
Reserved for Stabilization Fund	8,523,632	8,036,051
Undesignated in Federal COVID-19 Response Fund	—	183,661
Undesignated in Transitional Escrow Fund	599,185	1,073,507
Other Undesignated	2,709,152	1,467,738
Total	15,004,337	15,338,498
Revenues and other financing sources:		
Taxes	41,010,733	38,138,472
Federal reimbursements	16,209,573	14,603,087
Departmental and other revenues, including tobacco settlement	7,186,892	6,428,758
Interfund transfers from non-budgeted funds and other financing sources	2,694,489	2,564,235
Budgeted revenues and other financing sources	67,101,687	61,734,552
Intragovernmental Service Fund revenues	542,135	517,842
Interfund transfers among budgeted funds and other financing sources	6,010,240	4,209,427
Total revenues and other financing sources	73,654,062	66,461,821
Expenditures and other financing uses:		
Programs and services	57,490,961	53,404,527
Debt service	2,599,850	2,424,559
Post employment benefits	5,093,997	4,719,755
Interfund transfers to non-budgeted funds and other financing uses	2,901,113	1,519,872
Budgeted expenditures and other financing uses	68,085,921	62,068,713
Intragovernmental Service Fund expenditures	542,135	517,842
Interfund transfers among budgeted funds and other financing uses	6,010,240	4,209,427
Total expenditures and other financing uses	74,638,296	66,795,982
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(984,234)	(334,161)
Ending fund balances:		
Reserved for Prior Appropriations Continued and Designated for Debt Service ..	2,763,023	3,172,368
Reserved for Stabilization Fund	8,110,684	8,523,632
Undesignated in Transitional Escrow Fund	469,952	599,185
Other Undesignated	2,676,444	2,709,152
Total	<u>\$ 14,020,103</u>	<u>\$ 15,004,337</u>

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



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

As of June 30, 2025, the ending budgeted fund balance was comprised of the \$921 million fund balance in the General Fund, \$966 million in the Transitional Escrow Fund, and \$8.111 billion in the Stabilization Fund. The remaining \$4.022 billion is held in various budgeted education, transportation, health care, and environmental and other funds, the vast majority of which are not included in the consolidated net surplus calculation, including \$2.993 billion in the education and transportation funds holding revenues generated by a 4% surtax on incomes over \$1 million, \$1.781 billion of which is “undesignated” and \$1.212 billion of which reserved for FY25 appropriations continued into FY26 (“prior appropriations continued, or PACs). Most of the remaining balance consists of \$768 million in the Student Opportunity Act Investment Fund. \$2.763 billion of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY26, including the surtax financed education and transportation funds.

Lottery and Gaming

The Commonwealth generates revenue from the State Lottery, as well as taxes on revenue at two casinos, a slot machine parlor, and sports betting. Gross Lottery revenues (including revenues from the Arts Lottery) declined from \$6.274 billion in FY24 to \$6.061 billion in FY25, a decrease of \$214 million, or 3.4%. Lottery profits, after deducting administrative expenses, debt service, and fringe benefit costs borne by and reimbursed by the Lottery to the General Fund, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gambling appropriations as mandated in the FY25 budget, totaled \$1.059 billion, a decrease of \$92 million, or 8.0%, from FY24. Of that \$1.059 billion in profits, and as mandated in the FY25 General Appropriation Act, approximately \$1.031 billion was transferred to the General Fund to fund so-called Unrestricted General

Government Aid (formerly Lottery Local Aid), \$27 million funded the Massachusetts Cultural Council appropriation, and \$1 million reimbursed a compulsive gambling program appropriation.

FY25 gaming-related revenue for both the budgeted and non-budgeted funds totaled approximately \$562 million, an increase of \$50 million, or 9.8%, from FY24, with most of the growth resulting from taxes on sports betting, which generated \$176 million, up \$40 million, or 29.8%, from FY24. Approximately \$422 million of gaming-related revenue was deposited in the budgeted funds, an increase of \$77 million, or 22.3%, from FY24. Budgeted fund revenue from the Plainridge slot machine parlor, equal to 40% of gross profits (or “gross gaming revenues”) from slot machines, totaled \$71 million, an increase of \$6 million, or 9.7% from FY24, tax revenue from the Everett and Springfield casinos, equal to 25% of gross gaming revenues, totaled \$229 million, an increase of \$42 million, or 22.6% from FY24, and budgeted fund sports betting related revenue totaled \$122 million, an increase of \$28 million, or 30.2%, from FY24. The remaining \$140 million of the \$562 million in total gaming-related revenue was deposited in non-budgeted funds.

Statute requires that all tax revenues from the Plainridge slots parlor and a portion of tax revenues from the Springfield and Everett casinos and sports wagering be allocated to the Gaming Local Aid Fund to fund unrestricted local aid. The FY25 General Appropriation Act allocated \$258 million in gaming-related revenues to the Fund to fund local aid, but taxes on gaming and sports betting revenues deposited in the Gaming Local Aid Fund totaled only \$194 million, with the \$64 million shortfall in the Fund made up by a deficit elimination transfer when the Commonwealth closed the FY25 fiscal year (see [table on page 178](#)).

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 decreased by \$413 million, to \$8.111 billion, with the decline due to changes in state finance law that affect how certain Stabilization Fund earnings and transfers are treated, some applicable only to FY25 and others permanent.

As mentioned earlier, Massachusetts [state finance law](#) includes a requirement to transfer personal income tax revenue attributable to capital gains above an annual threshold to the Stabilization Fund, State Pension Liability Fund, and State Retiree Benefits Trust Fund (which funds retiree health and other insurance benefits). The FY25 capital gains tax threshold, as determined by the Department of Revenue, was \$1.564 billion. In July 2025, the Department of Revenue (DOR) certified that FY25 tax collections attributable to capital gains totaled \$2.440 billion. Per legislation enacted as part of the FY25 supplemental budget bill, for FY25 only, above-threshold capital gains taxes were not to be transferred to the Stabilization Fund. Those funds were first to be used to eliminate any deficits in the funds that are included in the consolidated net surplus calculation, with 90% of any remaining capital gains tax revenues transferred to the Transitional Escrow Fund, 5% to the Commonwealth’s pension funds, and 5% to the State Retiree Benefits Trust Fund (SRBTF).

As a result, of the \$876 million, of above-threshold capital gains tax revenue, \$297 million was retained in the General Fund to eliminate budgeted fund deficits, \$521 million was transferred to the Transitional Escrow Fund, and \$29 million was transferred to the pension funds and SRBTF respectively. (In December 2025, per state finance law, based on more complete tax return information, DOR certified FY25 capital gains tax revenue of \$2.696 billion, \$1.132 billion above the FY25 threshold, but per statute, capital gains tax transfers are not adjusted for any differences between the August and final certifications.)

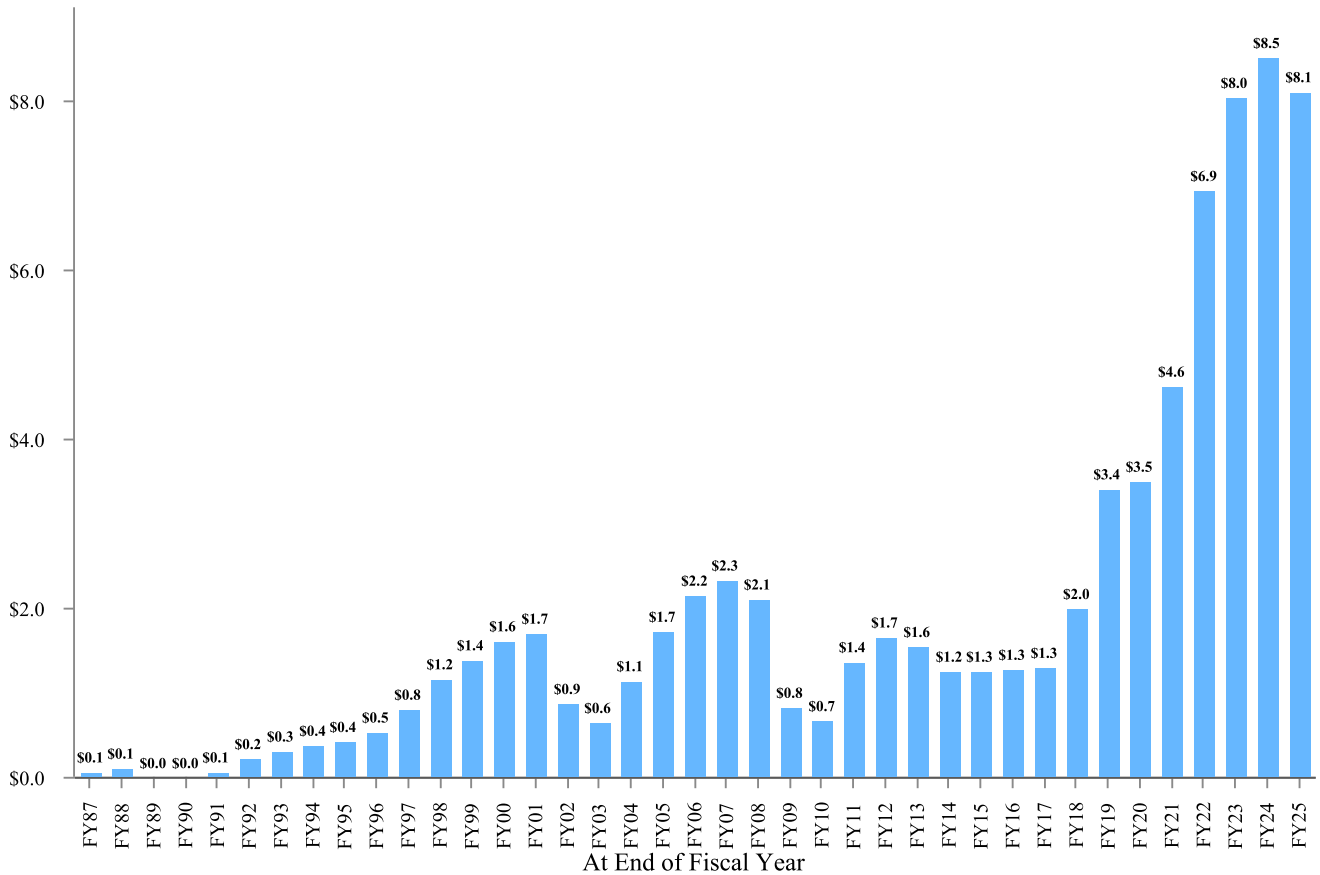
In addition, in FY25 state finance law was amended permanently to require that all Stabilization Fund interest earnings be transferred to the Commonwealth Federal Matching and Debt Reduction Fund, unless the balance in the Stabilization Fund in the immediately preceding fiscal year has fallen below the balance in the fiscal year prior. As a result of this provision (and a separate provision required that all FY24 interest earned by the Stabilization also be transferred to the Commonwealth Federal Matching and Debt Reduction Fund), \$827 million in FY24 and FY25 Stabilization Fund interest earnings (\$421 million earned in FY24 and \$406 million earned in FY25) was transferred from the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund.

Two other changes affected Stabilization Fund transfers in FY25: first, the FY25 General Appropriation Act temporarily suspended the requirement that 10% of “gross gaming revenues” from the Everett and Springfield

casinos be transferred to the Stabilization Fund, which reduced transfers to the Fund by \$26 million; second, the FY25 final supplemental budget bill temporarily suspended the requirement to transfer 75% of the growth in abandoned property net revenues between FY24 and FY25 revenues to the Stabilization Fund, which reduced transfers to the Fund by \$99 million. As a result of these provisions and the redirection of capital gains tax revenue, the only increases to the Stabilization Fund’s balance were a \$7.6 million “mark-to-market” increase to the Fund’s portfolio and \$179 thousand in tax revenue from the transfer of Lottery prizes. Consequently, the Stabilization Fund’s balance declined by \$413 million between FY24 and FY25. (Details of transfers to and investment earnings of the Stabilization Fund are shown in the table on [page 178](#)).

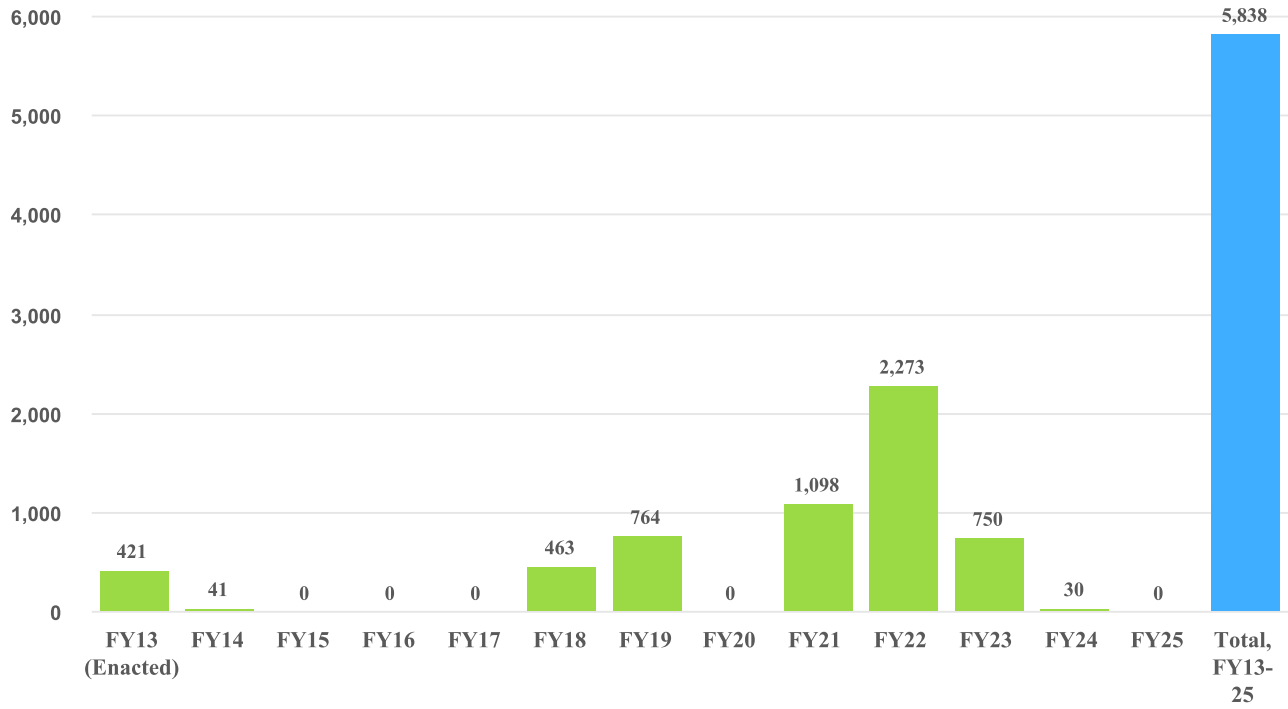
The following three charts show the end of fiscal year Stabilization Fund balances since the inception of the fund in FY87, the amounts of capital gains taxes deposited to the Stabilization Fund, and the Stabilization Fund balance as a percentage of General Funds own-source expenditures over the past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

Stabilization Fund Balance (Amounts in billions)

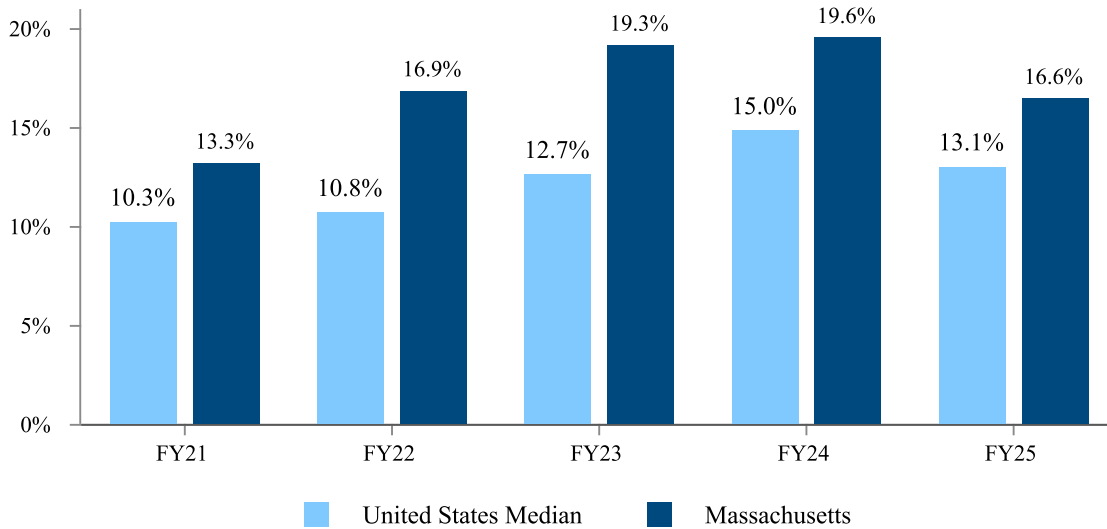


The chart on the next page shows the amount of capital gains tax revenue transferred to the Stabilization Fund since the law implementing this requirement was enacted, effective in FY13. Over the thirteen years that the requirement has been in effect, more than \$5.838 billion in deposits to the Stabilization Fund have been made from capital gains tax revenue, accounting for approximately 72% of the \$8.111 billion of the Fund’s balance. Including the approximately \$624 million of cumulative interest earned on those capital gains tax deposits through FY25, capital gains transfers accounted for about 80% of the Fund’s balance as of June 30, 2025.

**Capital Gains Tax Transfers to Stabilization Fund
In \$ Millions**



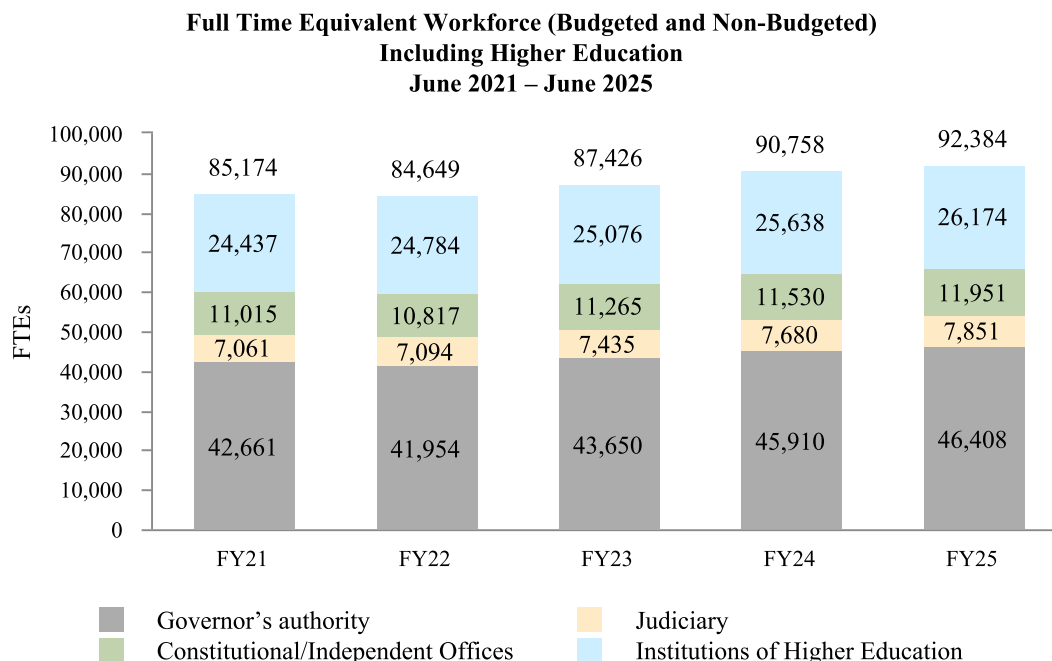
**Stabilization Fund Balance as a Percentage of General Fund Own-Source Spending
Massachusetts vs. Median of all U.S. States**



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 "own source" expenditures (with own source expenditures excluding the portion of expenditures — mostly Medicaid — funded by federal government reimbursements), with the latter calculation taking into account the relative size of each state government's budget. According to The National Association of State Budget Officers' (NASBO) [Fall 2025 Fiscal Survey of the States](#), at the close of FY24 (the most recent year for which final rainy day fund balances were available for all states), the Commonwealth Stabilization Fund's balance of \$8.524 billion was the 3rd largest in the nation in absolute terms, and Massachusetts also had the 4th largest Stabilization Fund balance at the end of FY25. As a percentage of total General Fund own source expenditures, the Commonwealth's FY24 Stabilization Fund balance of 19.6% was well above the national median of 15.0%. For FY25, the Commonwealth's Stabilization Fund balance as a percentage of General Fund own source expenditures was 16.6%, well above the preliminary FY25 national median of 13.1% as reported in the NASBO Fall survey.

Full-Time Equivalent Employment

The chart on this page shows the Commonwealth's full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgeted, non-budgeted, capital, federal, and trust) over the past five fiscal years. As of June 30, 2025, the number of Commonwealth employees (both budgeted and non-budgeted funded) increased by a net of 1,626 full-time equivalent employees (FTEs) from June 30, 2024, to a total of 92,384. The largest increases were in the Executive Office of Health and Human Services, where employment increased by 468 FTEs and the Executive Office of Labor and Workforce Development, where FTEs increased by 117. Other increases occurred in non Executive agencies, including the Judiciary, where FTEs increased by 171, and the Higher Education Institutions, where FTEs increased by 536, with growth of 556 at the State Universities, 162 at the University of Massachusetts, partially offset by a decline of 182 at the Community Colleges.



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 FY25, the Commonwealth maintained 150 active non-budgeted funds (many of which are healthcare related), while another 66 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), 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 Convention and Exhibition Center Fund, the Massachusetts Transportation Trust Fund, the Population Health Investment Trust Fund, and the Hospital Investment and Performance Trust Fund. Other funds that show large inflows include the Grant Anticipation Notes Trust Fund, which is funded by federal highway spending reimbursements and the Commonwealth Federal Matching and Debt Reduction Fund, which receives transfers of interest earned by the Commonwealth Stabilization Fund.

The table below, Non-Budgeted Special Revenue Funds - Operations, summarizes the FY25 non-budgeted funds. A Statement of Revenues, Expenditures and Changes in Fund Balance is presented in a table within this report for each of the individual non-budgeted funds in the financial section of this report. The table includes the State Lottery Funds, where Lottery revenues and expenditures occur prior to Lottery profits being transferred to the General Fund to reimburse it for local aid and other appropriations. The non-budgeted special revenue funds had a \$589 million operating excess in FY25.

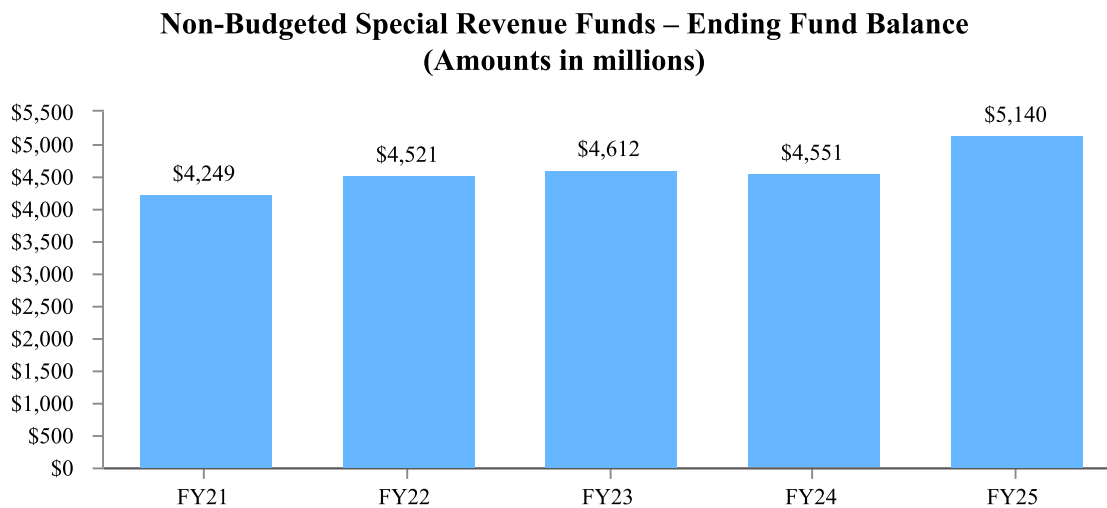
Non-Budgeted Special Revenue Funds - Operations (Amounts in thousands)

	2025	2024
Beginning fund balance.....	\$ 4,550,541	\$ 4,611,954
Revenues and other financing sources:		
Taxes.....	3,647,604	3,509,330
Assessments.....	2,056,257	1,666,343
Federal grants and reimbursements.....	6,974,089	7,126,482
Departmental and miscellaneous.....	7,637,691	7,958,416
Transfers and other financing sources.....	3,110,518	1,678,679
Total revenues and other financing sources.....	23,426,159	21,939,250
Expenditures and other financing uses:		
Programs and services.....	19,467,652	18,757,173
Debt service.....	227,429	247,208
Transfers and other financing uses.....	3,141,908	2,996,282
Total expenditures and other financing uses.....	22,836,989	22,000,663
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses.....	589,170	(61,413)
Ending fund balance.....	\$ 5,139,711	\$ 4,550,541

FY25 non-budgeted fund total revenues and other financing sources totaled \$23.426 billion, up \$1.487 billion, or 6.8%, from FY24, with the most significant changes from FY24 being a transfer of \$827 million in FY24 and FY25 Stabilization Fund interest earnings to the Commonwealth Federal Matching and Debt Reduction Fund, as required

by recent amendments to state finance law and \$1.755 billion in hospital assessments and federal reimbursements deposited in the Hospital Investment and Performance Trust Fund, an \$800 million, or 83.7%, increase from FY24 and \$1.220 billion in transfers to the Massachusetts Transportation Trust Fund, a \$401 million or 49.0% increase from FY24, much of the increase funded by 4% surtax revenues. These and other increases were also offset by declines in pandemic-related federal reimbursements as those programs wound down. Non-budgeted fund spending totaled \$22.837 billion, an increase of \$836 million, or 3.8%, from FY24, with the major sources of spending being \$1.709 billion, a \$586 million increase, or 52.1%, from the Hospital Investment and Performance Trust Fund, \$444 million, an increase of \$242 million, or 119.8%, from the Commonwealth Care Trust Fund, \$212 million in expenditures from the Commonwealth Federal Matching and Debt Reduction Fund to retire and defease Commonwealth and MBTA debt, and \$188 million from the Managed Care Organization Services Reinvestment Fund, the latter two funds having had no spending in FY24. Spending increases in the non-budgeted funds were partially offset by declines in spending from Covid-related federal grants accounts.

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



Individual non-budgeted funds with ending balances of more than \$50 million that represent approximately 92% of total non-budgeted fund FY25 year-end balances include:

- \$1.525 billion – Massachusetts Transportation Trust Fund;
- \$669 million – Convention and Exhibition Center Fund;
- \$615 million – Commonwealth Federal Matching and Debt Reduction Fund;
- \$355 million – Commonwealth Care Trust Fund;
- \$302 million – Enhanced 911 Fund;
- \$260 million – Central Artery/Tunnel Project Repair and Maintenance Trust Fund;
- \$191 million – Regional Greenhouse Gas Initiative (RGGI) Auction Trust Fund;
- \$134 million – Opioid Recovery and Remediation Trust Fund;

- \$128 million – Vaccine Purchase Trust Fund;
- \$102 million – Housing Preservation and Stabilization Trust Fund;
- \$87 million – Substance Use Disorder Federal Reinvestment Trust Fund;
- \$83 million – Health Safety Net Trust Fund;
- \$63 million – Behavioral Health Access and Crisis Intervention Trust Fund;
- \$62 million – Workforce Competitiveness Trust Fund;
- \$61 million – Population Health Investment Trust Fund;
- \$60 million – Safety Net Provider Trust Fund;
- \$53 million – Community Mitigation Fund;

In FY25, twelve non-budgeted special revenue funds had FY25 operating deficits of \$10 million or more, which were mainly the result of spending of previously received revenues. These were the Commonwealth Care Trust Fund, with a deficit of \$157 million, the Federal Grants Fund with a deficit of \$90 million which was the result of spending down previously received federal pandemic aid and for spending that occurs in advance of being reimbursed by the federal government, the Substance Use Disorder Federal Reinvestment Trust Fund, with a deficit of \$69 million, the Vaccine Purchase Trust Fund, with a deficit of \$45 million, the MassHealth Delivery System Reform Trust Fund, with a deficit of \$45 million, the Workforce Competitiveness Trust Fund, with a deficit of \$32 million, the Opioid Recovery and Remediation Trust Fund, with a deficit of \$23 million, the Debt and Long-Term Liability Reduction Trust Fund, with a deficit of \$21 million, the Central Artery/Tunnel Project Repair and Maintenance Trust Fund, with a deficit of \$17 million, the Workforce Training Trust Fund, with a deficit of \$14 million, the Regional Greenhouse Gas Initiative (RGGI) Auction Trust Fund, with a deficit of \$11 million, and the Community Mitigation Fund, with a deficit of \$11 million.

As noted in previous years, the Government Land Bank Fund has a continuing structural fund deficit. The FY25 deficit balance of approximately \$35 million remains an unbudgeted drain on the Commonwealth's cash pool.

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.

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."

To fund the FY25 capital budget and expenditures from FY24 that had not been bonded as of the June 30, 2024, the Commonwealth borrowed by issuing general obligation debt with a principal value of \$3.056 billion and proceeds of \$3.310 billion (since the bonds were issued at a premium) and \$275 million of special obligation bonds with proceeds of \$302 million. The Commonwealth also issued \$610 million in debt with proceeds of \$676 million to refund already existing obligations, taking advantage of the relatively low interest rates that persisted into the first half of FY25. In addition, the Commonwealth received \$971 million in federal reimbursements (most of it for transportation projects), including \$823 million classified in the financial statements as a transfer in since it is initially deposited in a non-capital projects fund.

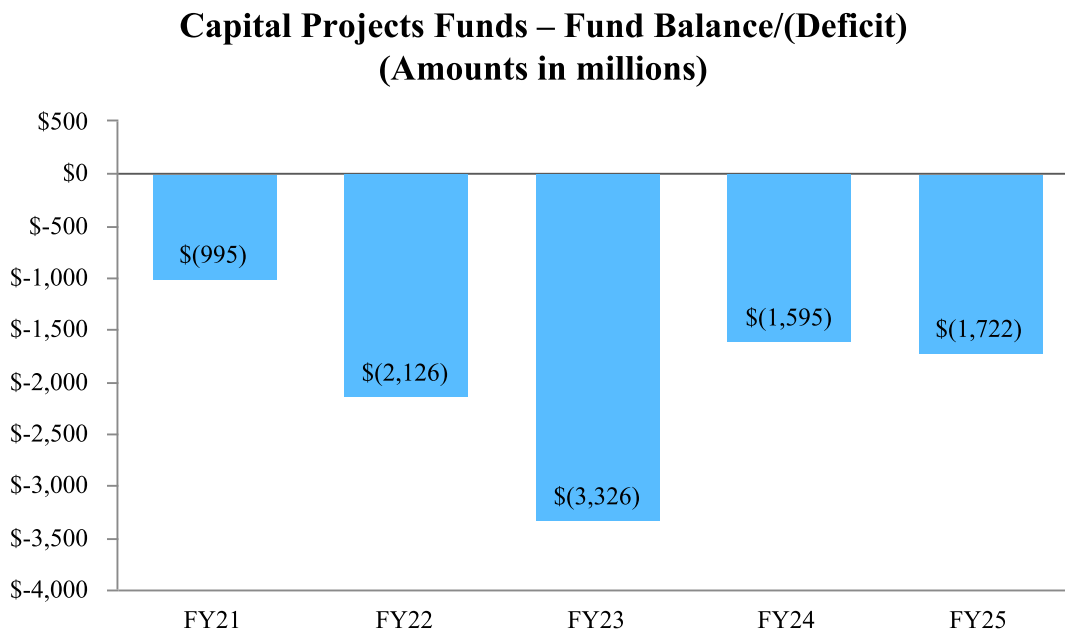
In FY25, the Commonwealth spent \$4.674 billion on capital projects (plus \$46 million in fringe benefit costs), with approximately \$2.457 billion, or 52%, of that amount spent on transportation-related projects. Additional significant spending included \$661 million on non-transportation state infrastructure, \$458 million on housing, \$276 million on environmental projects, \$315 million on education, and \$280 million on information technology.

During FY25, significant capital spending projects included:

- \$622 million for state-owned facilities including public higher education campuses, trial courts, and state health care facilities;
- \$605 million to strengthen the Commonwealth's highways, bridges, and tunnels and improve transportation safety;
- \$464 million for affordable housing development and public housing;
- \$263 million in Chapter 90 reimbursements and additional MassDOT grant programs to municipalities for local road, bridge, and sidewalk projects;
- \$152 million in spending for the Department of Conservation and Recreation, including improvements to roadways, parks, and facilities, as well as investments in land and other environmental capital spending;
- \$100 million of investments in major information technology system upgrades for the Departments of Economic Development, Education, Health and Human Services, Labor and Workforce Development, and Public Safety and Security, and for the trial court system and MassHealth;
- \$79 million for the MassWorks economic development program, which provides infrastructure grants to municipalities;
- \$52 million to directly address climate change, including funds for repairing and rebuilding coastal infrastructure and inland dams, helping state agencies and municipalities plan for and protect against the impact of a changing climate, and wetlands protection;
- \$48 million in support for freight rail enhancement projects, including investment in improving reliability of tracks, road crossings, vehicles, facilities, and bridges;
- \$46 million to support the development and application of artificial intelligence in key sectors across Massachusetts;
- \$42 million for durable equipment and vehicles employed in highway repair, maintenance, and improvements;
- \$40 million for investments in state-of-good repair, modernization, and replacement of regional transit vehicles and facilities;
- \$40 million for the Life Sciences Capital program, providing capital grants to promote job growth, business expansion, discovery, and innovation in the industry and the Commonwealth economy;
- \$32 million for capital improvements at the Commonwealth's six military installations, supporting their economic impact on local communities;

- \$31 million to fund planning, design, right-of-way, utility, and construction costs for the replacement of the Sagamore and Bourne Bridges to Cape Cod;
- \$31 million in capital spending for the Executive Office of Public Safety and Security, including vehicles and equipment for the State Police, Department of Correction, Department of Fire Services, Parole Board, State Crime Lab, and Chief Medical Examiner, and municipal grants for body-worn cameras and bullet-proof vests;
- \$24 million in assistance to the Massachusetts Educational Financing Authority to improve access to affordable higher education opportunities;
- \$22 million for planning and construction grants from the Board of Library Commissioners to public library systems

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 fiscal year 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 FY25, the capital projects funds had a \$1.722 billion deficit balance (including \$1.208 billion in accounts payable), as the Commonwealth had not yet reimbursed itself for capital spending that it typically funds in arrears through subsequent bond issues.



The following table, Capital Projects Funds - Operations, includes the FY25 capital projects funds, summarized and compared to FY24. Financial statements for each of the individual funds are included in the financial section of this report.

Capital Projects Funds - Operations
(Amounts in thousands)

	2025	2024
Beginning fund balance/(deficit)	\$ (1,594,875)	\$ (3,325,680)
Revenues and other financing sources:		
Federal grants and reimbursements	148,659	64,155
Departmental and miscellaneous	9,868	7,076
Proceeds of general and special obligation bonds	3,611,742	4,927,084
Proceeds of refunding bonds	676,072	2,307,889
Transfers and other financing sources	1,032,308	886,152
Total revenues and other financing sources	5,478,649	8,192,356
Expenditures and other financing uses:		
Acquisition and maintenance of capital assets	4,674,084	3,940,828
Payments to advance refunding escrow agent/principal on current refundings	676,072	2,307,889
Transfers and other financing uses	255,348	212,834
Total expenditures and other financing uses	5,605,504	6,461,551
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(126,855)	1,730,805
Ending fund balance/(deficit)	<u>\$ (1,721,730)</u>	<u>\$ (1,594,875)</u>

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 FY25 activity in the higher education funds, summarized and compared to FY24. Financial statements for each of the individual funds are included in the statistical section of this report.

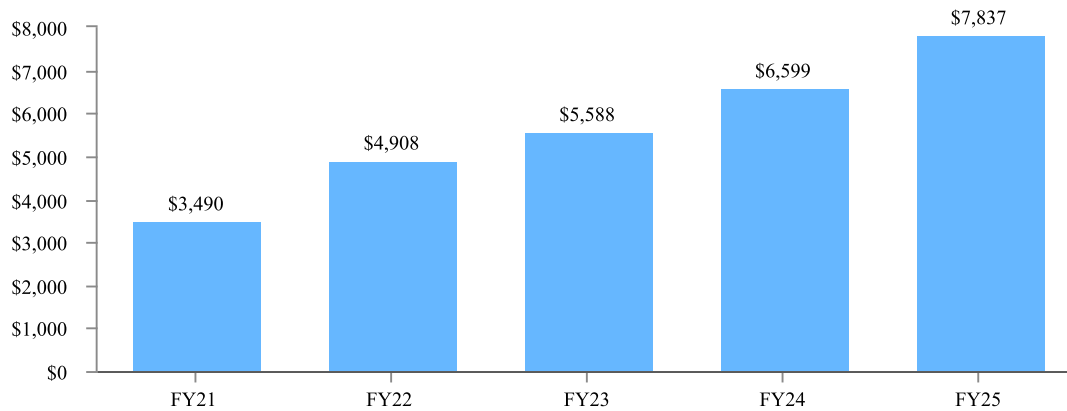
Non-Appropriated Funds of Higher Education - Operations
(Amounts in thousands)

	2025	2024
Beginning fund balance, restated *	\$ 6,598,520	\$ 5,593,416
Revenues and other financing sources:		
Federal grants and reimbursements	977,661	855,843
Departmental revenue	3,113,555	2,862,778
Miscellaneous revenue	2,661,631	2,316,643
Total revenues and other financing sources	6,752,847	6,035,264
Expenditures and other financing uses:		
Programs and services	5,514,580	5,030,160
Excess/(deficiency) of revenues and other financing sources over/(under)		
expenditures and other financing uses	1,238,267	1,005,104
Ending fund balance	<u>\$ 7,836,787</u>	<u>\$ 6,598,520</u>

* Beginning balance for FY24 was restated due to the reconciliation of prior year balances

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 \$5.375 billion fund balance for the University of Massachusetts, approximately \$1.374 billion fund balance for the State University System and approximately \$1.088 billion fund balance for the Community Colleges.

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



Constitutional Officers



Her Excellency Maura Healey
Governor



The Honorable Kim Driscoll
Lieutenant Governor



The Honorable William F. Galvin
Secretary of the Commonwealth



The Honorable Andrea Campbell
Attorney General



The Honorable Deborah B. Goldberg
Treasurer and Receiver-General



The Honorable Diana DiZoglio
State Auditor

Legislative Officers



The Honorable Karen E. Spilka
President of the Senate



The Honorable Ronald Mariano
Speaker of the House

Judicial Officers



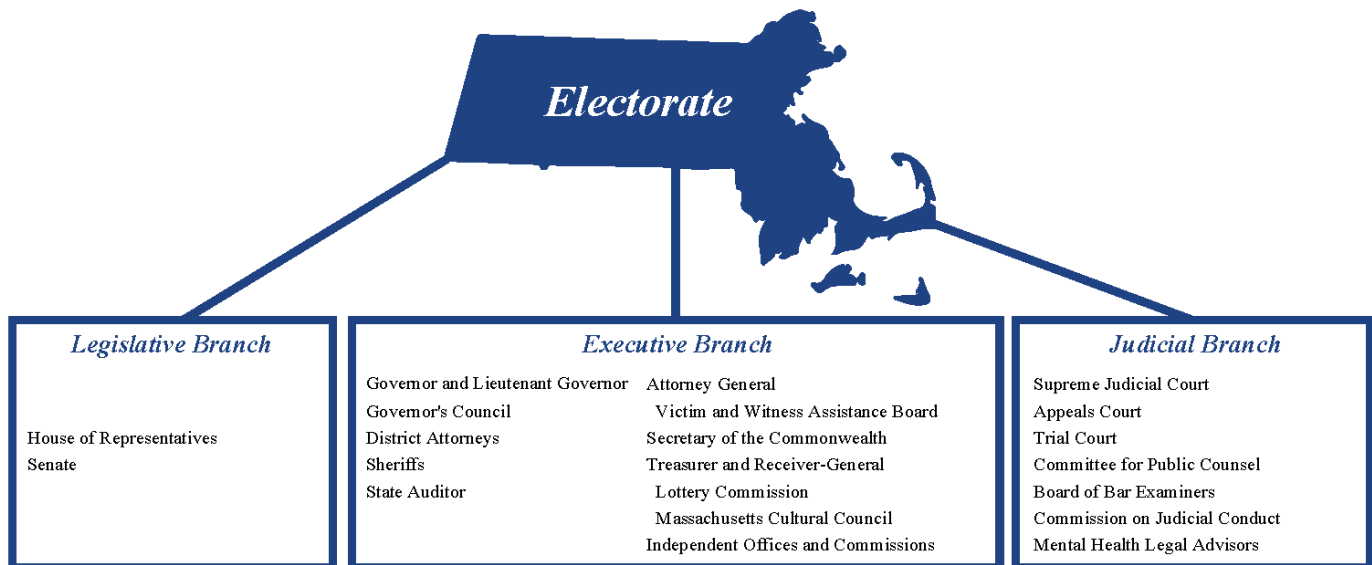
The Honorable Kimberly S. Budd
*Chief Justice
Supreme Judicial Court*



The Honorable Mark Green
*Chief Justice
Appeals Court*



Thomas G. Ambrosino
*Court Administrator
Trial Court*



<i>Executive Branch Independent Offices and Commissions*</i>		
Board of Library Commissioners	Commission on the Social Status of Black Men and Boys	Office of the Child Advocate
Campaign and Political Finance	Commission on the Status of Persons with Disabilities	Office of the Veteran Advocate
Cannabis Control Commission	Commission on the Status of Women	Office of the Comptroller
Center for Health Information & Analysis	Disabled Persons Protection Commission	Office of the Inspector General
Commission Against Discrimination	Massachusetts Gaming Commission	State Ethics Commission
Commission on the Status of African Americans	Massachusetts Peace Officer Standards and Training Commission	State Retiree Benefits Trust Fund Board
Commission on the Status of Latinos and Latinas		University of Massachusetts System

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

Advisory Board To The Comptroller



Matthew Gorzkowicz (Chair)
Secretary of Administration and Finance



The Honorable Diana DiZoglio
State Auditor



The Honorable Deborah B. Goldberg
Treasurer and Receiver-General



Thomas G. Ambrosino
*Court Administrator
Trial Court*



The Honorable Andrea Campbell
Attorney General



Michael Esmond
*Director of Municipal Finance
Town of Braintree
Gubernatorial Appointee*



Natalie S. Monroe
*Chief Administrative Magistrate
Division of Administrative Law Appeals
Gubernatorial Appointee*

Report Prepared By Statewide Financial Reporting Team

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Brian Johnson, CPA
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Emily Pun, CPA
Accountant

Ken Li
Accountant

Jasminda Alapag
Accountant

Financial Section



Independent Accountants' Review Report
Historical Chart - Budgeted Funds Revenues and Other Financing Sources vs.
Expenditures and Other Financing Uses
Combined Financial Statements - Statutory Basis
Notes to Combined Financial Statements - Statutory Basis

Combining and Individual Fund Financial Statements - Statutory Basis
Historical Chart - Full-Time Equivalent Workforce
Historical Chart - Annual Pension Funding



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts

We have reviewed the accompanying combined financial statements—statutory basis of the Commonwealth of Massachusetts as of June 30, 2025, and the related notes to the combined financial statements—statutory basis as listed in the accompanying table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements—statutory basis as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

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

We are required to be independent of the Commonwealth of Massachusetts, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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

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.

Supplementary Information

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

Other Information

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

Restriction on Use

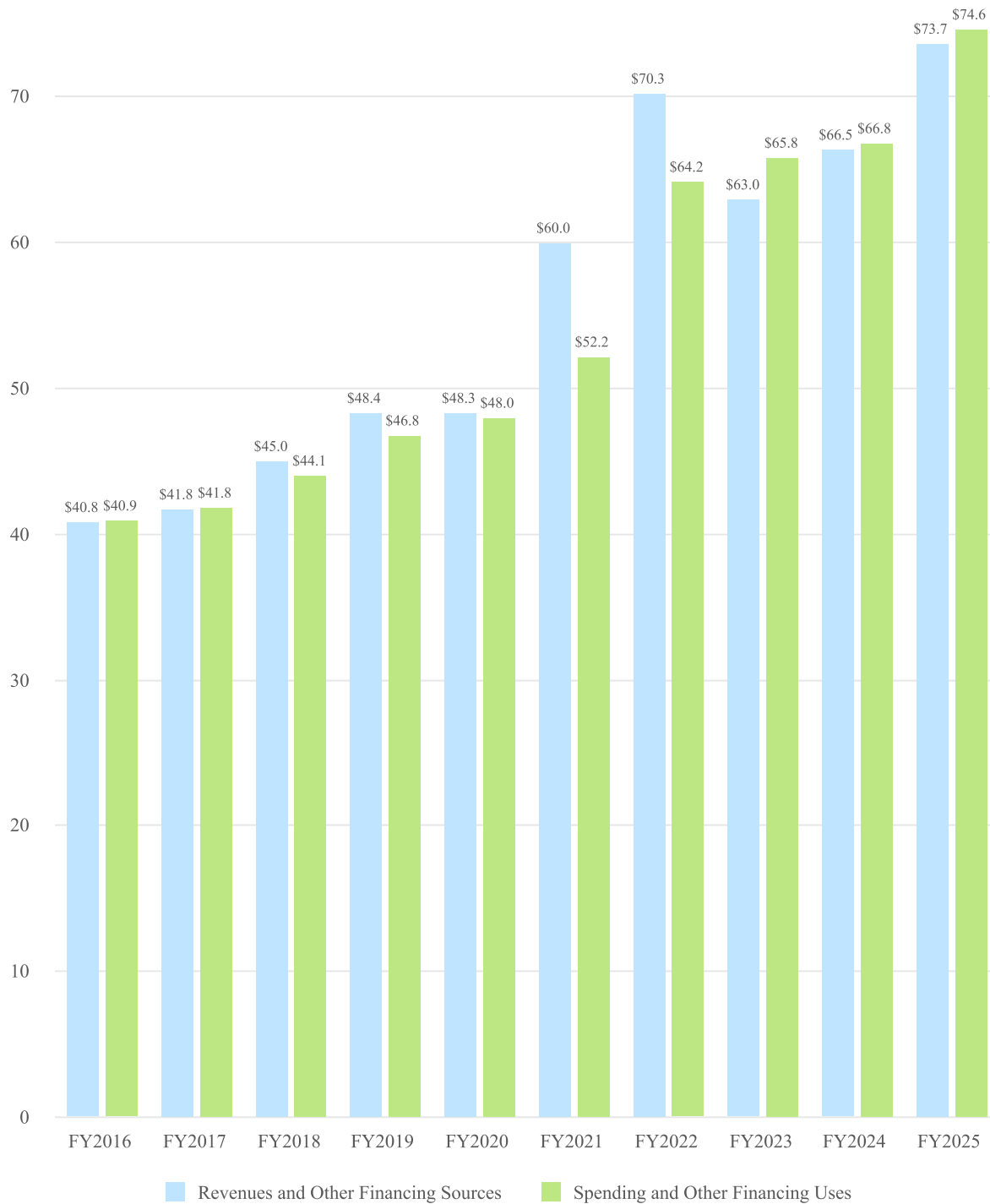
Our report is intended solely for the information and use of management and elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Boston, Massachusetts
January 28, 2026

THE BIG PICTURE: HISTORICAL CONTEXT
Budgeted Funds 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, 2025
(Amounts in thousands)

	Totals (Memorandum only)	
	2025	2024
ASSETS		
Cash and short-term investments	\$ 14,675,228	\$ 16,691,269
Cash with fiscal agent	19,735	18,836
Investments	305,159	297,522
Receivables, net of allowance for uncollectibles:		
Due from federal government	1,447,144	836,531
Other receivables	14,575	12,457
Due from cities and towns	10,927	18,788
Total assets	<u>\$ 16,472,768</u>	<u>\$ 17,875,403</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,148,969	\$ 2,603,531
Accrued payroll	303,696	267,535
Total liabilities	<u>2,452,665</u>	<u>2,871,066</u>
Fund balance:		
Combined fund balance:		
Reserved for:		
Continuing appropriations	2,743,288	3,153,532
Commonwealth Stabilization	8,110,684	8,523,632
Debt service	19,735	18,836
Unreserved:		
Undesignated in Transitional Escrow Fund	469,952	599,185
Undesignated	2,676,444	2,709,152
Total fund balance	<u>14,020,103</u>	<u>15,004,337</u>
Total liabilities and fund balance	<u>\$ 16,472,768</u>	<u>\$ 17,875,403</u>

See accompanying notes to financial statements and accountants' review report

Budgeted Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	\$ 38,958,200	\$ 41,010,733	\$ 2,052,533
Assessments	524,403	446,294	(78,109)
Federal grants and reimbursements	14,364,870	16,209,573	1,844,703
Tobacco settlement revenue	256,786	874,694	617,908
Departmental	4,788,701	5,192,675	403,974
Miscellaneous	843,018	1,215,365	372,347
Total revenues	59,735,978	64,949,334	5,213,356
Other financing sources:			
Fringe benefit cost recovery	604,898	641,840	36,942
Lottery reimbursements	132,670	148,181	15,511
Lottery distributions	1,345,750	1,031,804	(313,946)
Operating transfers in	1,774,868	6,575,928	4,801,060
Stabilization transfer	96,841	—	(96,841)
Other fund deficit support	306,975	306,975	—
Total other financing sources	4,262,002	8,704,728	4,442,726
Total revenues and other financing sources	63,997,980	73,654,062	9,656,082
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	148,642	96,781	51,861
Judiciary	1,401,570	1,354,705	46,865
Office of Inspector General	10,517	8,916	1,601
Governor and Lieutenant Governor	12,131	9,184	2,947
Secretary of the Commonwealth	87,225	83,126	4,099
Treasurer and Receiver-General	288,817	248,362	40,455
State Auditor	25,344	24,004	1,340
Attorney General	102,317	98,669	3,648
State Ethics Commission	3,839	3,828	11
District Attorneys	179,756	178,082	1,674
Office of Campaign & Political Finance	2,207	2,099	108
Sheriffs	888,348	882,891	5,457
Disabled Persons Protection Commission	12,868	12,688	180
Commission on the Status of Women	959	905	54
Board of Library Commissioners	52,473	52,384	89
Office of the Comptroller	67,713	42,330	25,383
Administration and Finance	4,553,540	3,556,088	997,452
Energy and Environmental Affairs	679,863	604,284	75,579
Health and Human Services	11,122,032	10,282,330	839,702
Technology Services and Security	285,925	202,895	83,030
Veterans' Services	136,327	129,901	6,426
Veteran Advocate	1,963	1,684	279
Housing and Livable Communities	2,111,096	1,974,816	136,280
Massachusetts Department of Transportation	1,031,511	419,809	611,702
Office of the Child Advocate	8,144	5,374	2,770
Commission Against Discrimination	13,578	11,908	1,670
Cannabis Control Commission	20,005	19,932	73
Education	6,003,169	5,217,668	785,501
Center for Health Information and Analysis	39,445	36,709	2,736
Public Safety and Security	1,767,695	1,683,587	84,108
Massachusetts Peace Officer Standards and Training Commission	8,752	7,985	767
Commission on the Status of African Americans	150	—	150
Commission on the Status of Latinos and Latinas	150	—	150
Commission on the Status of Persons with Disabilities	150	145	5
Commission on the Social Status of Black Men and Boys	150	—	150
Economic Development	297,922	271,325	26,597
Labor and Workforce Development	151,180	130,085	21,095
Direct local aid	8,248,692	8,248,372	320
Medicaid program expenses	22,143,507	22,129,247	14,260
Post employment benefits	5,096,329	5,093,997	2,332
Debt service:			
Principal retirement	1,218,661	1,194,875	23,786
Interest and fiscal charges	1,440,991	1,404,974	36,017
Total expenditures	69,665,655	65,726,944	3,938,711
Other financing uses:			
Fringe benefit cost assessment	—	38,778	(38,778)
Operating transfers out	7,102,133	7,098,260	3,873
Stabilization transfer	951,492	826,992	124,500
Medical assistance transfer	837,827	640,347	197,480
Other fund deficit support	306,975	306,975	—
Total other financing uses	9,198,427	8,911,352	287,075
Total expenditures and other financing uses	78,864,082	74,638,296	4,225,786
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (14,866,102)	(984,234)	\$ 13,881,868
Fund balance/(deficit) at beginning of year		15,004,337	
Fund balance/(deficit) at end of year		\$ 14,020,103	

See accompanying notes to financial statements and accountants' review report

Note: Details may not add to totals due to rounding

Non-Budgeted Special Revenue and Capital Projects Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

			Totals (Memorandum only)	
	Non-Budgeted Special Revenue	Capital Projects	2025	2024
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 3,647,604	\$ —	\$ 3,647,604	\$ 3,509,330
Assessments.....	2,056,257	—	2,056,257	1,666,343
Federal grants and reimbursements.....	6,974,089	148,659	7,122,748	7,190,637
Departmental.....	7,462,575	778	7,463,353	7,786,273
Miscellaneous.....	175,116	9,090	184,206	179,219
Total revenues.....	20,315,641	158,527	20,474,168	20,331,802
Other financing sources:				
Issuance of general obligation bonds.....	—	3,055,955	3,055,955	4,057,104
Bond premiums/(discounts) on general obligation bonds.....	—	253,968	253,968	344,654
Issuance of special obligation bonds.....	—	275,000	275,000	500,000
Bond premiums/(discounts) on special obligation bonds.....	—	26,819	26,819	25,326
Issuance of current refunding bonds.....	—	610,115	610,115	2,010,760
Bond premiums/(discounts) on current refunding bonds.....	—	65,957	65,957	297,129
Operating transfers in.....	1,643,179	822,551	2,465,730	1,888,860
Stabilization transfer.....	826,992	—	826,992	—
Medical assistance transfer.....	640,347	—	640,347	505,000
State share of federal highway construction.....	—	209,757	209,757	170,971
Total other financing sources.....	3,110,518	5,320,122	8,430,640	9,799,804
Total revenues and other financing sources.....	23,426,159	5,478,649	28,904,808	30,131,606
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary.....	7,892	20,744	28,636	25,918
Office of Inspector General.....	212	—	212	162
Governor and Lieutenant Governor.....	406	—	406	1,298
Secretary of the Commonwealth.....	3,396	1,510	4,906	5,121
Treasurer and Receiver-General.....	7,894,402	39,207	7,933,609	7,876,572
State Auditor.....	—	199	199	160
Attorney General.....	22,703	294	22,997	23,842
State Ethics Commission.....	—	100	100	—
District Attorneys.....	6,073	—	6,073	5,727
Office of Campaign & Political Finance.....	10	—	10	—
Sheriffs.....	22,762	6,305	29,067	36,542
Disabled Persons Protection Commission.....	1,320	—	1,320	2,153
Board of Library Commissioners.....	2,613	21,953	24,566	27,551
Massachusetts Gaming Commission.....	73,212	—	73,212	65,742
Office of the Comptroller.....	2,051	27,325	29,376	17,286
Administration and Finance.....	617,686	682,940	1,300,626	921,180
Energy and Environmental Affairs.....	338,227	279,320	617,547	659,409
Developmental Disabilities Council.....	751	—	751	—
Health and Human Services.....	5,434,515	100,730	5,535,245	4,420,427
Technology Services and Security.....	32,498	72,916	105,414	89,003
Veterans' Services.....	341	3,471	3,812	2,857
Housing and Livable Communities.....	889,594	465,516	1,355,110	1,183,560
Massachusetts Department of Transportation.....	1,559,825	2,387,867	3,947,692	3,381,775
Education.....	1,631,232	110,933	1,742,165	2,321,703
Center for Health Information and Analysis.....	277	—	277	116
Public Safety and Security.....	603,572	79,510	683,082	1,124,153
Economic Development.....	77,277	336,573	413,850	319,607
Labor and Workforce Development.....	244,805	36,671	281,476	186,137
Debt service:				
Principal retirement.....	153,537	—	153,537	164,629
Interest and fiscal charges.....	73,892	—	73,892	82,579
Total expenditures.....	19,695,081	4,674,084	24,369,165	22,945,209
Other financing uses:				
Principal on current refundings.....	—	676,072	676,072	2,307,889
Fringe benefit cost assessment.....	329,319	45,591	374,910	353,245
Lottery operating reimbursements.....	148,181	—	148,181	142,205
Lottery distributions.....	1,031,804	—	1,031,804	1,124,590
Operating transfers out.....	1,632,604	—	1,632,604	1,392,480
Stabilization transfer.....	—	—	—	25,625
State share of federal highway construction.....	—	209,757	209,757	170,971
Total other financing uses.....	3,141,908	931,420	4,073,328	5,517,005
Total expenditures and other financing uses.....	22,836,989	5,605,504	28,442,493	28,462,214
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	589,170	(126,855)	462,315	1,669,392
Fund balance/(deficit) at beginning of year.....	4,550,541	(1,594,875)	2,955,666	1,286,274
Fund balance/(deficit) at end of year.....	\$ 5,139,711	\$ (1,721,730)	\$ 3,417,981	\$ 2,955,666

See accompanying notes to financial statements and accountants' review report

Note: Details may not add to totals due to rounding

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1. FINANCIAL STATEMENT PRESENTATION

A. INTRODUCTION

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

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

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

B. GOVERNMENTAL FUND TYPES

The fund types are organized as follows:

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

Budgeted Funds - are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions, i.e., those subject to the annual appropriation process. Budgeted funds include the General, the Commonwealth Transportation, the Stabilization Funds, the Federal COVID-19 Response Fund and the Transitional Escrow Fund which are identified by the Comptroller as the operating funds of the Commonwealth. In addition, there are 22 other budgeted funds, 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, the Behavioral Health Outreach Access and Support Trust Fund, the Student Opportunity Act Investment Fund, the Broadband Innovation Fund, the High-Quality Early Education and Care Affordability Fund, the Youth Development and Achievement Fund, the Behavioral Health Trust Fund, the Castle Island Marine Park Trust Fund, the Education and Transportation Fund, the Education and Transportation Reserve Fund, the Education and Transportation Innovation and Capital Fund, and the Early Education and Care Operational Grant Fund.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. STATUTORY BASIS OF ACCOUNTING

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

Under the statutory basis of accounting, revenues generally are recognized when cash deposits are received by the Treasury. However, revenues receivable for federal grants and reimbursements generally are recognized when related expenditures are incurred, provided that the related revenues are received by the Commonwealth by August 31, the end of the statutory accounts receivable period. Amounts due from political subdivisions of the Commonwealth are recognized when considered measurable and available. These are largely payments from municipalities reimbursing for pension costs paid by the Commonwealth on their behalf, authorized under Section 3(8)c of Chapter 32 of the MGL, provided that the revenues are received by August 31.

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

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

B. CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS

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

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

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

C. DEDICATED REVENUE AND PLEDGES

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

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal years 2015, 2017, 2018 and 2020 with no new bonds issued in FY25. As of June 30, 2025, total principal remaining to be paid was approximately \$134 million. Remaining maturities are from FY26 through FY27. Debt service paid during FY25 was approximately \$141 million.

The Commonwealth issued approximately \$220 million and \$270 million in new money special obligation bonds under the Accelerated Bridge Program (ABP) and the Rail Enhancement Program (REP) respectively in FY25. These bonds mature from FY26 to FY54 and are secured by a lien on the full 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the Commonwealth Transportation Fund (CTF). As of June 30, 2025, approximately \$1.525 billion and \$2.529 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$751 million and \$2.610 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.

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 FY25, total dedicated sales tax revenue that was directed to the MBTA was approximately \$1.443 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 FY25, approximately \$1.283 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, 2025, taxes within the Convention Center districts support approximately \$367 million of outstanding principal and approximately \$108 million of interest on debts related to these Convention Centers. Taxes collected in FY25 were approximately \$239 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 FY25, approximately \$582 million in motor vehicle sales tax revenue was transferred to MassDOT. From the CTF, \$314 million was dedicated to funding the operations of the MBTA while an additional 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 \$35 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 \$642 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 custodial funds.

G. LOTTERY REVENUE AND PRIZES

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

H. RECEIVABLES

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

I. DUE FROM CITIES AND TOWNS

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

J. RISK MANAGEMENT

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

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

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

K. ENCUMBRANCES

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

L. FUND BALANCES

Fund balance has been reserved as follows:

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

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

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

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

M. TOTAL COLUMN - MEMORANDUM ONLY

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

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the Commonwealth's financial statements in this SBFR for the year ended June 30, 2024, 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 FY25 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 140 of the Acts of 2024:		
Direct appropriations	\$ 58,002,800	\$ 56,994,169
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY 2024	—	4,712,732
Total original budget	58,002,800	61,706,901
Supplemental Acts of 2024:		
Chapter 88	—	175,000
Chapter 248		355,625
Supplemental Acts of 2025:		
Chapter 1	—	425,000
Chapter 3	—	240,000
Chapter 4	—	189,570
Chapter 7	—	1,388,225
Chapter 14	—	222,415
Chapter 33	—	157,000
Chapter 73	—	2,297,832
Total budgeted revenues and expenditures per Legislative action	—	5,450,667
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	5,688,205	11,706,514
Budgeted revenues and expenditures as reported	<u>\$ 63,691,005</u>	<u>\$ 78,864,082</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	\$ 73,654,062	\$ 74,638,296
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(542,135)	(542,135)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(38,778)	(38,778)
Transfer of surplus revenues from the Intragovernmental Service Fund to the General Fund	(31,908)	(31,908)
Capital gains transfers from General Fund to the Transitional Escrow Fund	(520,765)	(520,765)
Transfers 4% surtax revenue from the General Fund to the Education and Transportation Fund	(2,997,711)	(2,997,711)
Transfers from the Education and Transportation Fund to the Education Transportation Reserve Fund	(254,657)	(254,657)
Transfers from the Education and Transportation Fund to the Education Transportation Innovation and Capital Fund	(1,443,055)	(1,443,055)
Transfers from the Education and Transportation Reserve Fund to the Education and Transportation Innovation and Capital Fund	(18,536)	(18,536)
Transfers from the Education and Transportation Innovation and Capital Fund to the Student Opportunity Act Investment Fund	(100,000)	(100,000)
Other fund deficit support	(306,975)	(306,975)
Other	(297,855)	(297,855)
Adjusted actuals pertaining to the budgeted funds	<u>\$ 67,101,687</u>	<u>\$ 68,085,921</u>

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 budgeted, non-budgeted special revenue and capital projects funds are included in the combined totals and have individual fund deficits at June 30, 2025, as follows (amounts in thousands) (excludes MassDOT):

Budgeted Special Revenue (Non-CNS):	
Public Safety Training Trust Fund	\$ (9)
Behavioral Health Trust Fund	(142)
Total Budgeted Special Revenue	(151)
Non-budgeted special revenue:	
Federal Grants Fund	(140,620)
Other:	
Health Information Technology Trust Fund	(7,734)
Government Land Bank Fund	(35,033)
Hospital Investment and Performance Trust Fund	(97,572)
Total non-budgeted special revenue funds	(280,959)
Capital projects:	
General Capital Projects Fund	(936,090)
Highway Capital Projects Fund	(835,424)
Federal Highway Construction Program Capital Projects Fund	(40,016)
Government Land Bank Capital Projects Fund	(500)
Total Capital Projects Funds	(1,812,030)
Total	<u>\$ (2,093,140)</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 38.5% of the Commonwealth's budgeted funds 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, 2025, the budgeted funds include approximately \$22.129 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis includes Medicaid claims processed but unpaid at June 30, 2025 of approximately \$48 million as accounts payable.

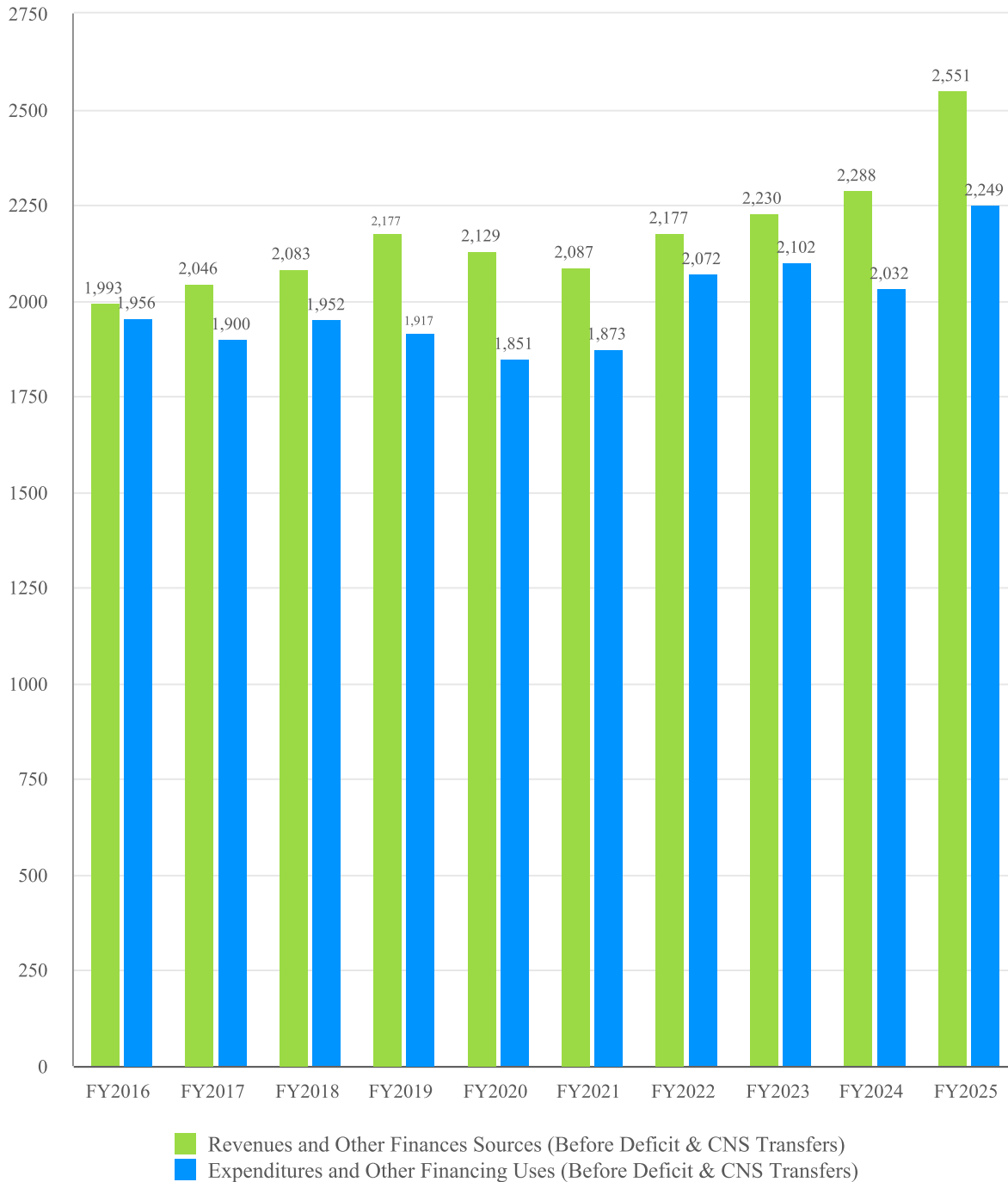
Combining and Individual Fund Financial Statements - Statutory Basis



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THE BIG PICTURE: HISTORICAL CONTEXT
Commonwealth Transportation Fund
Revenues and Expenditures by Fiscal Year
Prior to End of Year Transfers

Last Ten Fiscal Years
(Amounts in \$ Millions)



Individual Budgeted Funds

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

BUDGETED FUNDS

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

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

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

ADMINISTRATIVE CONTROL FUND

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

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

Transitional Escrow Fund - to account for an amount equal to the fiscal year 2022 consolidated net surplus per section 259 of Ch. 268 of the Acts of 2022. This Fund shall not be subject to section 5C of Chapter 29 of the General Laws. The fund shall expire on September 15, 2027, and transfer the remaining unexpended balance to the Stabilization Fund established in section 2H of chapter 29 of the General Laws.

BUDGETED ENVIRONMENTAL FUNDS

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

Marine Recreational Fisheries Development Fund - to account for salt water permit fees collected, funds, grants and gifts received as authorized, including investment income; used for development and administration of recreational saltwater fishing improvement programs. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

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

OTHER BUDGETED FUNDS

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

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

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

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

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

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

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

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

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

Federal COVID-19 Response Fund - to account for federal funds authorized under the federal legislation enacted after December 4, 2020 and in response to the COVID-19 outbreak or related economic recovery. Expenditures assist the commonwealth in its public health, community and economic recovery efforts to respond to the novel coronavirus disease outbreak. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Student Opportunity Act Investment Fund - to account for appropriations, other money authorized or transferred by the general court, grants and investment income. Funds shall be expended for the implementation of chapter 132 of the acts of 2019 relative to educational opportunity for students at school districts, charter schools, approved private day or residential schools or collaborative schools. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

Broadband Innovation Fund - to account for appropriations, other money authorized by the general court, investment income and funds from public and private sources including gifts, grants and donations administered by the secretary of housing and economic development. Expenditures are for the purpose of the closing digital divide by facilitating equitable broadband service adoption in unserved and underserved communities. The fund is not subject to the requirements of Section 5C of Chapter 29 of the MGL.

High-Quality Early Education & Care Affordability Fund - to account for any appropriations, gifts, grants and donations, and interest, for the purpose of the implementation of initiatives to promote a high-quality early education and care system.

Youth Development and Achievement Fund - to account for any monies transferred from the Sports Wagering Fund pursuant to section 17, for the purpose of providing financial assistance to students from the commonwealth enrolled in and pursuing a program of higher education, funding after-school and out-of-school activities, and matching grants to elementary and secondary youth sports, organizations, clubs, and other school groups to attend events.

Behavioral Health Trust Fund - to account for money authorized or transferred by the general court, grants and gifts for the purpose of addressing barriers to the delivery of an equitable, culturally-competent, affordable and clinically-appropriate continuum of behavioral health care and services.

Castle Island Marine Park Trust Fund -to account for any appropriations, bond revenues, investments, gifts, federal or private grants, donations, rebates and settlements, for the purpose of long-term preservation, maintenance, nourishment and public safety of Castle Island and Marine Park in the South Boston section of the city of Boston.

Education and Transportation Fund - To account for appropriations, income surtax revenue, gifts, grants, donations, and interest earned on the assets of the fund, for the purpose of quality public education and affordable public colleges and universities and for the repair and maintenance of roads, bridges, and public transportation.

Education and Transportation Reserve Fund - to account for 15 per cent of funds transfer from the amount of tax revenues the department of revenue estimates to have been collected from income surtax revenue that exceeds the threshold established, for the purpose of offsetting the unforeseen and dramatic loss of revenues within a fiscal year, after implementing all efficiencies and savings possible, to pay current liabilities of the Education and Transportation Fund.

Education and Transportation Innovation and Capital Fund - To account for 85 per cent of funds transfer from the amount of tax revenues the department of revenue estimates to have been collected from income surtax revenue that exceeds the threshold established, for the purpose of 1-time investments, including, but not limited to, pay-go capital or other 1-time projects, related to quality public education and affordable public colleges and universities and for the repair and maintenance of roads, bridges, and public transportation.

Early Education and Care Operational Grant Fund - to account for money authorized or transferred by the general court, grants, gifts, donations, and interest earned on the assets of the fund, for the purpose of compensating early education and care provided staff through increased salaries benefits, bonuses, professional development or access to continuing education opportunities; increasing the affordability of early education and care to families; improving facilities and physical spaces used by providers.

The following funds have been enacted in legislation but had no activity in FY25 and are not presented in this report:

Temporary Holding Fund - to account for cumulative tax revenues during the fiscal year in excess of permissible tax revenues as defined in Chapter 62F, Section 6A of the MGL. The fund balance in the fund closes annually to the Stabilization Fund to the extent of expenditures from that fund. Any remaining balance transfers to the General Fund. The mechanism transferring tax revenues to the fund was repealed effective January 1, 2013, but the fund itself was not repealed.

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

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

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

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

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

Community First Trust Fund - The secretary of health and human services may expend amounts in excess of the \$16 million collected from federal reimbursements in the non-budgeted 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.

Taxpayer Relief Fund - to account for appropriations or other money authorized or transferred by the general court, for the purpose of supporting the implementation of new tax relief measures taking effect in tax year 2022 and thereafter.

Middlesex Fells Reservation Trust Fund - to account for all fees generated by permits, licenses and all other agreements not currently being directed to the General Fund, for the purpose of advance recreational, educational and conservation interests, including, but not limited to, the construction and maintenance of facilities and infrastructure improvements for the area within the Middlesex Fells reservation.

Designated Port Area Fund - to account for money received for the fund and a return on an investment, for the purpose of making grants, loans or a combination thereof for the design, construction, repair, renovation, rehabilitation, or other capital improvements of existing commercial and marine industrial infrastructure and public maritime transportation infrastructure in designated port areas.

Fishing Innovation Fund - to account for any revenues or other financing sources directed to the fund by appropriation; bond revenues or other monies authorized by the general court; any income derived from the investment of amounts credited to the fund or repayment of loans from the fund; funds from public or private sources, for the purposes of financing grants for: permit banks; the design, construction and modification of commercial fishing vessels; research, development, acquisition and deployment of advanced or innovative technologies; and the research and development, acquisition and deployment of safety equipment and technologies.

Summer Camp Stabilization Trust Fund - to account for appropriations, bond proceeds, other money authorized or transferred by the general court and funds from public and private sources, for the purpose of stabilizing licensed summer camps.



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Budgeted Funds
Combining Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	Administrative Control			
	General	Commonwealth Transportation	Commonwealth Stabilization	Intragovernmental Service
ASSETS				
Cash and short-term investments	\$ 1,555,033	\$ 499	\$ 7,805,525	\$ 55,060
Cash with fiscal agent	—	19,735	—	—
Investments	—	—	305,159	—
Receivables, net of allowance for uncollectibles:				
Due from federal government	1,447,144	—	—	—
Other receivables	14,575	—	—	—
Due from cities and towns	10,927	—	—	—
Total assets	<u>\$ 3,027,679</u>	<u>\$ 20,234</u>	<u>\$ 8,110,684</u>	<u>\$ 55,060</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 1,810,944	\$ 499	\$ —	\$ 41,119
Accrued payroll	295,968	—	—	5,606
Total liabilities	<u>2,106,912</u>	<u>499</u>	<u>—</u>	<u>46,725</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations	920,767	—	—	8,335
Commonwealth Stabilization	—	—	8,110,684	—
Debt service	—	19,735	—	—
Unreserved:				
Undesignated	—	—	—	—
Total fund balance/(deficit)	<u>920,767</u>	<u>19,735</u>	<u>8,110,684</u>	<u>8,335</u>
Total liabilities and fund balance	<u>\$ 3,027,679</u>	<u>\$ 20,234</u>	<u>\$ 8,110,684</u>	<u>\$ 55,060</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
\$ 1,027,888	\$ 17,330	\$ 4,635	\$ 79	\$ 39	\$ 820	\$ —	\$ —	\$ 50
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 1,027,888</u>	<u>\$ 17,330</u>	<u>\$ 4,635</u>	<u>\$ 79</u>	<u>\$ 39</u>	<u>\$ 820</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>
\$ 61,153	\$ 448	\$ 88	\$ 19	\$ —	\$ 820	\$ —	\$ —	\$ —
365	594	61	60	—	—	—	—	—
<u>61,518</u>	<u>1,042</u>	<u>149</u>	<u>79</u>	<u>—</u>	<u>820</u>	<u>—</u>	<u>—</u>	<u>—</u>
496,418	—	—	—	48	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>469,952</u>	<u>16,288</u>	<u>4,486</u>	<u>—</u>	<u>(9)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50</u>
<u>966,370</u>	<u>16,288</u>	<u>4,486</u>	<u>—</u>	<u>39</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>50</u>
<u>\$ 1,027,888</u>	<u>\$ 17,330</u>	<u>\$ 4,635</u>	<u>\$ 79</u>	<u>\$ 39</u>	<u>\$ 820</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 50</u>

continued

Budgeted Funds
Combining Balance Sheet - Statutory Basis

As of June 30, 2025
(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	\$ 20,559	\$ 6,759	\$ 7,064	\$ 124,351
Cash with fiscal agent	—	—	—	—
Investments	—	—	—	—
Receivables, net of allowance for uncollectibles:				
Due from federal government	—	—	—	—
Other receivables	—	—	—	—
Due from cities and towns	—	—	—	—
Total assets	<u>\$ 20,559</u>	<u>\$ 6,759</u>	<u>\$ 7,064</u>	<u>\$ 124,351</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 1,034	\$ 2,243	\$ 2,040	\$ 124,249
Accrued payroll	—	614	4	102
Total liabilities	<u>1,034</u>	<u>2,857</u>	<u>2,044</u>	<u>124,351</u>
Fund balance/(deficit):				
Reserved for:				
Continuing appropriations	19,525	3,902	133	—
Commonwealth Stabilization	—	—	—	—
Debt service	—	—	—	—
Unreserved:				
Undesignated	—	—	4,887	—
Total fund balance/(deficit)	<u>19,525</u>	<u>3,902</u>	<u>5,020</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 20,559</u>	<u>\$ 6,759</u>	<u>\$ 7,064</u>	<u>\$ 124,351</u>

See accountants' review report

Budgeted Other								
Student Opportunity Act Investment	Broadband Innovation	High-Quality Early Education & Care Affordability	Youth Development and Achievement	Behavioral Health Trust	Castle Island Marine Park Trust	Education and Transportation	Education and Transportation Reserve Fund	Education and Transportation Innovation and Capital Fund
\$ 767,877	\$ 245	\$ 33,717	\$ 744	\$ 137,260	\$ —	\$ 429,501	\$ 429,000	\$ 2,183,322
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>\$ 767,877</u>	<u>\$ 245</u>	<u>\$ 33,717</u>	<u>\$ 744</u>	<u>\$ 137,260</u>	<u>\$ —</u>	<u>\$ 429,501</u>	<u>\$ 429,000</u>	<u>\$ 2,183,322</u>
\$ —	\$ —	\$ —	\$ —	\$ 55,663	\$ —	\$ 48,650	\$ —	\$ —
—	—	—	—	21	—	301	—	—
—	—	—	—	55,684	—	48,951	—	—
—	245	—	49	81,718	—	159,676	—	1,052,472
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
<u>767,877</u>	<u>—</u>	<u>33,717</u>	<u>695</u>	<u>(142)</u>	<u>—</u>	<u>220,874</u>	<u>429,000</u>	<u>1,130,850</u>
<u>767,877</u>	<u>245</u>	<u>33,717</u>	<u>744</u>	<u>81,576</u>	<u>—</u>	<u>380,550</u>	<u>429,000</u>	<u>2,183,322</u>
<u>\$ 767,877</u>	<u>\$ 245</u>	<u>\$ 33,717</u>	<u>\$ 744</u>	<u>\$ 137,260</u>	<u>\$ —</u>	<u>\$ 429,501</u>	<u>\$ 429,000</u>	<u>\$ 2,183,322</u>

Budgeted Funds
Combining Balance Sheet - Statutory Basis
As of June 30, 2025
(Amounts in thousands)

	Budgeted Other	Totals (Memorandum only)	
	Early Education and Care Operational Grant Fund	2025	2024
ASSETS			
Cash and short-term investments	\$ 67,871	\$ 14,675,228	\$ 16,691,269
Cash with fiscal agent	—	19,735	18,836
Investments	—	305,159	297,522
Receivables, net of allowance for uncollectibles:			
Due from federal government	—	1,447,144	836,531
Other receivables	—	14,575	12,457
Due from cities and towns	—	10,927	18,788
Total assets	<u>\$ 67,871</u>	<u>\$ 16,472,768</u>	<u>\$ 17,875,403</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ —	\$ 2,148,969	\$ 2,603,531
Accrued payroll	—	303,696	267,535
Total liabilities	—	2,452,665	2,871,066
Fund balance (deficit):			
Reserved for:			
Continuing appropriations	—	2,743,288	3,153,532
Commonwealth Stabilization	—	8,110,684	8,523,632
Debt service	—	19,735	18,836
Unreserved:			
Undesignated	67,871	3,146,396	3,308,337
Total fund equity (deficit)	67,871	14,020,103	15,004,337
Total liabilities and fund equity	<u>\$ 67,871</u>	<u>\$ 16,472,768</u>	<u>\$ 17,875,403</u>



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Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Administrative Control				
	General	Commonwealth Transportation	Commonwealth Stabilization	Intragovernmental Service	Transitional Escrow
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes	\$ 39,328,604	\$ 1,497,767	\$ 179	\$ —	\$ —
Assessments	419,497	26,797	—	—	—
Federal grants and reimbursements	16,199,453	—	—	—	—
Tobacco settlement revenue	874,694	—	—	—	—
Departmental	3,883,977	686,080	—	560,503	—
Miscellaneous	695,741	6,228	413,865	—	—
Total revenues	61,401,966	2,216,872	414,044	560,503	—
Other financing sources:					
Fringe benefit cost recovery	641,840	—	—	—	—
Lottery reimbursements	148,181	—	—	—	—
Lottery distributions	1,031,804	—	—	—	—
Operating transfers in	591,502	334,386	—	—	520,765
Stabilization transfer	—	—	—	—	—
Other fund deficit support	217,735	—	—	—	—
Total other financing sources	2,631,062	334,386	—	—	520,765
Total revenues and other financing sources	64,033,028	2,551,258	414,044	560,503	520,765
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature	96,781	—	—	—	—
Judiciary	1,351,808	—	—	—	2,896
Office of Inspector General	8,532	—	—	—	384
Governor and Lieutenant Governor	9,184	—	—	—	—
Secretary of the Commonwealth	82,966	—	—	—	160
Treasurer and Receiver-General	240,144	8,218	—	—	—
State Auditor	24,004	—	—	—	—
Attorney General	79,301	—	—	12	19,356
State Ethics Commission	3,828	—	—	—	—
District Attorneys	178,082	—	—	—	—
Office of Campaign & Political Finance	2,099	—	—	—	—
Sheriffs	882,887	—	—	—	—
Disabled Persons Protection Commission	12,047	—	—	—	641
Commission on the Status of Women	905	—	—	—	—
Board of Library Commissioners	52,384	—	—	—	—
Office of the Comptroller	11,067	—	—	30,983	280
Administration and Finance	3,352,931	—	—	143,102	3,418
Energy and Environmental Affairs	543,146	—	—	3,686	37,079
Health and Human Services	9,716,522	—	—	159,057	199,567
Technology Services and Security	97,855	—	—	104,452	588
Veterans' Services	122,174	—	—	4,450	3,277
Veterans' Advocate	1,684	—	—	—	—
Housing and Livable Communities	1,399,216	—	—	—	556,594
Massachusetts Department of Transportation	2,951	314,280	—	—	130
Office of the Child Advocate	5,374	—	—	—	—
Commission Against Discrimination	11,908	—	—	—	—
Cannabis Control Commission	—	—	—	—	—
Education	3,816,364	—	—	2,229	115,310
Center for Health Information and Analysis	36,285	—	—	—	64
Public Safety and Security	1,604,438	—	—	54,172	16,764
Massachusetts Peace Officer Standards and Training Commission	7,985	—	—	—	—
Commission on the Status of Persons with Disabilities	145	—	—	—	—
Economic Development	207,868	—	—	2,492	16,707
Labor and Workforce Development	68,808	—	—	—	35,967
Direct local aid	7,747,799	—	—	—	—
Medicaid program expenses	22,129,247	—	—	—	—
Post employment benefits	5,093,997	—	—	—	—
Debt service:					
Principal retirement	711,118	450,186	—	33,571	—
Interest and fiscal charges	710,900	694,074	—	—	—
Total expenditures	60,424,734	1,466,758	—	538,206	1,009,182
Other financing uses:					
Fringe benefit cost assessment	11,784	—	—	—	3,707
Operating transfers out	3,987,791	781,877	—	31,908	18,995
Stabilization transfer	—	—	826,992	—	—
Medical assistance transfer	640,347	—	—	—	—
Other fund deficit support	—	301,724	—	—	—
Total other financing uses	4,639,922	1,083,601	826,992	31,908	22,702
Total expenditures and other financing uses	65,064,656	2,550,359	826,992	570,114	1,031,884
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(1,031,628)	899	(412,948)	(9,611)	(511,119)
Fund balance/(deficit) at beginning of year	1,952,395	18,836	8,523,632	17,946	1,477,489
Fund balance/(deficit) at end of year	\$ 920,767	\$ 19,735	\$ 8,110,684	\$ 8,335	\$ 966,370

See accountants' review report
Note: Details may not add to totals due to rounding

continued

Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Budgeted Other				
	Behavioral Health Outreach, Access and Support Trust	Federal COVID-19 Response	Student Opportunity Act Investment	Broadband Innovation	High-Quality Early Education & Care Affordability
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—
Departmental	—	—	—	—	—
Miscellaneous	—	6,785	—	—	—
Total revenues	—	6,785	—	—	—
Other financing sources:					
Fringe benefit cost recovery	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—
Lottery distributions	—	—	—	—	—
Operating transfers in	18,278	—	100,000	—	—
Stabilization transfer	—	—	—	—	—
Other fund deficit support	—	—	—	—	—
Total other financing sources	18,278	—	100,000	—	—
Total revenues and other financing sources	18,278	6,785	100,000	—	—
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Legislature	—	—	—	—	—
Judiciary	1	—	—	—	—
Office of Inspector General	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—
State Auditor	—	—	—	—	—
Attorney General	—	—	—	—	—
State Ethics Commission	—	—	—	—	—
District Attorneys	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—
Sheriffs	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—
Administration and Finance	—	6,785	—	—	—
Energy and Environmental Affairs	—	—	—	—	—
Health and Human Services	12,263	—	—	—	—
Technology Services and Security	—	—	—	—	—
Veterans' Services	—	—	—	—	—
Veterans' Advocate	—	—	—	—	—
Housing and Livable Communities	205	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—
Education	5,533	—	58,000	—	231,282
Center for Health Information and Analysis	—	—	—	—	—
Public Safety and Security	—	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	—	—	—	—	—
Commission on the Status of Persons with Disabilities	—	—	—	—	—
Economic Development	—	—	—	37,330	—
Labor and Workforce Development	—	—	—	—	—
Direct local aid	—	—	199,769	—	—
Medicaid program expenses	—	—	—	—	—
Post employment benefits	—	—	—	—	—
Debt service:					
Principal retirement	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—
Total expenditures	18,002	6,785	257,769	37,330	231,282
Other financing uses:					
Fringe benefit cost assessment	492	—	—	—	—
Operating transfers out	—	—	—	—	—
Stabilization transfer	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—
Other fund deficit support	—	—	—	—	—
Total other financing uses	492	—	—	—	—
Total expenditures and other financing uses	18,494	6,785	257,769	37,330	231,282
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(216)	—	(157,769)	(37,330)	(231,282)
Fund balance/(deficit) at beginning of year	5,236	—	925,646	37,575	264,999
Fund balance/(deficit) at end of year	\$ 5,020	\$ —	\$ 767,877	\$ 245	\$ 33,717

See accountants' review report.
Note: Details may not add to totals due to rounding.

Budgeted Other							Totals (Memorandum only)	
Youth Development and Achievement	Behavioral Health Trust	Castle Island Marine Park Trust	Education and Transportation	Education and Transportation Reserve	Education and Transportation Innovation and Capital	Early Education and Care Operational Grant Fund	2025	2024
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 41,010,733	\$ 38,138,472
—	—	—	—	—	—	—	446,294	451,043
—	—	—	—	—	—	—	16,209,573	14,603,087
—	—	—	—	—	—	—	874,694	186,209
—	—	—	—	—	—	—	5,192,675	4,897,615
—	—	—	18,072	11,016	63,523	—	1,215,365	1,411,733
—	—	—	18,072	11,016	63,523	—	64,949,334	59,688,159
—	—	—	—	—	—	—	641,840	619,528
—	—	—	—	—	—	—	148,181	142,205
—	—	—	—	—	—	—	1,031,804	1,124,590
1,660	—	—	2,997,711	254,656	1,461,591	—	6,575,928	4,788,791
—	—	—	—	—	—	—	—	62,197
—	—	—	—	—	—	—	306,975	36,351
1,660	—	—	2,997,711	254,656	1,461,591	—	8,704,728	6,773,662
1,660	—	—	3,015,783	265,672	1,525,114	—	73,654,062	66,461,821
—	—	—	—	—	—	—	96,781	89,314
—	—	—	—	—	—	—	1,354,705	1,298,215
—	—	—	—	—	—	—	8,916	8,004
—	—	—	—	—	—	—	9,184	8,519
—	—	—	—	—	—	—	83,126	69,840
—	—	—	—	—	—	—	248,362	243,399
—	—	—	—	—	—	—	24,004	22,804
—	—	—	—	—	—	—	98,669	91,163
—	—	—	—	—	—	—	3,828	3,391
—	—	—	—	—	—	—	178,082	173,956
—	—	—	—	—	—	—	2,099	2,087
—	—	—	—	—	—	—	882,891	799,309
—	—	—	—	—	—	—	12,688	12,080
—	—	—	—	—	—	—	905	880
—	—	—	—	—	—	—	52,384	47,408
—	—	—	—	—	—	—	42,330	31,128
—	351	—	37,000	—	5,000	—	3,556,088	3,335,340
—	—	—	—	—	—	—	604,284	628,547
—	85,906	—	—	—	—	—	10,282,330	9,414,095
—	—	—	—	—	—	—	202,895	195,299
—	—	—	—	—	—	—	129,901	116,940
—	—	—	—	—	—	—	1,684	186
—	—	—	—	—	—	—	1,974,816	1,722,314
—	—	—	42,448	—	60,000	—	419,809	618,802
—	—	—	—	—	—	—	5,374	5,426
—	—	—	—	—	—	—	11,908	9,827
—	—	—	—	—	—	—	19,932	18,901
1,671	22,228	—	837,103	—	26,298	82,129	5,217,668	4,826,401
—	360	—	—	—	—	—	36,709	35,670
—	—	—	—	—	—	—	1,683,587	1,598,747
—	—	—	—	—	—	—	7,985	7,653
—	—	—	—	—	—	—	145	134
—	—	—	—	—	—	—	271,325	356,772
—	—	—	—	—	—	—	130,085	110,825
—	—	—	—	—	—	—	8,248,372	7,948,821
—	—	—	—	—	—	—	22,129,247	20,070,174
—	—	—	—	—	—	—	5,093,997	4,719,755
—	—	—	—	—	—	—	1,194,875	1,162,652
—	—	—	—	—	—	—	1,404,974	1,261,907
1,671	108,845	—	916,551	—	91,298	82,129	65,726,944	61,066,685
8	785	—	2,586	—	—	—	38,778	34,023
—	—	250	1,920,939	18,536	276,456	—	7,098,260	5,124,381
—	—	—	—	—	—	—	826,992	29,542
—	—	—	—	—	—	—	640,347	505,000
—	—	—	—	—	—	—	306,975	36,351
8	785	250	1,923,525	18,536	276,456	—	8,911,352	5,729,297
1,679	109,630	250	2,840,076	18,536	367,754	82,129	74,638,296	66,795,982
(19)	(109,630)	(250)	175,707	247,136	1,157,360	(82,129)	(984,234)	(334,161)
763	191,206	250	204,843	181,864	1,025,962	150,000	15,004,337	15,338,498
\$ 744	\$ 81,576	\$ —	\$ 380,550	\$ 429,000	\$ 2,183,322	\$ 67,871	\$ 14,020,103	\$ 15,004,337

Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	General			Commonwealth Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ 36,916,000	\$ 39,328,604	\$ 2,412,604	\$ 1,851,600	\$ 1,497,767	\$ (353,833)
Assessments	497,907	419,497	(78,410)	26,496	26,797	301
Federal grants and reimbursements	14,356,450	16,199,453	1,843,003	—	—	—
Tobacco settlement revenue	256,786	874,694	617,908	—	—	—
Departmental	4,044,907	3,883,977	(160,930)	666,374	686,080	19,706
Miscellaneous	842,919	695,741	(147,178)	8	6,228	6,220
Total revenues	56,914,969	61,401,966	4,486,997	2,544,478	2,216,872	(327,606)
Other financing sources:						
Fringe benefit cost recovery	604,898	641,840	36,942	—	—	—
Lottery reimbursements	132,670	148,181	15,511	—	—	—
Lottery distributions	1,345,750	1,031,804	(313,946)	—	—	—
Operating transfers in	294,418	591,502	297,084	64,800	334,386	269,586
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	217,735	217,735	—	—	—	—
Total other financing sources	2,595,471	2,631,062	35,591	64,800	334,386	269,586
Total revenues and other financing sources	59,510,440	64,033,028	4,522,588	2,609,278	2,551,258	(58,020)
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	148,642	96,781	51,861	—	—	—
Judiciary	1,357,716	1,351,808	5,908	—	—	—
Office of Inspector General	9,974	8,532	1,442	—	—	—
Governor and Lieutenant Governor	12,131	9,184	2,947	—	—	—
Secretary of the Commonwealth	87,050	82,966	4,084	—	—	—
Treasurer and Receiver-General	288,817	240,144	48,673	—	8,218	(8,218)
State Auditor	25,344	24,004	1,340	—	—	—
Attorney General	82,131	79,301	2,830	—	—	—
State Ethics Commission	3,839	3,828	11	—	—	—
District Attorneys	179,756	178,082	1,674	—	—	—
Office of Campaign & Political Finance	2,207	2,099	108	—	—	—
Sheriffs	888,344	882,887	5,457	—	—	—
Disabled Persons Protection Commission	12,050	12,047	3	—	—	—
Commission on the Status of Women	959	905	54	—	—	—
Board of Library Commissioners	52,473	52,384	89	—	—	—
Office of the Comptroller	11,111	11,067	44	—	—	—
Administration and Finance	3,893,739	3,352,931	540,808	—	—	—
Energy and Environmental Affairs	583,544	543,146	40,398	—	—	—
Health and Human Services	10,390,410	9,716,522	673,888	—	—	—
Technology Services and Security	100,163	97,855	2,308	—	—	—
Veterans' Services	128,050	122,174	5,876	—	—	—
Veterans' Advocate	1,963	1,684	279	—	—	—
Housing and Livable Communities	1,532,398	1,399,216	133,182	—	—	—
Massachusetts Department of Transportation	3,269	2,951	318	314,280	314,280	—
Office of the Child Advocate	8,144	5,374	2,770	—	—	—
Commission Against Discrimination	13,578	11,908	1,670	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	3,912,205	3,816,364	95,841	—	—	—
Center for Health Information and Analysis	39,014	36,285	2,729	—	—	—
Public Safety and Security	1,666,686	1,604,438	62,248	—	—	—
Massachusetts Peace Officer Standards and Training Commission	8,752	7,985	767	—	—	—
Commission on the Status of African Americans	150	—	150	—	—	—
Commission on the Status of Latinos and Latinas	150	—	150	—	—	—
Commission on the Status of Persons with Disabilities	150	145	5	—	—	—
Commission on the Social Status of Black Men and Boys	150	—	150	—	—	—
Economic Development	224,877	207,868	17,009	—	—	—
Labor and Workforce Development	70,203	68,808	1,395	—	—	—
Direct local aid	7,748,119	7,747,799	320	—	—	—
Medicaid program expenses	22,143,507	22,129,247	14,260	—	—	—
Post employment benefits	5,096,329	5,093,997	2,332	—	—	—
Debt service:						
Principal retirement	719,792	711,118	8,674	464,215	450,186	14,029
Interest and fiscal charges	719,572	710,900	8,672	721,419	694,074	27,345
Total expenditures	62,167,458	60,424,734	1,742,724	1,499,914	1,466,758	33,156
Other financing uses:						
Fringe benefit cost assessment	—	11,784	(11,784)	—	—	—
Operating transfers out	3,991,664	3,987,791	3,873	781,877	781,877	—
Stabilization transfer	124,500	—	124,500	—	—	—
Medical assistance transfer	837,827	640,347	197,480	—	—	—
Other fund deficit support	—	—	—	301,724	301,724	—
Total other financing uses	4,953,991	4,639,922	314,069	1,083,601	1,083,601	—
Total expenditures and other financing uses	67,121,449	65,064,656	2,056,793	2,583,515	2,550,359	33,156
Excess/(deficiency) of revenues and other financing sources over/ (under) expenditures and other financing uses	\$ (7,611,009)	(1,031,628)	\$ 6,579,381	\$ 25,763	899	\$ (24,864)
Fund balance/(deficit) at beginning of year	—	1,952,395	—	—	18,836	—
Fund balance/(deficit) at end of year	—	\$ 920,767	—	—	\$ 19,735	—

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2025
(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	\$ 900	\$ 914	\$ 14	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	8,420	10,120	1,700	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	9,543	10,075	532	1,825	1,714	(111)
Miscellaneous	90	133	43	—	2	2
Total revenues	18,953	21,242	2,289	1,825	1,716	(109)
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	1,450	2,193	743	—	—	—
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	1,450	2,193	743	—	—	—
Total revenues and other financing sources	20,403	23,435	3,032	1,825	1,716	(109)
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
State Auditor	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
State Ethics Commission	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	19,728	17,396	2,332	2,182	1,923	259
Health and Human Services	—	—	—	—	—	—
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Veterans' Advocate	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	—	—	—	—	—	—
Commission on the Status of African Americans	—	—	—	—	—	—
Commission on the Status of Latinos and Latinas	—	—	—	—	—	—
Commission on the Status of Persons with Disabilities	—	—	—	—	—	—
Commission on the Social Status of Black Men and Boys	—	—	—	—	—	—
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	19,728	17,396	2,332	2,182	1,923	259
Other financing uses:						
Fringe benefit cost assessment	—	4,878	(4,878)	—	283	(283)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	4,878	(4,878)	—	283	(283)
Total expenditures and other financing uses	19,728	22,274	(2,546)	2,182	2,206	(24)
Excess/(deficiency) of revenues and other financing sources over/ (under) expenditures and other financing uses	\$ 675	\$ 1,161	\$ 486	\$ (357)	\$ (490)	\$ (133)
Fund balance/(deficit) at beginning of year	—	15,127	—	—	4,976	—
Fund balance/(deficit) at end of year	—	\$ 16,288	—	—	\$ 4,486	—

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2025
(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	\$ 16,500	\$ —	\$ (16,500)	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	13,200	—	(13,200)	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	29,700	—	(29,700)	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	227,900	193,751	(34,149)	58,100	49,718	(8,382)
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	63,804	63,804	—	—	—	—
Total other financing sources	291,704	257,555	(34,149)	58,100	49,718	(8,382)
Total revenues and other financing sources	321,404	257,555	(63,849)	58,100	49,718	(8,382)
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
State Auditor	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
State Ethics Commission	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Veterans' Advocate	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	—	—	—	3,890	3,890	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	—	—	—	—	—	—
Commission on the Status of African Americans	—	—	—	—	—	—
Commission on the Status of Latinos and Latinas	—	—	—	—	—	—
Commission on the Status of Persons with Disabilities	—	—	—	—	—	—
Commission on the Social Status of Black Men and Boys	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	257,555	257,555	—	43,249	43,249	—
Medicaid program expenses	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	257,555	257,555	—	47,139	47,139	—
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	1,689	(1,689)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	890	890	—
Total other financing uses	—	—	—	890	2,579	(1,689)
Total expenditures and other financing uses	257,555	257,555	—	48,029	49,718	(1,689)
Excess/(deficiency) of revenues and other financing sources over/ (under) expenditures and other financing uses	\$ 63,849	—	\$ (63,849)	\$ 10,071	—	\$ (10,071)
Fund balance/(deficit) at beginning of year	—	—	—	—	—	—
Fund balance/(deficit) at end of year	—	—	—	—	—	—

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Budgeted Other					
	Behavioral Health Outreach, Access and Support Trust			Federal COVID-19 Response		
	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	—	—	—	—	6,785	6,785
Total revenues	—	—	—	—	6,785	6,785
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	20,000	18,278	(1,722)	—	—	—
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	20,000	18,278	(1,722)	—	—	—
Total revenues and other financing sources	20,000	18,278	(1,722)	—	6,785	6,785
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	1	1	—	—	—	—
Office of Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
State Auditor	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
State Ethics Commission	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	6,785	6,785	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	14,972	12,263	2,709	—	—	—
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Veterans' Advocate	—	—	—	—	—	—
Housing and Livable Communities	205	205	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	6,005	5,533	472	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	—	—	—	—	—	—
Commission on the Status of African Americans	—	—	—	—	—	—
Commission on the Status of Latinos and Latinas	—	—	—	—	—	—
Commission on the Status of Persons with Disabilities	—	—	—	—	—	—
Commission on the Social Status of Black Men and Boys	—	—	—	—	—	—
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	21,183	18,002	3,181	6,785	6,785	—
Other financing uses:						
Fringe benefit cost assessment	—	492	(492)	—	—	—
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	492	(492)	—	—	—
Total expenditures and other financing uses	21,183	18,494	2,689	6,785	6,785	—
Excess/(deficiency) of revenues and other financing sources over/ (under) expenditures and other financing uses	\$ (1,183)	(216)	\$ 967	\$ (6,785)	—	\$ 6,785
Fund balance/(deficit) at beginning of year	—	5,236	—	—	—	—
Fund balance/(deficit) at end of year	—	\$ 5,020	—	—	\$ —	—

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Budgeted Other					
	Youth Development and Achievement			Behavioral Health Trust		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ 600	\$ —	\$ (600)	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	480	—	(480)	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	1,080	—	(1,080)	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	1,660	1,660	—	—	—
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	1,660	1,660	—	—	—
Total revenues and other financing sources	1,080	1,660	580	—	—	—
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
State Auditor	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
State Ethics Commission	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	351	351	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	—	—	—	164,932	85,906	79,026
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Veterans' Advocate	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	1,746	1,671	75	24,916	22,228	2,688
Center for Health Information and Analysis	—	—	—	360	360	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	—	—	—	—	—	—
Commission on the Status of African Americans	—	—	—	—	—	—
Commission on the Status of Latinos and Latinas	—	—	—	—	—	—
Commission on the Status of Persons with Disabilities	—	—	—	—	—	—
Commission on the Social Status of Black Men and Boys	—	—	—	—	—	—
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	1,746	1,671	75	190,559	108,845	81,714
Other financing uses:						
Fringe benefit cost assessment	—	8	(8)	—	785	(785)
Operating transfers out	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	8	(8)	—	785	(785)
Total expenditures and other financing uses	1,746	1,679	67	190,559	109,630	80,929
Excess/(deficiency) of revenues and other financing sources over/ (under) expenditures and other financing uses	\$ (666)	(19)	\$ 647	\$ (190,559)	(109,630)	\$ 80,929
Fund balance/(deficit) at beginning of year	—	763	—	—	191,206	—
Fund balance/(deficit) at end of year	—	\$ 744	—	—	\$ 81,576	—

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Budgeted Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

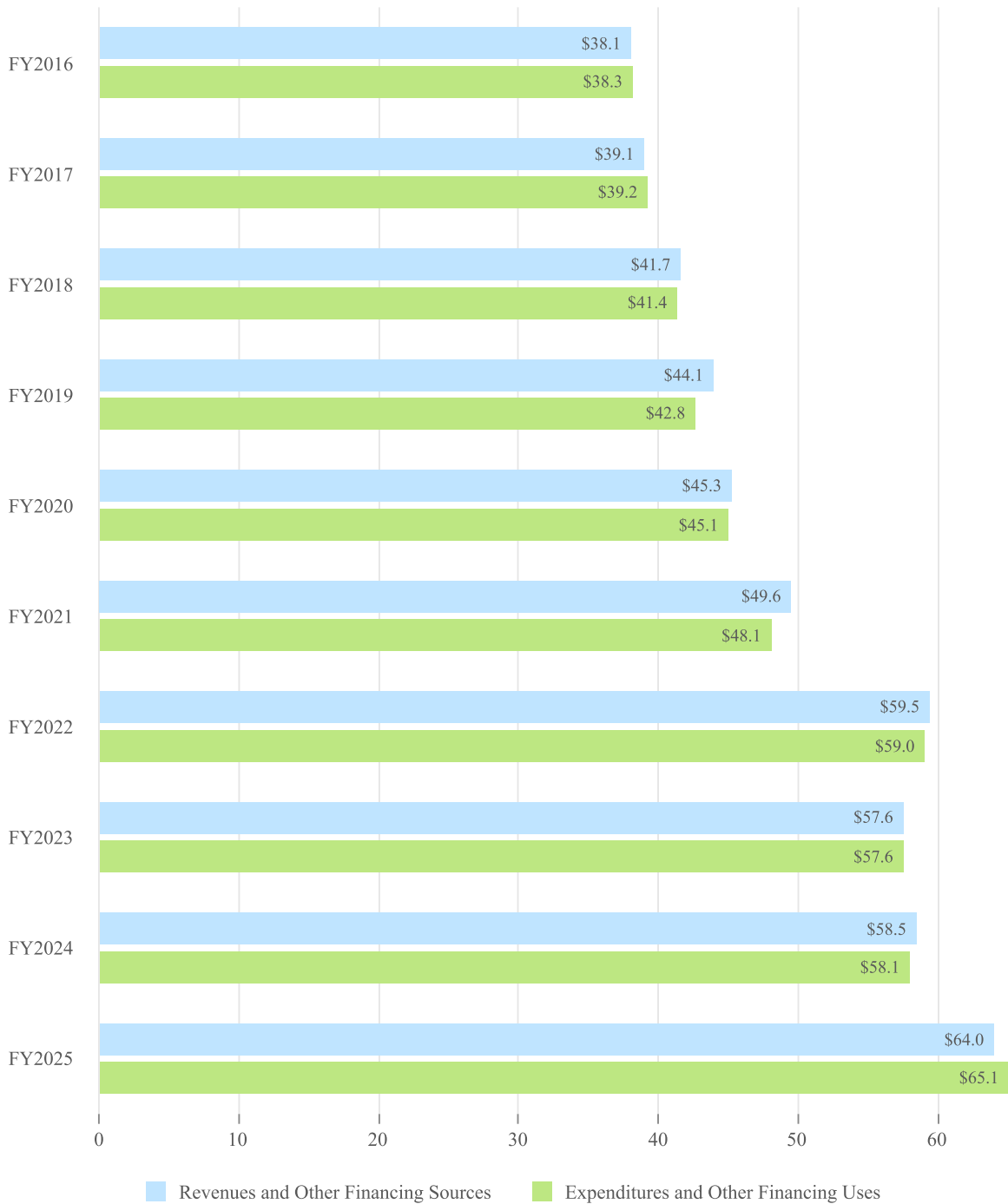
	Budgeted Other					
	Education and Transportation Innovation and Capital			Early Education and Care Operational Grant		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	63,523	63,523	—	—	—
Total revenues	—	63,523	63,523	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	1,461,591	1,461,591	—	—	—
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	1,461,591	1,461,591	—	—	—
Total revenues and other financing sources	—	1,525,114	1,525,114	—	—	—
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
State Auditor	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
State Ethics Commission	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	5,000	5,000	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Veterans' Advocate	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—
Massachusetts Department of Transportation	577,367	60,000	517,367	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Commission Against Discrimination	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	561,403	26,298	535,105	99,990	82,129	17,861
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	—	—	—	—	—	—
Commission on the Status of African Americans	—	—	—	—	—	—
Commission on the Status of Latinos and Latinas	—	—	—	—	—	—
Commission on the Status of Persons with Disabilities	—	—	—	—	—	—
Commission on the Social Status of Black Men and Boys	—	—	—	—	—	—
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	1,143,770	91,298	1,052,472	99,990	82,129	17,861
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	—	—
Operating transfers out	276,456	276,456	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	276,456	276,456	—	—	—	—
Total expenditures and other financing uses	1,420,226	367,754	1,052,472	99,990	82,129	17,861
Excess/(deficiency) of revenues and other financing sources over/ (under) expenditures and other financing uses	\$ (1,420,226)	1,157,360	\$ 2,577,586	\$ (99,990)	(82,129)	\$ 17,861
Fund balance/(deficit) at beginning of year	—	1,025,962	—	—	150,000	—
Fund balance/(deficit) at end of year	—	\$ 2,183,322	—	—	\$ 67,871	—

See accountants' review report

Note: Details may not add to totals due to rounding

Totals (Memorandum only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 38,958,200	\$ 41,010,733	\$ 2,052,533
524,403	446,294	(78,109)
14,364,870	16,209,573	1,844,703
256,786	874,694	617,908
4,788,701	5,192,675	403,974
843,018	1,215,365	372,347
59,735,978	64,949,334	5,213,356
604,898	641,840	36,942
132,670	148,181	15,511
1,345,750	1,031,804	(313,946)
1,774,868	6,575,928	4,801,060
96,841	—	(96,841)
306,975	306,975	—
4,262,002	8,704,728	4,442,726
63,997,980	73,654,062	9,656,082
148,642	96,781	51,861
1,401,570	1,354,705	46,865
10,517	8,916	1,601
12,131	9,184	2,947
87,225	83,126	4,099
288,817	248,362	40,455
25,344	24,004	1,340
102,317	98,669	3,648
3,839	3,828	11
179,756	178,082	1,674
2,207	2,099	108
888,348	882,891	5,457
12,868	12,688	180
959	905	54
52,473	52,384	89
67,713	42,330	25,383
4,553,540	3,556,088	997,452
679,863	604,284	75,579
11,122,032	10,282,330	839,702
285,925	202,895	83,030
136,327	129,901	6,426
1,963	1,684	279
2,111,096	1,974,816	136,280
1,031,511	419,809	611,702
8,144	5,374	2,770
13,578	11,908	1,670
20,005	19,932	73
6,003,169	5,217,668	785,501
39,445	36,709	2,736
1,767,695	1,683,587	84,108
8,752	7,985	767
150	—	150
150	—	150
150	145	5
150	—	150
297,922	271,325	26,597
151,180	130,085	21,095
8,248,692	8,248,372	320
22,143,507	22,129,247	14,260
5,096,329	5,093,997	2,332
1,218,661	1,194,875	23,786
1,440,991	1,404,974	36,017
69,665,655	65,726,944	3,938,711
—	38,778	(38,778)
7,102,133	7,098,260	3,873
951,492	826,992	124,500
837,827	640,347	197,480
306,975	306,975	—
9,198,427	8,911,352	287,075
78,864,082	74,638,296	4,225,786
\$ (14,866,102)	(984,234)	\$ 13,881,868
	15,004,337	
	<u>\$ 14,020,103</u>	

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



General Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 1,555,033	\$ 3,477,390
Receivables, net of allowance for uncollectibles:		
Due from federal government	1,447,144	836,479
Other receivables	14,575	12,457
Due from cities and towns	10,927	18,788
Total assets	<u>\$ 3,027,679</u>	<u>\$ 4,345,114</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 1,810,944	\$ 2,133,521
Accrued payroll	295,968	259,198
Total liabilities	<u>2,106,912</u>	<u>2,392,719</u>
 Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	920,767	1,952,395
Total fund balance	<u>920,767</u>	<u>1,952,395</u>
Total liabilities and fund balance	<u>\$ 3,027,679</u>	<u>\$ 4,345,114</u>

See accountants' review report

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 36,916,000	\$ 39,328,604	\$ 2,412,604	\$ 36,460,275
Assessments	497,907	419,497	(78,410)	426,726
Federal grants and reimbursements	14,356,450	16,199,453	1,843,003	14,596,368
Tobacco settlement revenue	256,786	874,694	617,908	186,209
Departmental	4,044,907	3,883,977	(160,930)	3,623,622
Miscellaneous	842,919	695,741	(147,178)	953,694
Total revenues	56,914,969	61,401,966	4,486,997	56,246,894
Other financing sources:				
Fringe benefit cost recovery	604,898	641,840	36,942	619,528
Lottery reimbursements	132,670	148,181	15,511	142,205
Lottery distributions	1,345,750	1,031,804	(313,946)	1,124,590
Operating transfers in	294,418	591,502	297,084	387,450
Other fund deficit support	217,735	217,735	—	—
Total other financing sources	2,595,471	2,631,062	35,591	2,273,773
Total revenues and other financing sources	59,510,440	64,033,028	4,522,588	58,520,667
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	148,642	96,781	51,861	89,314
Judiciary	1,357,716	1,351,808	5,908	1,295,177
Office of Inspector General	9,974	8,532	1,442	7,923
Governor and Lieutenant Governor	12,131	9,184	2,947	8,519
Secretary of the Commonwealth	87,050	82,966	4,084	69,190
Treasurer and Receiver-General	288,817	240,144	48,673	232,220
State Auditor	25,344	24,004	1,340	22,804
Attorney General	82,131	79,301	2,830	71,331
State Ethics Commission	3,839	3,828	11	3,391
District Attorneys	179,756	178,082	1,674	173,956
Office of Campaign & Political Finance	2,207	2,099	108	2,087
Sheriffs	888,344	882,887	5,457	799,166
Disabled Persons Protection Commission	12,050	12,047	3	11,594
Commission on the Status of Women	959	905	54	880
Board of Library Commissioners	52,473	52,384	89	47,408
Office of the Comptroller	11,111	11,067	44	10,920
Administration and Finance	3,893,739	3,352,931	540,808	1,639,643

continued

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
Expenditures (continued):				
Energy and Environmental Affairs	583,544	543,146	40,398	432,749
Health and Human Services	10,390,410	9,716,522	673,888	8,745,424
Technology Services and Security	100,163	97,855	2,308	86,190
Veteran's Services	128,050	122,174	5,876	109,531
Office of the Veteran Advocate	1,963	1,684	279	186
Housing and Livable Communities	1,532,398	1,399,216	133,182	1,422,598
Massachusetts Department of Transportation	3,269	2,951	318	72
Office of the Child Advocate	8,144	5,374	2,770	5,426
Commission Against Discrimination	13,578	11,908	1,670	9,827
Education	3,912,205	3,816,364	95,841	4,012,255
Center for Health Information and Analysis	39,014	36,285	2,729	35,211
Public Safety and Security	1,666,686	1,604,438	62,248	1,508,262
Massachusetts Peace Officer Standards and Training Commission	8,752	7,985	767	7,653
Commission on the Status of African Americans	150	—	150	—
Commission on the Status of Latinos and Latinas	150	—	150	—
Commission on the Status of Persons with Disabilities	150	145	5	134
Commission on the Social Status of Black Men and Boys	150	—	150	—
Economic Development	224,877	207,868	17,009	146,400
Labor and Workforce Development	70,203	68,808	1,395	74,759
Direct local aid	7,748,119	7,747,799	320	7,787,152
Medicaid	22,143,507	22,129,247	14,260	20,070,174
Post employment benefits	5,096,329	5,093,997	2,332	4,712,254
Debt service:				
Principal retirement	719,792	711,118	8,674	675,274
Interest and fiscal charges	719,572	710,900	8,672	643,585
Total expenditures	62,167,458	60,424,734	1,742,724	54,970,639
Other financing uses:				
Fringe benefit cost assessment	—	11,784	(11,784)	9,966
Operating transfers out	3,991,664	3,987,791	3,873	2,535,114
Stabilization transfer	124,500	—	124,500	29,542
Medical assistance transfer	837,827	640,347	197,480	505,000
Other fund deficit support	—	—	—	10,382
Total other financing uses	4,953,991	4,639,922	314,069	3,090,004
Total expenditures and other financing uses	67,121,449	65,064,656	2,056,793	58,060,643
Excess/(deficiency) of revenues and other financing sources over/ (under) expenditures and other financing uses	<u>\$ (7,611,009)</u>	<u>(1,031,628)</u>	<u>\$ 6,579,381</u>	<u>460,024</u>
Fund balance/(deficit) at beginning of year		1,952,395		1,492,371
Fund balance/(deficit) at end of year		<u>\$ 920,767</u>		<u>\$ 1,952,395</u>

See accountants' review report

Commonwealth Transportation Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 499	\$ 532
Cash with fiscal agent	19,735	18,836
Total assets	<u>\$ 20,234</u>	<u>\$ 19,368</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 499	\$ 532
Total liabilities	<u>499</u>	<u>532</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service	19,735	18,836
Total fund balance	<u>19,735</u>	<u>18,836</u>
Total liabilities and fund balance	<u>\$ 20,234</u>	<u>\$ 19,368</u>

See accountants' review report

Commonwealth Transportation Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 1,851,600	\$ 1,497,767	\$ (353,833)	\$ 1,503,319
Assessments	26,496	26,797	301	24,316
Departmental	666,374	686,080	19,706	682,979
Miscellaneous	8	6,228	6,220	8,288
Total revenues	<u>2,544,478</u>	<u>2,216,872</u>	<u>(327,606)</u>	<u>2,218,902</u>
Other financing sources:				
Operating transfers in	64,800	334,386	269,586	69,113
Total other financing sources	<u>64,800</u>	<u>334,386</u>	<u>269,586</u>	<u>69,113</u>
Total revenues and other financing sources	<u>2,609,278</u>	<u>2,551,258</u>	<u>(58,020)</u>	<u>2,288,015</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General	—	8,218	(8,218)	—
Massachusetts Department of Transportation	314,280	314,280	—	187,000
Post employment benefits	—	—	—	7,501
Debt service:				
Principal retirement	464,215	450,186	14,029	452,723
Interest and fiscal charges	<u>721,419</u>	<u>694,074</u>	<u>27,345</u>	<u>618,322</u>
Total expenditures	<u>1,499,914</u>	<u>1,466,758</u>	<u>33,156</u>	<u>1,265,546</u>
Other financing uses:				
Operating transfers out	781,877	781,877	—	1,046,749
Other fund deficit support	<u>301,724</u>	<u>301,724</u>	<u>—</u>	<u>23,926</u>
Total other financing uses	<u>1,083,601</u>	<u>1,083,601</u>	<u>—</u>	<u>1,070,675</u>
Total expenditures and other financing uses	<u>2,583,515</u>	<u>2,550,359</u>	<u>33,156</u>	<u>2,336,221</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 25,763</u>	899	<u>\$ (24,864)</u>	(48,206)
Fund balance/(deficit) at beginning of year		18,836		67,042
Fund balance/(deficit) at end of year		<u>\$ 19,735</u>		<u>\$ 18,836</u>

See accountants' review report

Commonwealth Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 7,805,525	\$ 8,226,110
Investments	305,159	297,522
Total assets	<u>\$ 8,110,684</u>	<u>\$ 8,523,632</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for Commonwealth Stabilization	8,110,684	8,523,632
Total fund balance	<u>8,110,684</u>	<u>8,523,632</u>
Total liabilities and fund balance	<u>\$ 8,110,684</u>	<u>\$ 8,523,632</u>

See accountants' review report

Commonwealth Stabilization Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ —	\$ 179	\$ 179	\$ 214
Miscellaneous	—	413,865	413,865	425,170
Total revenues	—	414,044	414,044	425,384
Other financing sources:				
Stabilization transfer	96,841	—	(96,841)	62,197
Total other financing sources	96,841	—	(96,841)	62,197
Total revenues and other financing sources	96,841	414,044	317,203	487,581
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Stabilization transfer	826,992	826,992	—	—
Total other financing uses	826,992	826,992	—	—
Total expenditures and other financing uses	826,992	826,992	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (730,151)</u>	<u>(412,948)</u>	<u>\$ 317,203</u>	<u>487,581</u>
Fund balance/(deficit) at beginning of year		8,523,632		8,036,051
Fund balance/(deficit) at end of year		<u>\$ 8,110,684</u>		<u>\$ 8,523,632</u>

See accountants' review report

Intragovernmental Service Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 55,060	\$ 64,615
Total assets	<u>\$ 55,060</u>	<u>\$ 64,615</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 41,119	\$ 40,921
Accrued payroll	<u>5,606</u>	<u>5,748</u>
Total liabilities	<u>46,725</u>	<u>46,669</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	<u>8,335</u>	<u>17,946</u>
Total fund balance	<u>8,335</u>	<u>17,946</u>
Total liabilities and fund balance	<u>\$ 55,060</u>	<u>\$ 64,615</u>

See accountants' review report

Intragovernmental Service Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ 560,503	\$ 560,503	\$ 529,094
Total revenues	—	560,503	560,503	529,094
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	560,503	560,503	529,094
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Secretary of the Commonwealth	16	—	16	—
Attorney General	15	12	3	2
Office of the Comptroller	56,322	30,983	25,339	20,209
Administration and Finance	245,676	143,102	102,574	141,117
Energy and Environmental Affairs	6,500	3,686	2,814	4,675
Health and Human Services	200,830	159,057	41,773	138,028
Technology Services and Security	185,174	104,452	80,722	109,109
Veteran's Services	5,000	4,450	550	6,686
Education	3,000	2,229	771	2,355
Public Safety and Security	75,720	54,172	21,548	53,800
Economic Development	6,846	2,492	4,354	1,197
Debt service:				
Principal retirement	34,654	33,571	1,083	34,654
Total expenditures	819,753	538,206	281,547	511,832
Other financing uses:				
Operating transfers out	31,908	31,908	—	12,240
Total other financing uses	31,908	31,908	—	12,240
Total expenditures and other financing uses	851,661	570,114	281,547	524,072
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (851,661)</u>	<u>(9,611)</u>	<u>\$ 842,050</u>	<u>5,022</u>
Fund balance/(deficit) at beginning of year		17,946		12,924
Fund balance/(deficit) at end of year		<u>\$ 8,335</u>		<u>\$ 17,946</u>

See accountants' review report

Transitional Escrow Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 1,027,888	\$ 1,564,888
Total assets	<u>\$ 1,027,888</u>	<u>\$ 1,564,888</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 61,153	\$ 86,196
Accrued payroll	365	1,203
Total liabilities	<u>61,518</u>	<u>87,399</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	496,418	878,304
Unreserved fund balance:		
Undesignated	<u>469,952</u>	<u>599,185</u>
Total fund balance	<u>966,370</u>	<u>1,477,489</u>
Total liabilities and fund balance	<u>\$ 1,027,888</u>	<u>\$ 1,564,888</u>

See accountants' review report

Transitional Escrow Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	520,765	520,765	14,972
Total other financing sources	—	520,765	520,765	14,972
Total revenues and other financing sources	—	520,765	520,765	14,972
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	43,853	2,896	40,957	3,036
Office of Inspector General	543	384	159	81
Secretary of the Commonwealth	160	160	—	650
Treasurer and Receiver-General	—	—	—	11,179
Attorney General	20,171	19,356	815	—
Disabled Persons Protection Commission	818	641	177	486
Office of the Comptroller	280	280	—	—
Administration and Finance	353,689	3,418	350,271	53,414
Energy and Environmental Affairs	66,834	37,079	29,755	60,777
Health and Human Services	240,130	199,567	40,563	108,594
Technology Services and Security	588	588	—	—
Veterans' Services	3,277	3,277	—	369
Housing and Livable Communities	559,693	556,594	3,099	24,871
Massachusetts Department of Transportation	130	130	—	575
Education	145,145	115,310	29,835	51,719
Center for Health Information and Analysis	71	64	7	459
Public Safety and Security	16,772	16,764	8	14,715
Economic Development	21,124	16,707	4,417	17,208
Labor and Workforce Development	36,028	35,967	61	18,839
Total expenditures	1,509,306	1,009,182	500,124	366,972
Other financing uses:				
Fringe benefit cost assessment	—	3,707	(3,707)	2,512
Operating transfers out	18,995	18,995	—	59,201
Total other financing uses	18,995	22,702	(3,707)	61,713
Total expenditures and other financing uses	1,528,301	1,031,884	496,417	428,685
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (1,528,301)</u>	<u>(511,119)</u>	<u>\$ 1,017,182</u>	<u>(413,713)</u>
Fund balance/(deficit) at beginning of year		1,477,489		1,891,202
Fund balance/(deficit) at end of year		<u>\$ 966,370</u>		<u>\$ 1,477,489</u>

See accountants' review report

Inland Fisheries And Game Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 17,330	\$ 15,889
Receivables, net of allowance for uncollectibles:		
Due from federal government	—	52
Total assets	<u>\$ 17,330</u>	<u>\$ 15,941</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 448	\$ 375
Accrued payroll	594	439
Total liabilities	<u>1,042</u>	<u>814</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	16,288	15,127
Total fund balance	<u>16,288</u>	<u>15,127</u>
Total liabilities and fund balance	<u>\$ 17,330</u>	<u>\$ 15,941</u>

See accountants' review report

Inland Fisheries And Game Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 900	\$ 914	\$ 14	\$ 922
Federal grants and reimbursements	8,420	10,120	1,700	6,719
Departmental	9,543	10,075	532	9,768
Miscellaneous	90	133	43	209
Total revenues	18,953	21,242	2,289	17,618
Other financing sources:				
Operating transfers in	1,450	2,193	743	2,048
Total other financing sources	1,450	2,193	743	2,048
Total revenues and other financing sources	20,403	23,435	3,032	19,666
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	19,728	17,396	2,332	16,192
Total expenditures	19,728	17,396	2,332	16,192
Other financing uses:				
Fringe benefit cost assessment	—	4,878	(4,878)	4,562
Total other financing uses	—	4,878	(4,878)	4,562
Total expenditures and other financing uses	19,728	22,274	(2,546)	20,754
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 675	1,161	\$ 486	(1,088)
Fund balance/(deficit) at beginning of year		15,127		16,215
Fund balance/(deficit) at end of year		\$ 16,288		\$ 15,127

See accountants' review report

Marine Recreational Fisheries Development Fund

Balance Sheet - Statutory Basis

As of June 30, 2025

(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 4,635	\$ 5,096
Total assets	<u>\$ 4,635</u>	<u>\$ 5,096</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 88	\$ 69
Accrued payroll	<u>61</u>	<u>51</u>
Total liabilities	<u>149</u>	<u>120</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>4,486</u>	<u>4,976</u>
Total fund balance	<u>4,486</u>	<u>4,976</u>
Total liabilities and fund balance	<u>\$ 4,635</u>	<u>\$ 5,096</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, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 1,825	\$ 1,714	\$ (111)	\$ 1,726
Miscellaneous	—	2	2	2
Total revenues	1,825	1,716	(109)	1,728
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	1,825	1,716	(109)	1,728
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	2,182	1,923	259	1,474
Total expenditures	2,182	1,923	259	1,474
Other financing uses				
Fringe benefit cost assessment	—	283	(283)	172
Total other financing uses	—	283	(283)	172
Total expenditures and other financing uses	2,182	2,206	(24)	1,646
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (357)</u>	(490)	<u>\$ (133)</u>	82
Fund balance/(deficit) at beginning of year		4,976		4,894
Fund balance/(deficit) at end of year		<u>\$ 4,486</u>		<u>\$ 4,976</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund

Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 79	\$ 634
Total assets	<u>\$ 79</u>	<u>\$ 634</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 19	\$ 581
Accrued payroll	<u>60</u>	<u>53</u>
Total liabilities	<u>79</u>	<u>634</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>—</u>	<u>—</u>
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 79</u>	<u>\$ 634</u>

See accountants' review report

Underground Storage Tank Petroleum Product Cleanup Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ 30,000	\$ 30,000	\$ —	\$ 30,000
Total revenues	30,000	30,000	—	30,000
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	30,000	30,000	—	30,000
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	8,851	6,889	1,962	6,610
Total expenditures	8,851	6,889	1,962	6,610
Other financing uses:				
Fringe benefit cost assessment	—	604	(604)	587
Operating transfers out	22,507	22,507	—	22,803
Total other financing uses	22,507	23,111	(604)	23,390
Total expenditures and other financing uses	31,358	30,000	1,358	30,000
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (1,358)	—	\$ 1,358	—
Fund balance/(deficit) at beginning of year	—	—	—	—
Fund balance/(deficit) at end of year	\$ —	\$ —	\$ —	\$ —

See accountants' review report

Public Safety Training Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 39	\$ 615
Total assets	<u>\$ 39</u>	<u>\$ 615</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	48	18
Unreserved fund balance:		
Undesignated/(Deficit)	<u>(9)</u>	<u>597</u>
Total fund balance	<u>39</u>	<u>615</u>
Total liabilities and fund balance	<u>\$ 39</u>	<u>\$ 615</u>

See accountants' review report

Public Safety Training Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ 818	\$ 934	\$ 116	\$ 828
Total revenues.....	818	934	116	828
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources.....	—	—	—	—
Total revenues and other financing sources.....	818	934	116	828
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Sheriffs.....	4	4	—	1
Education.....	3	3	—	2
Public Safety and Security.....	1,405	1,340	65	414
Total expenditures.....	1,412	1,347	65	417
Other financing uses:				
Fringe benefit cost assessment.....	—	163	(163)	57
Total other financing uses.....	—	163	(163)	57
Total expenditures and other financing uses.....	1,412	1,510	(98)	474
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	\$ (594)	(576)	\$ 18	354
Fund balance/(deficit) at beginning of year		615		261
Fund balance/(deficit) at end of year		\$ 39		\$ 615

See accountants' review report

Local Capital Projects Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 820	\$ —
Total assets	<u>\$ 820</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 820	\$ —
Total liabilities	<u>820</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>—</u>	<u>—</u>
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 820</u>	<u>\$ —</u>

See accountants' review report

Local Capital Projects Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	18,700	15,889	(2,811)	11,532
Other fund deficit support	2,813	2,813	—	—
Total other financing sources	21,513	18,702	(2,811)	11,532
Total revenues and other financing sources	21,513	18,702	(2,811)	11,532
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and Livable Communities	18,702	18,702	—	11,381
Total expenditures	18,702	18,702	—	11,381
Other financing uses:				
Operating transfers out	—	—	—	139
Other fund deficit support	—	—	—	12
Total other financing uses	—	—	—	151
Total expenditures and other financing uses	18,702	18,702	—	11,532
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 2,811	—	\$ (2,811)	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ —		\$ —

See accountants' review report

Gaming Local Aid Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	—	—
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ —</u>

See accountants' review report

Gaming Local Aid Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 16,500	\$ —	\$ (16,500)	\$ —
Departmental	13,200	—	(13,200)	—
Total revenues.....	29,700	—	(29,700)	—
Other financing sources:				
Operating transfers in	227,900	193,751	(34,149)	151,008
Other fund deficit support.....	63,804	63,804	—	—
Total other financing sources.....	291,704	257,555	(34,149)	151,008
Total revenues and other financing sources.....	321,404	257,555	(63,849)	151,008
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Direct local aid.....	257,555	257,555	—	138,622
Total expenditures.....	257,555	257,555	—	138,622
Other financing uses:				
Operating transfers out	—	—	—	11,411
Other fund deficit support.....	—	—	—	975
Total other financing uses.....	—	—	—	12,386
Total expenditures and other financing uses.....	257,555	257,555	—	151,008
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 63,849	—	\$ (63,849)	—
Fund balance/(deficit) at beginning of year.....		—		—
Fund balance/(deficit) at end of year.....		\$ —		\$ —

See accountants' review report

Education Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ —	\$ —
Total assets	<u>\$ —</u>	<u>\$ —</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>—</u>	<u>—</u>
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ —</u>

See accountants' review report

Education Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	58,100	49,718	(8,382)	35,875
Total other financing sources	58,100	49,718	(8,382)	35,875
Total revenues and other financing sources	58,100	49,718	(8,382)	35,875
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Education	3,890	3,890	—	5,724
Direct local aid	43,249	43,249	—	23,047
Total expenditures	47,139	47,139	—	28,771
Other financing uses:				
Fringe benefit cost assessment	—	1,689	(1,689)	2,471
Operating transfers out	—	—	—	4,268
Other fund deficit support	890	890	—	365
Total other financing uses	890	2,579	(1,689)	7,104
Total expenditures and other financing uses	48,029	49,718	(1,689)	35,875
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ 10,071	—	\$ (10,071)	—
Fund balance/(deficit) at beginning of year		—		—
Fund balance/(deficit) at end of year		\$ —		\$ —

See accountants' review report

Local Aid Stabilization Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 50	\$ 50
Total assets	<u>\$ 50</u>	<u>\$ 50</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	50	50
Total fund balance	<u>50</u>	<u>50</u>
Total liabilities and fund balance	<u>\$ 50</u>	<u>\$ 50</u>

See accountants' review report

Local Aid Stabilization Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
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:				
Education	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	—	\$ —	—
Fund balance/(deficit) at beginning of year		50		50
Fund balance/(deficit) at end of year		\$ 50		\$ 50

See accountants' review report

Gaming Economic Development Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 20,559	\$ 1,034
Total assets	<u>\$ 20,559</u>	<u>\$ 1,034</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 1,034	\$ 1,034
Total liabilities	<u>1,034</u>	<u>1,034</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	19,525	—
Total fund balance	<u>19,525</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 20,559</u>	<u>\$ 1,034</u>

See accountants' review report

Gaming Economic Development Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous.....	\$ —	\$ —	\$ —	\$ —
Total revenues.....	—	—	—	—
Other financing sources:				
Operating transfers in.....	39,500	33,828	(5,672)	24,344
Other fund deficit support.....	22,623	22,623	—	—
Total other financing sources.....	62,123	56,451	(5,672)	24,344
Total revenues and other financing sources.....	62,123	56,451	(5,672)	24,344
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Education.....	1,616	1,616	—	—
Labor and Workforce Development.....	44,949	25,310	19,639	6,309
Total expenditures.....	46,565	26,926	19,639	6,309
Other financing uses:				
Other fund deficit support.....	—	—	—	692
Operating transfers out.....	10,000	10,000	—	18,102
Total other financing uses.....	10,000	10,000	—	18,794
Total expenditures and other financing uses.....	56,565	36,926	19,639	25,103
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	\$ 5,558	19,525	\$ 13,967	(759)
Fund balance/(deficit) at beginning of year.....		—		759
Fund balance/(deficit) at end of year.....		\$ 19,525		\$ —

See accountants' review report

Marijuana Regulation Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 6,759	\$ 7,180
Total assets	<u>\$ 6,759</u>	<u>\$ 7,180</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,243	\$ 1,755
Accrued payroll	<u>614</u>	<u>498</u>
Total liabilities	<u>2,857</u>	<u>2,253</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	<u>3,902</u>	<u>4,927</u>
Total fund balance	<u>3,902</u>	<u>4,927</u>
Total liabilities and fund balance	<u>\$ 6,759</u>	<u>\$ 7,180</u>

See accountants' review report

Marijuana Regulation Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 172,600	\$ 183,269	\$ 10,669	\$ 173,743
Departmental	21,554	19,392	(2,162)	19,599
Miscellaneous	1	—	(1)	—
Total revenues.....	194,155	202,661	8,506	193,342
Other financing sources:				
Other fund deficit support.....	—	—	—	36,351
Total other financing sources.....	—	—	—	36,351
Total revenues and other financing sources.....	194,155	202,661	8,506	229,693
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance.....	1,862	612	1,250	4
Energy and Environmental Affairs.....	1,075	1,054	21	971
Health and Human Services.....	110,757	109,015	1,742	135,690
Housing and Livable Communities	99	99	—	24
Cannabis Control Commission.....	20,005	19,932	73	18,901
Education	14,923	14,012	911	13,824
Public Safety and Security.....	7,112	6,873	239	7,481
Economic Development.....	7,500	6,928	572	13,940
Total expenditures.....	163,333	158,525	4,808	190,835
Other financing uses:				
Fringe benefit cost assessment.....	—	11,799	(11,799)	11,178
Operating transfers out	29,001	29,001	—	27,447
Other fund deficit support.....	4,361	4,361	—	—
Total other financing uses.....	33,362	45,161	(11,799)	38,625
Total expenditures and other financing uses.....	196,695	203,686	(6,991)	229,460
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (2,540)	(1,025)	\$ 1,515	233
Fund balance/(deficit) at beginning of year.....		4,927		4,694
Fund balance/(deficit) at end of year.....		\$ 3,902		\$ 4,927

See accountants' review report

Behavioral Health Outreach, Access and Support Trust
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 7,064	\$ 7,431
Total assets	<u>\$ 7,064</u>	<u>\$ 7,431</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 2,040	\$ 2,191
Accrued payroll	<u>4</u>	<u>4</u>
Total liabilities	<u>2,044</u>	<u>2,195</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	133	416
Unreserved fund balance:		
Undesignated	<u>4,887</u>	<u>4,820</u>
Total fund balance	<u>5,020</u>	<u>5,236</u>
Total liabilities and fund balance	<u>\$ 7,064</u>	<u>\$ 7,431</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, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	20,000	18,278	(1,722)	20,000
Total other financing sources	20,000	18,278	(1,722)	20,000
Total revenues and other financing sources	20,000	18,278	(1,722)	20,000
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	1	1	—	1
Health and Human Services	14,972	12,263	2,709	21,886
Veterans' Services	—	—	—	4
Housing and Livable Communities	205	205	—	4,253
Education	6,005	5,533	472	9,906
Public Safety and Security	—	—	—	7
Total expenditures	21,183	18,002	3,181	36,057
Other financing uses:				
Fringe benefit cost assessment	—	492	(492)	813
Total other financing uses	—	492	(492)	813
Total expenditures and other financing uses	21,183	18,494	2,689	36,870
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (1,183)	(216)	\$ 967	(16,870)
Fund balance/(deficit) at beginning of year		5,236		22,106
Fund balance/(deficit) at end of year		\$ 5,020		\$ 5,236

See accountants' review report

Federal COVID-19 Response Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 124,351	\$ 190,388
Total assets	<u>\$ 124,351</u>	<u>\$ 190,388</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 124,249	\$ 190,294
Accrued payroll	<u>102</u>	<u>94</u>
Total liabilities	<u>124,351</u>	<u>190,388</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>—</u>	<u>—</u>
Total fund balance	<u>—</u>	<u>—</u>
Total liabilities and fund balance	<u>\$ 124,351</u>	<u>\$ 190,388</u>

See accountants' review report

Federal COVID-19 Response Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	—	6,785	6,785	—
Total revenues	—	6,785	6,785	—
Other financing sources:				
Operating transfers in	—	—	—	59,292
Total other financing sources	—	—	—	59,292
Total revenues and other financing sources	—	6,785	6,785	59,292
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General	—	—	—	19,829
Sheriffs	—	—	—	142
Administration and Finance	6,785	6,785	—	1,461,778
Energy and Environmental Affairs	—	—	—	111,710
Health and Human Services	—	—	—	263,041
Veteran's Services	—	—	—	350
Housing and Livable Communities	—	—	—	259,187
Massachusetts Department of Transportation	—	—	—	1,120
Education	—	—	—	65,692
Public Safety and Security	—	—	—	14,069
Economic Development	—	—	—	178,028
Labor and Workforce Development	—	—	—	10,918
Total expenditures	6,785	6,785	—	2,385,864
Other financing uses:				
Fringe benefit cost assessment	—	—	—	310
Total other financing uses	—	—	—	310
Total expenditures and other financing uses	6,785	6,785	—	2,386,174
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (6,785)</u>	—	<u>\$ 6,785</u>	(2,326,882)
Fund balance/(deficit) at beginning of year		—		2,326,882
Fund balance/(deficit) at end of year		<u>\$ —</u>		<u>\$ —</u>

See accountants' review report

Student Opportunity Act Investment Fund

Balance Sheet - Statutory Basis

As of June 30, 2025

(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 767,877	\$ 925,646
Total assets	<u>\$ 767,877</u>	<u>\$ 925,646</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>767,877</u>	<u>925,646</u>
Total fund balance	<u>767,877</u>	<u>925,646</u>
Total liabilities and fund balance	<u>\$ 767,877</u>	<u>\$ 925,646</u>

See accountants' review report

Student Opportunity Act Investment Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	100,000	100,000	425,646
Total other financing sources	—	100,000	100,000	425,646
Total revenues and other financing sources	—	100,000	100,000	425,646
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Education	58,000	58,000	—	—
Direct local aid	199,769	199,769	—	—
Total expenditures	257,769	257,769	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	257,769	257,769	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (257,769)	(157,769)	\$ 100,000	425,646
Fund balance/(deficit) at beginning of year		925,646		500,000
Fund balance/(deficit) at end of year		\$ 767,877		\$ 925,646

See accountants' review report

Broadband Innovation Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 245	\$ 37,575
Total assets	<u>\$ 245</u>	<u>\$ 37,575</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	245	37,575
Total fund balance	<u>245</u>	<u>37,575</u>
Total liabilities and fund balance	<u>\$ 245</u>	<u>\$ 37,575</u>

See accountants' review report

Broadband Innovation Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	37,575
Total other financing sources	—	—	—	37,575
Total revenues and other financing sources	—	—	—	37,575
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Economic Development	37,575	37,330	245	—
Total expenditures	37,575	37,330	245	—
Other financing uses:				
Operating transfers out	—	—	—	37,575
Total other financing uses	—	—	—	37,575
Total expenditures and other financing uses	37,575	37,330	245	37,575
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (37,575)	(37,330)	\$ 245	—
Fund balance/(deficit) at beginning of year		37,575		37,575
Fund balance/(deficit) at end of year		\$ 245		\$ 37,575

See accountants' review report

High-Quality Early Education & Care Affordability Fund

Balance Sheet - Statutory Basis

As of June 30, 2025

(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 33,717	\$ 264,999
Total assets	<u>\$ 33,717</u>	<u>\$ 264,999</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>33,717</u>	<u>264,999</u>
Total fund balance	<u>33,717</u>	<u>264,999</u>
Total liabilities and fund balance	<u>\$ 33,717</u>	<u>\$ 264,999</u>

See accountants' review report

High-Quality Early Education & Care Affordability Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Education	267,010	231,282	35,728	225,001
Total expenditures	267,010	231,282	35,728	225,001
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	267,010	231,282	35,728	225,001
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (267,010)</u>	<u>(231,282)</u>	<u>\$ 35,728</u>	<u>(225,001)</u>
Fund balance/(deficit) at beginning of year		264,999		490,000
Fund balance/(deficit) at end of year		<u>\$ 33,717</u>		<u>\$ 264,999</u>

See accountants' review report

Youth Development and Achievement Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 744	\$ 763
Total assets	<u>\$ 744</u>	<u>\$ 763</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	49	392
Unreserved fund balance:		
Undesignated	<u>695</u>	<u>371</u>
Total fund balance	<u>744</u>	<u>763</u>
Total liabilities and fund balance	<u>\$ 744</u>	<u>\$ 763</u>

See accountants' review report

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 600	\$ —	\$ (600)	\$ —
Departmental.....	480	—	(480)	—
Total revenues.....	1,080	—	(1,080)	—
Other financing sources:				
Operating transfers in	—	1,660	1,660	1,275
Total other financing sources.....	—	1,660	1,660	1,275
Total revenues and other financing sources.....	1,080	1,660	580	1,275
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Education	1,746	1,671	75	1,092
Total expenditures.....	1,746	1,671	75	1,092
Other financing uses:				
Fringe benefit cost assessment	—	8	(8)	5
Total other financing uses.....	—	8	(8)	5
Total expenditures and other financing uses.....	1,746	1,679	67	1,097
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (666)	(19)	\$ 647	178
Fund balance/(deficit) at beginning of year.....		763		585
Fund balance/(deficit) at end of year.....		\$ 744		\$ 763

See accountants' review report

Behavioral Health Trust Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 137,260	\$ 191,206
Total assets	<u>\$ 137,260</u>	<u>\$ 191,206</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 55,663	\$ —
Accrued payroll	<u>21</u>	<u>—</u>
Total liabilities	<u>55,684</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	81,718	190,559
Unreserved fund balance:		
Undesignated/(Deficit)	<u>(142)</u>	<u>647</u>
Total fund balance	<u>81,576</u>	<u>191,206</u>
Total liabilities and fund balance	<u>\$ 137,260</u>	<u>\$ 191,206</u>

See accountants' review report

Behavioral Health Trust Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	351	351	—	7
Health and Human Services	164,932	85,906	79,026	1,434
Education	24,916	22,228	2,688	—
Center for Health Information and Analysis	360	360	—	—
Total expenditures	190,559	108,845	81,714	1,441
Other financing uses:				
Fringe benefit cost assessment	—	785	(785)	3
Total other financing uses	—	785	(785)	3
Total expenditures and other financing uses	190,559	109,630	80,929	1,444
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (190,559)</u>	<u>(109,630)</u>	<u>\$ 80,929</u>	<u>(1,444)</u>
Fund balance/(deficit) at beginning of year		191,206		192,650
Fund balance/(deficit) at end of year		<u>\$ 81,576</u>		<u>\$ 191,206</u>

See accountants' review report

Castle Island Marine Park Trust Fund
Balance Sheet - Statutory Basis

As of June 30, 2025
(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ —	\$ 250
Total assets	<u>\$ —</u>	<u>\$ 250</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>—</u>	<u>250</u>
Total fund balance	<u>—</u>	<u>250</u>
Total liabilities and fund balance	<u>\$ —</u>	<u>\$ 250</u>

See accountants' review report

Castle Island Marine Park Trust Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	250	250	—	—
Total other financing uses	250	250	—	—
Total expenditures and other financing uses	250	250	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (250)	(250)	\$ —	—
Fund balance/(deficit) at beginning of year		250		250
Fund balance/(deficit) at end of year		\$ —		\$ 250

See accountants' review report

Education and Transportation Fund

Balance Sheet - Statutory Basis

As of June 30, 2025

(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 429,501	\$ 351,152
Total assets	<u>\$ 429,501</u>	<u>\$ 351,152</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 48,650	\$ 146,062
Accrued payroll	301	247
Total liabilities	<u>48,951</u>	<u>146,309</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	159,676	70,999
Unreserved fund balance:		
Undesignated	<u>220,874</u>	<u>133,844</u>
Total fund balance	<u>380,550</u>	<u>204,843</u>
Total liabilities and fund balance	<u>\$ 429,501</u>	<u>\$ 351,152</u>

See accountants' review report

Education and Transportation Fund

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ 18,072	\$ 18,072	\$ 15,876
Total revenues	—	18,072	18,072	15,876
Other financing sources:				
Operating transfers in	1,050,000	2,997,711	1,947,711	2,199,330
Total other financing sources	1,050,000	2,997,711	1,947,711	2,199,330
Total revenues and other financing sources	1,050,000	3,015,783	1,965,783	2,215,206
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	37,588	37,000	588	32,767
Massachusetts Department of Transportation	136,465	42,448	94,017	430,036
Education	903,316	837,103	66,213	438,830
Total expenditures	1,077,369	916,551	160,818	901,633
Other financing uses:				
Fringe benefit cost assessment	—	2,586	(2,586)	1,387
Operating transfers out	1,920,939	1,920,939	—	1,349,330
Total other financing uses	1,920,939	1,923,525	(2,586)	1,350,717
Total expenditures and other financing uses	2,998,308	2,840,076	158,232	2,252,350
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (1,948,308)</u>	175,707	<u>\$ 2,124,015</u>	(37,144)
Fund balance/(deficit) at beginning of year		204,843		241,987
Fund balance/(deficit) at end of year		<u>\$ 380,550</u>		<u>\$ 204,843</u>

See accountants' review report

Education and Transportation Reserve Fund

Balance Sheet - Statutory Basis

As of June 30, 2025

(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 429,000	\$ 181,864
Total assets	<u>\$ 429,000</u>	<u>\$ 181,864</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>429,000</u>	<u>181,864</u>
Total fund balance	<u>429,000</u>	<u>181,864</u>
Total liabilities and fund balance	<u>\$ 429,000</u>	<u>\$ 181,864</u>

See accountants' review report

Education and Transportation Reserve Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ 11,016	\$ 11,016	\$ 1,964
Total revenues	—	11,016	11,016	1,964
Other financing sources:				
Operating transfers in	—	254,656	254,656	179,900
Total other financing sources	—	254,656	254,656	179,900
Total revenues and other financing sources	—	265,672	265,672	181,864
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	18,536	18,536	—	—
Total other financing uses	18,536	18,536	—	—
Total expenditures and other financing uses	18,536	18,536	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (18,536)	247,136	\$ 265,672	181,864
Fund balance/(deficit) at beginning of year		181,864		—
Fund balance/(deficit) at end of year		\$ 429,000		\$ 181,864

See accountants' review report

Education and Transportation Innovation and Capital Fund

Balance Sheet - Statutory Basis

As of June 30, 2025

(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 2,183,322	\$ 1,025,962
Total assets	<u>\$ 2,183,322</u>	<u>\$ 1,025,962</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	1,052,472	—
Unreserved fund balance:		
Undesignated	<u>1,130,850</u>	<u>1,025,962</u>
Total fund balance	<u>2,183,322</u>	<u>1,025,962</u>
Total liabilities and fund balance	<u>\$ 2,183,322</u>	<u>\$ 1,025,962</u>

See accountants' review report

Education and Transportation Innovation and Capital Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ 63,523	\$ 63,523	\$ 6,531
Total revenues	—	63,523	63,523	6,531
Other financing sources:				
Operating transfers in	—	1,461,591	1,461,591	1,019,431
Total other financing sources	—	1,461,591	1,461,591	1,019,431
Total revenues and other financing sources	—	1,525,114	1,525,114	1,025,962
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	5,000	5,000	—	—
Massachusetts Department of Transportation	577,367	60,000	517,367	—
Education	561,403	26,298	535,105	—
Total expenditures	1,143,770	91,298	1,052,472	—
Other financing uses:				
Operating transfers out	276,456	276,456	—	—
Total other financing uses	276,456	276,456	—	—
Total expenditures and other financing uses	1,420,226	367,754	1,052,472	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ (1,420,226)</u>	1,157,360	<u>\$ 2,577,586</u>	1,025,962
Fund balance/(deficit) at beginning of year		1,025,962		—
Fund balance/(deficit) at end of year		<u>\$ 2,183,322</u>		<u>\$ 1,025,962</u>

See accountants' review report

Early Education and Care Operational Grant Fund

Balance Sheet - Statutory Basis

As of June 30, 2025

(Amounts in thousands)

	2025	2024
ASSETS		
Cash and short-term investments	\$ 67,871	\$ 150,000
Total assets	<u>\$ 67,871</u>	<u>\$ 150,000</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ —	\$ —
Total liabilities	<u>—</u>	<u>—</u>
Fund balance:		
Unreserved fund balance:		
Undesignated	<u>67,871</u>	<u>150,000</u>
Total fund balance	<u>67,871</u>	<u>150,000</u>
Total liabilities and fund balance	<u>\$ 67,871</u>	<u>\$ 150,000</u>

Early Education and Care Operational Grant Fund

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

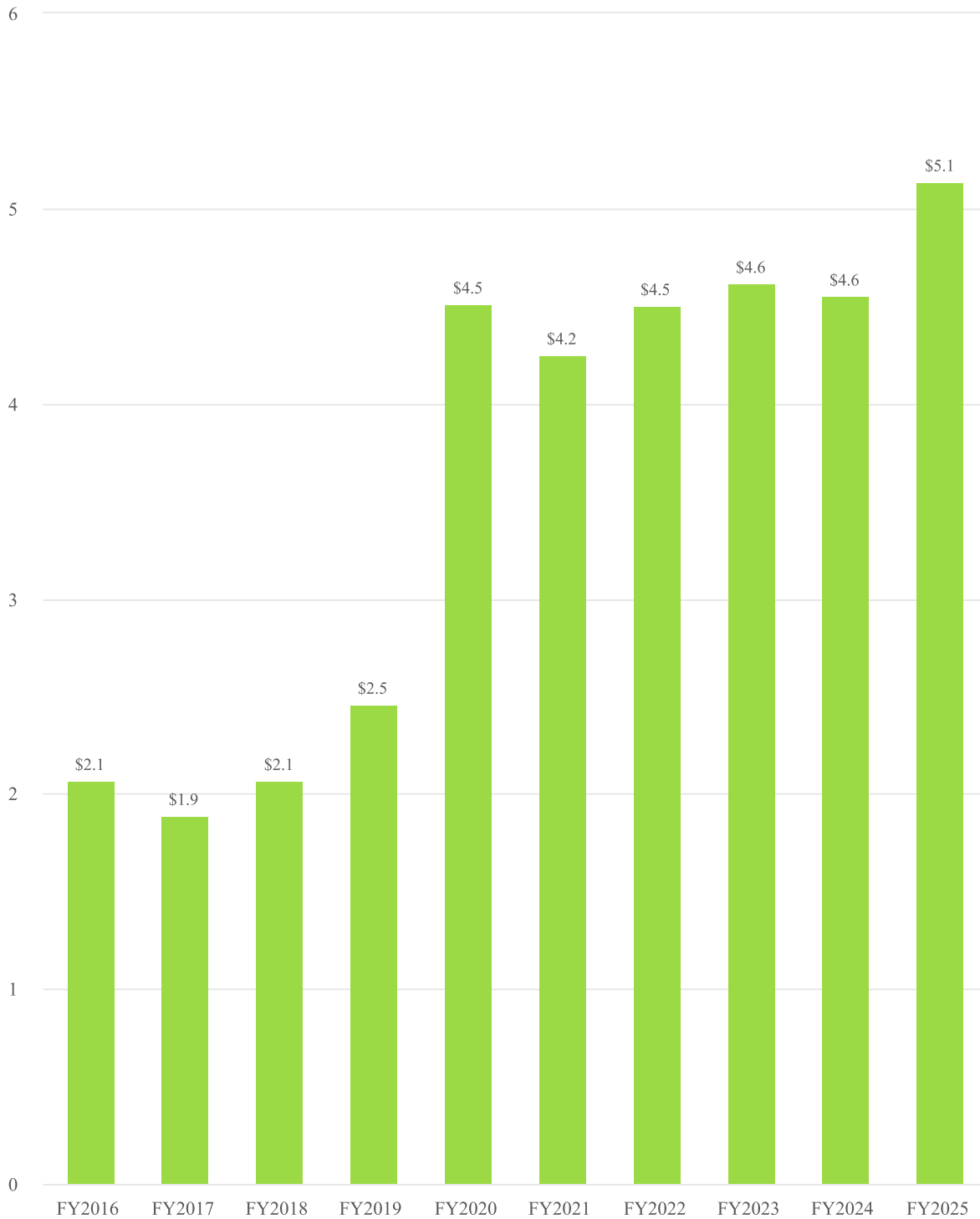
Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	2025Budget	2025Actual	Variance Favorable (Unfavorable)	2024Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ —	\$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	—	—	150,000
Total other financing sources	—	—	—	150,000
Total revenues and other financing sources	—	—	—	150,000
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Education	99,990	82,129	17,861	—
Total expenditures	99,990	82,129	17,861	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	99,990	82,129	17,861	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ (99,990)	(82,129)	\$ 17,861	150,000
Fund balance/(deficit) at beginning of year		150,000		—
Fund balance/(deficit) at end of year		\$ 67,871		\$ 150,000

See accountants' review report

THE BIG PICTURE: HISTORICAL CONTEXT
Non-Budgeted Special Revenue Funds
Fund Balances at End of Fiscal Year
Last Ten Fiscal Years
(Amounts in \$ Billions)



Non-Budgeted Special Revenue Funds

These funds account for the proceeds of specific revenue sources that are restricted to finance specific functions. Funds that are not subject to appropriation are considered Non-Budgeted Special Revenue Funds.

Federal Grants Fund - to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

LOTTERY FUNDS:

The two lottery funds account for the operations of the State and Arts Lotteries.

State Lottery and Gaming Fund - to account for revenue from the sale of lottery tickets and for the payment of prizes, expenses of the State Lottery Commission and the distribution to municipalities and school districts. Transfers are made from lottery profits to the General Fund.

State 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.

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.

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.

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.

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.

Center for Health Information and Analysis Fund - to account for any transfers from the Health Safety Net Trust Fund, Federal Financial Participation (FFP) revenues, appropriations, gifts, grants, donations and any interest earned to support the operations and initiatives of the Center for Health information and Analysis.

Managed Care Organization Services Reinvestment Fund - to account for any transfers from the Health Safety Net Trust Fund, FFP revenues, appropriations; and any interest earned to support the Medicaid managed care organizations (MCOs) in Massachusetts by providing payments that help deliver health services to eligible residents under approved federal and state Medicaid plans.

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.

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.

Special Projects Permitting and Oversight Fund - to account for environmental permitting fees. Expenditures are for permitting, technical assistance, compliance and other activities related to environmental oversight.

Department of Energy Resources Credit Trust Fund - to account for the receipt, retention, redemption, sale or transfer of energy conservation credits, renewable energy certificates or credits, emission credits and similar allowances. The Division of Energy Resources may expend these funds for the implementation of programs for energy reliability, renewable energy, public procurement of energy and energy efficiency and climate change.

School Modernization and Reconstruction Trust Fund - to account for dedicated sales tax revenues to support the School Building Assistance Program.

Roche Community Rink Fund - to account for the residual net revenues of the privately operated ice skating rink located in the West Roxbury section of the City of Boston.

Health Care Workforce Transformation Fund - to account for appropriations, gifts, grants, loan repayments and interest income. Expenditures of not more than 10% of the amount held in the fund in any one year shall be used for the combined cost of program administration, technical assistance to grantees and program evaluation. Funds of not less than 20% may be transferred to the Department of Public Health and up to 10% may be transferred to the Massachusetts Nursing and Allied Health Workforce Development Trust Fund. Funds remaining shall be expended for various healthcare related jobs programs.

Workforce Competitiveness Trust Fund - to account for funds to support the development and implementation of employer and work responsive programs to enhance worker skills, income, productivity and retention and to increase the quality and competitiveness of Massachusetts firms.

Fire Prevention and Public Safety Fund - to account for all penalties recovered under the Cigarette Fire Safety Regulation Act to be used for fire safety and prevention programs.

Cigarette Fire Safety and Firefighter Protection Act Enforcement Fund - to account for the fire safety certification fees submitted by cigarette manufacturers. The fund is used solely to support state processing, testing, enforcement and oversight activities related to implementation of the cigarette fire safety regulations.

Massachusetts Nursing and Allied Health Workforce Development Trust Fund - to account for appropriations, grants, loans or private donations received to increase the number of public and private higher education faculty and students who participate in programs that support careers in fields related to nursing and allied health.

Health Information Technology Trust Fund - to account for federal reimbursements received under the Health Information Technology for Economic and Clinical Health Act and other revenues. Expenditures are for incentive payments to eligible Massachusetts Medicaid health care providers and for the promotion of electronic health record adoption and health information exchange in the Commonwealth.

Build America Bonds Subsidy Trust Fund - to account for subsidies from the United States Treasury related to debt service payable on Build America bonds issued by the Commonwealth. Expenditures are used to pay debt service related to these bonds.

Housing Preservation and Stabilization Trust 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.

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 (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.

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 Care 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.

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.

Transportation Infrastructure Enhancement Trust Fund - to account for assessments based on the number of annual rides in a fiscal year by each transportation network company within the commonwealth; ½ of the funds are proportionately distributed to cities and towns, ¼ of the funds are distributed to the Massachusetts Development Finance Agency, and the final ¼ is distributed to the Commonwealth Transportation Fund.

Nickerson State Park Trust Fund - to account for a \$5 surcharge on admission for out-of-state campers in Nickerson State Park. Expenditures shall be made for the long-term preservation and maintenance of the Nickerson State Park.

Massachusetts United States Olympic Fund - to account for revenues from the sale of distinctive vehicle license plates, voluntary tax check-off donations, and public and private gifts, grants and donations. Funds shall be used for assisting commonwealth athletes in paying all or part of the costs associated with participating on the United States Olympic or Paralympic teams.

State House Special Event Fund - to account for the fees collected from nongovernmental individuals, entities and groups and the related expenditures for using the state house for meetings, receptions or exhibits.

Quality in Health Professions Trust Fund - to account for the license or registration fees of health professionals issued by department of public health. Funds shall be used for the administrative costs of the operations and programs of the health licensing board.

Nantasket Beach Reservation Trust Fund - to account for the surcharge for admission into parking at Nantasket Beach Reservation. Funds shall be used for the preservation, maintenance, and safety of Nantasket Beach.

Milk Producers Security Fund - to account for revenues from commonwealth milk dealers imposed on the volume of milk purchases, transfers and investment income. The fund shall be for reimbursing Massachusetts producers who sold milk to a dealer when the dealer has defaulted in the timely payment for the milk under regulations issued.

Commonwealth Security Trust Fund - to account for fees from the sale of United We Stand distinctive license plates and interest earnings. Funds shall be used for grants to local police and fire departments to enhance emergency response including responses to acts of terrorism; and the design, construction and maintenance of memorials dedicated to those killed in the line of duty.

Organ Transplant Fund - to account for revenues collected from voluntary tax check-off donations, public and private gifts, grants, and donations, and from the federal government. Funds shall assist residents in paying all or part of any costs associated with a medically required organ transplant.

Municipal Police Training Fund - to account for a \$2 surcharge (not to exceed \$10 million in a calendar year; any excess surcharge is deposited to the general fund) on each rental car contract in the commonwealth, any interest earned, appropriations, any public and private gifts, grants, and donations, and any transfers from the Marijuana Regulation Fund or the Public Safety Training Fund. Funds shall be used for operating expenses of the municipal police training committee and for the training programs for police officers.

Department of Public Utilities Energy Facilities Siting Board Trust Fund - to account for application fees to construct an electricity generating facility and any interest earned. Funds shall be used by the department for the operation of the energy facilities siting board.

Department of Public Utilities Unified Carrier Registration Trust Fund - to account for registration fees from motor vehicle interstate carriers and any interest earned. Funds shall be used for the regulation of motor carriers.

Municipal Naloxone Bulk Purchase Trust Fund - to account for revenues collected from municipalities and non-profit organizations purchasing naloxone, any appropriations authorized, and any public and private gifts, grants, and donations. Funds are used to provide price reductions for municipalities purchasing naloxone through the program, in addition to any discounts procured through bulk purchasing.

Debt and Long-Term Liability Reduction Trust Fund - to account for the transfer of 10% of category 1 license revenues from the Gaming Revenue Fund. Funds shall be used for the payment and prepayment of commonwealth debt and other long-term liabilities.

Public Health Grant Trust Fund - to account for money received from public and private sources. Funds shall be used to collaborate with nonprofit organizations to participate in competitive grant opportunities that further the mission of the department.

Commonwealth Facility Trust for Energy Efficiency Fund - to account for an initial transfer of \$500,000 from the Energy Credit, Efficiency and Sustainable Design Trust Fund, monies received as reimbursements for projects funded by this fund, and any monies specifically authorized. Funds are used for funding certain small and medium energy and water efficiency projects at state facilities.

Garden of Peace Trust Fund - to account for any monies specifically authorized for transfer into the fund and any public and private gifts, grants and donations for the operation of the Garden of Peace.

Community Behavioral Health Promotion and Prevention Trust Fund - to account for any transfers into the fund, 30% of the excise tax on electronic nicotine delivery systems, and any public and private gifts, grants and donations. Funds shall be used to promote positive mental, emotional and behavioral health and to prevent substance use disorders among children and young adults.

Civics Project Trust Fund - to account for monies specifically authorized for the fund, any public and private gifts, grants and donations, and interest earned. Funds shall be used to provide support to educators for teaching subjects promoting civic service.

Childhood Lead Poisoning Prevention Trust Fund - to account for certain surcharges, appropriations, any public and private sources, gifts, grants, donations, and settlements. Funds shall be used to produce and distribute educational materials, train lead paint inspectors and homeowners to abate or contain lead paint.

Cultural and Performing Arts Mitigation Trust Fund - to account monies transferred from the Gaming Revenue Fund, investment income and another monies to be credited to the fund. Funds shall be used to support programs of the Massachusetts Cultural Council.

Twenty-first Century Education Trust Fund - To account for certain appropriations, public and private gifts, grants, and donations, and investment income. Funds shall be used to address persistent disparities in achievement among student subgroups, improve educational opportunities for all students, sharing best practices for improving classroom learning and supporting efficiencies within and across school districts.

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.

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.

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.

Criminal Justice and Community Support Trust Fund - to account for appropriations, gifts, grants, and investment income, to be used for the purpose of awarding grants to county and community-based jail diversion programs and community policing and behavioral health training initiatives.

Genocide Education Trust Fund - to account for appropriations, public and private gifts, grants, and donations, fines imposed for hate crimes or civil rights violations, and interest earned, to be used for the purpose of educating middle and high school students on the history of genocide.

Christian A. Herter Park Trust Fund - to account for the fees generated by permits, licenses and all other agreements relating to the use of the Christian A. Herter Park, to be used for the purposes of advancing recreational, educational and conservation interests.

Public University Health Center Sexual and Reproductive Health Preparation Fund - to account for appropriations, gifts, grants, or donations directed to the fund, for the purpose of providing grants to health centers to pay for the cost of direct and indirect medication abortion readiness and the costs associated with the administration of the fund.

Hospital Investment and Performance Trust Fund - to account for transfers from the Health Safety Net Trust Fund, federal financial participation amounts, appropriations, and interest earnings, for the purpose of making payments to acute hospitals or to care organizations under contract that provide MassHealth services pursuant to an approved state plan or federal waiver.

Population Health Investment Trust Fund - to account for transfers from the Health Safety Net Trust Fund, federal financial participation amounts, appropriations, and interest earned, for the purpose making payments to providers or care organizations under contract to provide MassHealth services pursuant to an approved state plan or federal waiver. In addition, 5 years payments shall promote the continued implementation of certain federally-approved delivery system reform activities. The payments from the fund shall supplement and not supplant Medicaid payments. .

Massachusetts Inclusive Concurrent Enrollment Initiative Trust Fund - to account for appropriations, grants, investment income, to be used for the purpose of making grants to support public institutions of higher education providing access to inclusive higher education opportunities to students with severe intellectual disabilities, severe autism spectrum disorder or other severe developmental disabilities.

Behavioral Health Access and Crisis Intervention Trust Fund - to account for all monies paid to the commonwealth under section 69A of chapter 118E, federal reimbursements, grants, premiums, gifts, interest or other contributions from any source, to be used for the purpose of supporting a statewide, payor-agnostic community behavioral health crisis system.

Communications Access Trust Fund - to account for appropriations, gifts, grants and donations and interest to be used for the purpose of providing voice communication services free of charge to the person initiating and the person receiving the communication pursuant to section 87A of chapter 127.

Sports Wagering Fund - to account for sports wagering licensing fees and excise tax on sports wagering operators, for the purpose of transferring monies to the General Fund, Workforce Investment Trust Fund, Gaming Local Aid Fund, Youth Development and Achievement Fund and Public Health Trust Fund.

Sports Wagering Control Fund - to account for appropriations, bond proceeds or other monies, fees, breaks and funds to be used for the purpose of financing the operational activities of the commission pertaining to sports wagering.

Electric Vehicle Adoption Incentive Trust Fund - to account gifts, grants, donations, interest earned, and any funds provided, to be used for the purpose of funding electric vehicle incentive programs by the Department of Energy Resources.

Agricultural Innovation Fund - to account for appropriations, bond revenues, investment income, repayment of loans, gifts, federal or private grants, donations, rebates, settlements, to be used for the purpose of developing an outreach program to identify and foster new, innovative ideas and approaches to adding value to the agricultural and cranberry economy.

Cannabis Social Equity Trust Fund - to account for funds transferred pursuant to subsection (b) of section 14, gifts, grants, donations, to be used for the purpose of making grants and loans, including no-interest loans and forgivable loans, to social equity program participants and economic empowerment priority applicants.

Workforce Investment Fund - to account for any sports wagering revenue transferred from the Sports Wagering Fund pursuant to section 16, to be used for the purpose of developing and strengthening workforce opportunities for low-income communities and vulnerable youth and young adults.

Low-income Services Solar Program Fund - to account for any appropriations, any income derived from investments, gifts, federal, state or private grants, donations, rebates and settlements, to be used for the purpose of establishing a grant program to provide solar energy technology to nonprofit organizations offering services, including, but not limited to, food security and homelessness and emergency shelter.

Children and Family Legal Representation Trust Fund - to account for revenue from appropriations, reimbursement funds from federal sources, reimbursements pursuant to Title IV-E of the federal Social Security Act, interest earned on such revenues and reimbursements in the fund, to be used for the purpose of providing pre-petition representation and diversion advocacy, increasing the availability and quality of representation statewide.

Castle Island and Marine Park Fund - to be administered for the long-term preservation, maintenance, nourishment and public safety of Castle Island and Marine Park in the South Boston section of the city of Boston.

Fair Housing Fund - For the purpose of eliminating housing discrimination, such as activities eligible for assistance from the fund shall include but shall not be limited to private enforcement initiatives; education and outreach initiatives; fair housing testing; lending discrimination; affirmatively furthering fair housing; and special projects.

Disaster Relief and Resiliency Fund - to provide emergency disaster relief and alleviate the damage, loss, hardship or suffering caused by a natural or other catastrophic event, including, but not limited to, a hurricane, tornado, storm, extreme rain, flood, tidal wave, earthquake, volcanic eruption, landslide, mudslide, snowstorm, extreme wind, extreme heat or cold temperature, explosion, catastrophic agricultural loss, fire or drought, which may include a circumstance in which a federal disaster declaration has not been made, or to supplement or advance funding related to a federal or state disaster declaration.

Environmental Justice Fund - For the purpose of the “disadvantaged community” where it shall mean to help disproportionate economic, health or environmental burdens as determined by the director of the division of environmental protection within the office of the attorney general, established pursuant to section 11D of chapter 12, including, but not limited to, poverty, high unemployment, air and water pollution, disproportionate heat exposure, lack of access to green space, presence of hazardous and solid waste and material and high incidence of cardiovascular and respiratory disease and high rates of mortality.

Commonwealth Federal Matching and Debt Reduction Fund - For the purpose of repaying, prepaying, defeasing, retiring, tendering, purchasing, reducing the principal or interest payable any portion of the commonwealth’s indebtedness; commonwealth’s long-term liabilities, including, but not limited to, pension obligations, other post-retirement benefits, capital leases, general or special obligation contract liabilities and equivalent liabilities.

Office of the Inspector General Recovery Fund - For the office of the inspector general’s operational, administrative and investigatory purposes.

Sports and Entertainment Events Fund - For purpose of funding a competitive matching grant program administered by the office of travel and tourism for major sports or entertainment events that provide: event

services; sports development; sports marketing; or construction, functioning or operation of a sports or entertainment event based upon expected return-on-investment and that clearly identify direct and indirect economic impacts on the tourism industry in the commonwealth and help promote the commonwealth in national and international media.

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 FY25 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.

Department of Developmental Services 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.

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.

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.

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.

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.

Commonwealth Sewer Rate Relief Fund - to account for transfers of amounts from the General Fund or other funds; used for the purpose of mitigating sewer rate increases and making sewer rate relief grants to municipalities.

Gaming Licensing Fund - to account for the licensing fees of all gaming establishments but excluding initial application fees. Monies from this fund shall be transferred to various funds. This fund expired on December 31, 2015.

Massachusetts Health Information Exchange Fund - to account for expenditures to support the dissemination and development of the statewide health information exchange. There shall be credited to the fund any appropriations, proceeds of any bonds or notes of the commonwealth issued for the purpose, federal grants or loans; private gifts, grants or donations, and investment income.

Securities Fraud Prosecution Fund - to account for criminal penalties, fines and settlements and any income from the investment of amounts credited to the fund. Expenditures from this fund are for investigations, enforcement of and dissemination of information about the Uniform Securities Act.

Flood Control Compact Fund - to account for any funds authorized and specifically designated to the fund plus any interest or investment earnings on any such monies. Expenditures shall be made for costs arising under any compact authorized by the general court, which may include reimbursing cities and towns or other states for flood control costs.

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.

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.

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.

Massachusetts Coronavirus Relief Fund - to account for federal funds authorized under the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Funds shall be used in accordance with requirements and guidance in the CARES Act issued by the federal government. Treasury has revised the guidance on CRF to provide that a cost associated with a necessary expenditure incurred due to the public health emergency shall be considered to have been incurred by December 31, 2021, if the recipient has incurred an obligation with respect to such cost by December 31, 2021.

Healthy Soils Program Fund - to account for monies from the General Court, transfers, any gifts, grants, private contributions, and investment income to implement, administer and develop healthy soils practices under the healthy soils program.

Lampson Brook Farm Fund - to account for monies from appropriations, repayment of loans, lease payments, timber sales, settlements, and any other gifts, grants, or donations specifically designated for this fund, to be used for the implementation and administration of the Lampson Brook Farm.

Revere Beach Reservation Trust Fund - to account for parking station fees and parking violations within the Revere beach reservation, to be used for the purpose of capital improvements of the Revere beach reservation.

Academic Health Department Partnerships Trust Fund - to account for the revenues from public or private gifts, grants, donations, and contributions, to be used to support the academic health department and academic volunteer corps programs.

Leo M. Birmingham Parkway Trust Fund - to account for appropriations, monies received from public and private gifts, grants, and donations, and fees generated by permits, licenses, and all other agreements related to the use of the Leo M. Birmingham Parkway, to be used for the purposes of advancing recreational, educational and conservation interests.

COVID-19 Public Health Emergency Hospital Relief Trust Fund - to account for appropriations, public and private gifts, grants, and donations, and interest earned, to be used to support hospitals and affiliated hospital health care providers to prevent, prepare for and respond to COVID-19.

COVID-19 Essential Employee Premium Pay Fund - to account for appropriations, gifts, grants, or contributions directed to the fund, for the purpose of issuing direct financial support to eligible essential workers for in-person work performed during the state of emergency declared by the governor on March 10, 2020.

Massachusetts Rehabilitation Commission Vocational Rehabilitation Reimbursement Fund - to account for federal government reimbursement, program participant reimbursement, and interest earned, to be used for the vocational rehabilitation program under the Massachusetts Rehabilitation Commission.

Massachusetts Commission for the Blind Vocational Rehabilitation Reimbursement Fund - to account for federal government reimbursement, program participant reimbursement, and interest earned, to be used for the vocational rehabilitation program under the Massachusetts Commission for the Blind.

Massachusetts Center for Employee Ownership Fund - to account for revenues accepted by the director of the Massachusetts center for employee ownership which includes gifts or grants of money or property from any source to further the work of the center, to be used for the purpose of providing education, conduct outreach and promote efforts to create an overall environment in the commonwealth.

Portable Order for Life Sustaining Treatment Trust Fund - To account for any revenues under section 9817 of the American Rescue Plan Act of 2021, Public Law 117-2, federal financial participation revenues, appropriations, interest earned, grants, premiums, gifts, reimbursements, or contributions, to be used for the purpose of developing, implementing, and operating a program governing the statewide use of a portable order for life-sustaining treatment.

Dorchester Shores Reservation and Parks Trust Fund - To account for appropriations, investment income, gifts, federal or private grants, donations, rebates, and settlements, to be used for the purpose of ensuring the long-term conservation, maintenance and improvement of the Dorchester Shores Reservation properties as determined by the department of conservation and recreation and McCormack Park in the Dorchester section of the city of Boston.

Interagency Services Reserve Fund - to account for gifts, grants, donations, interest earned, to be used for the purpose of covering the cost of providing additional evaluation as needed by the interagency review team for an individual eligible under said section 16R of said chapter 6A.

Economic Development Trust Fund - to account for grants, bequests, gifts, contributions of cash, securities, contributions of services or property, interest earned, to be used for the purpose of operating costs of the executive office of housing and community development, operating costs of the Massachusetts marketing partnership and the offices within the partnership, and costs associated with housing and economic development programs, grants, and initiatives of the secretary.

Charging Infrastructure Deployment Fund - to account for any appropriations, interest, gifts, grants, and donations, for the purpose of ensuring a holistic, coordinated and comprehensive deployment of electric vehicle charging infrastructure.

Biodiversity Fund - to carry out the policies, programs or powers of the department of fish and game for: the protection and maintenance of biodiversity and natural systems; work related to habitat and species connectivity and habitat and species status; addressing anticipated shifts in species distribution and abundance; blue carbon strategies; habitat management, conservation and restoration; public engagement; data collection; technical assistance; a grant program to nonprofit organizations, researchers and community-based organizations.

Imagination Library of Massachusetts Fund - to provide age-appropriate books on a monthly basis, at home, to each child registered in the Imagination Library of Massachusetts program, established pursuant to section 22 of chapter 15D, from birth to their fifth birthday, inclusive, at no cost to families or guardians, in coordination with Dolly Parton's Imagination Library.

Massachusetts Child Psychiatry Access Project Fund - to account for any transfers from the Health Safety Net Trust Fund, FFP revenues, appropriations; and any interest earned to support the Massachusetts Child Psychiatry Access Project (MCPAP), which helps pediatric primary care providers access timely psychiatric consultation and resources for children with behavioral health needs.

Reentry Demonstration Project Reinvestment Trust Fund Fund - to account for Federal Financial Participation (FFP) revenues, appropriation, transfer, and interest income that support MassHealth services for individuals in public institutions associated with incarceration facilities under an approved Medicaid demonstration project.

Information Technology Federal Reimbursement Fund - for the purpose of spending with information technology projects related to the commonwealth's health and human services.

Middlesex Fells Reservation Fund - for the purpose to advance recreational, educational and conservation interests including, but not limited to, the construction and maintenance of facilities and infrastructure improvements for the area within the Middlesex Fells reservation.

Affirming Health Care Trust Fund - for the purpose of gender-affirming health care services, including at institutions over which the commissioner has supervision and control pursuant to section 69E; provided, that the commissioner may also expend money in the fund to cover costs of medical malpractice liability and general liability insurance for health care providers involved in the provision of gender-affirming health care services and to support research relating to LGBTQ+ health promotion and gender-affirming health care services.

Surplus Real Property Disposition Trust Fund - for the purpose to transfer to state agency that had care and control of the land conveyed pursuant to section 121 if the real property was conveyed and expended for costs associated with the disposition of real property pursuant to section 121 including, but not limited to, demolition, site preparation and environmental remediation.

Senate Artistic Upgrade and Representation Fund - for the purpose of upgrading and restoring historical and artistic qualities of quarters in the state house used by the members of the senate and its employees.

Medical Peer Support Trust Fund - for the purpose exclusively by the physician health program for its operations and administration.

Long Term Care Workforce and Capital Fund - for the purpose of (i) the administration of the capital loan program (ii) the workforce training programs including the: (A) program costs, tuition, books and fees related to the cost of education and training for participants in the programs; (B) costs related to obtaining an applicable license, including, examination and licensing fees; (C) stipends for program participants; and (D) stipends for childcare and transportation for program participants. purpose exclusively by the physician health program for its operations and administration.

Western Massachusetts Hospital Fund - for the purpose of setting up non-budgeted special revenue fund administered by the public health for payments to Medicaid managed care organizations to provide expenditures consistent with all approved federal waivers and state plan provisions.

Public Higher Education Student Support Fund - for the purpose to: (i) supplement financial aid awards to students at public institutions of higher education to prevent a reduction in aid relative to the amount awarded in the prior fiscal year or relative to amounts established subject to appropriation in statute or regulation; (ii) supplement allocations to public institutions of higher education for financial aid programs to prevent a reduction in allocation from the prior fiscal year; or (iii) otherwise maintain financial aid benefits to students relative to prior year benefit levels.

Woodlands Partnership of Northwest Massachusetts Fund - To establish and set up on the books of the commonwealth a separate, non-budgeted special revenue fund called the Woodlands Partnership of Northwest Massachusetts Fund used solely for implementing the purposes and administration of the Woodlands Partnership of Northwest Massachusetts in pursuit to section 91 hereby striking out the word “Mohawk Trail Woodland Partnership”.

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Lotteries			Gaming		Non-Budgeted Other Funds	
	Federal Grants	State Lottery and Gaming	State Arts Lottery	Massachusetts Gaming Control	Gaming Revenue	Catastrophic Illness in Children Relief	Commonwealth Care Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ 313	\$ —	\$ —	\$ 327,030	\$ —	\$ 111,568
Assessments	—	—	—	34,871	—	—	—
Federal grants and reimbursements	4,139,436	—	—	—	—	—	—
Departmental	—	6,015,799	29,886	3,961	200	—	176,070
Miscellaneous	39	14,374	249	8	—	—	—
Total revenues	4,139,475	6,030,486	30,135	38,840	327,230	—	287,638
Other financing sources:							
Operating transfers in	14,673	—	—	—	—	3,132	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	14,673	—	—	—	—	3,132	—
Total revenues and other financing sources	4,154,148	6,030,486	30,135	38,840	327,230	3,132	287,638
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	4,304	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	883	—	—	—	—	—	—
Treasurer and Receiver-General	1,460	4,841,837	21,383	49	—	—	—
Attorney General	18,995	—	—	2,098	—	—	—
District Attorneys	5,612	—	—	—	—	—	—
Office of Campaign & Political Finance	10	—	—	—	—	—	—
Sheriffs	5,264	—	—	—	—	—	—
Disabled Persons Protection Commission	1,320	—	—	—	—	—	—
Board of Library Commissioners	2,613	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	27,658	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	16,082	—	—	—	—	—	346,160
Energy and Environmental Affairs	77,126	—	—	—	—	—	—
Developmental Disabilities Council	751	—	—	—	—	—	—
Health and Human Services	856,272	—	—	—	—	2,726	—
Technology Services and Security	—	—	—	—	—	—	—
Veterans' Services	341	—	—	—	—	—	—
Housing and Livable Communities	881,501	—	—	—	—	—	—
Massachusetts Department of Transportation	24	—	—	—	—	—	—
Education	1,618,089	—	—	—	—	—	—
Center for Health Information and Analysis	161	—	—	—	—	—	—
Public Safety and Security	436,891	—	—	16	—	—	—
Economic Development	12,376	—	—	—	—	—	—
Labor and Workforce Development	139,432	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	4,079,507	4,841,837	21,383	29,821	—	2,726	346,160
Other financing uses:							
Fringe benefit cost assessment	113,782	17,416	—	4,945	—	331	—
Lottery operating reimbursements	—	148,181	—	—	—	—	—
Lottery distributions	—	1,023,052	8,752	—	—	—	—
Operating transfers out	50,639	—	—	3,060	327,230	75	98,132
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	164,421	1,188,649	8,752	8,005	327,230	406	98,132
Total expenditures and other financing uses	4,243,928	6,030,486	30,135	37,826	327,230	3,132	444,292
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses							
	(89,780)	—	—	1,014	—	—	(156,654)
Fund balances/(deficits) at beginning of year	(50,840)	—	—	961	—	5,273	511,248
Fund balances/(deficits) at end of year	\$ (140,620)	\$ —	\$ —	\$ 1,975	\$ —	\$ 5,273	\$ 354,594

See accountants' review report

Note: Details may not add to totals due to rounding

Non-Budgeted Other Funds									
Essential Community Provider Trust	Medical Assistance Trust	Health Safety Net Trust	Money Follows the Person Rebalancing Demonstration Grant Trust	Public Health Trust	Healthcare Payment Reform	Distressed Hospital Trust	Prevention and Wellness Trust	MassHealth Delivery System Reform Trust	Non-Acute Care Hospital Reimbursement Trust
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
35,000	—	312,728	—	6,000	—	—	—	—	25,187
50,048	—	—	—	—	—	—	—	39,589	30,702
—	111,923	1,487	—	—	2	—	—	—	—
—	—	5,478	—	—	—	—	—	—	—
85,048	111,923	319,693	—	6,000	2	—	—	39,589	55,889
—	—	95,000	7,013	27,756	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	640,347	—	—	—	—	—	—	—	—
—	640,347	95,000	7,013	27,756	—	—	—	—	—
85,048	752,270	414,693	7,013	33,756	2	—	—	39,589	55,889
—	—	—	—	—	—	—	—	—	—
—	—	212	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	5,659	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	28	74	—	—	—
—	—	—	—	—	—	—	—	—	—
85,000	753,786	399,549	—	24,053	—	—	74	84,300	46,684
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
85,000	753,786	399,761	—	29,712	28	74	74	84,300	46,684
—	—	881	—	625	—	—	22	585	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	20	—	546	1	—	5	—	—
—	—	—	—	—	—	—	—	—	—
—	—	901	—	1,171	1	—	27	585	—
85,000	753,786	400,662	—	30,883	29	74	101	84,885	46,684
48	(1,516)	14,031	7,013	2,873	(27)	(74)	(101)	(45,296)	9,205
—	1,516	68,583	24	40,194	1,385	5,263	959	51,308	7,187
\$ 48	\$ —	\$ 82,614	\$ 7,037	\$ 43,067	\$ 1,358	\$ 5,189	\$ 858	\$ 6,012	\$ 16,392

continued

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	Substance Use Disorder Federal Reinvestment Trust	Safety Net Provider Trust	Home Care Technology Trust	Center for Health Information and Analysis	Managed Care Organization Services Reinvestment	Dam and Seawall Repair or Removal	Department of Telecommunication and Energy Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	127,600	—	—	131,331	—	3,550
Federal grants and reimbursements	283,601	144,287	192	807	78,799	—	—
Departmental	—	—	400	—	—	920	—
Miscellaneous	—	—	—	130	—	311	24
Total revenues	283,601	271,887	592	937	210,130	1,231	3,574
Other financing sources:							
Operating transfers in	—	17,329	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	17,329	—	—	—	—	—
Total revenues and other financing sources	283,601	289,216	592	937	210,130	1,231	3,574
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	2,454
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	352,273	278,419	3,126	—	131,331	—	—
Technology Services and Security	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	117	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	352,273	278,419	3,126	117	131,331	—	2,454
Other financing uses:							
Fringe benefit cost assessment	—	—	—	—	—	—	976
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	—	—	12	57,000	—	253
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	—	—	12	57,000	—	1,229
Total expenditures and other financing uses	352,273	278,419	3,126	129	188,331	—	3,683
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(68,672)	10,797	(2,534)	808	21,799	1,231	(109)
Fund balances/(deficits) at beginning of year	155,483	49,440	4,156	—	—	11,682	5,394
Fund balances/(deficits) at end of year	\$ 86,811	\$ 60,237	\$ 1,622	\$ 808	\$ 21,799	\$ 12,913	\$ 5,285

See accountants' review report

Note: Details may not add to totals due to rounding

Non-Budgeted Other Funds									
Fingerprint- Based Background Check Trust	Liability Management and Reduction	Dockside Testing Trust	Commonwealth of Massachusetts Civil Monetary Penalty (CMP)	MBTA State and Local Contribution	Massachusetts Community Preservation Trust	Health Insurance Portability and Accountability Act	State Racing	Division of Professional Licensure Trust	Victims of Drunk Driving Trust
\$ —	\$ —	\$ —	\$ —	\$ 1,443,138	\$ 49,152	\$ —	\$ 941	\$ —	\$ —
—	—	—	—	193,069	—	—	791	—	—
—	—	—	—	—	—	11,061	—	—	—
5,326	1,808	—	5,186	—	—	—	354	7,440	288
—	72	—	—	—	259	—	340	—	17
5,326	1,880	—	5,186	1,636,207	49,411	11,061	2,426	7,440	305
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
5,326	1,880	—	5,186	1,636,207	49,411	11,061	2,426	7,440	305
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	1,636,207	—	—	—	—	—
—	43	—	—	—	—	—	—	3	179
—	—	—	—	—	—	—	—	—	64
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	1,701	—	—
—	2,051	—	—	—	—	—	—	—	—
—	—	—	—	—	47,413	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	98	952	—	—	6,375	69	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
4,930	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	5,226	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
4,930	2,094	98	952	1,636,207	47,413	6,375	1,770	5,229	243
396	48	42	—	—	—	175	272	905	28
—	—	—	—	—	—	—	—	—	—
107	—	9	—	—	—	63	137	252	6
—	—	—	—	—	—	—	—	—	—
503	48	51	—	—	—	238	409	1,157	34
5,433	2,142	149	952	1,636,207	47,413	6,613	2,179	6,386	277
(107)	(262)	(149)	4,234	—	1,998	4,448	247	1,054	28
5,375	3,459	208	17,192	—	35,583	10,032	405	7,315	1,318
\$ 5,268	\$ 3,197	\$ 59	\$ 21,426	\$ —	\$ 37,581	\$ 14,480	\$ 652	\$ 8,369	\$ 1,346

continued

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	State Athletic Commission	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
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ 87	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	52	161	317	3,411	1,855	167	167,790
Miscellaneous	—	—	—	—	—	49	11,881
Total revenues	139	161	317	3,411	1,855	216	179,671
Other financing sources:							
Operating transfers in	500	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	500	—	—	—	—	—	—
Total revenues and other financing sources	639	161	317	3,411	1,855	216	179,671
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	2,514	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—	4,894
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	101
Energy and Environmental Affairs	—	—	—	—	—	—	—
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—	—
Technology Services and Security	—	—	—	—	2,218	—	9,752
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	—	104	—	—	—	146,751
Economic Development	368	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	368	—	104	2,514	2,218	—	161,498
Other financing uses:							
Fringe benefit cost assessment	121	—	—	134	—	—	6,535
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	36	—	213	52	—	—	1,861
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	157	—	213	186	—	—	8,396
Total expenditures and other financing uses	525	—	317	2,700	2,218	—	169,894
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	114	161	—	711	(363)	216	9,777
Fund balances/(deficits) at beginning of year	205	1,103	250	3,243	8,348	968	291,918
Fund balances/(deficits) at end of year	\$ 319	\$ 1,264	\$ 250	\$ 3,954	\$ 7,985	\$ 1,184	\$ 301,695

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	Massachusetts Nursing and Allied Health Workforce Development Trust	Health Information Technology Trust	Build America Bonds Subsidy Trust	Housing Preservation and Stabilization Trust	Office of Refugees and Immigrants Trust	Massachusetts Environmental Police Trust	Domestic and Sexual Violence Prevention and Victim Assistance
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	35,091	32,094	—	—	—	—
Departmental	—	464	—	—	—	508	4
Miscellaneous	—	—	—	222	1,100	—	—
Total revenues	—	35,555	32,094	222	1,100	508	4
Other financing sources:							
Operating transfers in	1,000	14,178	—	70,569	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	1,000	14,178	—	70,569	—	—	—
Total revenues and other financing sources	1,000	49,733	32,094	70,791	1,100	508	4
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	571	—
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	1,025	52,216	—	—	686	—	—
Technology Services and Security	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	8,093	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	45	—
Education	500	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	38,380	—	—	—	—
Total expenditures	1,525	52,216	38,380	8,093	686	571	—
Other financing uses:							
Fringe benefit cost assessment	58	1,418	—	—	—	42	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	436	—	—	23	24	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	58	1,854	—	—	23	66	—
Total expenditures and other financing uses	1,583	54,070	38,380	8,093	709	637	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(583)	(4,337)	(6,286)	62,698	391	(129)	4
Fund balances/(deficits) at beginning of year	821	(3,397)	11,940	38,929	234	450	84
Fund balances/(deficits) at end of year	\$ 238	\$ (7,734)	\$ 5,654	\$ 101,627	\$ 625	\$ 321	\$ 88

See accountants' review report

Note: Details may not add to totals due to rounding

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	Victims of Human Trafficking Trust	Department of Public Utilities Storm Trust	Homeless Animal Prevention and Care	Horseneck Beach Reservation Trust	Environmental Trust	Social Innovation Financing Trust	Children's Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	1,110	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	31	—	360	57	630	—	—
Miscellaneous	—	—	1	—	18	491	9
Total revenues	31	1,110	361	57	648	491	9
Other financing sources:							
Operating transfers in	—	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	—
Total revenues and other financing sources	31	1,110	361	57	648	491	9
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	66	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	770	505	12	417	—	—
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—	—
Technology Services and Security	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	3
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	66	770	505	12	417	—	3
Other financing uses:							
Fringe benefit cost assessment	—	311	52	—	46	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	—	77	—	—	21	—	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	—	388	52	—	67	—	—
Total expenditures and other financing uses	66	1,158	557	12	484	—	3
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(35)	(48)	(196)	45	164	491	6
Fund balances/(deficits) at beginning of year	67	517	590	46	442	—	186
Fund balances/(deficits) at end of year	\$ 32	\$ 469	\$ 394	\$ 91	\$ 606	\$ 491	\$ 192

See accountants' review report

Note: Details may not add to totals due to rounding

Non-Budgeted Other Funds									
Child Support Enforcement	Massachusetts Military Family Relief	Department of Industrial Accidents Special	Massachusetts State Public Health HIV and Hepatitis	Head Injury Treatment Services Trust	Board of Registration in Medicine Trust	Water Pollution Abatement and Drinking Water Projects Administration	Child Care Quality	Convention and Exhibition Center	Firearms Fingerprint Identity Verification Trust
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 238,955	\$ —
—	—	21,627	—	—	—	—	—	—	—
17,157	—	—	—	—	—	14,916	—	—	—
6,385	204	5,199	116	4,228	10,918	—	117	—	2,600
1,154	1	156	4	28	—	—	—	31,197	—
24,696	205	26,982	120	4,256	10,918	14,916	117	270,152	2,600
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
24,696	205	26,982	120	4,256	10,918	14,916	117	270,152	2,600
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
4	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
25,467	—	—	—	—	—	—	—	85,467	—
—	—	—	—	—	—	8,213	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	91	6,598	8,497	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	31	—	—
—	—	—	—	—	—	—	—	—	1,384
—	—	190	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	30,625	—
—	—	—	—	—	—	—	—	21,848	—
25,471	—	190	91	6,598	8,497	8,213	31	137,940	1,384
440	—	6,586	—	—	2,589	2,363	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
138	—	23,857	—	—	586	2,376	—	15,067	—
—	—	—	—	—	—	—	—	—	—
578	—	30,443	—	—	3,175	4,739	—	15,067	—
26,049	—	30,633	91	6,598	11,672	12,952	31	153,007	1,384
(1,353)	205	(3,651)	29	(2,342)	(754)	1,964	86	117,145	1,216
23,695	632	8,182	339	11,122	4,042	3,308	573	551,648	6,282
\$ 22,342	\$ 837	\$ 4,531	\$ 368	\$ 8,780	\$ 3,288	\$ 5,272	\$ 659	\$ 668,793	\$ 7,498

continued

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	Grant Anticipation Note Trust	Race Horse Development	Community Mitigation	Massachusetts Tourism Trust	Long-Term Care Facility Quality Improvement	Sexual Assault Nurse Examiner Trust	Public Records Assistance
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ 10,000	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	944,735	—	—	—	—	—	—
Departmental	—	15,847	—	—	659	—	—
Miscellaneous	1,995	—	—	10	—	—	—
Total revenues	946,730	15,847	—	10,010	659	—	—
Other financing sources:							
Operating transfers in	7,733	6,407	—	2,563	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	7,733	6,407	—	2,563	—	—	—
Total revenues and other financing sources	954,463	22,254	—	12,573	659	—	—
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	114	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	54	—	—	—	—
District Attorneys	—	—	128	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	400	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	20,744	9,242	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	—	—	—	—	403	—	—
Technology Services and Security	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Education	—	—	647	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Economic Development	—	—	—	12,864	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	122,185	—	—	—	—	—	—
Interest and fiscal charges	12,790	—	—	—	—	—	—
Total expenditures	134,975	20,744	10,471	12,978	403	—	—
Other financing uses:							
Fringe benefit cost assessment	—	—	177	745	—	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	822,551	—	77	190	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	822,551	—	254	935	—	—	—
Total expenditures and other financing uses	957,526	20,744	10,725	13,913	403	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(3,063)	1,510	(10,725)	(1,340)	256	—	—
Fund balances/(deficits) at beginning of year	30,190	24,245	63,388	7,910	1,341	6	6
Fund balances/(deficits) at end of year	\$ 27,127	\$ 25,755	\$ 52,663	\$ 6,570	\$ 1,597	\$ 6	\$ 6

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Non-Budgeted Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis
Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	Department of Public Utilities Energy Facilities Siting Board Trust	Department of Public Utilities Unified Carrier Registration Trust	Municipal Naloxone Bulk Purchase Trust	Debt and Long-Term Liability Reduction Trust	Public Health Grant Trust	Commonwealth Facility Trust For Energy Efficiency	Garden of Peace Trust
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	—	2,299	335	—	1,060	—	5
Miscellaneous	—	—	—	—	—	—	16
Total revenues	—	2,299	335	—	1,060	—	21
Other financing sources:							
Operating transfers in	—	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	—
Total revenues and other financing sources	—	2,299	335	—	1,060	—	21
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	24
District Attorneys	—	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	82	1,472	—	—	—	—	—
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	—	—	—	—	624	—	—
Technology Services and Security	—	—	—	20,529	—	—	—
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	82	1,472	—	20,529	624	—	24
Other financing uses:							
Fringe benefit cost assessment	—	526	—	—	137	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	8	142	—	—	31	—	4
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	8	668	—	—	168	—	4
Total expenditures and other financing uses	90	2,140	—	20,529	792	—	28
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(90)	159	335	(20,529)	268	—	(7)
Fund balances/(deficits) at beginning of year	487	2,047	654	51,083	1,149	509	331
Fund balances/(deficits) at end of year	\$ 397	\$ 2,206	\$ 989	\$ 30,554	\$ 1,417	\$ 509	\$ 324

See accountants' review report

Note: Details may not add to totals due to rounding

continued

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	Student Loan Assistance Trust	Opioid Recovery and Remediation Trust	COVID-19 Massachusetts Emergency Paid Sick Leave	Criminal Justice and Community Support Trust	Genocide Education Trust	Christian A. Herter Park Trust	Public University Health Center Sexual and Reproductive Health Preparation
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—
Departmental	—	39,573	—	—	—	18	—
Miscellaneous	84	—	—	—	—	—	—
Total revenues	84	39,573	—	—	—	18	—
Other financing sources:							
Operating transfers in	—	—	—	1,500	1,500	—	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	—	—	—	1,500	1,500	—	—
Total revenues and other financing sources	84	39,573	—	1,500	1,500	18	—
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	125	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	—	62,201	—	960	—	—	—
Technology Services and Security	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Education	—	—	—	—	2,036	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	150	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	125	62,351	—	960	2,036	—	—
Other financing uses:							
Fringe benefit cost assessment	53	287	—	—	—	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	31	51	—	—	15	—	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	84	338	—	—	15	—	—
Total expenditures and other financing uses	209	62,689	—	960	2,051	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(125)	(23,116)	—	540	(551)	18	—
Fund balances/(deficits) at beginning of year	783	157,552	8	6,882	2,190	60	323
Fund balances/(deficits) at end of year	\$ 658	\$ 134,436	\$ 8	\$ 7,422	\$ 1,639	\$ 78	\$ 323

See accountants' review report

Note: Details may not add to totals due to rounding

Non-Budgeted Other Funds									
Hospital Investment and Performance Trust	Population Health Investment Trust	Massachusetts Inclusive Concurrent Enrollment Initiative Trust	Behavioral Health Access and Crisis Intervention Trust	Communication Access Trust	Sports Wagering	Sports Wagering Control	Electric Vehicle Adoption Incentive Trust	Agricultural Innovation	Cannabis Social Equity Trust
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 151,839	\$ —	\$ —	\$ —	\$ —
878,500	106,750	—	16,294	—	—	—	—	—	—
876,524	204,082	—	—	—	—	—	—	—	—
—	—	—	—	—	14,188	9,997	—	—	—
—	—	—	—	—	—	7	—	—	12
1,755,024	310,832	—	16,294	—	166,027	10,004	—	—	12
—	—	2,000	—	22,500	—	—	—	—	29,001
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	2,000	—	22,500	—	—	—	—	29,001
1,755,024	310,832	2,000	16,294	22,500	166,027	10,004	—	—	29,013
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	517	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	12,086	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	8,208	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	7,308	290	—
—	—	—	—	—	—	—	—	—	—
1,709,334	314,450	—	16,494	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	923	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	9,198	—	—	—	—	—
—	—	—	—	—	—	—	—	—	19,311
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,709,334	314,450	923	16,494	21,284	—	8,725	7,308	290	19,311
—	—	—	—	—	—	1,257	—	—	49
—	—	—	—	—	—	—	—	—	—
—	—	2	—	—	166,027	711	—	—	14
—	—	—	—	—	—	—	—	—	—
—	—	2	—	—	166,027	1,968	—	—	63
1,709,334	314,450	925	16,494	21,284	166,027	10,693	7,308	290	19,374
45,690	(3,618)	1,075	(200)	1,216	—	(689)	(7,308)	(290)	9,639
(143,262)	64,297	2,863	62,955	446	—	2,745	7,566	5,000	27,278
\$ (97,572)	\$ 60,679	\$ 3,938	\$ 62,755	\$ 1,662	\$ —	\$ 2,056	\$ 258	\$ 4,710	\$ 36,917

continued

Non-Budgeted Special Revenue Funds

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Non-Budgeted Other Funds						
	Workforce Investment	Low Income Services Solar Program	Children and Family Legal Representation Trust	Castle Island and Marine Park	Fair Housing	Disaster Relief and Resiliency	Environmental Justice
REVENUES AND OTHER FINANCING SOURCES							
Revenues:							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	12,322	—	—	—	—
Departmental	—	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	562
Total revenues	—	—	12,322	—	—	—	562
Other financing sources:							
Operating transfers in	29,055	—	—	250	1,000	14,000	—
Stabilization transfer	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—
Total other financing sources	29,055	—	—	250	1,000	14,000	—
Total revenues and other financing sources	29,055	—	12,322	250	1,000	14,000	562
EXPENDITURES AND OTHER FINANCING USES							
Expenditures:							
Judiciary	—	—	3,587	—	—	—	—
Office of Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—
Developmental Disabilities Council	—	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—	—
Technology Services and Security	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—
Economic Development	16,009	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—
Debt service:							
Principal retirement	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—
Total expenditures	16,009	—	3,587	—	—	—	—
Other financing uses:							
Fringe benefit cost assessment	91	—	996	—	—	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—
Operating transfers out	21	—	183	—	—	—	—
Stabilization transfer	—	—	—	—	—	—	—
Total other financing uses	112	—	1,179	—	—	—	—
Total expenditures and other financing uses	16,121	—	4,766	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	12,934	—	7,556	250	1,000	14,000	562
Fund balances/(deficits) at beginning of year	29,658	650	23,193	—	—	—	—
Fund balances/(deficits) at end of year	\$ 42,592	\$ 650	\$ 30,749	\$ 250	\$ 1,000	\$ 14,000	\$ 562

See accountants' review report

Note: Details may not add to totals due to rounding

Non-Budgeted Other Funds			MassDOT Funds				Totals (Memorandum only)	
Commonwealth Federal Matching and Debt Reduction	Office of the Inspector General Recovery	Sports and Entertainment Events	Massachusetts Transportation Trust	Central Artery/ Tunnel Project Repair and Maintenance Trust	Motor Vehicle Safety Inspection Trust	Transportation Infrastructure and Development	2025	2024
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,647,604	\$ 3,509,330
—	—	—	—	—	—	—	2,056,257	1,666,343
—	—	—	23,337	—	—	—	6,974,089	7,126,482
—	—	—	522,894	—	60,013	—	7,462,575	7,785,522
—	—	—	87,267	16,767	451	6	175,116	172,894
—	—	—	633,498	16,767	60,464	6	20,315,641	20,260,571
—	163	10,000	1,219,553	—	—	—	1,643,179	1,173,679
826,992	—	—	—	—	—	—	826,992	—
—	—	—	—	—	—	—	640,347	505,000
826,992	163	10,000	1,219,553	—	—	—	3,110,518	1,678,679
826,992	163	10,000	1,853,051	16,767	60,464	6	23,426,159	21,939,250
—	—	—	—	—	—	—	7,892	7,925
—	—	—	—	—	—	—	212	162
—	—	—	292	—	—	—	406	1,298
—	—	—	—	—	—	—	3,396	3,531
104,653	—	—	463	—	—	—	7,894,402	7,834,143
—	—	—	67	—	—	—	22,703	23,208
—	—	—	—	—	—	—	6,073	5,627
—	—	—	—	—	—	—	10	—
—	—	—	119	—	—	—	22,762	29,927
—	—	—	—	—	—	—	1,320	2,153
—	—	—	—	—	—	—	2,613	2,582
—	—	—	—	—	—	—	73,212	65,742
—	—	—	—	—	—	—	2,051	1,743
96,784	—	—	—	—	—	—	617,686	402,785
—	—	—	646	—	1,576	—	338,227	372,232
—	—	—	—	—	—	—	751	—
—	—	—	63	—	—	—	5,434,515	4,346,535
—	—	—	—	—	—	—	32,498	16,042
—	—	—	—	—	—	—	341	252
—	—	—	—	—	—	—	889,594	862,469
—	—	—	1,516,054	33,384	10,363	—	1,559,825	1,305,322
—	—	—	—	—	—	—	1,631,232	2,237,954
—	—	—	—	—	—	—	277	116
—	—	—	152	—	—	—	603,572	1,042,932
11,037	—	—	—	—	—	—	77,277	30,838
—	—	—	—	—	—	—	244,805	161,655
—	—	—	—	—	—	—	153,537	164,629
—	—	—	—	—	—	—	73,892	82,579
212,474	—	—	1,517,856	33,384	11,939	—	19,695,081	19,004,381
—	—	—	150,693	—	2,180	—	329,319	311,382
—	—	—	—	—	—	—	148,181	142,205
—	—	—	—	—	—	—	1,031,804	1,124,590
—	—	—	4,769	—	44,415	—	1,632,604	1,392,480
—	—	—	—	—	—	—	—	25,625
—	—	—	155,462	—	46,595	—	3,141,908	2,996,282
212,474	—	—	1,673,318	33,384	58,534	—	22,836,989	22,000,663
614,518	163	10,000	179,733	(16,617)	1,930	6	589,170	(61,413)
—	—	—	1,345,618	276,389	4,437	65	4,550,541	4,611,954
\$ 614,518	\$ 163	\$ 10,000	\$ 1,525,351	\$ 259,772	\$ 6,367	\$ 71	\$ 5,139,711	\$ 4,550,541



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Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets of the Commonwealth and to finance local governmental capital projects.

General Capital Projects Fund - to account for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes.

Convention and Exhibition Center Projects Fund - to account for proceeds of bonds to finance the construction of a convention center in the City of Boston.

Capital Improvements and Investment Trust Fund - to account for the Commonwealth's reimbursement to cities and towns for expenses incurred for projects for construction and reconstruction of town and county ways.

Highway Capital Projects Fund - to account for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of Federally sponsored highway construction.

Federal Highway Construction Program - to account for federal highway construction grants which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

OTHER FUNDS:

Government Land Bank Capital Projects Fund - to account for proceeds of bonds used to finance the acquisition, holding, protection, maintenance, repair or use of lands and for personnel and the administrative costs of the Massachusetts Development Finance Agency.

Local Aid Capital Projects Fund - to account for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUND:

Central Artery Statewide Road and Bridge Infrastructure Fund - to account for bond proceeds, certain revenues from Registry of Motor Vehicle fees, (net of debt service expenditures) and payments from authorities. The purpose of expenditures from the fund is to meet the estimated additional costs associated with the Central Artery/Ted Williams Tunnel Project and for costs of the statewide road and bridge program.

The following funds have been enacted in legislation but were inactive in FY25 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, 2025
(Amounts in thousands)

	General Capital Projects	Convention and Exhibition Center Projects	Capital Improvements and Investment Trust	Highway Capital Projects	Federal Highway Construction Program
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Federal grants and reimbursements	\$ 148,659	\$ —	\$ —	\$ —	\$ —
Departmental	—	—	—	—	778
Miscellaneous	—	—	—	5,232	—
Total revenues	148,659	—	—	5,232	778
Other financing sources:					
Issuance of general obligation bonds	1,903,406	—	—	1,152,550	—
Bond premiums (discounts) on general obligation bonds	178,668	—	—	75,300	—
Issuance of special obligation bonds	—	—	—	275,000	—
Bond premiums (discounts) on special obligation bonds	—	—	—	26,819	—
Issuance of current refunding bonds	204,451	—	43	393,978	—
Bond premiums (discounts) on current refunding bonds	18,813	—	4	46,069	—
Operating transfers in	—	—	—	—	822,551
State share of federal highway construction	—	—	—	—	209,757
Total other financing sources	2,305,338	—	47	1,969,716	1,032,308
Total revenues and other financing sources	2,453,997	—	47	1,974,948	1,033,086
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Judiciary	20,744	—	—	—	—
Secretary of the Commonwealth	1,510	—	—	—	—
Treasurer and Receiver-General	39,207	—	—	—	—
State Auditor	199	—	—	—	—
Attorney General	2	—	—	292	—
State Ethics Commission	100	—	—	—	—
District Attorneys	—	—	—	—	—
Sheriffs	6,305	—	—	—	—
Board of Library Commissioners	21,953	—	—	—	—
Office of the Comptroller	27,325	—	—	—	—
Administration and Finance	682,471	—	—	470	—
Energy and Environmental Affairs	237,389	—	—	41,931	—
Health and Human Services	100,730	—	—	—	—
Technology Services and Security	72,916	—	—	—	—
Veterans' Services	3,471	—	—	—	—
Housing and Livable Communities	465,516	—	—	—	—
Massachusetts Department of Transportation	623	—	—	1,358,232	1,029,012
Education	110,933	—	—	—	—
Public Safety and Security	79,510	—	—	—	—
Economic Development	336,573	—	—	—	—
Labor and Workforce Development	36,671	—	—	—	—
Total expenditures	2,244,148	—	—	1,400,925	1,029,012
Other financing uses:					
Principal on current refundings	223,263	—	47	440,046	—
Fringe benefit cost assessment	19,432	—	—	—	26,160
State share of federal highway construction	—	—	—	209,757	—
Total other financing uses	242,695	—	47	649,803	26,160
Total expenditures and other financing uses	2,486,843	—	47	2,050,728	1,055,172
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(32,846)	—	—	(75,780)	(22,086)
Fund balances/(deficits) at beginning of year	(903,244)	8,393	—	(759,644)	(17,930)
Fund balances/(deficits) at end of year	\$ (936,090)	\$ 8,393	\$ —	\$ (835,424)	\$ (40,016)

See accountant's review report

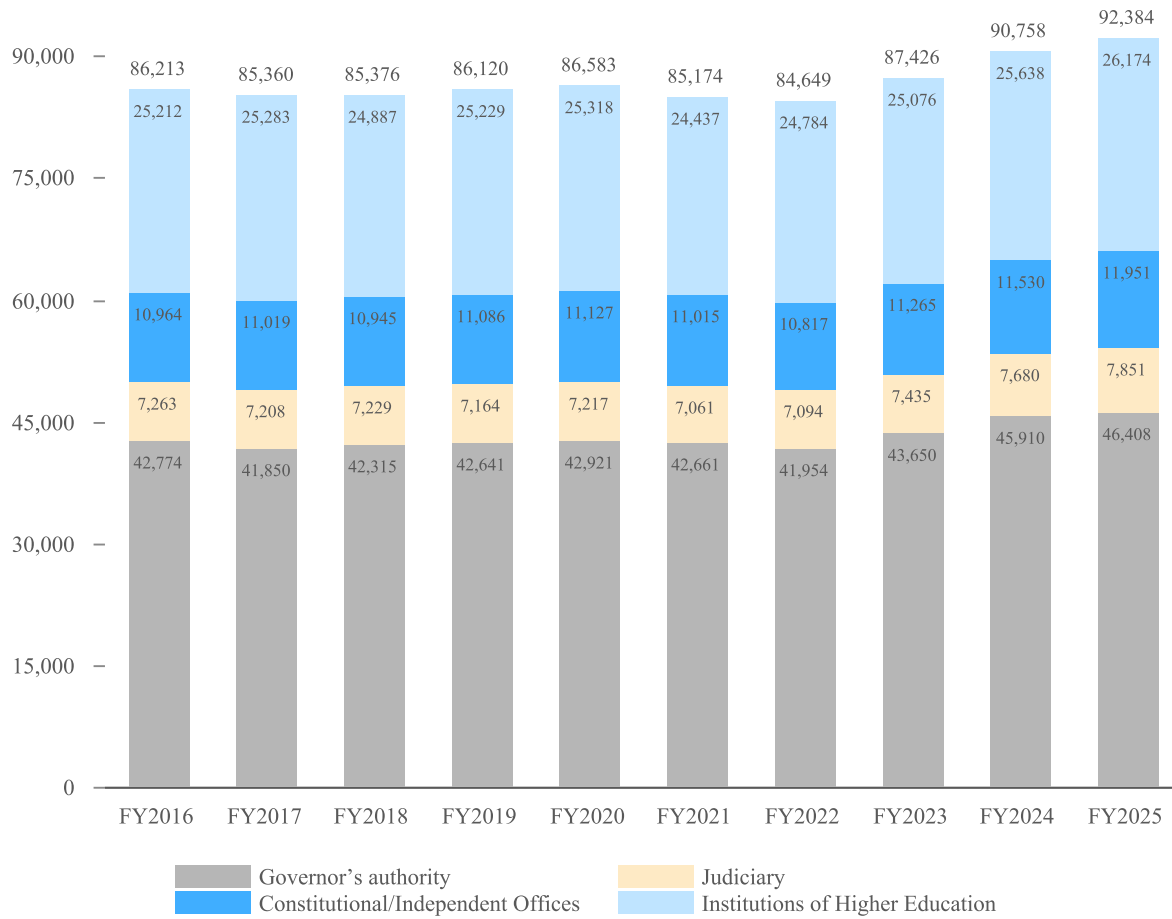
Note: Details may not add to totals due to rounding

Government Land Bank Capital Projects	Local Aid Capital Projects	MassDOT		Totals (Memorandum only)	
		Central Artery Statewide Road and Bridge Infrastructure			
				2025	2024
\$ —	\$ —	\$ —	\$ 148,659	\$ 64,155	
—	—	—	778	751	
—	—	3,858	9,090	6,325	
—	—	3,858	158,527	71,231	
—	—	—	3,055,955	4,057,104	
—	—	—	253,968	344,654	
—	—	—	275,000	500,000	
—	—	—	26,819	25,326	
6,365	5,278	—	610,115	2,010,760	
586	486	—	65,957	297,129	
—	—	—	822,551	715,181	
—	—	—	209,757	170,971	
6,951	5,764	—	5,320,122	8,121,125	
6,951	5,764	3,858	5,478,649	8,192,356	
—	—	—	20,744	17,993	
—	—	—	1,510	1,590	
—	—	—	39,207	42,429	
—	—	—	199	160	
—	—	—	294	634	
—	—	—	100	—	
—	—	—	—	100	
—	—	—	6,305	6,615	
—	—	—	21,953	24,969	
—	—	—	27,325	15,543	
—	—	—	682,940	518,395	
—	—	—	279,320	287,177	
—	—	—	100,730	73,892	
—	—	—	72,916	72,961	
—	—	—	3,471	2,605	
—	—	—	465,516	321,091	
—	—	—	2,387,867	2,076,453	
—	—	—	110,933	83,749	
—	—	—	79,510	81,221	
—	—	—	336,573	288,769	
—	—	—	36,671	24,482	
—	—	—	4,674,084	3,940,828	
6,951	5,764	—	676,072	2,307,889	
—	—	—	45,591	41,863	
—	—	—	209,757	170,971	
6,951	5,764	—	931,420	2,520,723	
6,951	5,764	—	5,605,504	6,461,551	
—	—	3,858	(126,855)	1,730,805	
(500)	—	78,050	(1,594,875)	(3,325,680)	
\$ (500)	\$ —	\$ 81,908	\$ (1,721,730)	\$ (1,594,875)	

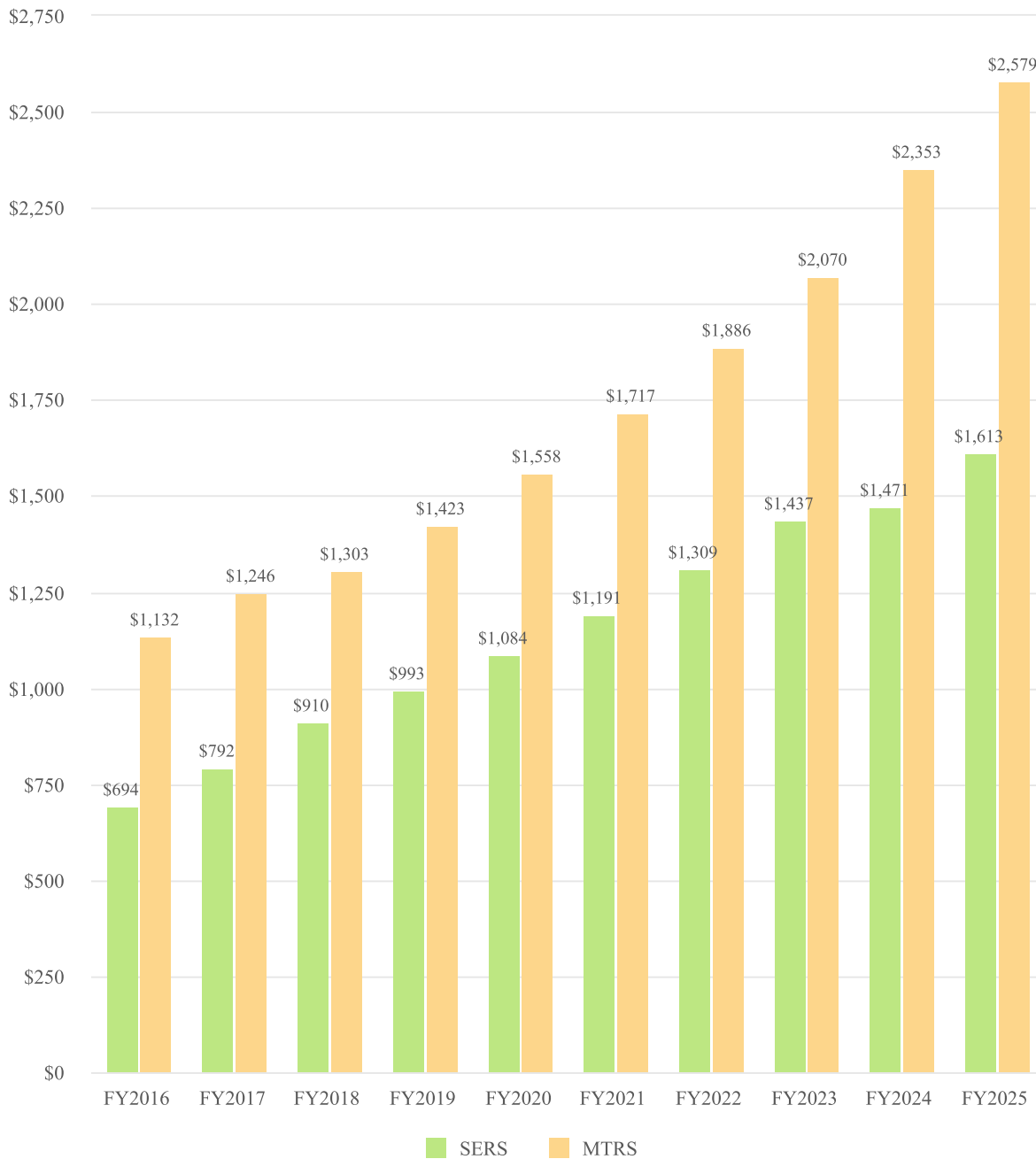


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THE BIG PICTURE: HISTORICAL CONTEXT
Full-Time Equivalent Workforce
Last Ten Fiscal Years
(As of 6/30)



THE BIG PICTURE: HISTORICAL CONTEXT
Annual Pension Funding
State Employees' Retirement System (SERS) and
Massachusetts Teachers' Retirement System (MTRS)
Last Ten Fiscal Years
(Not Including Boston Teachers,
Local COLAs and Admin)
(Amounts in \$ Millions)



Supplemental Information



Calculation of Transfers: Stabilization Fund

Calculation of Transfers: Tax Reduction Fund

Schedule A – FY2025 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

Certification of Expenditures from the Education and Transportation Fund

Historical Chart - State Tax Revenue

See accountants' review report

Calculations of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2025

(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*	\$ (515,024)	\$ 301,724	\$ (2,813)	\$ (63,804)	\$ 890	\$ (22,623)	\$ 4,361	\$ (297,289)
Fund Balance Deficit Elimination Transfers Per Section 5C of Ch. 29	217,735	(301,724)	2,813	63,804	(890)	22,623	(4,361)	—
Budgeted Fund Undesignated Balance - before Section 188 of chapter 73 of the acts of 2025 capital gains above threshold recalculation transfer**	(297,289)	—	—	—	—	—	—	(297,289)
Capital Gains Tax Revenue Used to Eliminate General Fund Deficit capital gains above the threshold Per Section 5C of Ch. 29/ MGL C. 29.5G/ Section 188 of chapter 73 of the acts of 2025	297,289	—	—	—	—	—	—	297,289
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Stabilization Fund Balance Reconciliation:

Balance as of July 1, 2024	\$ 8,523,632
Certain tax revenues	179
FY2025 Stabilization Fund Interest Earnings	406,229
Transfer of FY2024 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund***	(420,764)
Transfer of FY2025 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund	(406,229)
Accounting Adjustment for Change in Value of Short-Term Bond Fund	7,637
Stabilization Fund Balance as of June 30, 2025	\$ 8,110,684
Memo: Change in Stabilization Fund Balance, FY24-25	\$ (412,948)

* Excludes funds not part of the consolidated net surplus or with no FY25 balances or activity

**Supersedes Section 5C of Chapter 29 of the Massachusetts General Laws, which determines the disposition of the consolidated net surplus

*** Timing difference - Transfer for \$421 million in Fiscal 2024 interest is a Fiscal 2025 event for reporting purposes.

Calculation of Transfers: Tax Reduction Fund

Fiscal Year Ended June 30, 2025

(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 25.5% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 8,110,684
Allowable Stabilization Fund balance (per Schedule B - page 181)	<u>15,742,311</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 8,110,684
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 8,110,684</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

FY2025 Tax Revenues by Revenue Class

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

Alcoholic beverages	\$ 96,139
Banks: financial institutions	19,949
Cigarette	248,367
Cigarette excise - Commonwealth Care	64,143
Corporations	4,036,623
Deeds	333,910
Estate and inheritance	740,359
Health care coverage penalty - Commonwealth Care	47,425
Income	26,712,351
Insurance	613,268
Motor and special fuels	706,665
Room occupancy	424,409
Sales and use	9,718,010
Club alcoholic beverages	902
Motor vehicle excise	685
Convention center surcharges	16,641
Community preservation	49,152
Satellite	4,309
Gaming revenue - Massachusetts Gaming Commission	327,030
State racing - Massachusetts Gaming Commission	941
Daily Fantasy Sports - Massachusetts Gaming Commission	4,932
Sports Wager - Massachusetts Gaming Commission	146,908
Beano	782
Raffles and bazaars	921
Boxing	87
DOI excess and surplus lines	118,315
UI surcharge	26,987
Controlled substances	183,269
Electronic Nicotine Delivery System	14,858
 FY 2025 state tax revenue	 \$ 44,658,337

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, 2025

(Amounts in thousands)

Fiscal year 2024 - Total revenues and other financing sources pertaining to the budgeted funds*	\$ 66,461,821
Fiscal year 2024 - Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C - page 182)*	(4,727,269)
Fiscal year 2024 - Adjusted revenues and other financing sources pertaining to the budgeted funds	61,734,552
Fiscal year 2025 - Allowable Stabilization Fund balance, 25.5% of budgeted fund revenue and other financing sources.....	\$ 15,742,311

*Calculation of Stabilization Fund Cap as defined by Massachusetts General Laws Chapter 29 Section 2H - the allowable Stabilization Fund balance at fiscal year-end (i.e., fiscal year 2025) is 25.5% of total budgeted revenues and other financing resources for the immediately preceding fiscal year (i.e., fiscal year 2024).

Schedule C
Detail of Elimination of Budgetary Inter Fund Activity*

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

Fiscal year 2024 - Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund	\$ (517,842)
Fiscal year 2024 - Adjustments to other financing sources and uses:	
Fringe benefit cost assessments	(34,023)
Transfer from the Intragovernmental Service Fund to the General Fund	(12,240)
Capital gains transfers from General Fund to the Stabilization Fund	(29,542)
Transfers of 4% surtax revenue from General Fund to the Education and Transportation Fund	(2,199,330)
Transfers from the Education and Transportation Fund to the Education Transportation Reserve Fund	(179,900)
Transfers from the Education and Transportation Fund to the Education Transportation Innovation and Capital Fund	(1,019,431)
Other fund deficit support	(36,351)
Consolidated Net Surplus transfers from budgeted funds to the Student Opportunity Act Investment Fund	(425,646)
Other	(272,964)
Fiscal year 2024 - Elimination of budgetary interfund activity (Schedule B)*	<u>\$ (4,727,269)</u>

*Calculation of Stabilization Fund Cap as defined by Massachusetts General Laws Chapter 29 Section 2H - the allowable Stabilization Fund balance at fiscal year-end (i.e., fiscal year 2025) is 25.5% of total budgeted revenues and other financing resources for the immediately preceding fiscal year (i.e., fiscal year 2024).

Non-Tax Revenue Initiatives

Fiscal Year Ended June 30, 2025
(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 FY25 were (amounts in thousands):

Department Collectors	Collections	Fees
Allen Daniels Associates, Inc	\$ 1,769	\$ 251
F.H. Cann & Associates, Inc	2,288	356
Linebarger, Goggan, Blair & Sampson, LLP	14,463	2,121
Radius Global Solutions LLC (FKA Windham Professionals, Inc.)	1,765	228
Reliant Capital Solutions, Inc.	1,203	167
Duncan Solutions (DBA Professional Account Management, LLC)	15,064	2,283
Penn Credit Corporation	12,818	1,791
Transworld Systems Inc (previously Premier Credit of North America, LLC)	257	26
Financial Asset Management Systems, Inc	1	—
Total	<u>\$ 49,628</u>	<u>\$ 7,223</u>

Under the same program, the following amounts were collected and fees paid for the Institutions of Higher Education (these figures are as subset of the above) (amounts in thousands):

Department Collectors	Collections	Fees
Allen Daniels Associates, Inc	\$ 1,508	\$ 211
F.H. Cann & Associates	2,250	350
Radius Global Solutions LLC (FKA Windham Professionals, Inc.)	1,141	161
Reliant Capital Solutions, Inc.	1,550	196
Transworld Systems Inc (previously Premier Credit of North America, LLC)	179	22
Total	<u>\$ 6,628</u>	<u>\$ 940</u>

II. Cost Avoidance:

The Comptroller's appropriation authorizes contract arrangements engaged on a contingent fee basis for the purpose of identification and pursuit of cost saving/avoidance opportunities. During FY25, there were no net cost savings/ avoidance generated.

III. Intercept:

Intercept is authorized by M.G.L. Chapter 7A Section 3 and 815 CMR 9:06. Intercept is an automated process that offsets Commonwealth payments to delinquent receivables that have been approved by the Office of the State Comptroller. FY25 activity (amounts in thousands):

Total Commonwealth intercepts	<u>\$ 18,737</u>
Amounts included above that were intercepted on behalf of the Institutions of Higher Education	<u>\$ 8,297</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, 2025	\$ 39,007,768	\$ 52,798,510	13,790,742	73.9 %	\$ 8,247,464	167.2 %
Actuarial Valuation as of January 1, 2024	37,065,525	51,151,483	14,085,958	72.5 %	7,688,333	183.2 %
Actuarial Valuation as of January 1, 2023	35,079,598	49,200,205	14,120,607	71.3 %	7,088,063	199.2 %
Actuarial Valuation as of January 1, 2022	34,467,610	47,275,156	12,807,546	72.9 %	6,651,010	192.6 %
Actuarial Valuation as of January 1, 2021	30,370,096	45,704,298	15,334,202	66.5 %	6,544,575	234.3 %
Actuarial Valuation as of January 1, 2019	27,136,639	42,595,224	15,458,585	63.7 %	6,354,473	243.3 %

Teachers' Retirement System

Actuarial Valuation as of January 1, 2025	\$ 41,896,825	\$ 66,149,090	24,252,265	63.3 %	\$ 9,037,950	268.3 %
Actuarial Valuation as of January 1, 2024**	39,078,937	64,387,108	25,308,171	60.7 %	8,731,185	289.9 %
Actuarial Valuation as of January 1, 2023	36,536,834	62,286,199	25,749,365	58.7 %	8,371,450	307.6 %
Actuarial Valuation as of January 1, 2022	35,569,967	60,308,295	24,738,328	59.0 %	7,704,176	321.1 %
Actuarial Valuation as of January 1, 2021	31,170,723	58,829,999	27,659,276	53.0 %	7,670,306	360.6 %
Actuarial Valuation as of January 1, 2019	27,854,444	53,864,141	26,009,697	51.7 %	7,074,960	367.6 %

State Retiree Benefit Trust (SRBT) for the last six fiscal years***

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Other Post-Employment Benefit (OPEB) plan						
Actuarial Valuation as of June 30, 2025	\$ 2,803,116	\$ 15,527,409	12,724,293	18.1 %	\$ 7,395,339	172.1 %
Actuarial Valuation as of June 30, 2024	2,525,645	16,241,790	13,716,145	15.6 %	6,395,957	214.5 %
Actuarial Valuation as of June 30, 2023	2,266,842	16,470,056	14,203,214	13.8 %	5,721,250	248.3 %
Actuarial Valuation as of June 30, 2022	1,988,383	15,340,605	13,352,222	13.0 %	5,772,086	231.3 %
Actuarial Valuation as of June 30, 2021	1,910,940	17,910,405	15,999,465	10.7 %	5,594,324	286.0 %
Actuarial Valuation as of June 30, 2020	1,414,312	22,105,511	20,691,199	6.4 %	5,625,684	367.8 %

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.

*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).

** Actuarial accrued liability has been restated for the actuarial valuation as January 1, 2024.

*** OPEB actuarial valuation report is based on the Commonwealth's SERS pension valuation report. GASB 74/75 valuation will be presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

The results of the January 1, 2024 Other Post-Employment Benefits (OPEB) Actuarial Valuation will be presented in the ACFR due to changes in accounting standards.

Certification of Fiscal Year 2025 Surtax Expenditures from the Education and Transportation Fund, the Education and Transportation Reserve Fund, and the Education and Transportation Innovation and Capital Fund*

Elementary and Secondary Education

Subsidies and Grants to Childcare Providers	\$ 288,554,342
School Meals Programs Funding	169,999,862
Transfer to Student Opportunity Act Investment Fund	100,000,000
Income Eligible Early Education Programs	94,015,214
Supplemental Education Local Aid	37,000,000
Elementary and Secondary Clean Energy Infrastructure Funding	19,999,994
Funding to Shorten Waitlist for Early Education Services	15,000,000
Early College Programs Funding	5,100,571
Grants for Pre-School Expansion	3,782,882
Early Literacy Program Funding	2,903,174
School Based Mental Health Services Funding	340,383

Subtotal, Elementary and Secondary Education	\$ 736,696,422

Higher Education

Free Community College Program Funding	\$ 134,582,582
Higher Education Financial Aid Expansion	79,678,825
Higher Education Endowment Matches	26,298,008
Funding for State University SUCCESS Program for Vulnerable Populations	10,664,681
Higher Education Scholarships Funding	10,000,000
State University and Community College Basic Needs Program Funding	2,480,342

Subtotal, Higher Education	\$ 263,704,438

Subtotal, Education	\$ 1,000,400,860

Transportation

Supplemental Chapter 90 (Transportation) Local Aid to Cities and Towns	\$ 125,000,000
Regional Transit Funding and Grants	121,150,530
MassDOT Snow and Ice Removal Costs	60,727,344
Massachusetts Bay Transportation Authority (MBTA) Funding	90,000,000
Regional Transit Authority (RTA) Funding	50,000,000
Water Transportation Funding	20,500,000
Bridges and Culverts Maintenance and Repairs Funding	16,455,500
Microtransit and Last Mile Grants	10,000,000
Funding for Paving of Unpaved Roads	7,000,000
World Cup Transportation Funding	5,000,000
Federal Matching Funds for Transportation Projects	1,297,094

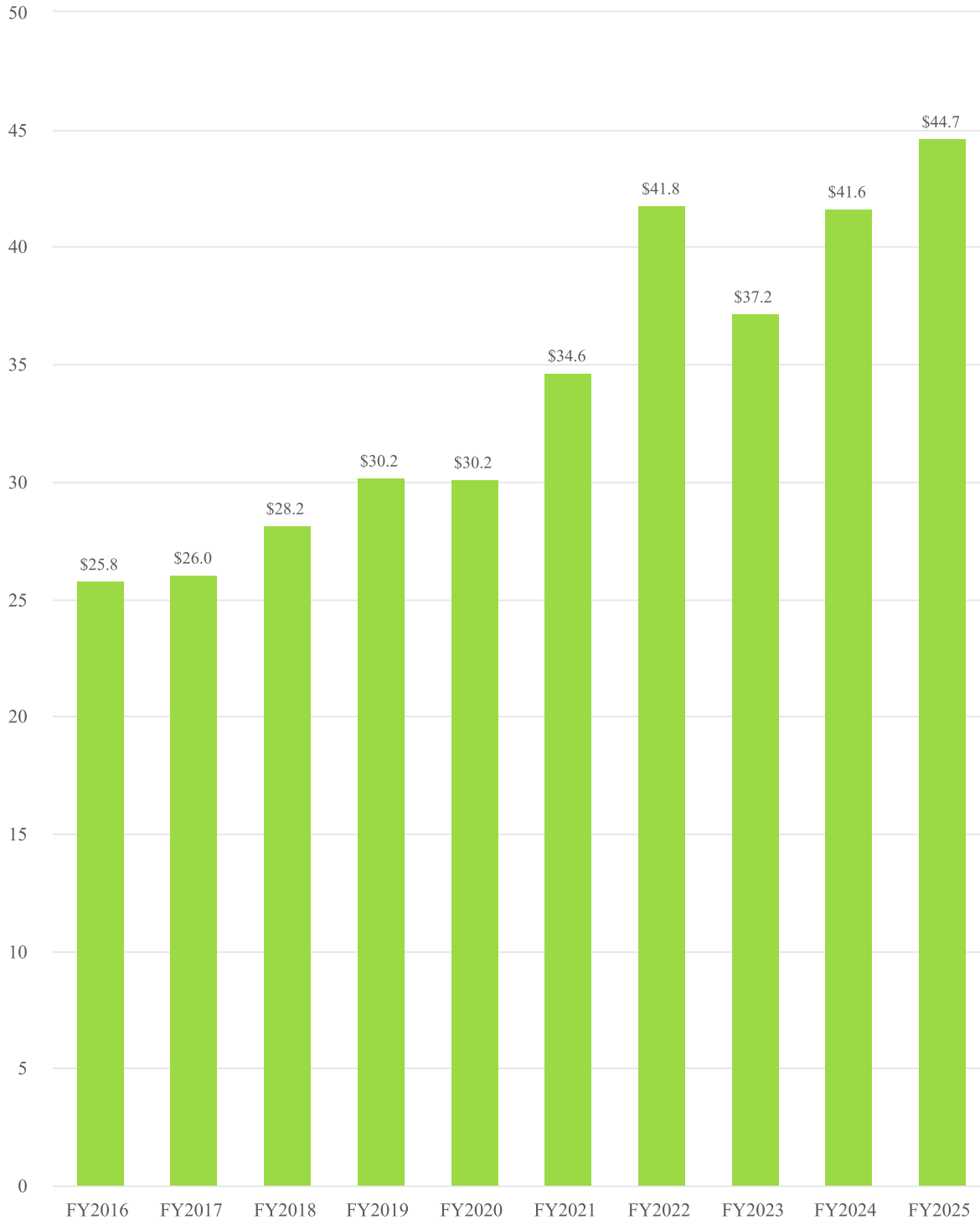
Subtotal, Transportation	\$ 507,130,468

Other: Fringe Benefit Recovery	\$ 2,586,298

Grand Total, Expenditures from Fair Share Surtax Revenues	\$ 1,510,117,626

*This certification is prepared pursuant to General Laws subsection (h) of Section 2BBBBBB of Chapter 29 to report the amount of funds expended from the Education and Transportation fund and designate each expenditure as transportation or education on the basis of department (excluding operating transfers between funds). We have included expenditures from the Education and Transportation Reserve Fund, and the Education and Transportation Innovation and Capital Fund, which is funded by surtax revenues that are deposited in and then transferred from the Education and Transportation Fund to the Education and Transportation Innovation and Capital Fund,.

THE BIG PICTURE: HISTORICAL CONTEXT
State Tax Revenue - All Governmental Funds
Last Ten Fiscal Years
(Amounts in \$ Billions)



Statistical Section



Ten-Year Schedules – Statutory Basis

Historical Chart - Higher Education Revenues and Expenses

Historical Chart - Non-Appropriated Funds of Higher Education

Higher Education Non-appropriated Funds – Statutory Basis

See accountants' review report

Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2025

(Amounts in millions)

	2025	% Total	2024	% Total	2023	% Total	2022	% Total	2021	% Total
Taxes	\$ 44,658	43.5	\$ 41,648	43.1	\$37,157	42.8	\$ 41,805	44.3	\$ 34,649	41.3
Federal reimbursements	19,193	18.7	16,680	17.3	17,435	20.0	17,101	18.0	19,819	23.6
Federal grants	4,139	4.0	5,114	5.2	4,390	5.0	5,307	5.6	4,403	5.2
Lotteries	6,060	5.9	6,274	6.5	6,264	7.2	5,987	6.3	5,959	7.1
Assessments	2,503	2.4	2,117	2.2	1,733	2.0	1,503	1.6	1,322	1.6
Motor vehicle licenses and registrations	582	0.6	590	0.6	555	0.6	549	0.6	577	0.7
Fees, investment earnings, etc	8,288	8.1	7,597	7.9	7,104	8.1	6,184	6.5	5,378	6.4
Proceeds of general and special obligation bonds and related premiums	3,612	3.5	4,927	5.1	1,776	2.0	2,017	2.1	2,863	3.4
Proceeds of refunding bonds	676	0.7	2,308	2.4	1,261	1.4	610	0.6	1,963	2.3
Other interfund transfers	12,848	12.6	9,338	9.7	9,524	10.9	13,683	14.4	7,067	8.4
Total revenues and other financing sources	<u>\$102,559</u>	<u>100.0</u>	<u>\$ 96,593</u>	<u>100.0</u>	<u>\$ 87,199</u>	<u>100.0</u>	<u>\$ 94,746</u>	<u>100.0</u>	<u>\$ 84,000</u>	<u>100.0</u>

2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
\$ 30,156	42.7	\$ 30,200	44.4	\$ 28,177	44.0	\$ 26,042	42.1	\$ 25,800	42.7
16,598	23.4	12,961	19.1	12,536	19.5	11,801	19.1	11,528	19.1
2,505	3.5	2,438	3.6	2,428	3.8	2,370	3.8	2,363	3.9
5,395	7.6	5,652	8.3	5,441	8.5	5,257	8.5	5,407	8.9
1,267	1.8	1,328	2.0	1,246	1.9	1,209	2.0	1,058	1.7
515	0.7	566	0.8	565	0.9	546	0.9	546	0.9
5,679	8.0	5,650	8.3	5,525	8.6	4,963	8.0	5,016	8.3
1,946	2.7	2,111	3.1	2,727	4.3	3,136	5.1	3,003	5.0
2,074	2.9	1,443	2.1	1,311	2.0	2,269	3.7	1,674	2.8
4,767	6.7	5,624	8.3	4,202	6.5	4,233	6.8	4,067	6.7
<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>	<u>\$ 60,462</u>	<u>100.0</u>

Ten-Year Schedule of Tax Revenues by Source
All Governmental Fund Types - Statutory Basis

Fiscal Year Ended June 30, 2025

(Amounts in millions)

	2025	% Total	2024	% Total	2023	% Total	2022	% Total	2021	% Total
Income	\$ 26,712	59.8	\$ 24,112	57.9	\$ 18,995	51.1	\$ 24,337	58.2	\$ 19,618	56.6
Sales and use	9,718	21.8	9,396	22.6	9,447	25.4	8,809	21.1	7,849	22.7
Corporations	4,057	9.1	4,245	10.2	4,571	12.3	4,602	11.0	3,673	10.6
Motor fuels	707	1.6	713	1.7	702	1.9	723	1.7	663	1.9
Cigarette and tobacco	313	0.7	340	0.8	365	1.0	391	0.9	398	1.1
Insurance	613	1.4	588	1.4	537	1.4	509	1.2	480	1.4
Estate and inheritance	740	1.7	574	1.4	974	2.6	868	2.1	788	2.3
Alcoholic beverages	97	0.2	99	0.2	99	0.3	97	0.2	93	0.3
Other	1,701	3.7	1,581	3.8	1,467	3.9	1,469	3.6	1,087	3.1
Total taxes	<u>\$ 44,658</u>	<u>100.0</u>	<u>\$ 41,648</u>	<u>100.0</u>	<u>\$ 37,157</u>	<u>100.0</u>	<u>\$ 41,805</u>	<u>100.0</u>	<u>\$ 34,649</u>	<u>100.0</u>

2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
\$ 17,361	57.6	\$ 17,109	56.6	\$ 16,240	57.7	\$ 14,684	56.3	\$ 14,394	55.9
6,846	22.7	6,842	22.7	6,490	23.0	6,241	24.0	6,090	23.6
2,532	8.4	2,947	9.8	2,409	8.5	2,196	8.4	2,333	9.0
708	2.3	775	2.6	769	2.7	769	3.0	767	3.0
524	1.7	553	1.8	594	2.1	619	2.4	641	2.5
415	1.4	401	1.3	364	1.3	358	1.4	369	1.4
700	2.3	601	2.0	473	1.7	337	1.3	399	1.5
88	0.3	86	0.3	85	0.3	84	0.3	83	0.3
982	3.3	886	2.9	753	2.7	754	2.9	724	2.8
<u>\$ 30,156</u>	<u>100.0</u>	<u>\$ 30,200</u>	<u>100.0</u>	<u>\$ 28,177</u>	<u>100.0</u>	<u>\$ 26,042</u>	<u>100.0</u>	<u>\$ 25,800</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, 2025

(Amounts in millions)

	2025	% Total	2024	% Total	2023	% Total	2022	% Total	2021	% Total
Legislature	\$ 97	0.1	\$ 89	0.1	\$ 83	0.1	\$ 76	0.1	\$ 73	0.1
Judiciary	1,383	1.3	1,324	1.4	1,218	1.3	1,107	1.2	1,031	1.3
Office of Inspector General	9	—	8	—	7	—	7	—	6	—
Governor and Lieutenant Governor	10	—	10	—	8	—	8	—	9	—
Secretary of the Commonwealth	88	0.1	75	0.1	81	0.1	55	0.1	65	0.1
Treasurer and Receiver-General	8,182	7.9	8,120	8.5	8,324	9.1	7,766	8.7	7,564	9.9
State Auditor	24	—	23	—	22	—	22	—	20	—
Attorney General	122	0.1	115	0.1	110	0.1	106	0.1	108	0.1
State Ethics Commission	4	—	3	—	3	—	3	—	2	—
District Attorneys	184	0.2	180	0.2	164	0.2	155	0.2	151	0.2
Office of Campaign & Political Finance	2	—	2	—	2	—	2	—	2	—
Sheriffs	912	0.9	836	0.9	767	0.8	687	0.8	703	0.9
Disabled Persons Protection Commission	14	—	14	—	12	—	10	—	6	—
Commission on the Status of Women	1	—	1	—	1	—	1	—	—	—
Board of Library Commissioners	77	0.1	75	0.1	69	0.1	63	0.1	57	0.1
Massachusetts Gaming Commission	74	0.1	67	0.1	60	0.1	57	0.1	47	0.1
Office of the Comptroller	72	0.1	48	0.1	32	—	30	—	23	—
Administration and Finance	13,030	12.6	12,120	12.7	11,088	12.2	10,880	12.2	10,079	13.1
Energy and Environmental Affairs	1,222	1.2	1,288	1.4	863	0.9	826	0.9	669	0.9
Developmental Disabilities Council	1	—	—	—	—	—	—	—	—	—
Health and Human Services	37,947	36.8	33,904	35.5	34,652	38.0	31,617	35.3	27,842	36.3
Technology Services and Security	308	0.3	284	0.3	257	0.3	238	0.3	212	0.3
Veterans' Services	208	0.2	186	0.2	46	0.1	—	—	—	—
Veterans' Advocate	—	—	—	—	—	—	—	—	—	—
Housing and Livable Communities	3,330	3.2	2,906	3.1	334	0.4	—	—	—	—
Massachusetts Department of Transportation	4,368	4.2	4,001	4.2	3,591	3.9	3,319	3.7	3,444	4.5
Office of the Child Advocate	5	—	5	—	5	—	3	—	2	—
Commission Against Discrimination	12	—	10	—	8	—	7	—	7	—
Cannabis Control Commission	20	—	19	—	17	—	14	—	11	—
Education	6,960	6.8	7,167	7.5	6,282	6.9	5,819	6.5	4,442	5.8
Center for Health Information and Analysis	37	—	36	—	34	—	31	—	28	—
Public Safety and Security	2,367	2.3	2,723	2.9	2,209	2.4	1,868	2.1	1,819	2.4
Massachusetts Peace Officer Standards and Training Commission	8	—	8	—	7	—	2	—	—	—
Economic Development	685	0.7	676	0.7	2,517	2.8	2,751	3.1	2,891	3.8
Labor and Workforce Development	412	0.4	297	0.3	420	0.5	326	0.4	299	0.4
Post employment benefits	5,094	4.9	4,720	5.0	4,666	5.1	4,433	5.0	3,752	4.9
Debt service	2,827	2.7	2,672	2.8	2,640	2.9	2,639	2.9	2,508	3.3
Payments to advance refunding escrow agent/Principal on current refunding	676	0.7	2,308	2.4	1,261	1.4	610	0.7	1,963	2.6
Other fund deficit support	307	0.3	36	—	245	0.3	8	—	30	—
Other interfund transfers	12,002	11.8	8,902	9.4	9,063	10.0	13,958	15.5	6,818	8.9
Total expenditures and other financing uses	<u>\$103,081</u>	<u>100.0</u>	<u>\$95,258</u>	<u>100.0</u>	<u>\$91,168</u>	<u>100.0</u>	<u>\$89,504</u>	<u>100.0</u>	<u>\$76,682</u>	<u>100.0</u>

Schedule reflects changes in accordance with Article 87 reorganizations of the Massachusetts Constitution at various times over the last ten years at point of implementation.

2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1	\$ 61	0.1
1,037	1.5	997	1.5	933	1.5	929	1.5	896	1.5
6	—	5	—	4	—	4	—	4	—
7	—	7	—	7	—	7	—	7	—
56	0.1	57	0.1	46	0.1	52	0.1	45	0.1
6,741	9.8	6,849	10.3	6,631	10.5	6,314	10.3	6,485	10.7
19	—	18	—	20	—	21	—	20	—
102	0.1	100	0.2	98	0.2	71	0.1	63	0.1
2	—	2	—	2	—	2	—	3	—
145	0.2	132	0.2	122	0.2	123	0.2	116	0.2
2	—	3	—	2	—	2	—	2	—
723	1.0	674	1.0	637	1.0	624	1.0	616	1.0
6	—	5	—	4	—	3	—	3	—
—	—	—	—	—	—	—	—	—	—
52	0.1	50	0.1	48	0.1	40	0.1	48	0.1
45	0.1	51	0.1	45	0.1	38	0.1	35	0.1
18	—	16	—	16	—	16	—	17	—
9,657	14.0	9,119	13.7	8,969	14.2	9,010	14.6	8,817	14.8
585	0.8	598	0.9	565	0.9	543	0.9	627	1.0
—	—	—	—	—	—	—	—	—	—
26,391	38.5	25,325	38.1	24,438	38.2	23,037	37.6	22,579	37.3
177	0.3	167	0.3	137	0.2	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3,064	4.4	2,855	4.3	2,980	4.7	3,129	5.1	3,287	5.4
2	—	1	—	1	—	1	—	1	—
7	—	7	—	6	—	6	—	6	—
13	—	10	—	2	—	—	—	—	—
3,832	5.5	3,604	5.4	3,353	5.3	3,280	5.3	3,320	5.5
25	—	23	—	21	—	23	—	27	—
2,111	3.1	1,462	2.2	1,430	2.3	1,406	2.3	1,396	2.3
—	—	—	—	—	—	—	—	—	—
1,544	2.2	1,585	2.4	1,500	2.4	1,359	2.2	1,320	2.2
224	0.3	207	0.3	195	0.3	214	0.3	214	0.4
3,305	4.8	3,110	4.7	2,891	4.6	2,660	4.3	2,503	4.1
2,618	3.8	2,533	3.8	2,519	4.0	2,479	4.0	2,470	4.1
2,074	3.0	1,443	2.2	1,311	2.1	2,269	3.7	1,674	2.8
305	0.4	—	—	—	—	145	0.2	71	0.1
4,099	5.9	5,421	8.1	4,412	7.0	3,677	6.0	3,685	6.1
<u>\$ 69,063</u>	<u>100.0</u>	<u>\$ 66,504</u>	<u>100.0</u>	<u>\$ 63,414</u>	<u>100.0</u>	<u>\$ 61,550</u>	<u>100.0</u>	<u>\$ 60,417</u>	<u>100.0</u>

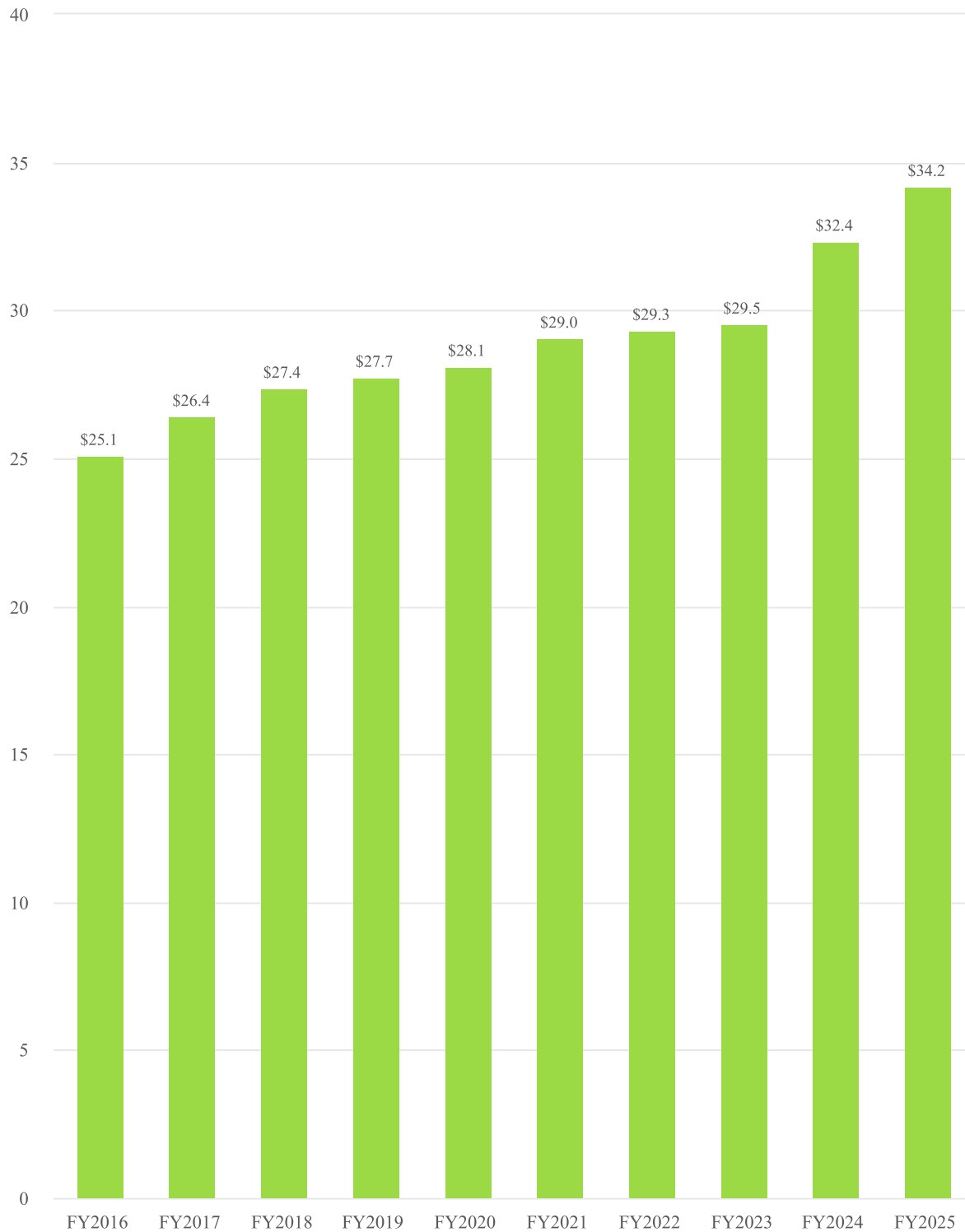
**Ten-Year Schedule of Budgeted Funds Expenditures and Other Financing Uses by
Major Program Category**

Fiscal Year Ended June 30, 2025

(Amounts in millions)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Direct local aid.....	\$ 8,248	\$ 7,949	\$ 7,295	\$ 6,743	\$ 6,482	\$ 6,376	\$ 6,075	\$ 5,886	\$ 5,703	\$ 5,568
Medicaid	22,129	20,070	21,700	19,846	18,122	17,023	16,521	15,745	15,252	14,851
Other Health and Human Services	10,123	9,276	9,091	8,015	6,800	6,625	6,210	5,931	5,600	5,433
Elementary and Secondary Education	1,366	1,360	1,190	818	717	665	605	552	523	539
Higher Education	2,163	1,970	1,668	1,462	1,337	1,317	1,284	1,173	1,168	1,194
Early Education and Care	1,689	1,497	1,414	987	785	712	607	564	540	548
Public Safety and Security	1,629	1,545	1,414	1,185	1,410	1,479	1,168	1,102	1,060	1,066
Energy and Environmental Affairs	601	624	507	329	303	283	255	230	222	221
Post employment benefits	5,094	4,720	4,666	4,433	3,752	3,305	3,110	2,900	2,660	2,503
Group health insurance	2,421	2,186	1,920	1,847	1,721	1,662	1,644	1,634	1,663	1,630
Debt service	2,600	2,425	2,420	2,423	2,289	2,410	2,327	2,323	2,285	2,174
Major programs	58,063	53,620	53,285	48,088	43,718	41,857	39,806	38,039	36,676	35,727
Other program expenditures	7,121	6,929	5,751	4,524	3,916	2,762	3,563	3,113	3,235	3,241
Interfund transfers and other financing uses	9,454	6,247	6,795	11,601	4,545	3,374	3,434	2,945	1,908	1,959
Total expenditures and other financing uses	<u>\$74,638</u>	<u>\$66,796</u>	<u>\$65,831</u>	<u>\$64,213</u>	<u>\$52,179</u>	<u>\$47,993</u>	<u>\$46,803</u>	<u>\$44,097</u>	<u>\$41,819</u>	<u>\$40,927</u>

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, 2025

(Amounts in millions)

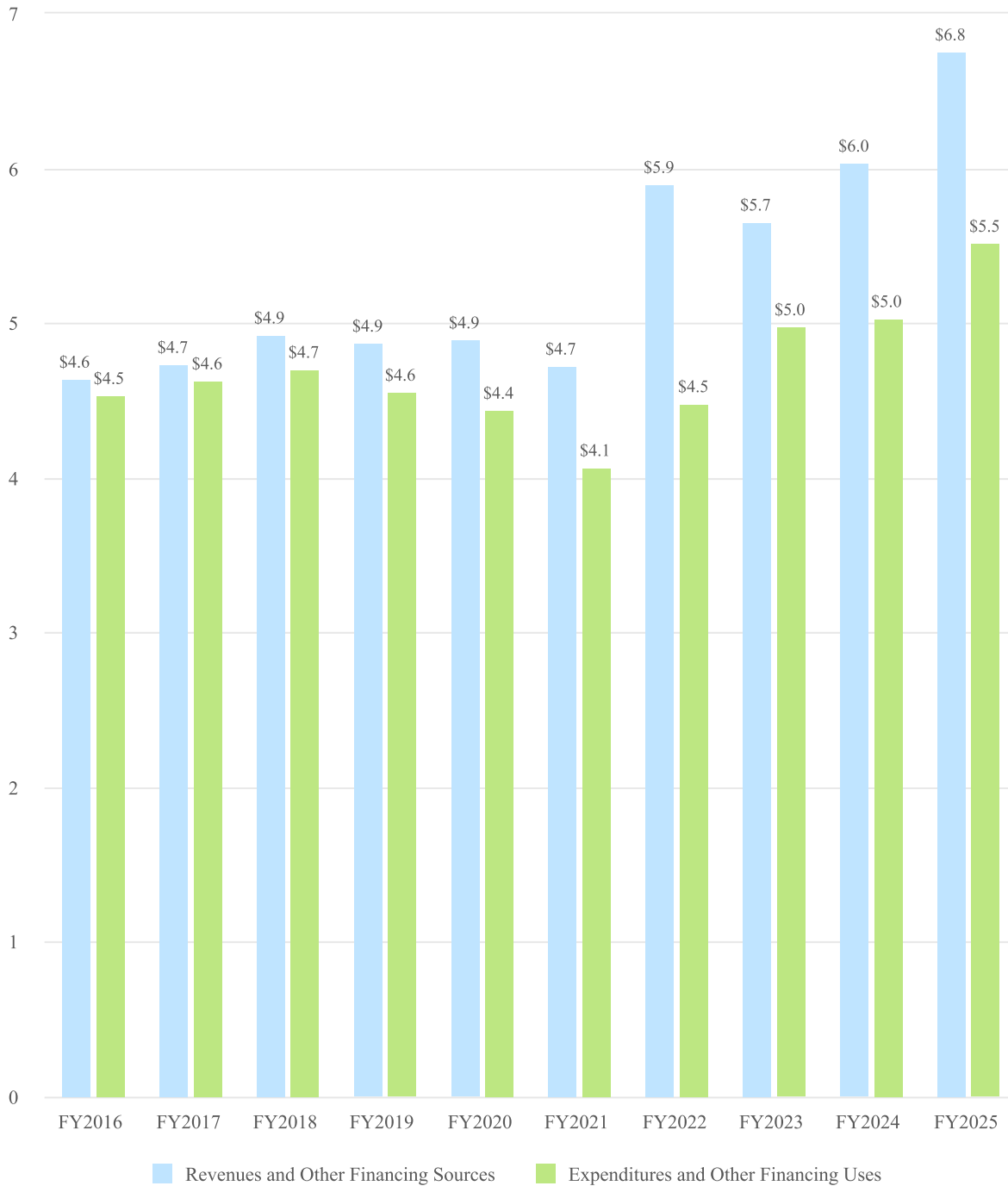
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General obligation bonds	\$ 29,630	\$ 27,835	\$ 25,269	\$ 24,907	\$ 24,765	\$ 23,953	\$ 23,676	\$ 23,144	\$ 22,717	\$ 21,668
Grant anticipation notes*	134	256	390	478	583	662	685	748	738	657
Special obligation bonds	4,420	4,271	3,862	3,950	3,700	3,483	3,378	3,469	2,991	2,754
Commonwealth long-term bonds...	<u>\$ 34,184</u>	<u>\$ 32,362</u>	<u>\$ 29,521</u>	<u>\$ 29,335</u>	<u>\$ 29,048</u>	<u>\$ 28,098</u>	<u>\$ 27,739</u>	<u>\$ 27,361</u>	<u>\$ 26,446</u>	<u>\$ 25,079</u>

*Inclusive of cross-over refunding notes but exclusive of unamortized premiums.

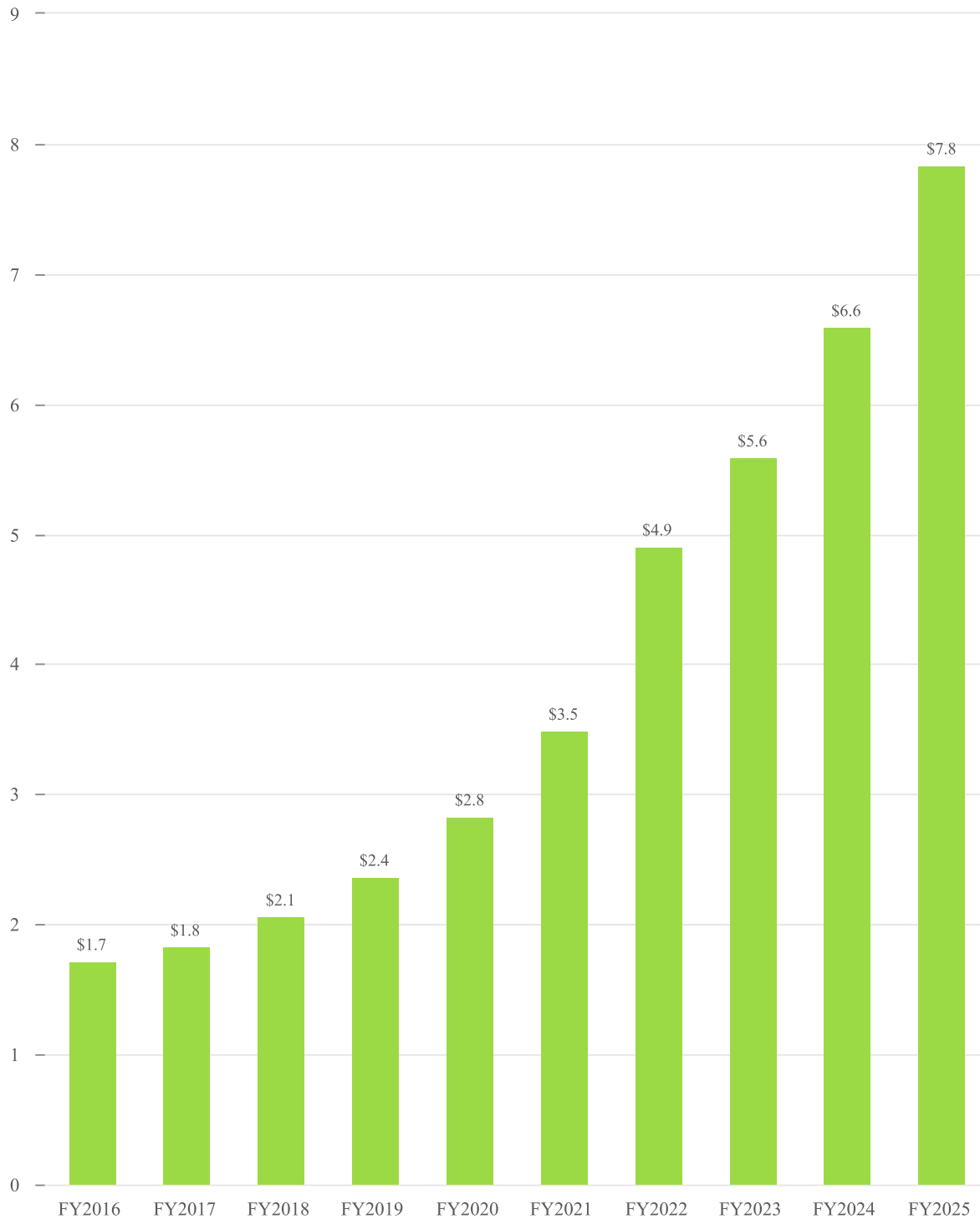


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THE BIG PICTURE: HISTORICAL CONTEXT
Revenues & Other Financing Sources vs.
Expenditures & Other Financing Uses
Combined Institutions of Higher Education
Last Ten Fiscal Years
(Amounts in \$ Billions)



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, 2025
(Amounts in thousands)

				Totals	
	University of Massachusetts	State Universities and Colleges	Community Colleges	2025	2024
Revenues and other financing sources:					
Federal grants and reimbursements	\$ 704,536	\$ 69,928	\$ 203,197	\$ 977,661	\$ 855,843
Departmental revenue	1,882,687	661,231	569,637	3,113,555	2,862,778
Miscellaneous revenue	2,031,495	349,668	280,468	2,661,631	2,316,643
Total revenues and other financing sources	4,618,718	1,080,827	1,053,302	6,752,847	6,035,264
Expenditures and other financing uses:					
(by MMARS subsidiary):					
AA Regular employee compensation	749,628	129,231	121,626	1,000,485	981,941
BB Regular employee related expenses	36,306	6,237	4,473	47,016	33,744
CC Special employees and contracted services	336,529	139,856	180,904	657,289	618,644
DD Pension and insurance	239,756	45,315	21,453	306,524	304,612
EE Administrative expenditures	135,826	90,167	33,980	259,973	250,656
FF Facility operational supplies	143,887	20,933	18,172	182,992	174,528
GG Energy costs and space rental	166,340	39,484	25,127	230,951	205,750
HH Consultant services	272,828	21,143	28,336	322,307	286,630
JJ Operational services	71,492	53,878	22,167	147,537	145,433
KK Equipment purchase	56,509	10,197	13,356	80,062	77,867
LL Equipment leases, maintenance and repair	52,160	8,779	7,831	68,770	134,207
MM Purchased client services and programs	587	4,655	6,435	11,677	10,488
NN Construction and improvements	287,834	48,760	28,887	365,481	364,470
PP Aid to local governments	—	1,200	1,076	2,276	1,737
RR Benefit programs	661,254	173,285	274,907	1,109,446	899,928
SS Debt payment	47,902	20,453	4,629	72,984	70,458
TT Loans and special payments	276,873	108,460	47,381	432,714	267,486
UU Information technology (IT) expenses	126,448	43,261	46,387	216,096	201,581
Total expenditures and other financing uses	3,662,159	965,294	887,127	5,514,580	5,030,160
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	956,559	115,533	166,175	1,238,267	1,005,104
Fund balance at beginning of year	4,418,452	1,258,225	921,843	6,598,520	5,593,416
Fund balance at end of year	<u>\$ 5,375,011</u>	<u>\$ 1,373,758</u>	<u>\$ 1,088,018</u>	<u>\$ 7,836,787</u>	<u>\$ 6,598,520</u>

Note: Details might not add up due to rounding

University of Massachusetts
Combining Higher Education Non-Appropriated Activity - Statutory Basis
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Totals	
	2025	2024
Revenues and other financing sources:		
Federal grants and reimbursements	\$ 704,536	\$ 639,834
Departmental revenue	1,882,687	1,827,368
Miscellaneous revenue	2,031,495	1,711,923
Total revenues and other financing sources	4,618,718	4,179,125
Expenditures and other financing uses:		
(by MMARS subsidiary):		
AA Regular employee compensation	749,628	742,992
BB Regular employee related expenses	36,306	23,989
CC Special employees and contracted services	336,529	316,738
DD Pension and insurance	239,756	236,589
EE Administrative expenditures	135,826	129,805
FF Facility operational supplies	143,887	138,644
GG Energy costs and space rental	166,340	145,697
HH Consultant services	272,828	241,218
JJ Operational services	71,492	71,775
KK Equipment purchase	56,509	51,047
LL Equipment leases, maintenance and repair	52,160	118,672
MM Purchased client services and programs	587	(43)
NN Construction and improvements	287,834	271,674
RR Benefit programs	661,254	606,652
SS Debt payment	47,902	47,620
TT Loans and special payments	276,873	138,085
UU Information technology (IT) expenses	126,448	121,834
Total expenditures and other financing uses	3,662,159	3,402,988
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	956,559	776,137
Fund balance at beginning of year	4,418,452	3,642,315
Fund balance at end of year	<u>\$ 5,375,011</u>	<u>\$ 4,418,452</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, 2025

(Amounts in thousands)

	Bridgewater State University	Framingham State University	Fitchburg State University	Massachusetts College of Art and Design
Revenues and other financing sources:				
Federal grants and reimbursements	\$ 21,879	\$ 7,607	\$ 8,770	\$ 3,939
Departmental revenue	157,019	40,509	60,177	40,198
Miscellaneous revenue	97,404	67,542	23,308	24,840
Total revenues and other financing sources	276,302	115,658	92,255	68,977
Expenditures and other financing uses:				
(by MMARS subsidiary):				
AA Regular employee compensation	61,320	5,562	8,753	10,876
BB Regular employee related expenses	1,614	309	417	467
CC Special employees and contracted services	54,414	11,653	17,765	9,196
DD Pension and insurance	22,573	1,717	3,205	1,245
EE Administrative expenditures	9,964	30,960	3,814	2,483
FF Facility operational supplies	3,084	1,234	1,447	1,573
GG Energy costs and space rental	6,472	4,643	6,521	3,130
HH Consultant services	4,217	1,281	1,753	1,821
JJ Operational services	13,636	6,938	5,294	4,518
KK Equipment purchase	5,471	187	392	1,123
LL Equipment leases, maintenance and repair	3,153	460	989	271
MM Purchased client services and programs	2,686	726	292	—
NN Construction and improvements	10,894	6,942	1,391	6,239
PP Aid to local governments	—	—	79	—
RR Benefit programs	46,593	13,318	11,685	10,140
SS Debt payment	444	363	729	411
TT Loans and special payments	19,668	5,340	19,873	10,348
UU Information technology (IT) expenses	9,285	5,065	5,195	3,314
Total expenditures and other financing uses	275,488	96,698	89,594	67,155
Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	814	18,960	2,661	1,822
Fund balance at beginning of year	94,864	100,386	59,107	43,712
Fund balance at end of year	\$ 95,678	\$ 119,346	\$ 61,768	\$ 45,534

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	
					2025	2024
\$ 1,884	\$ 2,357	\$ 13,264	\$ —	\$ 10,228	\$ 69,928	\$ 63,741
43,900	15,860	121,422	89,289	92,857	661,231	622,359
23,286	9,574	49,246	17,137	37,331	349,668	336,945
69,070	27,791	183,932	106,426	140,416	1,080,827	1,023,045
3,981	1,288	16,692	3,391	17,368	129,231	125,301
1,297	465	254	700	714	6,237	5,863
4,676	2,165	15,949	10,970	13,068	139,856	132,248
1,348	352	6,250	1,208	7,417	45,315	45,570
2,586	1,767	32,214	3,803	2,576	90,167	86,284
2,137	512	3,384	2,808	4,754	20,933	17,990
3,422	1,608	4,613	4,037	5,038	39,484	36,362
294	1,337	1,428	5,271	3,741	21,143	20,321
9,768	2,636	8,195	2,189	704	53,878	52,809
988	485	495	389	667	10,197	11,455
1,095	117	593	1,084	1,017	8,779	7,790
—	—	562	—	389	4,655	3,959
7,510	1,157	3,714	4,715	6,198	48,760	63,771
—	—	1,018	—	103	1,200	757
2,009	7,365	37,481	21,593	23,101	173,285	139,459
—	583	543	4,376	13,004	20,453	18,442
21,366	2,671	2,569	—	26,625	108,460	86,338
4,928	1,345	6,702	2,209	5,218	43,261	37,414
67,405	25,853	142,656	68,743	131,702	965,294	892,133
1,665	1,938	41,276	37,683	8,714	115,533	130,912
31,273	24,182	365,384	401,206	138,111	1,258,225	1,127,313
\$ 32,938	\$ 26,120	\$ 406,660	\$ 438,889	\$ 146,825	\$ 1,373,758	\$ 1,258,225

Community College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2025

(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	\$ 4,356	\$ 17,641	\$ 22,866	\$ 21,330	\$ 3,714	\$ 10,352	\$ 11,395
Departmental revenue	11,008	100,360	51,797	17,218	14,999	19,987	36,044
Miscellaneous revenue	8,547	50,738	21,702	15,852	4,629	21,264	14,766
Total revenues and other financing sources	23,911	168,739	96,365	54,400	23,342	51,603	62,205
Expenditures and other financing uses:							
(by MMARS subsidiary):							
AA Regular employee compensation	1,686	45,932	1,415	2,242	2,391	3,912	4,427
BB Regular employee related expenses	116	352	222	234	364	178	145
CC Special employees and contracted services	6,727	22,542	14,137	8,159	6,821	9,302	13,672
DD Pension and insurance	910	3,853	800	20	579	1,517	1,585
EE Administrative expenditures	1,158	4,763	2,602	3,591	1,123	2,180	1,918
FF Facility operational supplies	1,063	1,889	877	384	461	693	1,075
GG Energy costs and space rental	144	3,210	3,049	1,593	353	1,092	1,361
HH Consultant services	943	10,064	1,599	335	680	1,686	488
JJ Operational services	599	4,872	1,070	588	613	1,065	777
KK Equipment purchase	297	1,890	733	554	452	516	344
LL Equipment leases, maintenance and repair	124	515	178	120	357	107	564
MM Purchased client services and programs	41	2,745	1,224	—	23	—	869
NN Construction and improvements	536	9,234	2,838	751	782	1,164	3,343
PP Aid to local governments	—	—	600	—	38	—	281
RR Benefit programs	7,769	29,363	34,376	16,697	18,047	17,661	18,008
SS Debt payment	5	245	—	—	—	383	833
TT Loans and special payments	6,908	14,200	262	10	80	6,000	784
UU Information technology (IT) expenses	1,054	8,541	3,383	1,891	1,383	2,737	3,268
Total expenditures and other financing uses	30,080	164,210	69,365	37,169	34,547	50,193	53,742
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(6,169)	4,529	27,000	17,231	(11,205)	1,410	8,463
Fund balance at beginning of year	1,694	76,507	71,042	52,022	26,199	24,798	91,756
Fund balance at end of year	\$ (4,475)	\$ 81,036	\$ 98,042	\$ 69,253	\$ 14,994	\$ 26,208	\$ 100,219

Note: Details might not add up due to rounding

								Totals	
Massachusetts Bay Community College	Middlesex Community College	Mount Wachusett Community College	Northern Essex Community College	North Shore Community College	Quinsigamond Community College	Roxbury Community College	Springfield Technical Community College	2025	2024
\$ 25,615	\$ 14,576	\$ 506	\$ 11,518	\$ 16,825	\$ 18,309	\$ 7,841	\$ 16,353	\$ 203,197	\$ 152,268
27,590	31,522	32,342	76,866	28,560	67,106	—	54,238	569,637	413,051
19,700	22,043	20,895	23,996	15,295	4,604	17,098	19,339	280,468	267,775
72,905	68,141	53,743	112,380	60,680	90,019	24,939	89,930	1,053,302	833,094
2,216	5,098	22,057	6,628	13,412	7,362	501	2,347	121,626	113,648
123	917	269	548	130	151	17	707	4,473	3,892
12,179	23,496	7,998	16,184	9,994	18,073	1,618	10,002	180,904	169,658
918	2,888	1,978	1,426	1,111	2,520	262	1,086	21,453	22,453
1,794	1,208	3,137	1,268	1,934	2,345	1,976	2,983	33,980	34,567
1,980	1,710	2,088	802	1,448	998	686	2,018	18,172	17,894
1,478	2,222	2,590	2,379	1,077	3,398	592	589	25,127	23,691
1,635	1,642	1,214	896	2,152	742	2,104	2,156	28,336	25,091
438	7,096	455	258	694	1,237	1,641	764	22,167	20,849
1,448	1,807	1,253	499	511	1,260	205	1,587	13,356	15,365
582	3,509	544	(3)	208	516	114	396	7,831	7,745
375	—	245	—	124	—	15	774	6,435	6,572
1,937	—	909	3,566	905	1,223	978	721	28,887	29,025
—	—	—	—	148	—	9	—	1,076	980
18,592	1,270	5,192	21,028	15,453	40,619	1,104	29,728	274,907	153,817
841	—	1,723	192	407	—	—	—	4,629	4,396
79	15,227	824	2,000	400	560	47	—	47,381	43,063
4,977	1,363	1,806	3,461	3,344	5,783	3,396	—	46,387	42,333
51,592	69,453	54,282	61,132	53,452	86,787	15,265	55,858	887,127	735,039
21,313	(1,312)	(539)	51,248	7,228	3,232	9,674	34,072	166,175	98,055
131,994	89,040	14,784	11,274	42,688	(725)	25,793	262,977	921,843	823,788
\$ 153,307	\$ 87,728	\$ 14,245	\$ 62,522	\$ 49,916	\$ 2,507	\$ 35,467	\$ 297,049	\$ 1,088,018	\$ 921,843



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PREPARED BY
THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH

EXHIBIT C

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Commonwealth of Massachusetts

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2025



Commonwealth of Massachusetts



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

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www.macomptroller.org

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Humpback Whale Breaches Out of Atlantic Ocean Off Cape Cod
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Rockport Harbor with Its Fishing Boats on a Quiet Summer Day in Massachusetts
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Beautiful Fall Foliage of New England at sunset, Boston Massachusetts.
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New England Autumn Splendor
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Overview of the Grand Allee, rolling hills in Crane estate, located in Ipswich, Massachusetts.
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Sand Dunes, Marconi Beach, Cape Cod National Seashore, Wellfleet
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Bridge in marsh waterway on Cape Cod, Massachusetts
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Boston Public Garden at Sunrise. Purple Allium Flowers, Washington Statue and City Skyline in Background
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The tall cedar tree and glacial rocks at the cliff of Purgatory Chasm in Massachusetts
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A hiking trail at Purgatory Chasm State Reservation in Sutton Massachusetts
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Tranquil New England winter scene following a departing snowstorm.
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Golden hour above the summit of Mount Watatic in Ashburnham Massachusetts.
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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

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Introductory Section

(Unaudited)

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Commonwealth Organizational Structure
Advisory Board to the Comptroller
Acknowledgments
Certificate of Achievement for Excellence in Financial Reporting







Commonwealth of Massachusetts
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April 23, 2026

To Her Excellency Governor Maura Healey, the Honorable Members of the General Court, and the Citizens of the Commonwealth:

Please accept this Letter of Transmittal for the Commonwealth's fiscal year 2025 (FY25) Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The objective of the ACFR is to provide a clear financial picture of state 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 FY25 line item appropriations, which constitute the legal level of budgetary control -- i.e., the amount up to which state departments can spend without approval of additional appropriations through a "supplemental budget" passed 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 FY25 are found in the Statutory Basis Financial Report (SBFR) issued separately on January 28, 2026. 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 those in 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, thereby presenting a picture of 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 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, beginning 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 during 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 January 28, 2026; the fund basis; and the entity-wide basis, 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, 2025	
Budgeted fund balance	\$ 14,020.1
Non-budgeted special revenue fund balance	5,139.7
Capital projects fund balance	<u>(1,721.7)</u>
Governmental Fund Balance - Statutory Basis, June 30, 2025	\$ 17,438.1
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes	1,027.4
Less: Massachusetts Department of Transportation Funds	<u>(1,873.6)</u>
Adjusted Statutory Governmental fund balance	16,591.9
Reclassification of funds due to implementation of GASB Statement No. 84	35.6
Short-term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements	3,175.8
Tobacco settlement agreement receivable	79.3
Medicaid	(477.2)
Other short-term accruals:	
Assessments and other receivables	2,046.6
Amounts due to authorities and municipalities, net	(1,565.0)
Claims, judgments and other risks	(63.3)
Amounts due to health care providers and insurers	(95.1)
Workers' compensation and group insurance	(207.0)
Other accruals, net	<u>340.5</u>
Net increase/(decrease) to governmental fund balances	3,270.2
Massachusetts School Building Authority fund balance	<u>2,308.1</u>
Total changes to governmental funds	<u>5,578.3</u>
Governmental fund balance (fund perspective)	22,170.2
Plus: Capital assets including infrastructure, net of accumulated depreciation	6,191.3
Deferred revenue, net of other eliminations	1,103.5
Long-term accruals:	
Net pension liability	(40,407.1)
Net deferred (inflows)/outflows of resources related to pension	4,675.3
Net OPEB liability	(12,342.2)
Net deferred (inflows)/outflows of resources related to OPEB	(2,429.4)
Environmental remediation liability	(280.1)
Massachusetts School Building Authority debt and school construction payables	(5,521.7)
Long-term debt, unamortized premiums and net deferrals on debt refundings	(39,288.9)
Compensated absences	(888.1)
Right-to-use assets liabilities	(890.1)
Accrued interest	(474.6)
Other long-term liabilities	<u>(779.6)</u>
Total governmental activities net position (entity wide perspective)	<u>\$ (69,161.5)</u>

The deficit of \$69.161 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 [page 17](#) of the MD&A.

Because MassDOT retains virtually all the Commonwealth's road and bridge assets using debt issued by the Commonwealth and MassDOT ended FY25 with a positive net position of \$27.573 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, 2025, the net pension liability in governmental activities totaled \$40.407 billion. Adjusted by GASB 68 related positive adjustments (in the form of deferred inflows and outflows of resources) of \$4.675 billion, this resulted in a reduction in governmental activities net position of \$35.732 billion. The governmental activities' net OPEB liability totaled \$12.342 billion. Net of negative adjustments of \$2.429 billion in deferrals, this resulted in a reduction in governmental activities net position of \$14.772 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 \$1.770 billion between June 30, 2024 and June 30, 2025, with the reductions in the net pension and OPEB liabilities net of deferrals offset by increases in outstanding debt, a decline in capital assets and an FY25 operating loss.

The net deficit in the primary government which, in addition to governmental activities, includes the Commonwealth's business-type activities of the Unemployment Insurance system, Family and Employment Security Trust and Higher Education institutions, increased by \$913 million from FY24, with an increase in net inflows in the Unemployment Insurance Trust Fund and Family and Employment Security Trust and surpluses in Higher Education partially offsetting the increase in the governmental activities net deficit. These changes are explained in more detail on [pages 21- 28](#) 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 158 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 40 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, 2025. 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 ACFR is the single most important financial statement that the Commonwealth is required to produce annually. With nearly 200 reporting entities, billions of dollars, and millions of transactions and accounting entries, the Commonwealth is an extremely large and complex organization. Each of those departments and reporting entities has a professional financial staff, ranging in size from a single individual to dozens serving the largest units. I can attest that they are remarkably devoted both to the mission of their departments and to professionalism in their financial function. Partnering with these professionals, managing the process statewide, is role of the Office of the Comptroller. I am fortunate to serve with Assistant Comptroller & Chief Financial Reporting Office Pauline Lieu and the Statewide Financial Reporting Team, Assistant Comptroller & Chief Accounting Officer Kristin Lacroix and the Statewide General Accounting Team, and Senior Advisor Howard Merkowitz. It is through their work, and the collaboration of every team and individual in the Office of the Comptroller, that I am able to present the ACFR.

Sincerely,



William McNamara
Comptroller of the Commonwealth

Constitutional Officers



Maura Healey
Governor



Kim Driscoll
Lieutenant Governor



William F. Galvin
Secretary of the Commonwealth



Andrea Campbell
Attorney General



Deborah B. Goldberg
Treasurer and Receiver-General



Diana DiZoglio
State Auditor

Legislative Officers



Karen E. Spilka
President of the Senate



Ronald Mariano
Speaker of the House

Judicial Officers



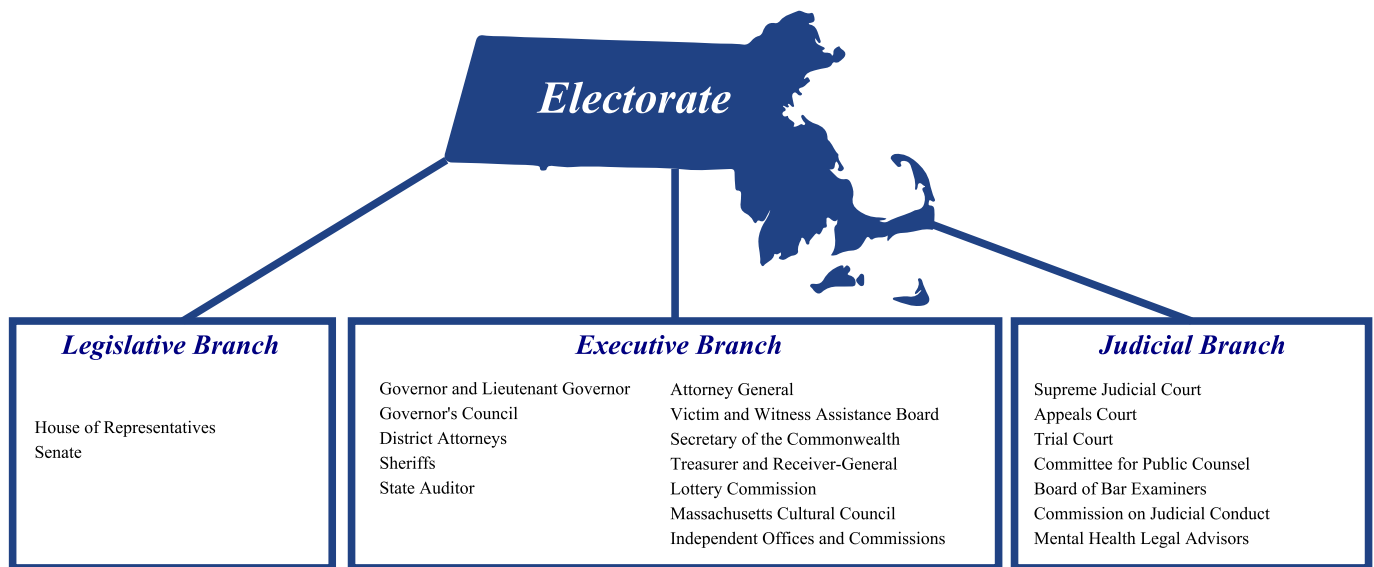
**The Honorable
Kimberly S. Budd**
*Chief Justice
Supreme Judicial Court*



**The Honorable
Mark Green**
*Chief Justice
Appeals Court*



Thomas G. Ambrosino
*Court Administrator
Trial Court*



Executive Branch Independent Offices and Commissions*

Board of Library Commissioners	Commission on the Social Status of Black Men and Boys	Office of the Child Advocate
Campaign and Political Finance	Commission on the Status of Persons with Disabilities	Office of the Veteran Advocate
Cannabis Control Commission	Commission on the Status of Women	Office of the Comptroller
Center for Health Information & Analysis	Disabled Persons Protection Commission	Office of the Inspector General
Commission Against Discrimination	Massachusetts Gaming Commission	State Ethics Commission
Commission on the Status of African Americans	Massachusetts Peace Officer Standards and Training Commission	State Retiree Benefits Trust Fund Board
Commission on the Status of Latinos and Latinas		University of Massachusetts System

Executive Departments Under Gubernatorial Authority

Administration and Finance

Executive Office for Administration and Finance

Appellate Tax Board

Bureau of the State House

Civil Service Commission

Department of Revenue

Developmental Disabilities Council

Division of Administrative Law Appeals

Division of Capital Asset Management and Maintenance

George Fingold Library

Group Insurance Commission

Health Policy Commission

Human Resource Division

Massachusetts Office on Disability

Massachusetts Teachers' Retirement System

Operational Services Division

Public Employee Retirement Administration Commission

Supplier Diversity Office

Education

Executive Office of Education

Department of Early Education and Care

Department of Elementary and Secondary Education

Department of Higher Education

Community Colleges

State Universities

Veterans' Services

Executive Office of Veterans' Services

Veterans' Home, Chelsea

Veterans' Home, Holyoke

Executive Office of Housing and Livable Communities

Executive Office of Housing and Livable Communities

Executive Office of Economic Development

Department of Business Development

Office of Consumer Affairs & Business Regulations

Massachusetts Marketing Partnership

Department of Telecommunications and Cable

Division of Banks

Division of Insurance

Division of Professional Licensure

Division of Standards

Energy and Environmental Affairs

Executive Office of Energy and Environmental Affairs

Department of Agricultural Resources

Department of Conservation and Recreation

Department of Energy Resources

Department of Environmental Protection

Department of Fish and Game

Department of Public Utilities

State Reclamation Board

Technology and Security

Executive Office of Technology Services and Security

Transportation and Public Works

Massachusetts Department of Transportation (MassDOT)

Executive Office of Labor and Workforce Development

Executive Office of Labor and Workforce

Health and Human Services

Executive Office of Health and Human Services

Executive Office of Aging & Independence

Department of Children and Families

Department of Developmental Services

Department of Mental Health

Department of Public Health

Department of Transitional Assistance

Department of Youth Services

Massachusetts Commission for the Blind

Massachusetts Commission for the Deaf and Hard of Hearing

MassAbility

Office for Refugees and Immigrants

Public Safety

Executive Office of Public Safety and Security Chief

Medical Examiner

Department of Criminal Justice Information Services

Department of Correction

Department of Fire Services

Department of State Police

Massachusetts Emergency Management Agency

Military Division/ Massachusetts National Guard

Municipal Police Training Committee

Parole Board

Sex Offender Registry

Advisory Board to the Comptroller



Matthew Gorzkowicz (Chair)
Secretary of Administration and Finance



The Honorable Diana DiZoglio
State Auditor



The Honorable Deborah B. Goldberg
Treasurer and Receiver-General



Thomas G. Ambrosino
*Court Administrator
Trial Court*



The Honorable Andrea Campbell
Attorney General



Michael Esmond
*Director of Municipal Finance
Town of Braintree
Gubernatorial Appointee*



Natalie S. Monroe
Gubernatorial Appointee

Report Prepared By Statewide Financial Reporting Team

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Accountant

Nana Law, CPA
Accountant

Brian Johnson, CPA
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Jasminda Alapag
Accountant



Government Finance Officers Association

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Commonwealth of Massachusetts

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

June 30, 2024

A handwritten signature in black ink that reads "Christopher P. Morill". The signature is written in a cursive, flowing style.

Executive Director/CEO

Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information Other Than Management's Discussion and Analysis

Other Supplementary Information





INDEPENDENT AUDITORS' REPORT

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts
Boston, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (Commonwealth), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As more fully described in Note 14, we did not audit the financial statements of certain activities, funds, and component units of the Commonwealth, which represent the indicated percentages of total assets and total revenues/additions of the opinion units as identified in the table below. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, funds, and component units, is based solely on the reports of the other auditors.

Opinion Unit	Entities	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Lotteries Fund; Massachusetts School Building Authority Fund	6.61%	8.45%
Business-Type Activities	University of Massachusetts; State Universities; Community Colleges (Excluding Roxbury Community College)	75.14%	61.09%
Lotteries Fund	Lotteries Fund	9.37%	100.00%
Massachusetts School Building Authority Fund	Massachusetts School Building Authority Fund	99.72%	100.00%
University of Massachusetts	University of Massachusetts	100.00%	100.00%
State Universities	State Universities	100.00%	100.00%
Aggregate Remaining Fund Information	External Investment Trust Funds; Community Colleges (Excluding Roxbury Community College)	27.48%	50.31%
Aggregate Discretely Presented Component Units	Massachusetts Department of Transportation; Massachusetts Bay Transportation Authority; Commonwealth Health Insurance Connector; Massachusetts Housing Partnership; Economic Development Entities; Higher Education Foundations (Excluding Roxbury Community College Foundation)	85.45%	89.99%

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Massachusetts Municipal Depository Trust were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the Commonwealth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1T to the financial statements, the Commonwealth implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The standard updated the recognition and measurement guidance for compensated absences and amends previously required disclosures. As a result, certain restatements of beginning net position were required. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The combining statements as listed in the accompanying table of contents (the other supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2026 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
April 23, 2026



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, 2025 (FY25). 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 FY25 by \$61.151 billion, an increase in the net deficit of \$913 million from FY24, due primarily to an operating loss in Governmental Activities, partially offset in a gain in business type activities.

Of the \$61.151 billion deficit, "unrestricted net position" has a deficit of \$67.499 billion and there is a \$1.079 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth's negative unrestricted net position:

- The Massachusetts Department of Transportation (MassDOT), which was made a separate legal entity from the Commonwealth in 2010, owns 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 \$27.677 billion as of June 30, 2025. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$16.250 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$3.230 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 transportation and 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 \$40.935 billion as of June 30, 2025 (based on a June 30, 2024 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 \$12.933 billion as of June 30, 2025 (based on a June 30, 2024 valuation, per GASB 75).

At the end of FY25, the Commonwealth also held \$5.269 billion in "restricted net position", which are assets restricted primarily for payment of debt service, unemployment insurance benefits, family and medical leave benefits, education and transportation spending funded by an income tax surtax, and the Institutions of Higher Education. Approximately \$897 million was restricted for debt retirement (of which \$600 million was restricted for MSBA debt retirement), \$2.523 billion was restricted for unemployment insurance and family and medical leave benefits, \$1.169 billion was restricted for 4% surtax education and transportation, \$386 million was restricted for Higher Education, and \$294 million was restricted for grants and gifts.

The Commonwealth's governmental activities (which exclude the "business-type activities" of the Institutions of Higher Education, Unemployment Insurance, and Family and Employment Security Trust) net deficit increased by \$1.770 billion, to \$69.161 billion, and its governmental activities unrestricted net deficit increased by approximately \$893 million, to \$68.181 billion, as of June 30, 2025.

Total revenues of the primary government increased by \$2.192 billion, or 2.3% in FY25, to \$96.705 billion, with most of the revenue increase due to growth in tax revenues, which increased by \$3.578 billion and charges for services which increased by \$842 million, partially offset by a drop in operating grants, which declined by \$2.025 billion, and a \$710 million decrease in tobacco settlement proceeds (as the FY25 modified cash basis increase in tobacco settlement proceeds was recorded in FY24 as a receivable) and a decrease in investment earnings. Total expenses of the primary government increased by \$6.540 billion, or approximately 7.2%, to \$97.618 billion, mainly due to an increase in spending on Medicaid and various other health and human service programs, transportation, employee and retiree health insurance, and local aid. Details on revenues and expenses for the primary government can be found on [pages 21–28](#).

The net position of business-type activities increased by \$858 million, due to FY25 surpluses generated by the Institutions of Higher Education, especially the University of Massachusetts, which generated a surplus of \$477 million in FY25. Business-type activities as a whole ended with a net position of positive \$8.011 billion, as positive balances in the Family and Employment Security Trust Fund and Higher Education offset a negative balance in the Unemployment Compensation Trust Fund.

On a "funds perspective" basis, at June 30, 2025, the Commonwealth's governmental funds reported a combined ending fund balance of \$22.170 billion, a decrease of \$1.377 billion from June 30, 2024. Of the ending balances:

- There is \$393 million in nonspendable balances, \$2.148 billion is restricted, \$13.637 billion is committed, \$4.567 billion is assigned, and \$1.425 billion is unassigned fund balance (a full discussion of these classifications is included in [Note 1C](#) to the basic financial statements, on pages [69-74](#)).
- The MSBA's fund balance of \$2.308 billion is blended with the Commonwealth. Within this fund balance is \$2.457 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY25 and previous fiscal years, less approximately \$283 million in liabilities. In FY25, \$1.277 billion was dedicated to the MSBA from Commonwealth sales taxes.

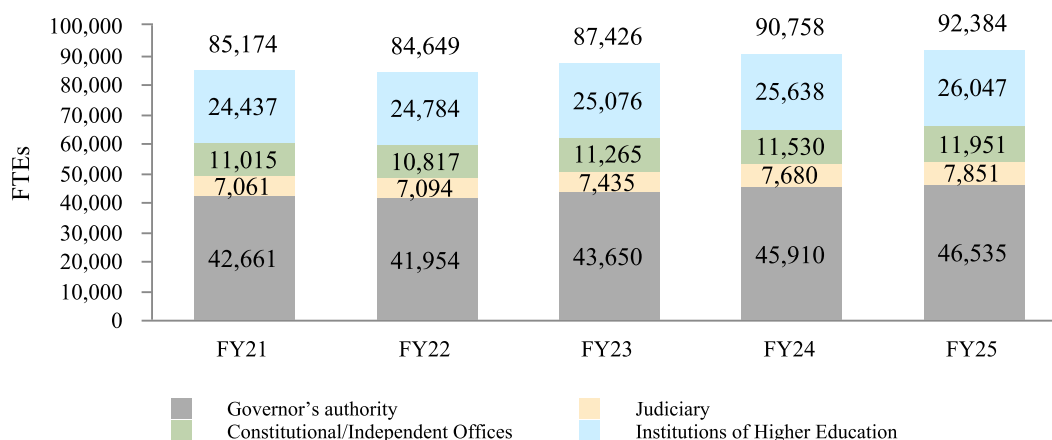
Other highlights of FY25 financial operations include:

- Tobacco settlement proceeds for the year were approximately \$169 million on a GAAP basis, a decrease of approximately \$710 million from FY24, as the Commonwealth recorded as a receivable in FY24 one-time revenues from a nationwide settlement with the tobacco companies that addressed withholding of proceeds from the years 2005-2011 that had been in dispute. In FY25 approximately \$87 million, or the equivalent of 10% of cash tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. Per statute, the proportion of tobacco settlement revenues transferred to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY25, although the requirement to transfer increasing percentages of tobacco settlement proceeds was suspended for FY25, resulting in no transfer.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$10.526 billion in bond authorizations. 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 FY25 were \$5.992 billion, a decrease of approximately \$202 million, or 3.3%, from FY24. Prizes were approximately \$4.852 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 FY25 budget, totaled \$1.059 billion a decrease of \$92 million, or 8.0%, from FY24. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.197 billion.

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, 2025, the number of Commonwealth employees (both budgeted and non-budgeted funded) increased by a net of 1,626 full-time equivalent employees (FTEs) from June 30, 2024, to a total of 92,384. The largest increases were in the Institutions of Higher Education, where employment increased by 409 FTEs to 26,047, the Constitutional Offices and Independent Agencies (excluding the Judiciary), where employment increased by 421 to 11,951, and the executive agencies controlled by the Governor, where FTEs increased by 625, to 46,535, particularly in Executive Office of Health and Human Services, where employment increased by 468 FTEs and the Executive Office of Labor and Workforce development where employment increased by 117, partially offset by a decline of 142 FTEs in the Executive Office of Transportation and Construction. In the Judiciary, FTEs increased by 171, to 7,851.

**Full Time Equivalent Workforce
Including Higher Education as of 6/30**
June 2021 – June 2025



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 65-140](#).

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 \$61.151 billion at the end of FY25, an increase in the net deficit of \$913 million from the end of FY24. The reasons for the increase in the net deficit are explained in the following section. Government-wide unrestricted net position is negative by \$67.499 billion. As explained previously, in addition to the \$40.935 billion government-wide net pension liability and the \$12.933 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	\$ 3,229,644
Debt related to MassDOT assets	16,249,513
Effects on governmental unrestricted net position of items unique to the Commonwealth	<u>\$ 19,479,157</u>

Of the Commonwealth's approximately \$3.758 billion in FY25 state funded capital spending, approximately \$2.783 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.569 billion in transportation spending (with \$314 million in grants and other financial assistance to cities and towns), \$184 million for Institutions of Higher Education (which are included in the Commonwealth's business-type activities) and approximately \$932 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY25 the Commonwealth's capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$39.719 billion. These include:

- Capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$19.499 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 \$10.203 billion, including \$1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority
- Transportation-related financial assistance to local governments totaling more than \$6.070 billion
- Higher Education capital projects totaling approximately \$3.248 billion

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, 2025, the Commonwealth's government-wide current unrestricted cash and cash equivalents totaled \$24.549 billion, a decrease of \$1.543 billion from June 30, 2024. Total current assets were \$38.354 billion, a decrease of \$1.311 billion from June 30, 2024. As of June 30, 2025, the Commonwealth's current liabilities were \$15.408 billion, an increase of \$622 million from June 30, 2024, primarily due to an increase of \$770 million in amounts due to component units, mainly from unspent balances of income tax surtax revenues due to the Massachusetts Department of Transportation, as well as increases in tax refunds payable and amounts owed to the federal government for Unemployment Insurance overdraws of revenue during the pandemic. These increases were partially offset by a \$545 million decrease in other accounts payable.

As of June 30, 2025, the primary government's non-current assets were virtually unchanged from FY24, decreasing by \$59 million from June 30, 2024, to \$22.832 billion. Non-current liabilities totaled \$106.398 billion, a decrease of \$1.340 billion, from FY24, due primarily to a \$1.656 billion reduction in net pension liabilities, due primarily to strong investment returns and increased pension contributions, a \$492 million decrease in OPEB liabilities, due mainly to an increase in the discount rate used to value those liabilities, partially offset by a \$1.360 billion increase in long-term bonds payable as the Commonwealth issued bonds to reimburse itself for capital spending, much of which occurred in FY24 but not was reimbursed until FY25.

The Commonwealth holds \$15.983 billion in capital assets such as land, construction in process, buildings, infrastructure, and equipment, and right of use leases, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

The following table shows the Commonwealth's net position. Restricted net position represents resources that are subject to external constraints.

Net Position as of June 30, 2025 and 2024

(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024*	June 30, 2025	June 30, 2024*
Current assets	\$ 30,533,382	\$ 31,405,368	\$ 7,820,839	\$ 8,259,661	\$ 38,354,221	\$ 39,665,029
Non-capital non-current assets	2,980,843	3,094,595	3,868,422	3,614,936	6,849,265	6,709,531
Capital assets	6,191,307	6,443,179	9,791,838	9,738,711	15,983,145	16,181,890
Total assets	39,705,532	40,943,142	21,481,099	21,613,308	61,186,631	62,556,450
Deferred outflows of resources	7,415,226	8,906,695	444,846	573,074	7,860,072	9,479,769
Total assets and deferred outflows	47,120,758	49,849,837	21,925,945	22,186,382	69,046,703	72,036,219
Current liabilities	13,028,869	12,571,510	2,378,818	2,213,910	15,407,687	14,785,420
Long term liabilities	96,773,713	97,231,602	9,624,388	10,506,016	106,398,101	107,737,618
Total liabilities	109,802,582	109,803,112	12,003,206	12,719,926	121,805,788	122,523,038
Deferred inflows of resources	6,479,630	7,437,745	1,912,001	2,313,607	8,391,631	9,751,352
Total liabilities and deferred inflows	116,282,212	117,240,857	13,915,207	15,033,533	130,197,419	132,274,390
Net Position:						
Net investment in capital assets	(3,068,979)	(2,346,839)	4,147,590	4,088,920	1,078,611	1,742,081
Restricted	2,088,328	2,244,029	3,181,118	3,494,444	5,269,446	5,738,473
Unrestricted	(68,180,803)	(67,288,210)	682,030	(430,515)	(67,498,773)	(67,718,725)
Total Net Position	\$ (69,161,454)	\$ (67,391,020)	\$ 8,010,738	\$ 7,152,849	\$ (61,150,716)	\$ (60,238,171)

* As restated, see note 1T on pages 82-83 - Business - type activities

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit increased by approximately \$913 million between FY24 and FY25, to \$61.151 billion. The main reasons for the increase in the net deficit were the \$1.770 billion loss in governmental activities, partially offset by an \$858 million increase in business-type activities, primarily in Higher Education. Both assets and deferred outflows and liabilities and deferred inflows declined from FY24, with the \$2.990 billion decline in assets and deferred outflows exceeding the \$2.077 billion decline in liabilities and deferred inflows. While net pension and net OPEB liabilities declined by \$1.656 billion and \$492 million, respectively (primarily as a result of strong investment returns and increased contributions for pensions and

strong investment returns, favorable cost experience, and a higher discount rate for OPEB liabilities due to an increase in interest rates between June 30, 2024 and June 30, 2025), deferred outflows related to pensions and OPEB (which are included with assets and add to net position) declined by \$1.568 billion, while deferred inflows related to pensions and OPEB (which are included with liabilities and subtract from net position) decreased by only \$1.299 billion. In addition, short and long term debt issued by the Commonwealth increased by \$987 million, reducing net position. These reductions to net position were partly offset by increases in tax and federal grant-related receivables.

The table on this page shows the major categories of government-wide revenues and expenses for FY24 and FY25, as well as net position for the two fiscal years.

In FY25, approximately 46.4% of the total revenue came from governmental activities tax revenue, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the majority of which was federal aid. FY25 revenues totaled \$96.705 billion, an increase of \$2.192 billion, or 2.3% from FY24, with tax revenue totaling \$44.909 billion, an increase of \$3.578 billion, or 8.7%, from FY24. Income tax revenue increased by \$3.414 billion, or 14.3%, as a withholding, capital gains, and revenue from the 4% surtax on personal incomes greater than \$1 million (which is dedicated to education and transportation spending) resulted in increased income tax revenues. Sales tax revenue increased by \$227 million, or 2.4%, and corporate excise tax decreased by \$270 million, or 6.5%, with the decline partly due the fact that since the Massachusetts corporate tax code automatically conforms to the federal tax code, recently enacted federal tax cuts resulted in reductions to Massachusetts corporate tax revenues.

Changes in Net Position during the Fiscal Years Ended June 30, 2025 and 2024
(in thousands of dollars except percentages)

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024*	June 30, 2025	June 30, 2024*	June 30, 2025 Distribution	June 30, 2024* Distribution	25 to '24 % Change in Distribution
Revenues									
Program Revenues:									
Charges for services	\$ 14,107,686	\$ 13,863,310	\$ 6,434,646	\$ 5,836,890	\$ 20,542,332	\$ 19,700,200	21.2 %	20.8 %	0.4 %
Operating grants and contributions	25,977,849	27,586,881	1,646,968	2,063,238	27,624,817	29,650,119	28.6 %	31.3 %	(2.7)%
Capital grants and contributions	135,807	87,743	18,915	11,277	154,722	99,020	0.2 %	0.1 %	0.1 %
General Revenues:									
Taxes	44,909,477	41,331,611	—	—	44,909,477	41,331,611	46.4 %	43.7 %	2.7 %
Other	2,419,352	2,960,072	1,054,507	772,480	3,473,859	3,732,552	3.6 %	4.1 %	(0.5)%
Total Revenues	87,550,171	85,829,617	9,155,036	8,683,885	96,705,207	94,513,502	100.0 %	100.0 %	
Expenses									
Medicaid	26,323,064	23,600,996	—	—	26,323,064	23,600,996	27.0 %	25.9 %	1.1 %
Direct local aid	8,265,832	7,962,691	—	—	8,265,832	7,962,691	8.5 %	8.7 %	(0.2)%
Health and human services	15,273,503	13,886,097	—	—	15,273,503	13,886,097	15.6 %	15.2 %	0.4 %
Lottery	4,796,456	4,911,262	—	—	4,796,456	4,911,262	4.9 %	5.4 %	(0.5)%
Higher education	—	—	6,965,923	6,404,384	6,965,923	6,404,384	7.1 %	7.0 %	0.1 %
Early elementary and secondary education	8,437,350	9,081,911	—	—	8,437,350	9,081,911	8.6 %	10.0 %	(1.4)%
Unemployment compensation	—	—	2,145,856	2,214,741	2,145,856	2,214,741	2.2 %	2.4 %	(0.2)%
Family and employment security trust	—	—	1,294,920	1,104,335	1,294,920	1,104,335	1.3 %	1.2 %	0.1 %
Other	24,114,848	21,911,698	—	—	24,114,848	21,911,698	24.8 %	24.2 %	0.6 %
Total Expenses	87,211,053	81,354,655	10,406,699	9,723,460	97,617,752	91,078,115	100.0 %	100.0 %	
Excess/(Deficiency)									
before transfers	339,118	4,474,962	(1,251,663)	(1,039,575)	(912,545)	3,435,387			
Transfers	(2,109,552)	(2,098,885)	2,109,552	2,098,885	—	—			
Change in net position (deficits)	(1,770,434)	2,376,077	857,889	1,059,310	(912,545)	3,435,387			
Net position/(deficits) - beginning, as previously reported	(67,391,020)	(69,767,097)	7,183,321	6,121,791	(60,207,699)	(63,645,306)			
Prior Period Restatements - Note 1T	—	—	(30,472)	(28,252)	(30,472)	(28,252)			
Net position/(deficits) - beginning, as restated	(67,391,020)	(69,767,097)	7,152,849	6,093,539	(60,238,171)	(63,673,558)			
Net position/(deficits) - ending	<u>\$ (69,161,454)</u>	<u>\$ (67,391,020)</u>	<u>\$ 8,010,738</u>	<u>\$ 7,152,849</u>	<u>\$ (61,150,716)</u>	<u>\$ (60,238,171)</u>			

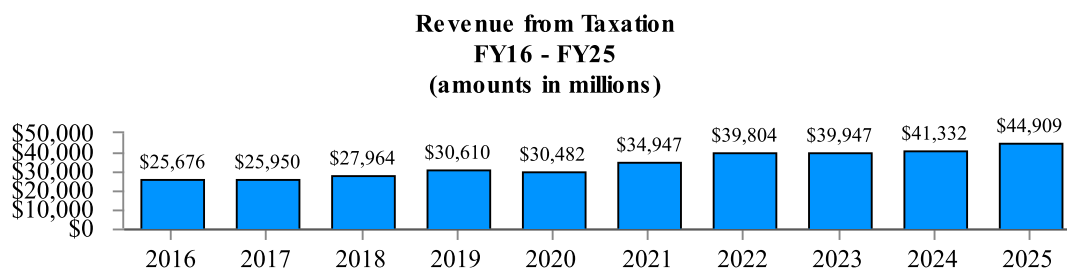
* As restated, see note 1T on pages 82-83 - Business - type activities

Operating grants and contributions totaled \$27.625 billion, a decrease of \$2.025 billion, or 6.8%, in FY25, including a \$1.609 billion, or 5.8% decline in Governmental Activities and a \$416 million decline in Business-Type Activities (see section on "Business-Type Activities" below for more detail). The decline in Governmental Activities operating grants and contributions was concentrated in General Government, which were down \$2.240 billion, or 67.8%, a \$677 million, or 49.1%, a drop in in Public Safety Grants from federal reimbursements, a \$533 million, or 20.7% decrease in grants to Elementary and Secondary Education, and a \$247 million, or 4.5%, decline in Health and Human Services grants. These decreases were partly offset by growth in federal Medicaid reimbursements, which increased by \$2.037 billion, or 14.8%, as state Medicaid expenses increased.

Charges for services totaled \$20.542 billion, increasing by \$842 million, or 4.3% from FY24, with the increase resulting primarily from growth of \$485 million, or 14.2%, in charges for Health and Human Services programs, an increase of \$213 million, or 10.3%, at the University of Massachusetts, charges for Unemployment Compensation, which were up by \$186 million, or 10.2%, and Paid Family and Medical Leave, which grew by \$204 million, or 17.8%. These increases were partially offset by charges for Medicaid, which declined by \$348 million, or 44.3%.

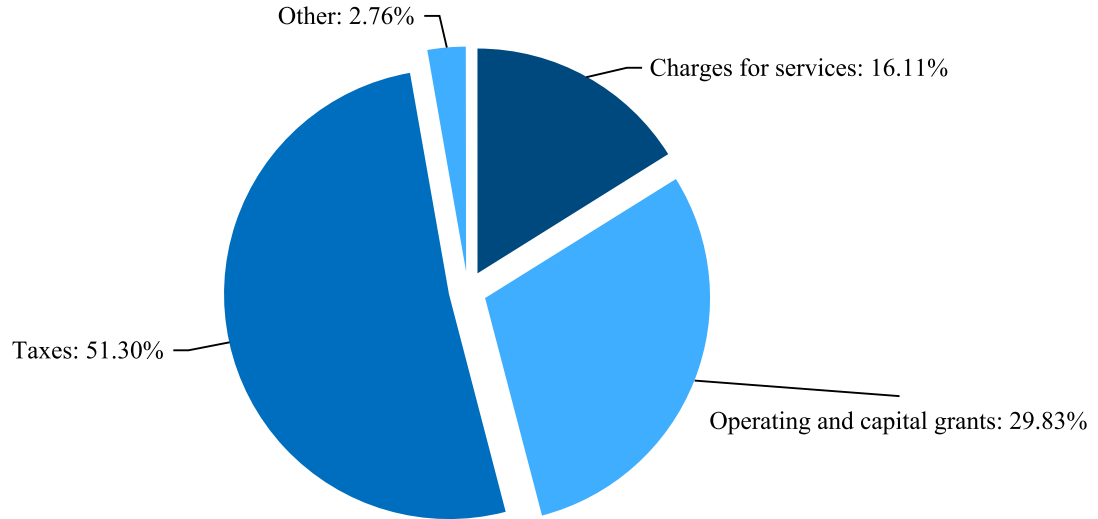
As of June 30, 2025, government-wide restricted net position totaled \$5.269 billion, a decrease of \$469 million, with the majority of the decrease due to assets restricted for unemployment benefits and in balances generated by the 4% income tax surtax that are reserved for education and transportation purposes.

Primary government spending totaled \$97.618 billion, an increase of \$6.540 billion, or 7.2%, from FY24, with governmental activities spending totaling \$87.211 billion, an increase of \$5.856 billion, or 7.2%, and business-type activities spending totaling \$10.407 billion, an increase of \$683 million, or 7.0%. Medicaid expenses totaled \$26.323 billion, an increase of \$2.722 billion, or 11.5%, from FY24, the result of general medical inflation. Health and Human Services spending totaled \$15.274 billion, an increase of \$1.387 billion or 10.0%, transportation and public works spending totaled \$4.548 billion, an increase of \$1.034 billion, or 29.4%, mainly due to spending from the 4% surtax on incomes greater than \$1 million, and early and secondary education spending totaled \$8.437 billion, a decrease of \$645 million, or 7.1%, Public safety and security spending totaled \$3.900 billion, a decrease of \$266 million, or 6.4%, and general government expenses totaled \$4.052 billion, an increase of \$362 million, or 9.8%. In addition, direct local aid spending totaled \$8.266 billion, an increase of \$303 million, or 3.8% as the Commonwealth continued its commitment to allocate a proportionate increase in projected budgetary tax revenues to local assistance. In business-type activities, unemployment insurance compensation expenditures totaled \$2.146 billion, a decrease of \$69 million, or 3.1%, paid family medical totaled \$1.295 billion, an increase of \$191 million, or 17.1%, and Higher Education spending totaled \$6.966 billion, an increase of \$562 million or 8.8%.



Income taxes comprise the majority of tax revenue. Of the \$44.909 billion in FY25 tax revenue within governmental activities, \$27.210 billion, or approximately 60.6%, of total taxes, was from income taxes, \$9.651 billion, or 21.5%, was from sales taxes, \$3.866 billion, or 8.6%, was from corporate taxes, \$706 million, or 1.6%, was from motor fuels taxes and \$3.477 billion, or 7.7%, was from other forms of taxation. Lottery revenues of \$5.975 billion made up 42.4% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$15.772 billion, or approximately 60.7%, of all grants, other health and human services grants of \$5.209 billion, or 20.1% of all grants, and education grants of \$2.039 billion, or 7.8% of all grants. Most of the Commonwealth'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, a component unit of the Commonwealth.

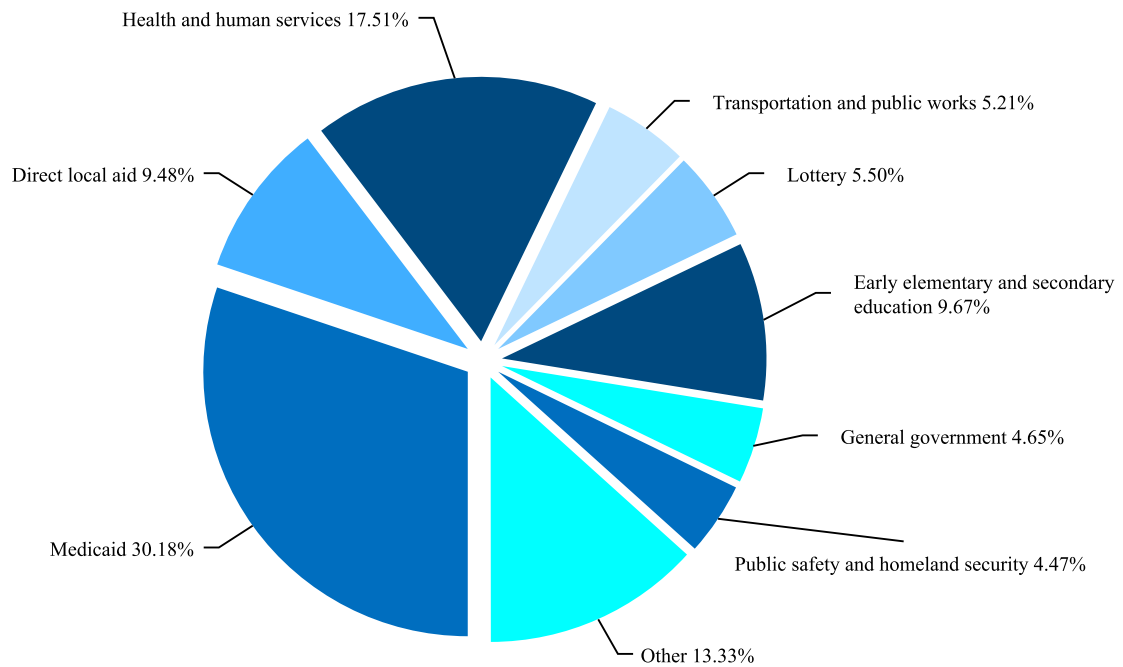
**Revenue—Governmental Activities
Fiscal Year Ending June 30, 2025**



Medicaid expenses of \$26.323 billion accounted for 30.2% of the Commonwealth's governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth of approximately \$8.266 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$15.274 billion, accounting for 17.5% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$8.437 billion, accounting for 9.7% of governmental expenses and public safety and security costs of approximately \$3.900 billion, accounting for 4.5% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$1.457 billion, an increase of \$254 million from FY24.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2025**



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.

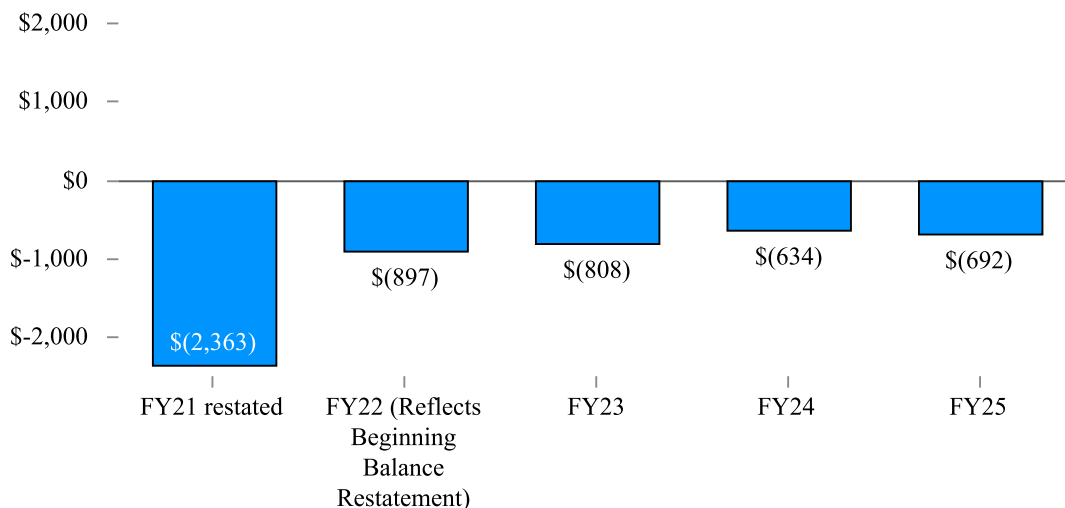
As of June 30, 2025, business-type activities' net position totaled \$8.011 billion, an increase of \$858 million, mostly attributable to a gain of \$788 million in the Institutions of Higher Education, primarily due to a reduction in net pension and OPEB liabilities net of deferrals, which declined by \$245 million from FY24, and a reduction in long-term bonds payable, which declined by \$601 million. Program revenues of business-type activities totaled \$8.101 billion, an increase of \$189 million, or 2.4%, with charges for services totaling \$6.435 billion, an increase of \$598 million, or 10.2%, with the bulk of the increase resulting from charges for Unemployment Compensation, which totaled \$2.004 billion, up \$186 million, or 10.2%, the Paid Family and Medical Leave (PFML) Program, which totaled \$1.352 billion, up \$204 million, or 17.8%, as the PFML rate charged to employers increased from 0.63% in calendar 2023 to 0.88% in FY24 and FY25, and Higher Education Institutions, which totaled \$3.079 billion, an increase of \$208 million, or 7.2%, due to higher charges for tuition. Operating grants and contributions totaled \$1.647 billion, a decrease of \$416 million, or 20.2%, primarily the result of a \$559 million decline in federal revenue for the Unemployment Insurance program, partially offset by increases in Higher Education grants and contributions.

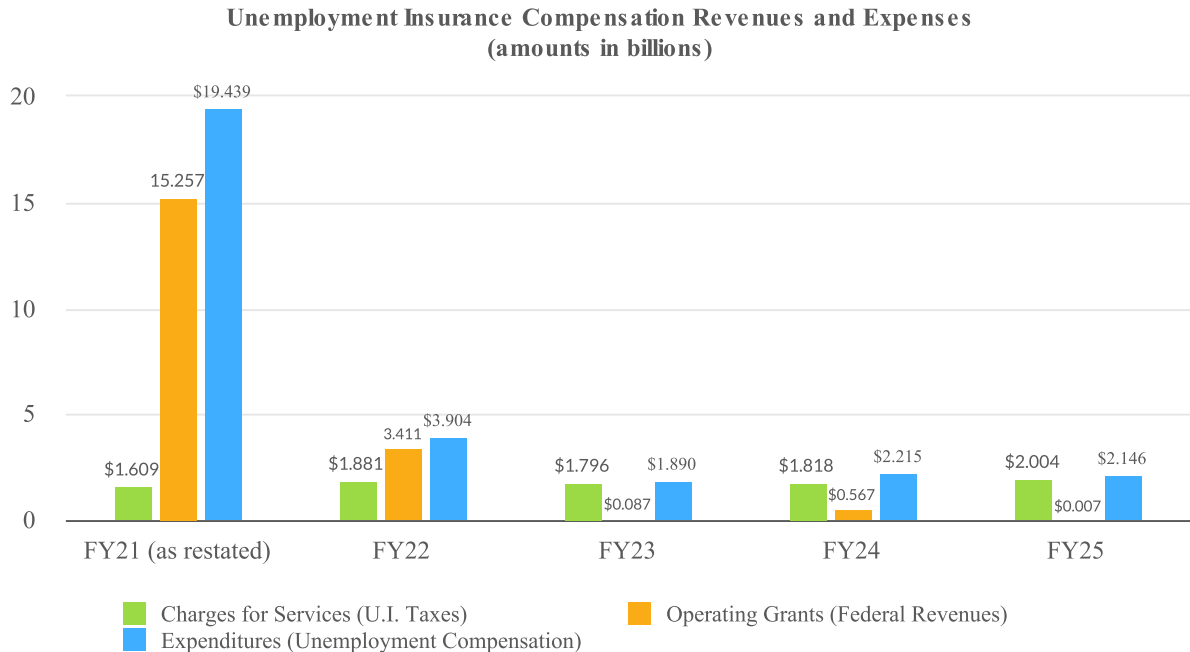
Business-Type Activities expenses totaled \$10.407 billion, an increase of \$683 million, or 7.0%, from FY24, with the largest increases in Higher Education spending, which totaled \$6.966 billion up \$562 million, or 8.8% as the Commonwealth's colleges and universities continued to add staff after recovering from the pandemic and implemented of collective bargaining agreements resulted in wage and salary growth. Expenses for the Paid Family and Medical Leave Program totaled \$1.295 billion, an increase of \$191 million, or 17.3%, as the program became more widely used. These increases were minimally offset by a drop in Unemployment Compensation program expenses, which totaled \$2.146 billion, down \$69 million, or 3.1%.

As a result of a detailed reconciliation of prior year revenue and spending in the Unemployment Compensation Trust Fund conducted during the FY22 financial statement audit, the FY22 beginning balance of the Trust Fund was restated and reduced by \$1.943 billion to account for overdrafts of pandemic-related unemployment insurance revenues from the federal government by the Department of Unemployment Assistance (DUA) in FY20 and FY21, leaving the Trust Fund with an FY22 beginning net position of negative \$2.363 billion. Those prior fiscal year overdrafts, as well as \$548 million in FY22 and \$8 million in FY23 similar overdrafts, were accounted for as a \$2.499 billion liability in the Unemployment Compensation Trust Fund's statement of net position as of June 30, 2023. In January 2025, the Commonwealth agreed pursuant to a settlement agreement to pay the federal government \$2.034 billion (reflecting a negotiated reduction of \$465 million in the assessed liability) from the Unemployment Compensation Trust Fund to remediate these errors, with such payments to be made in ten annual installments of approximately \$203 million commencing in December 2025 and total interest payments of \$409 million in nine installments commencing in December 2026, of which \$17 million is accrued interest as of June 30, 2025. The Commonwealth also agreed to pay \$73 million in back-interest related to the covered claims on overdrafts of federal pandemic-related unemployment insurance benefits.

The two charts below show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years. The negative ending balances were caused by the liability to the federal government and the revenue and expenditures chart indicates that Unemployment Insurance activity has approximately returned to pre-pandemic levels.

Unemployment Compensation Trust Fund
Ending Net Position
Fiscal Years 2021 - 2025
(amounts in millions - as restated)





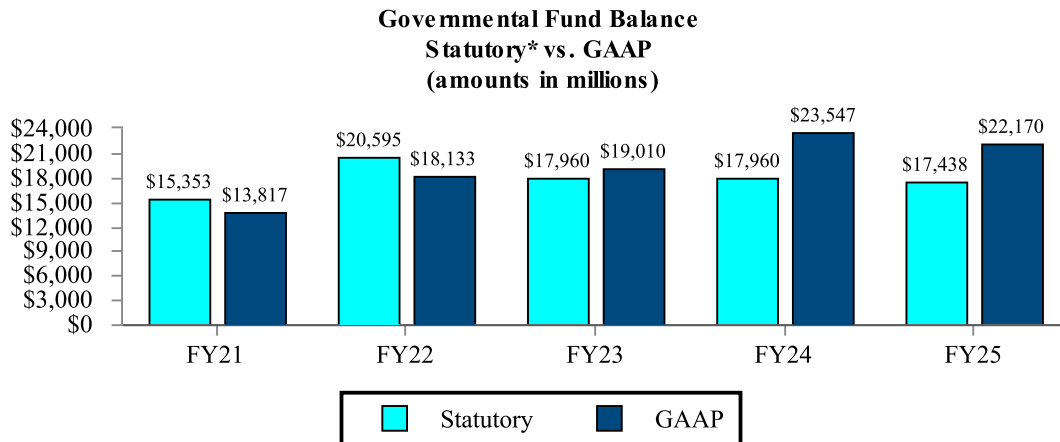
FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

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 (which for this analysis includes the Stabilization Fund and Transitional Escrow Fund) is the primary operating fund of the Commonwealth. At the end of FY25, the balance of the General Fund was \$12.842 billion. Of this amount, \$8.111 billion represents the balance in the Commonwealth's Stabilization Fund, \$1.426 billion was classified as assigned for continuing appropriations from FY25 into FY26, and \$3.306 billion was unassigned, with the unassigned balance including \$2.836 billion in the General Fund and \$470 million in the Transitional Escrow Fund, which holds balances that, while unexpended in FY25, are intended to be expended in FY26 and future years. The General Fund balance of \$12.842 billion, reflected a decline of \$2.609 billion, or 16.9%, with the decrease in ending balance due primarily to an increase in Medicaid expenditures (see explanation in the government-wide section above), a decline in miscellaneous revenues resulting as \$695 million in tobacco settlement revenue received in FY25 was recorded as a receivable in FY24, thereby boosting FY24 revenue relative to FY25, and General Fund interest declined by \$259 million as a result of lower cash balances in FY25 throughout the fiscal year as compared to FY24. Other major funds include the Lottery Fund ending balance totaled \$394 million, a decline of \$58 million, or 12.8%. The Massachusetts School Building Authority Fund balance as of June 30, 2025 totaled \$2.308 billion, an increase of \$234 million, or 11.3%, as sales tax revenues dedicated to the MSBA exceeded expenditures, as they did in FY24. The Federal Grants Fund balance as of June 30, 2025 totaled \$104 million, \$6 million higher than a year earlier.



*Statutory basis includes the Massachusetts Department of Transportation (MassDOT) and excludes expendable trust funds

Governmental Fund Operations - GAAP Basis - Fund Perspective (amounts in thousands)					
	FY25	FY24	FY23**	FY22	FY21*
Beginning fund balances	\$ 23,547,288	\$ 19,010,234	\$ 17,924,542	\$ 13,817,345	\$ 9,912,839
Revenues and other financing sources	106,612,293	104,985,267	93,889,043	91,840,963	84,720,267
Expenditures and other financing uses	107,989,337	100,448,213	92,803,352	87,525,183	80,815,761
Excess/(deficiency)	(1,377,044)	4,537,054	1,085,692	4,315,780	3,904,506
Ending fund balances	<u>\$ 22,170,244</u>	<u>\$ 23,547,288</u>	<u>\$ 19,010,234</u>	<u>\$ 18,133,125</u>	<u>\$ 13,817,345</u>

* Beginning balance restated due to early implementation of new accounting standards in FY20; reclassification of custodial fund activity presented in error in FY20.

** Beginning balance restated due to the MSBA's correction of error related to revenues and expenditures recognition.

FY25 total governmental fund balances as of June 30, 2025 totaled \$22.170 billion, a decrease of \$1.377 billion, or 5.8% from June 30, 2024, with the decrease in total fund balances due primarily to the decline in the General Fund balance explained above, partially offset by a \$1.050 billion increase in other governmental fund balances, as tax revenues from the 4% surtax on incomes over \$1 million continued to exceed spending from that source. Revenues and other financing sources totaled \$106.612 billion, an increase of \$1.627 billion, or 1.5%, from FY24, with growth in tax revenues of \$3.581 billion, or 8.7%, was partially offset by a decline of \$1.208 billion, or 4.4%, as revenue from Covid-related federal reimbursements was phased out. Revenue from other financing sources, which totaled \$18.296 billion a decrease of \$306 million, or 1.6% as bond issuance (both for new issuance and refunding) declined by \$2.956 billion, partially offset by an increase of \$2.588 billion in transfers in, the result of transfers of \$827 million in FY24 and FY25 interest revenue from the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund as required in the FY25 budget bills, and increased transfers from the General Fund to and transfers within the three education and transfer funds that hold revenue from the 4% personal income tax surtax on income greater than \$1 million. Tax revenues as a whole totaled \$44.886 billion, an increase of \$3.581 billion, or 8.7%, as increases due to the 4% surtax and other tax revenue sources were partially offset by decreases in capital gains taxes. Federal grants and reimbursements totaled \$26.319 billion, a decrease of \$1.208 billion, mainly due to a \$2.327 billion decline in revenue recorded in the Federal COVID-19 Response Fund, which in FY24 recognized the remaining amount of revenue received during the pandemic under the American Recovery Plan Act, a decline that was partially offset by growth in federal Medicaid reimbursements generated from increased Medicaid spending.

Assessments, fees, and investment earnings totaled \$17.112 billion, a decrease of \$439 million, or 2.5%. as lower balances in the Commonwealth's General Fund and reduced interest rates decreased interest earnings and on Stabilization Fund and General Fund balances.

FY25 governmental fund expenditures and other financing uses totaled \$107.980 billion, an increase of \$7.532 billion, or 7.5% from FY24, with \$4.778 billion of growth in programmatic spending (as opposed to "other financing uses") and a \$2.754 billion, 21.0%, increase in other financing uses. Programmatic spending totaled \$92.099 billion, with significant areas including Medicaid, which totaled \$26.323 billion, an increase of \$2.722 billion, or 11.5% from FY24, with the increase due primarily to general inflation in medical expenses. Other significant areas include non-Medicaid Health and Human Services spending, which totaled \$14.546 billion, an increase of \$1.165 billion, or 8.7%, primarily due to increased spending of \$387 million at the Department of Development Services and on adult mental health spending and behavioral health workforce supports and an increase of \$586 million or 52.1% in the Hospital Investment and Performance Trust Fund. Education spending totaled \$8.130 billion a decrease of \$36 million, or 0.4%, and transportation spending totaled \$4.428 billion, an increase of \$1.069 billion, or 31.8%, with the transportation spending increase funded by revenue and balances from the 4% surtax, revenue from which is dedicated to transportation and education purposes. Direct Local Aid totaled \$8.266 billion, an increase of \$303 million, or 3.8%, as the Administration committed increases in tax revenue to education aid in particular, and principal paid on current refundings totaled \$676 million, a decrease of \$1.632 billion or 70.7%, as the Commonwealth was able to profitably refund previously issued long-term debt. Other financing uses totaled \$15.891 billion, an increase of \$2.754 billion, or 21.0%, due primarily to an increase of \$2.597 billion transfers of the 4% surtax from the General Fund to the education and transportation funds and between the education and transportation fund and transfers of \$827 million in FY24 and FY25 interest earned by the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund, as mandated by the FY25 budget bills.

The table below summarizes FY25 Governmental Fund balances and changes from FY24.

Governmental Funds - Fund Balance Classification (amounts in thousands)				
	2025	2024	Change	% Change
<u>Nonspendable/Restricted:</u>				
Nonspendable	\$ 393,199	\$ 450,897	\$ (57,698)	(12.8)%
Restricted	2,148,398	2,244,029	(95,631)	(4.3)%
Total Nonspendable/Restricted	2,541,597	2,694,926	(153,329)	(5.7)%
<u>Unrestricted:</u>				
Committed	13,636,511	13,802,343	(165,832)	(1.2)%
Assigned	4,566,758	4,696,283	(129,525)	(2.8)%
Unassigned	1,425,378	2,353,736	(928,358)	(39.4)%
Total Unrestricted	19,628,647	20,852,362	(1,223,715)	(5.9)%
Total fund balances	\$ 22,170,244	\$ 23,547,288	\$ (1,377,044)	(5.8)%

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, constitutional requirements, 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 include "prior appropriations continued", or PACs, which are classified as assigned, and residual balances in the General Fund, which are classified as unassigned. The \$96 million, or 4.3% decrease in restricted balances was the result of revenue generated by the 4% income tax surtax on income greater than \$1 million, which is constitutionally restricted for education and transportation purposes. The \$166 million, or 1.2%, decrease in committed balances results primarily from \$413 million reduction in the Stabilization Fund balance and increased balances in numerous non-budgetary funds which the Legislature has designated for specific purposes, primarily those committed to education and health care purposes. Assigned fund balance decreased by \$130 million

or 2.8%, due primarily to a \$410 million decrease in budgetary fund prior appropriations continued, offset by a \$234 million in increases in funds the MSBA reserved for grants and loans to local cities and towns for school construction, and a \$46 million increase in expendable trust assigned balances. Unassigned balances decreased by \$928 million, or 39.4%, due mainly to a decrease in General Fund unassigned balances resulting mainly from \$695 million in non-recurring one-time tobacco settlement revenue that was recorded as an FY24 accrual. 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, starting on [page 71](#).

Proprietary Funds

Proprietary Funds report activities of the Commonwealth that are structured similar to for-profit businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in greater detail.

As discussed on [pages 26-28](#), the business-type activities increased the Commonwealth's net position by approximately \$858 million.

BUDGETARY HIGHLIGHTS

The FY25 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY25 tax revenue estimate of \$41.502 billion prior to tax initiatives (and excluding \$50 million in tax settlements greater than \$10 million each), including \$1.050 billion in personal income tax revenue estimated to be generated by a 4% surtax on incomes above \$1 billion. Initially deposited in the General Fund, that revenue was to be transferred to funds dedicated to transportation and education spending.

The GAA tax revenue estimate was increased by \$210 million, to \$41.712 billion, as a result of a tax amnesty and enforcement initiatives included in the budget that were forecasted to increase FY25 General Fund tax revenues by approximately \$160 million, and \$50 million in assumed General Fund tax-related settlements and judgments exceeding \$10 million. \$38.914 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.798 billion to be deposited into non-budgeted funds, including sales tax revenue of \$1.465 billion dedicated to the Massachusetts Bay Transportation Authority and \$1.305 billion dedicated to the Massachusetts School Building Authority, \$138 million of capital gains tax revenues transferred to the Stabilization Fund, State Pension Fund, and State Retiree Benefits Trust Fund, and \$27 million in Unemployment Insurance surcharges allocated to the non-budgeted Workforce Training Fund. Approximately \$36.916 billion in tax revenue was to be deposited in the General Fund, including the \$1.050 billion surtax revenue.

Based on tax revenue performance through December 2024, in January 2025, the Secretary of Administration maintained made no changes to the FY25 tax revenue estimate.

The GAA also assumed budgeted fund non-tax revenue of \$24.777 billion, of which \$19.999 billion was to be deposited in the General Fund. Total budgeted fund tax and non-tax revenues assumed in the GAA (excluding the non-budgeted fund portions allocated to the MBTA, MSBA, and Unemployment Insurance surcharge) was \$63.691 billion, of which \$59.390 billion was to be deposited in the General Fund.

The FY25 General Appropriation Act (GAA) authorized approximately \$56.331 billion in General Fund expenditures, and \$57.013 billion including other financing sources.

Approximately \$5.451 billion in supplemental appropriations were authorized during FY25, of which \$4.038 billion were charged to the General Fund, including the Transitional Escrow Fund, which is consolidated with the General Fund in this analysis.

The year's significant General Fund supplemental appropriations (some of which were carried forward and reappropriated to be expended in FY26):

- \$2.046 billion for MassHealth (Medicaid) services;

- \$240 million for state employee health insurance costs
- \$200 million for collective bargaining costs
- \$156 million to fund a transfer from the Medical Assistance Trust Fund to hospitals that treat large numbers of Medicaid-eligible patients
- \$122 million for fiscally strained hospitals

FY25 General Fund revenues were \$62.377 billion, an increase of \$5.175 billion, or 9.0%, from FY24. Most of this increase from FY24 was due to growth in income tax revenue and federal reimbursements, discussed below. General Fund revenues and other financing sources totaled \$65.528 billion, an increase of \$5.976 billion, or 10.0%, from FY24, \$5.921 billion above budget, with the above-budget amount due primarily the result of tax revenues, federal reimbursements, and tobacco settlement revenues that were above forecast.

FY25 General Fund tax revenues ended the year at \$39.329 billion, an increase of \$2.868 billion, or 7.9%, from FY24, \$2.413 billion above the original FY25 budget estimate. The \$2.868 billion increase in General Fund tax revenues between FY24 and FY25 was primarily the result of growth in personal income tax revenues, partially offset by the implementation of certain tax reforms, which reduced FY25 income tax revenues by \$179 million. Total personal income tax collections totaled \$26.712 billion, an increase of \$2.600 billion, or 10.8%, which included “fair share” 4% surtax revenues of \$3.049 billion, up of \$633 million, or 26.2%. Personal income tax withholding totaled \$19.056 billion, an increase of \$1.089 billion or 6.1% as there was healthy growth in wages and salaries in FY25. Non-withheld personal income tax (primarily quarterly estimated tax payments and final payments with tax returns, reduced by refunds), totaled \$7.656 billion, up \$1.511 billion, or 24.6%, and up by \$1.690 billion, or 27.5%, when adjusted for the impact of tax law changes, due mainly to an increase in capital gains taxes, both those collected on incomes of less than \$1 million and those that were part of the fair share surtax. According to estimates from the Department of Revenue, non-fair share capital gains totaled \$2.696 billion, up \$687 million or 34.2%, from FY24, and fair share capital gains taxes totaled approximately \$1.189 billion, \$537 million, or 82.3%, above fair share tax capital gains taxes collected in FY24. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) totaled \$4.670 billion, a decrease of \$163 million, or 3.4%, and revenue from General Fund sales and use taxes (including regular sales and meals taxes, but excluding motor vehicle sales tax credited to the Commonwealth Transportation Fund but excluding cannabis sales tax and the portion of sales tax revenues allocated to the MBTA and MSBA) totaled \$6.067 billion, up \$232 million, or 4.0%, including a \$161 million, or 3.8%, increase in regular sales tax and a \$71 million, or 4.6%, increase in meals tax. Other notable General Fund tax revenue sources included deeds excise tax revenues, which totaled \$334 million, up \$30 million, or 10.0%, cannabis sales tax, which totaled \$70 million, up \$5 million, or 7.9%, as the legal cannabis market continued to expand, and estate and inheritance taxes, which totaled \$740 million, an increase of \$166 million, or 28.9%, as this continued to be a volatile revenue source.

Budgeted fund federal reimbursements totaled \$16.199 billion, an increase of \$1.603 billion, or 11.0%, with the increase resulting primarily from growth in reimbursements for Medicaid expenditures (see explanation of Medicaid expenditure changes on the following page). General Fund Medicaid federal reimbursements totaled \$14.486 billion, an increase of \$1.268 billion, or 9.6%

General Fund non-tax revenue, non-federal revenue totaled \$6.848 billion, up , or \$1.206 billion, or 21.4%, above estimate and up \$704 million, or 11.5%, above FY24. Virtually all of the departmental revenue growth between FY24 and FY25 was due to an increase on tobacco settlement revenues, which totaled \$875 million, an increase of \$688 million from FY24, \$618 million over the originally budgeted amount, with the increase resulting from the resolution of outstanding claims from prior years. Other significant sources of growth included payments from the University of Massachusetts to the Commonwealth, which totaled \$189 million, an increase of \$141 million, or 300.9%, from FY24 (these payments tend to vary significantly from one year to the next. based on availability of funds), and reimbursements from cities and towns for GIC health insurance benefits paid on their behalf, which totaled \$719 million, up \$64 million, or 9.8%, as health insurance costs continued to rise from FY24. This growth was partially offset by a decline in interest earnings, which fell by \$211 million, from \$947 million in FY24 to \$737 million in FY25, primarily the result of lower average balances in the General Fund in FY25 than in FY24 and slightly lower interest rates on those balances. Other significant revenue sources include fees received by the state, which totaled \$631 million, up \$24 million, or 3.9%.

General Fund other financing sources totaled \$3.152 billion, an increase of \$801 million, or 34.1%, from FY24, \$460 million above estimate, with the increase due primarily to a \$521 million transfer of capital gains tax revenues

to the Transitional Escrow Fund authorized in the FY25 final supplemental budget, a \$238 million increase in end of year deficit elimination transfers to the General Fund, and a \$139 million increase in abandoned property transfers to the General Fund, partially offset by a \$93 million decline in Lottery transfers to the General Fund resulting from a decline in Lottery profits. Fringe benefit and indirect cost recovery from non-budgeted funds to the General Fund totaled \$695 million, up \$13 million, or 1.9% from FY24, due to increases in the fringe benefit rate, partially offset by a decline in Covid-related federally reimbursed spending that are charged that rate.

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, which is deposited in the General Fund. In FY25, the Commonwealth received \$875 million in tobacco settlement funds, an increase of \$688 million compared to FY24, a one-time increase resulting from the resolution of outstanding contested claims from prior years. Statute requires that a portion of tobacco settlement proceeds be transferred from the General Fund 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 FY25 and after. For FY25, the statutorily required transfer was 100% of tobacco settlement revenues; however, FY25 appropriation acts suspended the required transfer entirely, resulting in no transfer.

FY25 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$68.086 billion, an increase of \$6.017 billion, or 9.7%, from FY24. General Fund expenditures (excluding "Other Financing Uses") totaled \$61.972 billion, an increase of \$6.123 billion, or 11.0% from FY24, \$2.524 billion below the final budget, with the increase in spending primarily attributable to growth in Medicaid, pensions, higher education, transfers to hospitals that treat large numbers of Medicaid-eligible patients, and employee health insurance benefits. General Fund Medicaid expenditures totaled \$22.129 billion, an increase of \$2.059 billion, or 10.3%, from FY24, primarily due to the general increase in healthcare costs, particularly in costs for nursing home care covered by Medicaid. General Fund spending on other Executive Office of Health and Human Services programs totaled \$10.075 billion, an increase of \$1.083 billion, or 12.0% from FY24, including spending for residential and daily services at the Department of Developmental Services, which increased by \$387 million, or 23.7%, from FY24, and adult mental health services, which grew by \$109 million, or 18.5%. General Fund spending for direct local aid (both education aid and unrestricted aid), at \$7.748 billion, was down \$39 million, due to more than or 0.5%, as the local aid expenditures were shifted from the General Fund to other funds. Total spending for direct local aid across budgetary funds (both education aid and unrestricted aid), at \$8.248 billion, was up \$300 million, as 3.8%, from FY24, as the Commonwealth continued to commit significant resources to local communities. General fund spending on state employee health insurance benefits paid through the Group Insurance Commission (including benefits for retiree health insurance) increased by \$235 million, or 8.6%, from \$2.736 billion to \$2.971 billion, due to the general growth in health care costs.

General Fund other financing uses totaled \$5.522 billion, an increase of \$2.358 billion or 74.5%, from FY24. with the bulk of this increase due to an increase of \$798 million from the General Fund to the Education and Transportation Fund as revenues from the 4% surtax (which is initially deposited in the General Fund but then transferred) increased in FY25, a \$797 million increase in transfers from the Stabilization Fund as the FY25 appropriation acts required the interest earned on Stabilization Fund balances in be transferred from the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund, a \$521 million transfer of capital gains tax revenues to the Transitional Escrow Fund per the FY25 final supplemental appropriations bill. These reductions were partially offset by a transfer of \$640 million from the General Fund to the Medical Assistance Trust Fund (MATF) for payments to hospitals that treat large populations of lower income patients, an increase of million from FY24. Transfers to and payments from the MATF vary significantly from year-to-year depending on the timing of federal reimbursements.

Transfers from the General Fund to the state and teachers' pension funds (which are reflected in the "other financing uses category) totaled \$4.498 billion in accordance with the Commonwealth's actuarially-determined pension funding schedule, an increase of \$394 million, or 9.6%, from FY24, and an additional pension contribution of \$29 million from capital gains tax revenues was transferred from the General Fund, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold. As a result, FY25 contributions to the pension fund from the General Fund totaled \$4.526 billion an increase of \$393 million, or 9.5% from FY24. General Fund debt service totaled \$1.456 billion, up \$102 million, or 7.5%, from FY24.

CAPITAL ASSETS

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles, leased software, right-to-use assets and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to approximately \$31.248 billion, with accumulated depreciation and amortization of approximately \$15.265 billion, leaving a net book value of \$15.983 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 decrease in the Commonwealth's net investment in capital assets from FY24 to FY25 was approximately \$199 million, with a \$252 million decrease in governmental activities and a \$53 million increase in business-type activities. The major decrease in the net value of capital assets was in construction in process and machinery and equipment. The table below details the various categories of the Commonwealth's capital assets.

Capital Assets at Year - End (net of depreciation) (amounts in thousands)						
	Governmental Activities		Business - Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land.....	\$ 1,008,909	\$ 997,380	\$ 247,646	\$ 240,320	\$ 1,256,555	\$ 1,237,700
Historical treasures.....	—	—	3,403	3,403	3,403	3,403
Construction in process.....	824,937	1,126,933	702,420	557,175	1,527,357	1,684,108
Buildings.....	3,027,843	2,881,644	7,517,852	7,577,953	10,545,695	10,459,597
Machinery and equipment.....	276,774	400,273	290,632	262,467	567,406	662,740
Right-to-use lease buildings.....	774,907	771,782	950,551	1,015,063	1,725,458	1,786,845
Right-to-use lease machinery and equipment.....	13,356	17,256	11,238	15,680	24,594	32,936
Right-to-use subscription (SBITAs) assets.....	70,308	109,878	64,070	57,626	134,378	167,504
Infrastructure, excluding central artery.....	194,273	138,033	—	—	194,273	138,033
Library collections.....	—	—	4,026	9,024	4,026	9,024
Total.....	\$ 6,191,307	\$ 6,443,179	\$ 9,791,838	\$ 9,738,711	\$ 15,983,145	\$ 16,181,890

Additional detail on the Commonwealth's FY25 capital asset activity can be found in [Note 5](#) to the basic financial statements ("Capital Assets") on [pages 97-98](#).

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 FY25 capital budget, the Commonwealth borrowed by issuing \$3.056 billion in long-term bonds, which was new money general obligation and special obligation debt issued during the fiscal year. 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 \$610 million in debt to refund already existing debt. In order to manage cash flows through the COVID-19 pandemic, on May 11, 2020, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.750 billion from a syndicate of banks, which line of credit is available to be drawn for cash flow purposes. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. In May 2023, the line of credit was extended to April 30, 2026.

Approximately 0.9% of the Commonwealth's \$29.630 billion in general obligation debt outstanding as of June 30, 2025 was issued as variable rate bonds. During fiscal 2025 there were no changes to credit ratings on any of the Commonwealth's outstanding debt.

The table below details the Commonwealth's debt by type for the fiscal year compared to the prior fiscal year, excluding premiums and discounts.

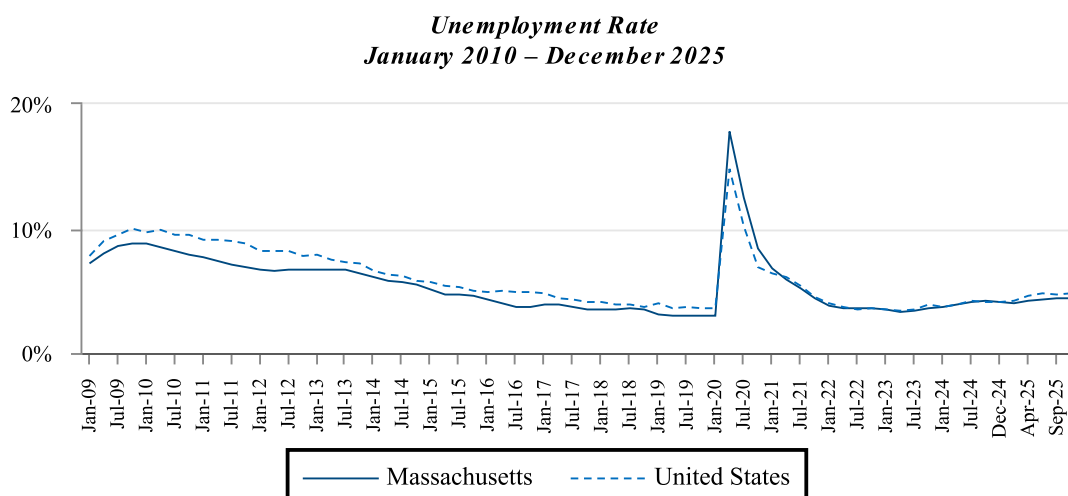
Outstanding Long - Term Debt Obligations (amounts in thousands)						
	Governmental Activities		Business - Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 29,629,925	\$ 27,835,248	\$ —	\$ —	\$ 29,629,925	\$ 27,835,248
Special obligation bonds (excluding GANs)....	4,420,295	4,270,705	—	—	4,420,295	4,270,705
Revenue obligation bonds	—	—	5,943,385	6,599,974	5,943,385	6,599,974
Grant anticipation notes	133,620	255,805	—	—	133,620	255,805
Massachusetts School Building Authority	5,267,320	5,444,945	—	—	5,267,320	5,444,945
Total	\$ 39,451,160	\$ 37,806,703	\$ 5,943,385	\$ 6,599,974	\$ 45,394,545	\$ 44,406,677

Additional detail on the Commonwealth's short-term debt can be found in [Note 6](#) ("Short-Term Financing and Credit Arrangements") on [page 99](#) and [Note 7](#) ("Long-Term Obligations") on [pages 99-109](#).

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2026 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 6.8%, compared to the national rate of 6.4%, but by October 2022 the two rates had converged, with both at 3.6%. As of December 2025, the Massachusetts unemployment rate was 4.8% and U.S. unemployment rates was at 4.4%.



The FY26 General Appropriation Act (GAA) — the Commonwealth's annual budget — is based on an FY26 base tax revenue estimate of approximately \$43.614 billion (including \$2.400 billion in "Fair Share" surtax revenues), an increase of \$2.112 billion, or 5.1%, from FY25 actual tax collections. Of the FY26 tax estimate, approximately \$34.097 billion represents taxes available for budget after accounting for \$9.567 billion in tax revenue either dedicated to authorities, "fair share" education and transportation spending, or the Stabilization or pension and state retiree health care funds.

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, 2025

(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	\$ 19,405,239	\$ 5,143,535	\$ 24,548,774	\$ 6,412,728
Restricted cash with fiscal agent	499,688	271,576	771,264	—
Short-term investments	305,159	998,258	1,303,417	—
Assets held in trust	—	—	—	213,038
Receivables, net of allowance for uncollectibles:				
Taxes	5,508,209	—	5,508,209	—
Federal grants and reimbursements receivable	3,347,706	42,661	3,390,367	519,788
Loans	13,562	9,448	23,010	745,727
Lease receivables	1,443	58,868	60,311	51,862
Other receivables	1,430,274	1,228,377	2,658,651	535,184
Due from cities and towns	20,452	—	20,452	—
Due from component units	1,650	14,991	16,641	—
Due from primary government	—	—	—	1,469,199
Other current assets	—	53,125	53,125	159,625
Total current assets	30,533,382	7,820,839	38,354,221	10,107,151
Noncurrent assets:				
Cash and cash equivalents - restricted	—	422,914	422,914	769,945
Long-term investments	—	2,302,195	2,302,195	2,001,254
Investments, restricted investments and annuity contracts	1,738,450	1,215	1,739,665	57,935
Receivables, net of allowance for uncollectibles:				
Taxes	443,622	—	443,622	—
Federal grants and reimbursements receivable	3,582	—	3,582	—
Loans	118,001	13,001	131,002	4,532,230
Lease receivables	66,042	1,098,417	1,164,459	579,049
Other receivables	586,739	17,799	604,538	52,306
Due from component units	21,603	—	21,603	—
Due from primary government	—	—	—	7,448
Non-depreciable capital assets	1,833,846	953,469	2,787,315	20,562,890
Depreciable capital, right-to-use lease and subscription assets, net	4,357,461	8,838,369	13,195,830	26,982,135
Other noncurrent assets	—	12,881	12,881	20,633
Other noncurrent assets - restricted	2,804	—	2,804	—
Total noncurrent assets	9,172,150	13,660,260	22,832,410	55,565,825
Total assets	39,705,532	21,481,099	61,186,631	65,672,976
Deferred outflows of resources:				
Derivatives - interest rate swaps	—	249	249	12,961
Loss on refunding	60,029	92,486	152,515	125,305
Pension	5,814,168	137,138	5,951,306	544,443
OPEB	1,541,029	214,169	1,755,198	644,394
Other	—	804	804	—
Total deferred outflows of resources	7,415,226	444,846	7,860,072	1,327,103
Total assets and deferred outflows	47,120,758	21,925,945	69,046,703	67,000,079
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	4,985,634	499,990	5,485,624	1,960,176
Accrued payroll	327,184	273,881	601,065	50,118
Compensated absences	625,228	222,656	847,884	128,760
Accrued interest payable	473,621	47,910	521,531	197,537
Tax refunds and abatements payable	2,283,127	207,398	2,490,525	—
Due to component units	1,519,611	333	1,519,944	—
Due to primary government	—	—	—	16,641
Due to federal government	666,448	—	666,448	—
Overdraws of federal pandemic-related unemployment insurance benefits	—	203,417	203,417	—
Claims and judgments	63,264	—	63,264	—
Unearned revenue	56,813	184,872	241,685	768,752
Prizes payable	88,452	—	88,452	—

Statement of Net Position

June 30, 2025

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	59,919	59,919	—
School construction grants payable	250,805	—	250,805	—
Right-to use lease, public-private partnership, and subscription liabilities	194,818	89,076	283,894	34,789
Bonds payable and unamortized premiums	1,474,106	589,366	2,063,472	995,514
Environmental remediation liability	19,758	—	19,758	—
Total current liabilities	13,028,869	2,378,818	15,407,687	4,152,287
Noncurrent liabilities:				
Compensated absences	262,903	93,172	356,075	125,549
Accrued interest payable	1,022	—	1,022	92,865
Due to component units	7,448	—	7,448	—
Due to primary government	—	—	—	21,603
Due to federal government	4,470	1,203	5,673	—
Overdraws of federal pandemic-related unemployment insurance benefits	90,137	1,830,757	1,920,894	—
Unearned revenue	—	—	—	409,382
Prizes payable	307,080	—	307,080	—
Right-to use lease, public-private partnership, and subscription liabilities	695,316	1,055,099	1,750,415	218,354
Bonds payable and unamortized premiums	42,089,416	5,354,019	47,443,435	10,284,504
Environmental remediation liability	260,352	—	260,352	—
Liability for derivative instruments	—	249	249	7,062
Net pension liability	40,407,062	527,649	40,934,711	2,639,939
Net OPEB liability	12,342,168	590,503	12,932,671	3,185,051
Other noncurrent liabilities	306,339	171,737	478,076	371,252
Total noncurrent liabilities	96,773,713	9,624,388	106,398,101	17,355,561
Total liabilities	109,802,582	12,003,206	121,805,788	21,507,848
Deferred inflows of resources:				
Service concession arrangements	—	259,106	259,106	343
Gain on refunding	1,307,151	44,477	1,351,628	14,900
Pension	1,138,863	149,487	1,288,350	56,848
OPEB	3,970,461	562,787	4,533,248	663,232
Leases	63,155	872,026	935,181	624,844
Other	—	24,118	24,118	20,413
Total deferred inflows of resources	6,479,630	1,912,001	8,391,631	1,380,580
Total liabilities and deferred inflows	116,282,212	13,915,207	130,197,419	22,888,428
NET POSITION				
Net investment in capital assets	(3,068,979)	4,147,590	1,078,611	39,701,572
Restricted for:				
Unemployment benefits	—	388,905	388,905	—
Family and employment security	—	2,134,234	2,134,234	—
Retirement of indebtedness	625,100	271,576	896,676	—
4% surtax - education and transportation	1,169,340	—	1,169,340	—
Higher education endowment funds	—	12,804	12,804	—
Higher education academic support and programs	—	8,227	8,227	—
Higher education scholarships and fellowships:				
Nonexpendable	—	2,119	2,119	—
Expendable	—	5,908	5,908	—
Higher education capital projects - expendable purposes	—	25,834	25,834	—
Grants and gifts	293,888	331,511	625,399	—
Other purposes	—	—	—	7,867,593
Unrestricted (deficits)	(68,180,803)	682,030	(67,498,773)	(3,457,514)
Total net position (deficits)	\$ (69,161,454)	\$ 8,010,738	\$ (61,150,716)	\$ 44,111,651

The notes to the financial statements are an integral part of this statement.

Statement of Activities
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

Net (Expenses) Revenues and								
Functions/Programs	Expenses	Program Revenues			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.....	\$ 4,052,100	\$ 929,727	\$ 1,064,382	\$ 96,282	\$ (1,961,709)	\$ —	\$ (1,961,709)	\$ —
Judiciary.....	1,621,992	65,906	17,011	—	(1,539,075)	—	(1,539,075)	—
Direct local aid.....	8,265,832	—	—	—	(8,265,832)	—	(8,265,832)	—
Medicaid.....	26,323,064	438,429	15,771,692	—	(10,112,943)	—	(10,112,943)	—
Group health insurance.....	2,414,661	957,026	—	—	(1,457,635)	—	(1,457,635)	—
Energy and environmental affairs.....	1,367,138	495,152	103,443	—	(768,543)	—	(768,543)	—
Housing and economic development.....	4,046,052	264,605	902,656	—	(2,878,791)	—	(2,878,791)	—
Health and human services.....	15,273,503	3,896,265	5,208,642	39,525	(6,129,071)	—	(6,129,071)	—
Transportation and public works.....	4,547,763	639,594	24	—	(3,908,145)	—	(3,908,145)	—
Early elementary and secondary education.....	8,437,350	7,561	2,038,850	—	(6,390,939)	—	(6,390,939)	—
Public safety and security.....	3,899,789	393,131	703,223	—	(2,803,435)	—	(2,803,435)	—
Labor and workforce development.....	502,800	44,827	167,926	—	(290,047)	—	(290,047)	—
Lottery.....	4,796,456	5,975,463	—	—	1,179,007	—	1,179,007	—
Interest (unallocated).....	1,662,553	—	—	—	(1,662,553)	—	(1,662,553)	—
Total governmental activities.....	87,211,053	14,107,686	25,977,849	135,807	(46,989,711)	—	(46,989,711)	—
Business-Type Activities:								
Unemployment Compensation.....	2,145,856	2,003,621	7,214	—	—	(135,021)	(135,021)	—
Family and Employment Security Trust.....	1,294,920	1,352,311	—	—	—	57,391	57,391	—
Higher Education:								
University of Massachusetts.....	4,478,236	2,277,064	977,275	15,375	—	(1,208,522)	(1,208,522)	—
State Universities.....	1,337,346	624,895	213,688	3,515	—	(495,248)	(495,248)	—
Community Colleges (Nonmajor).....	1,150,341	176,755	448,791	25	—	(524,770)	(524,770)	—
Total business-type activities.....	10,406,699	6,434,646	1,646,968	18,915	—	(2,306,170)	(2,306,170)	—
Total primary government.....	\$ 97,617,752	\$ 20,542,332	\$ 27,624,817	\$ 154,722	(46,989,711)	(2,306,170)	(49,295,881)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation.....	\$ 4,428,533	\$ 1,101,405	\$ 2,271,439	\$ 2,542,793	—	—	—	1,487,104
Massachusetts Bay Transportation Authority.....	3,537,283	2,493,028	193,094	1,006,507	—	—	—	155,346
Commonwealth Health Insurance Connector.....	1,274,095	1,239,493	45,000	—	—	—	—	10,398
Massachusetts Clean Water Trust.....	266,853	235,329	—	274,662	—	—	—	243,138
Other nonmajor component units.....	853,905	849,446	117,959	94,724	—	—	—	208,224
Total discretely presented component units.....	\$ 10,360,669	\$ 5,918,701	\$ 2,627,492	\$ 3,918,686	—	—	—	2,104,210

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income	27,210,448	—	27,210,448	—
Sales taxes	9,650,581	—	9,650,581	—
Corporate taxes	3,865,731	—	3,865,731	—
Motor and special fuel taxes	705,919	—	705,919	—
Other taxes	3,476,798	—	3,476,798	—
Miscellaneous:				
Investment earnings/(loss)	878,096	526,155	1,404,251	383,152
Tobacco settlement	169,444	—	169,444	—
Contribution from municipalities	58,295	—	58,295	—
Other revenue (expense)	1,313,517	528,352	1,841,869	—
Transfers	(2,109,552)	2,109,552	—	—
Total general revenues and transfers	45,219,277	3,164,059	48,383,336	383,152
Change in net position	(1,770,434)	857,889	(912,545)	2,487,362
Net position/(deficits) - beginning, as previously reported	(67,391,020)	7,183,321	(60,207,699)	41,749,198
Prior period restatements - Note 1T	—	(30,472)	(30,472)	(124,909)
Net position/(deficits) - beginning, as restated	(67,391,020)	7,152,849	(60,238,171)	41,624,289
Net position/(deficits) - ending	\$ (69,161,454)	\$ 8,010,738	\$ (61,150,716)	\$ 44,111,651

The notes to the financial statements are an integral part of this statement.



Governmental Funds Financial Statements



Balance Sheet
Governmental Funds
June 30, 2025
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 9,339,191	\$ 39,964	\$ 1,112,027	\$ 91,111	\$ 8,822,946	\$ 19,405,239
Restricted cash with fiscal agent	—	—	—	—	499,688	499,688
Investments, restricted investments and annuity contracts	305,159	393,199	1,345,251	—	—	2,043,609
Receivables, net of allowance for uncollectibles:						
Taxes	5,760,397	—	50,081	—	141,353	5,951,831
Due from federal government	2,133,627	—	—	588,498	629,163	3,351,288
Loan receivable	77,019	—	45,154	—	9,389	131,562
Other receivables	1,430,104	709	27,383	—	626,302	2,084,498
Due from cities and towns	20,452	—	—	—	—	20,452
Due from other funds	1,155,152	—	11,445	—	119,209	1,285,806
Due from component units	1,650	—	—	—	—	1,650
Total assets	\$ 20,222,751	\$ 433,872	\$ 2,591,341	\$ 679,609	\$ 10,848,050	\$ 34,775,623
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,274,836	\$ 38,545	\$ 20,146	\$ 285,701	\$ 1,270,739	\$ 4,889,967
Accrued payroll	301,960	—	—	14,827	10,397	327,184
Tax refunds and abatements payable	2,281,359	—	812	—	956	2,283,127
Due to other funds	—	—	11,445	219,451	1,054,910	1,285,806
Due to component units	92,925	—	—	—	1,426,686	1,519,611
Due to federal government	666,448	—	—	—	—	666,448
Unearned revenue	—	1,492	—	55,321	—	56,813
Claims and judgments	63,264	—	—	—	—	63,264
School construction grants payable	—	—	250,805	—	—	250,805
Other accrued liabilities	522	—	—	—	95,145	95,667
Total liabilities	6,681,314	40,037	283,208	575,300	3,858,833	11,438,692
Deferred inflows of resources - unavailable revenue	636,505	—	—	—	467,027	1,103,532
Deferred inflows of resources - leases	63,155	—	—	—	—	63,155
Total deferred inflows of resources	699,660	—	—	—	467,027	1,166,687
Total liabilities and deferred inflows of resources	7,380,974	40,037	283,208	575,300	4,325,860	12,605,379
Fund balances:						
Nonspendable	—	393,199	—	—	—	393,199
Restricted	—	—	662,584	104,309	1,381,505	2,148,398
Committed	8,110,684	—	—	—	5,525,827	13,636,511
Assigned	1,425,519	636	1,645,549	—	1,495,054	4,566,758
Unassigned (deficits)	3,305,574	—	—	—	(1,880,196)	1,425,378
Fund balances	12,841,777	393,835	2,308,133	104,309	6,522,190	22,170,244
Total liabilities, deferred inflows of resources and fund balances	\$ 20,222,751	\$ 433,872	\$ 2,591,341	\$ 679,609	\$ 10,848,050	\$ 34,775,623

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, 2025

(Amounts in thousands)

Total fund balances - governmental funds	\$ 22,170,244
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	1,833,846
Capital assets being depreciated and amortized, net	<u>4,357,461</u>
Capital assets, net of accumulated depreciation and amortization	6,191,307
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	1,103,533
Deferred inflows of resources are not reported in the governmental funds:	
Gain on refunding	(1,307,151)
Pension related	(1,138,863)
OPEB related	<u>(3,970,461)</u>
Total deferred inflow of resources	(6,416,475)
Deferred outflows of resources are not reported in the governmental funds:	
Loss on refunding	60,029
Pension related	5,814,168
OPEB related	<u>1,541,029</u>
Total deferred outflow of resources	7,415,226
Massachusetts School Building Authority assets (excluding capital assets)	2,804
Due to/from component units, net	14,155
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	(40,407,062)
Net OPEB liability	(12,342,168)
Commonwealth bonded debt	(34,183,840)
Unamortized bond premiums	(3,857,942)
Accrued interest	(474,643)
Massachusetts School Building Authority bonded debt	(5,521,739)
Prizes payable	(395,532)
Right-to-use lease and subscription liabilities	(890,134)
Environmental remediation liability	(280,110)
Claims and judgments	—
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	(1,194,470)
Other	<u>(94,608)</u>
Long-term liabilities (including current portions)	(99,642,248)
Total net (deficit) - governmental activities	<u>\$ (69,161,454)</u>

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, 2025
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Federal Grants	Other Governmental Funds	Total
REVENUES						
Taxes.....	\$ 39,542,503	\$ 313	\$ 1,276,666	\$ —	\$ 4,066,788	\$ 44,886,270
Assessments.....	421,179	—	—	—	2,157,837	2,579,016
Federal grants and reimbursements.....	16,213,767	—	—	6,997,102	3,107,738	26,318,607
Departmental.....	4,543,618	5,976,787	—	—	1,641,812	12,162,217
Miscellaneous.....	1,186,506	14,624	125,264	39	1,044,109	2,370,542
Total revenues.....	61,907,573	5,991,724	1,401,930	6,997,141	12,018,284	88,316,652
EXPENDITURES						
Current:						
Legislature.....	96,781	—	—	—	—	96,781
Judiciary.....	1,355,011	—	—	4,304	3,721	1,363,036
Office of Inspector General.....	8,916	—	—	—	244	9,160
Governor and Lieutenant Governor.....	9,182	—	—	—	114	9,296
Secretary of the Commonwealth.....	83,126	—	—	883	10,425	94,434
Treasurer and Receiver-General.....	240,416	4,852,153	36,239	1,460	1,954,280	7,084,548
State Auditor.....	24,004	—	—	—	—	24,004
Attorney General.....	143,299	—	—	18,995	14,057	176,351
State Ethics Commission.....	3,828	—	—	—	—	3,828
District Attorneys.....	178,082	—	—	5,612	9,069	192,763
Office of Campaign and Political Finance.....	2,099	—	—	10	—	2,109
Sheriff's.....	882,887	—	—	5,264	22,903	911,054
Disabled Persons Protection Commission.....	12,688	—	—	1,320	—	14,008
Commission on the Status of Women.....	905	—	—	—	25	930
Massachusetts Gaming Commission.....	—	—	—	—	74,164	74,164
Office of the Comptroller.....	42,330	—	—	—	3,005	45,335
Administration and Finance.....	3,070,743	—	—	16,082	843,682	3,930,507
Energy and Environmental Affairs.....	583,911	—	—	77,126	389,039	1,050,076
Developmental Disabilities Council.....	—	—	—	751	105	856
Health and Human Services.....	9,974,190	—	—	3,569,803	1,002,427	14,546,420
Technology Services and Security.....	201,243	—	—	—	32,634	233,877
Veterans' Services.....	129,901	—	—	341	1,038	131,280
Office of the Veteran Advocate.....	1,684	—	—	—	—	1,684
Housing and Livable Communities.....	1,955,811	—	—	881,501	33,583	2,870,895
Massachusetts Department of Transportation.....	3,081	—	—	24	4,425,219	4,428,324
Office of the Child Advocate.....	5,374	—	—	—	—	5,374
Commission Against Discrimination.....	11,908	—	—	—	—	11,908
Cannabis Control Commission.....	—	—	—	—	19,932	19,932
Board of Library Commissioners.....	52,384	—	—	2,613	—	54,997
Education.....	5,182,587	—	—	1,667,517	1,279,766	8,129,870
Center for Health and Information Analysis.....	33,989	—	—	161	508	34,658
Massachusetts School Building Assistance.....	—	—	755,115	—	—	755,115
Public Safety and Security.....	1,675,374	—	—	436,891	181,051	2,293,316
Massachusetts Peace Officer Standards and Training Commission.....	7,985	—	—	—	—	7,985
Commission on the Status of Persons with Disabilities.....	145	—	—	—	—	145
Economic Development.....	227,068	—	—	12,376	117,351	356,795
Labor and Workforce Development.....	117,740	—	—	139,432	193,569	450,741
Medicaid.....	22,417,363	—	—	—	3,905,701	26,323,064
Post employment benefits.....	1,894,030	—	1,727	—	—	1,895,757
Direct local aid.....	7,765,259	—	—	—	500,573	8,265,832
Capital outlay.....	208,867	—	—	—	2,101,621	2,310,488
Debt service/commercial paper repayments.....	—	—	383,508	—	2,827,278	3,210,786
Principal on current refundings.....	—	—	—	—	676,072	676,072
Total expenditures.....	58,604,191	4,852,153	1,176,589	6,842,466	20,623,156	92,098,555
Excess/(deficiency) of revenues over/(under) expenditures ..	3,303,382	1,139,571	225,341	154,675	(8,604,872)	(3,781,903)
OTHER FINANCING SOURCES						
Bonds premium.....	—	—	—	—	355,415	355,415
Issuance of general and special obligation bonds.....	—	—	—	—	3,330,955	3,330,955
Issuance of current refunding bonds.....	—	—	—	—	610,115	610,115
Leases issued.....	187,550	—	8,923	—	—	196,473
SBITAs issued.....	21,317	—	136	—	—	21,453
Transfers in for debt service.....	—	—	—	—	2,788,898	2,788,898
Transfers in.....	2,441,199	—	—	14,673	8,536,460	10,992,332
Total other financing sources.....	2,650,066	—	9,059	14,673	15,621,843	18,295,641
OTHER FINANCING USES						
Transfers out.....	4,970,850	1,197,402	—	163,209	4,402,846	10,734,307
Transfers of appropriations.....	2,136,313	—	—	—	43,398	2,179,711
Transfers of bond proceeds.....	—	—	—	—	187,866	187,866
Transfers out for debt service.....	1,455,589	—	—	—	1,333,309	2,788,898
Total other financing uses.....	8,562,752	1,197,402	—	163,209	5,967,419	15,890,782
Total other financing sources and (uses).....	(5,912,686)	(1,197,402)	9,059	(148,536)	9,654,424	2,404,859
Net change in fund balances.....	(2,609,304)	(57,831)	234,400	6,139	1,049,552	(1,377,044)
Fund balances at beginning of year.....	15,451,081	451,666	2,073,733	98,170	5,472,638	23,547,288
Fund balances at end of year.....	\$ 12,841,777	\$ 393,835	\$ 2,308,133	\$ 104,309	\$ 6,522,190	\$ 22,170,244

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ (1,377,044)

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	607,081

Current year depreciation and amortization expense	(858,953)

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	(158,848)

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	(1,883,710)

Change in right-to-use lease and subscription liabilities	37,472

Massachusetts School Building Authority (excluding lease related assets and liabilities)	195,887

Net pension costs	828,082

Net OPEB costs	806,498

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	33,101

Change in net position of governmental activities	<u><u>\$ (1,770,434)</u></u>

The notes to the financial statements are an integral part of this statement



Proprietary Funds Financial Statements



Statement of Net Position
Proprietary Funds
June 30, 2025
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
ASSETS AND DEFERRED OUTFLOWS:						
Current assets:						
Cash and cash equivalents	\$ 2,365,889	\$ 1,803,146	\$ 188,104	\$ 469,036	\$ 317,360	\$ 5,143,535
Restricted cash with fiscal agent	271,576	—	—	—	—	271,576
Short-term investments	—	—	709,312	158,210	130,736	998,258
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	1,143	—	27,812	2,376	11,330	42,661
Loans receivable	—	—	705	217	8,526	9,448
Lease receivable	—	—	18,283	40,585	—	58,868
Other receivables	431,848	387,898	303,278	27,283	67,851	1,218,158
Due from affiliates	—	—	10,219	—	—	10,219
Due from component units	—	—	—	358	14,633	14,991
Other current assets	—	—	41,080	4,151	7,894	53,125
Total current assets	3,070,456	2,191,044	1,298,793	702,216	558,330	7,820,839
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	407,472	15,404	38	422,914
Long-term investments	—	—	1,837,954	252,866	211,375	2,302,195
Restricted investments	—	—	—	1,215	—	1,215
Receivables, net of allowance for uncollectibles:						
Loans receivable	—	—	12,312	689	—	13,001
Lease receivable	—	—	274,210	824,207	—	1,098,417
Other receivables	—	—	17,799	—	—	17,799
Non-depreciable capital assets	—	—	609,303	212,148	132,018	953,469
Depreciable capital, right-to-use lease and subscription assets, net	—	—	5,409,208	2,446,282	982,879	8,838,369
Other noncurrent assets	—	—	4,383	8,498	—	12,881
Total noncurrent assets	—	—	8,572,641	3,761,309	1,326,310	13,660,260
Total assets	3,070,456	2,191,044	9,871,434	4,463,525	1,884,640	21,481,099
Deferred outflows of resources:						
Derivatives - interest rate swaps	—	—	—	—	249	249
Pensions	—	—	92,866	21,141	23,131	137,138
OPEB	—	—	164,583	21,872	27,714	214,169
Loss on refunding	—	—	86,032	6,454	—	92,486
Other	—	—	689	115	—	804
Total deferred outflows of resources	—	—	344,170	49,582	51,094	444,846
Total assets and deferred outflows	3,070,456	2,191,044	10,215,604	4,513,107	1,935,734	21,925,945
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	127,920	36,243	218,564	54,770	62,493	499,990
Accrued payroll	—	340	186,306	52,445	34,790	273,881
Compensated absences	—	—	138,424	43,353	40,879	222,656
Accrued interest payable	24,205	—	23,528	75	102	47,910
Tax refunds and abatements payable	187,171	20,227	—	—	—	207,398
Unearned revenue	—	—	131,367	28,647	24,858	184,872
Student deposits	—	—	16,209	15,963	27,747	59,919
Due to component units	—	—	—	—	333	333
Overdraws of federal pandemic-related unemployment insurance benefits	203,417	—	—	—	—	203,417
Right-to-use lease and subscription liabilities	—	—	22,971	52,987	13,118	89,076
Due to federal government	—	—	—	—	—	—
Environmental remediation liability	—	—	—	—	—	—
Bonds, notes payable and other obligations	325,640	—	197,753	61,914	4,059	589,366
Total current liabilities	868,353	56,810	935,122	310,154	208,379	2,378,818
Noncurrent liabilities:						
Compensated absences	—	—	49,234	24,263	19,675	93,172
Due to federal government	—	—	—	1,203	—	1,203
Overdraws of federal pandemic-related unemployment insurance benefits	1,830,757	—	—	—	—	1,830,757
Right-to-use lease and subscription liabilities	—	—	168,222	854,092	32,785	1,055,099
Bonds, notes payable and other obligations	1,063,465	—	3,211,324	1,016,806	62,424	5,354,019
Liability for derivative instruments	—	—	—	—	249	249
Net pension liability	—	—	362,097	107,588	57,964	527,649
Net OPEB liability	—	—	408,128	117,043	65,332	590,503
Other noncurrent liabilities	—	—	154,222	10,853	6,662	171,737
Total noncurrent liabilities	2,894,222	—	4,353,227	2,131,848	245,091	9,624,388
Total liabilities	3,762,575	56,810	5,288,349	2,442,002	453,470	12,003,206

continued

Statement of Net Position

Proprietary Funds

June 30, 2025

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
Deferred inflows of resources:						
Service concession arrangements	—	—	239,358	19,748	—	259,106
Pensions and OPEB	—	—	482,085	153,156	77,033	712,274
Gain on refunding	—	—	—	44,477	—	44,477
Leases	—	—	193,210	678,816	—	872,026
Other	—	—	14,118	—	10,000	24,118
Total deferred inflows of resources	—	—	928,771	896,197	87,033	1,912,001
Total liabilities and deferred inflows	3,762,575	56,810	6,217,120	3,338,199	540,503	13,915,207
NET POSITION:						
Net investment in capital assets	—	—	2,506,627	634,132	1,006,831	4,147,590
Restricted for:						
Debt service	271,576	—	—	—	—	271,576
Unemployment benefits	388,905	—	—	—	—	388,905
Family and employment benefits	—	2,134,234	—	—	—	2,134,234
Higher education endowment funds	—	—	12,144	110	550	12,804
Higher education academic support and programs	—	—	—	2,988	5,239	8,227
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	2,119	—	2,119
Expendable	—	—	—	4,480	1,428	5,908
Higher education capital projects - expendable purposes	—	—	—	24,249	1,585	25,834
Higher education grants, gifts, and other	—	—	290,814	28,327	12,370	331,511
Unrestricted (deficits) *	(1,352,600)	—	1,188,899	478,503	367,228	682,030
Total net position	\$ (692,119)	\$ 2,134,234	\$ 3,998,484	\$ 1,174,908	\$ 1,395,231	\$ 8,010,738

The notes to the financial statements are an integral part of this statement.

* Unemployment Compensation Trust Fund Unrestricted deficit amount relates to the bond issuance.

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
Operating revenues:						
Unemployment compensation contribution	\$ 1,596,257	\$ —	\$ —	\$ —	\$ —	\$ 1,596,257
Unemployment special obligation bond assessment	374,787	—	—	—	—	374,787
Family and employment security contribution	—	1,352,212	—	—	—	1,352,212
Net tuition and fees	—	—	1,044,796	333,022	154,917	1,532,735
Grants and reimbursements	—	—	856,066	204,532	448,412	1,509,010
Auxiliary enterprises	—	—	486,257	155,767	5,476	647,500
Sales & services	—	—	600,102	125,793	1,128	727,023
Miscellaneous	32,577	99	145,909	10,313	15,234	204,132
Total operating revenues	2,003,621	1,352,311	3,133,130	829,427	625,167	7,943,656
Operating expenses:						
Unemployment compensation	2,090,124	—	—	—	—	2,090,124
Family and employment security	—	1,235,006	—	—	—	1,235,006
Instruction	—	—	1,100,617	352,258	389,355	1,842,230
Research	—	—	673,289	109	8	673,406
Academic support	—	—	261,282	130,359	130,691	522,332
Student services	—	—	253,837	142,553	186,175	582,565
Scholarships and fellowships	—	—	33,704	69,434	98,776	201,914
Public service	—	—	90,206	7,164	9,186	106,556
Operation and maintenance of plant	—	—	294,961	116,712	76,956	488,629
Institutional support	—	—	381,229	140,688	173,309	695,226
Other operating expenses	—	59,914	452,399	569	45	512,927
Depreciation	—	—	351,047	110,879	61,124	523,050
Amortization	—	—	30,905	63,929	16,064	110,898
Auxiliary operations	—	—	375,960	123,374	3,407	502,741
Total operating expenses	2,090,124	1,294,920	4,299,436	1,258,028	1,145,096	10,087,604
Operating income/(loss)	(86,503)	57,391	(1,166,306)	(428,601)	(519,929)	(2,143,948)
Nonoperating revenues/(expenses):						
Other federal revenues	7,214	—	121,209	9,156	379	137,958
Other revenues	—	—	347,716	102,202	78,434	528,352
Other expenses	(1)	—	(42,837)	(74)	(749)	(43,661)
Investment earnings	76,676	76,959	289,591	49,349	33,580	526,155
Interest expense	(55,731)	—	(135,963)	(79,244)	(4,496)	(275,434)
Total nonoperating revenues/(expenses)	28,158	76,959	579,716	81,389	107,148	873,370
Income/(loss) before capital contributions and transfers	(58,345)	134,350	(586,590)	(347,212)	(412,781)	(1,270,578)
Capital contributions	—	—	15,375	3,515	25	18,915
Transfers, net	—	(5,941)	1,048,336	507,025	560,132	2,109,552
Total capital contributions and transfers	—	(5,941)	1,063,711	510,540	560,157	2,128,467
Change in net position	(58,345)	128,409	477,121	163,328	147,376	857,889
Net position/(deficits) - beginning, as previously reported	(633,774)	2,005,825	3,551,835	1,011,580	1,247,855	7,183,321
Prior period restatements - Note 1T	—	—	(30,472)	—	—	(30,472)
Net position (deficits) - beginning, as restated	(633,774)	2,005,825	3,521,363	1,011,580	1,247,855	7,152,849
Net position - ending	\$ (692,119)	\$ 2,134,234	\$ 3,998,484	\$ 1,174,908	\$ 1,395,231	\$ 8,010,738

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Collection of unemployment contributions.....	\$ 1,543,557	\$ —	\$ —	\$ —	\$ —	\$ 1,543,557
Collection of unemployment obligation assessment.....	398,585	—	—	—	—	398,585
Collection of family and employment security contributions.....	—	1,348,718	—	—	—	1,348,718
Tuition, residence, dining and other student fees.....	—	—	995,480	348,841	139,440	1,483,761
Research grants and contracts.....	—	—	856,665	203,553	454,726	1,514,944
Payments to suppliers.....	—	(49,502)	(1,229,618)	(291,039)	(217,087)	(1,787,246)
Payments to employees.....	—	(7,471)	(2,627,474)	(615,150)	(611,878)	(3,861,973)
Payments to students.....	—	—	(33,961)	(54,681)	(97,969)	(186,611)
Payments for unemployment benefits.....	(2,110,727)	—	—	—	—	(2,110,727)
Payments for family and employment security benefits.....	—	(1,242,747)	—	—	—	(1,242,747)
Collection of loans to students and employees.....	—	—	(1,371)	332	—	(1,039)
Income from contract services.....	—	—	607,355	89,494	1,262	698,111
Maintenance costs.....	—	—	—	(2,105)	—	(2,105)
Auxiliary enterprise charges.....	—	—	488,293	107,552	536	596,381
Other receipts/(payments).....	24,673	43	486,732	(69,029)	(117,787)	324,632
Net cash provided by/(used in) operating activities.....	<u>(143,912)</u>	<u>49,041</u>	<u>(457,899)</u>	<u>(282,232)</u>	<u>(448,757)</u>	<u>(1,283,759)</u>
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
Grants and contracts.....	7,214	—	170,295	9,113	1,925	188,547
Bond trustee costs.....	(1)	—	—	—	—	(1)
Principal paid on bond payable.....	(441,420)	—	—	—	—	(441,420)
Interest paid on bond payable.....	(63,606)	—	—	—	—	(63,606)
Transfers in.....	—	—	1,210,041	554,338	603,198	2,367,577
Transfers out.....	—	(5,941)	(161,705)	(47,313)	(43,066)	(258,025)
Assignment of Perkins loans.....	—	—	—	(76)	—	(76)
Net cash provided by/(used in) non-capital financing activities.....	<u>(497,813)</u>	<u>(5,941)</u>	<u>1,218,631</u>	<u>516,062</u>	<u>562,057</u>	<u>1,792,996</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchases of capital assets.....	—	—	(465,256)	(65,752)	(46,213)	(577,221)
Proceeds/(loss) from sales of capital assets.....	—	—	(71)	—	—	(71)
Other capital asset activity.....	—	—	34,663	7,920	—	42,583
Advance payment related to service concession arrangement.....	—	—	—	511	—	511
Principal paid on capital debt and leases.....	—	—	(140,978)	(103,240)	(19,285)	(263,503)
Interest paid on capital debt and leases.....	—	—	(156,136)	(84,081)	(4,570)	(244,787)
Net cash provided by/(used in) capital financing activities.....	<u>—</u>	<u>—</u>	<u>(727,778)</u>	<u>(244,642)</u>	<u>(70,068)</u>	<u>(1,042,488)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments.....	—	—	3,371,690	211,042	126,995	3,709,727
Purchases of investments.....	—	—	(3,517,462)	(217,077)	(164,850)	(3,899,389)
Investment earnings.....	76,676	76,959	96,505	28,997	12,747	291,884
Net cash provided by/(used in) investing activities.....	<u>76,676</u>	<u>76,959</u>	<u>(49,267)</u>	<u>22,962</u>	<u>(25,108)</u>	<u>102,222</u>
Net increase/(decrease) in cash and cash equivalents.....	<u>(565,049)</u>	<u>120,059</u>	<u>(16,313)</u>	<u>12,150</u>	<u>18,124</u>	<u>(431,029)</u>
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year.....	3,202,514	1,683,087	611,889	472,290	299,274	6,269,054
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year.....	<u>\$ 2,637,465</u>	<u>\$ 1,803,146</u>	<u>\$ 595,576</u>	<u>\$ 484,440</u>	<u>\$ 317,398</u>	<u>\$ 5,838,025</u>
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss).....	\$ (86,503)	\$ 57,391	\$ (1,166,306)	\$ (428,601)	\$ (519,929)	\$ (2,143,948)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense.....	—	—	351,047	110,879	61,124	523,050
Amortization expense.....	—	—	30,905	63,929	16,064	110,898
Miscellaneous income/(expense).....	—	—	281,128	(78,646)	(136,152)	66,330
Deferred inflows.....	—	—	(11,050)	(79,309)	3,966	(86,393)
Deferred outflows.....	—	—	36,381	3,840	—	40,221
Fringe benefits paid by the Commonwealth.....	—	—	—	147,510	166,149	313,659
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets.....	(20,320)	3,980	100,976	4,403	(24,666)	64,373
Accounts payable, accruals, benefits and other current liabilities.....	(37,089)	(12,330)	46,563	5,885	8,208	11,237
Student deposits, unearned and deferred revenues.....	—	—	(13,401)	4,697	12,041	3,337
Pension, OPEB and other non current liabilities.....	—	—	(114,142)	(36,819)	(35,562)	(186,523)
Net cash provided by/(used in) operating activities.....	<u>\$ (143,912)</u>	<u>\$ 49,041</u>	<u>\$ (457,899)</u>	<u>\$ (282,232)</u>	<u>\$ (448,757)</u>	<u>\$ (1,283,759)</u>

continued

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
Non-cash investing, capital and financing, and non-capital financing activities:						
Acquisition of capital assets through leases and SBITAs	\$ —	\$ —	\$ 25,614	\$ 14,128	\$ 12,848	\$ 52,590
Acquisition of capital assets	—	—	—	24,472	—	24,472
Amortization of bond premium/discount	—	—	—	465	66	531
Amortization of deferred bond refunding gain/loss	—	—	—	(139)	—	(139)
Amortization of deferred inflows for P3s and SCAs	—	—	—	50	—	50
Capital assets acquired and included in accounts payable	—	—	36,018	4,481	255	40,754
Capital assets acquired through P3s and SCAs	—	—	—	1,575	—	1,575
Capital assets acquired through state capital appropriations	—	—	—	30,195	49,044	79,239
Disposal of capital assets gain/(loss)	—	—	(22,127)	(57)	(575)	(22,759)
Donated or gifted assets	—	—	71	—	25	96
Fringe benefits provided by state appropriations	—	—	—	147,510	166,149	313,659
Increases/decreases in deferred inflows for bond refunding	—	—	—	(151)	—	(151)
Increases/decreases in deferred inflows for leases, P3s and SCAs	—	—	—	548	—	548
Increases/decreases in deferred outflows for bond refunding	—	—	—	196	—	196
Increases/decreases in deferred revenues	—	—	—	1,209	—	1,209
Increases/decreases in lease liability	—	—	—	239	(1,808)	(1,569)
Unrealized gain/(loss) on investments	—	—	—	6,783	18,166	24,949
Total Non-cash investing, capital and financing, and non-capital financing activities	\$ —	\$ —	\$ 39,576	\$ 231,504	\$ 244,170	\$ 515,250

The notes to the financial statements are an integral part of this statement.

Fiduciary Funds Financial Statements



Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2025

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 282,214	\$ 8,291,670	\$ 1,215	\$ 703,320
Short-term investments	—	18,846	—	—
Net investment in PRIT at fair value	87,545,412	27,903,612	—	—
Investments, restricted investments	—	—	—	488,430
Receivables, net of allowance for uncollectibles:				
Taxes	—	—	—	41,249
Other receivables	251,976	18,413	—	135,461
Due from federal government	—	—	—	1,605
Other assets	546	—	—	—
Total assets	88,080,148	36,232,541	1,215	1,370,065
LIABILITIES				
Accounts payable and other accrued liabilities	65,468	58,409	—	8,490
Due to cities and towns	—	—	—	136,818
Due to federal government	—	—	—	9
Other liabilities	—	—	—	6,621
Total liabilities	65,468	58,409	—	151,938
FIDUCIARY NET POSITION				
Restricted for:				
Employees' pension	85,207,678	—	—	—
Employees' post-employment benefits	2,807,002	—	—	—
External investment trust fund participants	—	36,174,132	—	—
Individuals, organizations, and other governments	—	—	1,215	1,218,127
Total fiduciary net position	\$ 88,014,680	\$ 36,174,132	\$ 1,215	\$ 1,218,127

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, 2025

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth	\$ 2,202,285	\$ —	\$ —	\$ —
Non-employer contributions - Commonwealth	2,641,366	—	—	—
Employer contributions - other employers	14,107	—	—	—
Employee contributions	1,896,602	—	—	—
Boston teachers' contribution from Commonwealth	261,107	—	—	—
Proceeds from sale of units	—	25,652,606	—	—
Sales tax collections for other governments	—	—	—	719,251
Child support collections	—	—	—	612,423
Local school aid collections	—	—	—	1,110,752
Municipal health insurance deposit collections	—	—	—	725,399
Court escrow account collections	—	—	—	117,601
Other additions	253,992	2,088,729	—	517,367
Total contributions	7,269,459	27,741,335	—	3,802,793
Net investment gain/(loss):				
Investment gain/(loss)	8,112,626	3,228,805	27	13,111
Less: investment expense	(387,501)	(398,581)	—	—
Net investment gain/(loss)	7,725,125	2,830,224	27	13,111
Total additions	14,994,584	30,571,559	27	3,815,904
DEDUCTIONS				
Administration	40,823	—	—	—
Retirement benefits and refunds	7,437,660	1,487,231	—	—
Payments to State Boston Retirement System	261,107	—	—	—
Cost of units redeemed	—	25,541,305	—	—
Distribution to unit holders	—	374,212	—	—
Sales tax payments to other governments	—	—	—	719,251
Child support payments to individuals	—	—	—	616,325
Local school aid payments	—	—	—	1,110,752
Municipal health insurance deposit payments	—	—	—	926,752
Court escrow account payments	—	—	—	122,663
Other deductions	90,355	—	1	505,613
Total deductions	7,829,945	27,402,748	1	4,001,356
Change in net position	7,164,639	3,168,811	26	(185,452)
Net position - beginning	80,850,041	33,005,321	1,189	1,403,579
Net position - ending	\$ 88,014,680	\$ 36,174,132	\$ 1,215	\$ 1,218,127

The notes to the financial statements are an integral part of this statement.



Discretely Presented Component Units Financial Statements



Statement of Net Position
Discretely Presented Component Units
June 30, 2025

(Amounts in thousands)

	Massachusetts Department of Transportation	Massachusetts Bay Transportation Authority	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS						
Current assets:						
Cash and cash equivalents	\$ 410,554	\$ 692,199	\$ 160,848	\$ 1,516,069	\$ 251,177	\$ 3,030,847
Short-term investments	—	—	—	157,680	248,151	405,831
Restricted cash and investments	1,617,244	194,068	—	—	1,164,738	2,976,050
Assets held in trust	—	—	—	148,143	64,895	213,038
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursement receivable	41,317	119,710	—	346,740	12,021	519,788
Loans	—	—	—	666,388	79,339	745,727
Lease receivables	34,859	4,731	—	—	12,272	51,862
Other receivables	293,211	126,301	12,656	36,550	66,466	535,184
Due from primary government	1,172,191	140,296	23,218	—	133,494	1,469,199
Inventory	—	101,506	—	—	228	101,734
Other current assets	13,208	21,535	829	—	22,319	57,891
Total current assets	3,582,584	1,400,346	197,551	2,871,570	2,055,100	10,107,151
Noncurrent assets:						
Cash and cash equivalents - restricted	57,040	610,830	—	—	102,075	769,945
Long-term investments	—	—	—	148,932	1,852,322	2,001,254
Restricted investments and annuity contracts	—	—	—	—	57,935	57,935
Lease receivables	362,342	154,769	—	—	61,938	579,049
Other receivables, net	26,189	—	—	—	26,117	52,306
Loans receivables, net	—	—	—	3,863,555	668,675	4,532,230
Due from primary government	2,816	—	—	—	4,632	7,448
Non-depreciable capital assets	14,663,501	5,579,317	—	—	320,072	20,562,890
Depreciable capital and right-to-use assets, net	13,689,553	12,455,975	13,449	—	823,158	26,982,135
Other noncurrent assets	1,263	—	—	4,409	14,961	20,633
Total noncurrent assets	28,802,704	18,800,891	13,449	4,016,896	3,931,885	55,565,825
Total assets	32,385,288	20,201,237	211,000	6,888,466	5,986,985	65,672,976
Deferred outflows of resources:						
Change in fair value of interest rate swaps	—	1,160	—	—	11,801	12,961
Loss on refunding	43,390	79,259	—	2,656	—	125,305
Pension	199,501	337,575	—	—	7,367	544,443
OPEB	201,066	436,902	2,893	—	3,533	644,394
Total deferred outflows of resources	443,957	854,896	2,893	2,656	22,701	1,327,103
Total assets and deferred outflows	32,829,245	21,056,133	213,893	6,891,122	6,009,686	67,000,079
LIABILITIES AND DEFERRED INFLOWS						
Current liabilities:						
Accounts payable and other liabilities	798,310	799,187	42,674	144,525	175,480	1,960,176
Accrued payroll	—	45,770	405	—	3,943	50,118
Compensated absences	44,673	77,115	1,393	—	5,579	128,760
Accrued interest payable	31,485	113,297	—	50,935	1,820	197,537
Due to primary government	—	—	—	—	16,641	16,641
Unearned revenue	220,823	—	78,517	109,945	359,467	768,752
Right-to use lease, public-private partnership, and subscription liabilities	12,968	13,204	686	—	7,931	34,789
Bonds, notes payable and other obligations	176,336	609,852	—	164,885	44,441	995,514
Total current liabilities	1,284,595	1,658,425	123,675	470,290	615,302	4,152,287
Noncurrent liabilities:						
Compensated absences	27,326	96,068	—	—	2,155	125,549
Accrued interest payable	92,865	—	—	—	—	92,865
Due to primary government	—	—	—	—	21,603	21,603
Unearned revenue	12,078	395,889	—	—	1,415	409,382
Right-to use lease, public-private partnership, and subscription liabilities	39,297	131,218	314	—	47,525	218,354
Bonds, notes payable and other obligations	1,429,247	5,770,766	—	2,470,333	614,158	10,284,504
Net pension liability	815,927	1,780,486	—	—	43,526	2,639,939
Net OPEB liability	832,160	2,340,857	12,034	—	—	3,185,051
Liability for derivative instruments	5,902	1,160	—	—	—	7,062
Other noncurrent liabilities	51,443	93,730	—	—	226,079	371,252
Total noncurrent liabilities	3,306,245	10,610,174	12,348	2,470,333	956,461	17,355,561
Total liabilities	4,590,840	12,268,599	136,023	2,940,623	1,571,763	21,507,848
Deferred inflows of resources:						
Gain on refundings	—	—	—	14,900	—	14,900
Service concession arrangements	—	—	—	—	343	343
Pension	33,720	20,394	—	—	2,734	56,848
OPEB	241,400	410,083	6,775	—	4,974	663,232
Leases	370,285	188,364	—	—	66,195	624,844
Other	20,413	—	—	—	—	20,413
Total deferred inflows of resources	665,818	618,841	6,775	14,900	74,246	1,380,580
Total liabilities and deferred inflows	5,256,658	12,887,440	142,798	2,955,523	1,646,009	22,888,428
NET POSITION						
Net investment/(deficit) in capital assets	26,739,664	11,934,704	12,449	—	1,014,755	39,701,572
Restricted for:						
Other purposes	2,069,124	110,955	—	3,007,274	2,680,240	7,867,593
Unrestricted	(1,236,201)	(3,876,966)	58,646	928,325	668,682	(3,457,514)
Total net position	\$ 27,572,587	\$ 8,168,693	\$ 71,095	\$ 3,935,599	\$ 4,363,677	\$ 44,111,651

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, 2025

(Amounts in thousands)

	Massachusetts Department of Transportation	Massachusetts Bay Transportation Authority	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:						
Charges for services	\$ 1,101,405	\$ 440,688	\$ 1,237,455	\$ 5,846	\$ 368,057	\$ 3,153,451
Other	—	101,496	—	229,483	391,648	722,627
Total operating revenues	1,101,405	542,184	1,237,455	235,329	759,705	3,876,078
Operating expenses:						
Cost of services	3,532,013	1,209,265	1,170,509	262,027	539,579	6,713,393
Administration costs	—	1,414,789	97,972	4,826	178,123	1,695,710
Depreciation & Amortization	896,520	913,229	5,614	—	68,012	1,883,375
Total operating expenses	4,428,533	3,537,283	1,274,095	266,853	785,714	10,292,478
Operating income/(loss)	(3,327,128)	(2,995,099)	(36,640)	(31,524)	(26,009)	(6,416,400)
Nonoperating revenues/(expenses):						
Net decrease in fair value of investments	—	—	—	—	1,976	1,976
Operating grants	2,271,439	193,094	45,000	—	117,959	2,627,492
Interest income	12,475	80,680	3,097	—	284,924	381,176
Other nonoperating revenue/(expense)	—	1,950,844	2,038	—	21,550	1,974,432
Nonoperating revenues/(expenses), net	2,283,914	2,224,618	50,135	—	426,409	4,985,076
Income/(loss) before contributions	(1,043,214)	(770,481)	13,495	(31,524)	400,400	(1,431,324)
Capital contributions	2,542,793	1,006,507	—	274,662	94,724	3,918,686
Change in net position	1,499,579	236,026	13,495	243,138	495,124	2,487,362
Net position - beginning, as previously reported	26,073,130	8,057,454	57,600	3,692,461	3,868,553	41,749,198
Prior period restatements - Note 1T	(122)	(124,787)	—	—	—	(124,909)
Net position - beginning, as restated	\$ 26,073,008	\$ 7,932,667	\$ 57,600	\$ 3,692,461	\$ 3,868,553	\$ 41,624,289
Net position - ending	\$ 27,572,587	\$ 8,168,693	\$ 71,095	\$ 3,935,599	\$ 4,363,677	\$ 44,111,651

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 40 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. Because 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, and the MSBA's bonded debt is secured by these sales tax revenues, it is financially dependent on the Commonwealth and therefore classified as a blended component unit. 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, funded mainly by annual appropriations paid from general tax revenues of the primary government, and is thus classified and 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 \$27.904 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 holds most of the Commonwealth's cash balances, making it a blended component unit. It also holds balances of the Commonwealth's political subdivisions. The various local governments and other political subdivisions share of net position is approximately \$8.271 billion at June 30, 2025, 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 14 community colleges (exclude Roxbury Community College) located throughout the Commonwealth and the Massachusetts State College Building Authority. The 22 foundations of the state universities and community colleges are component units of each of their respective parent institutions, and thus component units of the Commonwealth.

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 major component units are as follows:

Major component units:

The Massachusetts Department of Transportation (MassDOT) incorporates the former Massachusetts Turnpike Authority and the Regional Transit Authorities. MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance law and is reported as part of the Commonwealth for compliance with federal and state tax law. In this unique relationship all road and bridge assets of the Commonwealth (including the former Turnpike Authority (MTA)) have been transferred to MassDOT, while the Commonwealth will continue to hold current and future debt for the construction repair, improvement, and replacement of these assets. MassDOT operating budget is funded in large part by Commonwealth appropriations and its entire non-federally fund capital budget is financed by bonds issued by the primary government, it is classified as a component unit.

The Massachusetts Bay Transportation Authority (MBTA) finances and operates mass transportation facilities within, and, to a limited extent, outside of its territorial area within the Greater Boston Area of 176 cities and towns and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads. Effective July 29, 2021, the Authority is a component unit of the Commonwealth of Massachusetts. Previously, the Authority was a component unit of MassDOT. Because the members of the MBTA's board are appointed by the governor, and is financially dependent on the primary government due to the annual transfer of a portion of the state's sales, it is classified as a component unit.

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. Due to the fact that the entire board is appointed by the primary government and the Connector is legally accountable to the that government, the Connector is classified as a component unit.

Non-major component units:

Massachusetts Convention Center Authority was established for the purpose of managing the Commonwealth's convention centers primarily for the convention, trade show and meetings industry.

Massachusetts Development Finance Agency was established to stimulate economic growth, increase employment, eradicate blight, promote prosperity and help build communities throughout the Commonwealth of Massachusetts.

Massachusetts Clean Energy Center was created to accelerate clean energy and climate solution innovation that is critical to meeting the Commonwealth's climate goals, advancing Massachusetts' position as an international climate leader while growing the state's clean energy economy.

Massachusetts Technology Park Corporation was created to advance the growth and development of technology sector of the Commonwealth's innovation economy.

Massachusetts Housing Partnership is a public nonprofit organization, funded in part by Massachusetts banks, that works in concert with the governor, legislature, and civic leaders to increase housing production, expand access to affordable housing and promote housing equity in communities across the Commonwealth.

Economic Development Entities were set up to support community development needs of community-based nonprofit organizations by offering flexible capital financing, technical support, and training in the areas of affordable housing development and early education; strengths the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education and workforce organization.

Higher Education Foundations was created to solicit, receive and administer financial assistance to promote the growth, and general welfare of the the educations programs of the colleges and universities.

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. Because these entities hold funds on behalf of or almost entirely contributed by the Commonwealth, they are closely connected to the Commonwealth and their exclusion would cause the Commonwealth's financial statements to be incomplete.; thus they are classified as component units. 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. Because the SRBT is financially dependent on the Commonwealth and its board of trustees is composed of members appointed by the primary government, it is classified as a component unit.

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 cathy.hunter@mass.gov 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, reduced by outstanding balances of bonds, mortgages, notes or other borrowings that are attributable 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 parties 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 Funds, Fiduciary Funds and component units – 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:

Lotteries Funds are governmental funds and account for the operations of the State and Arts Lotteries, which primarily reimburse the General Fund for local aid to cities and towns.

The Massachusetts School Building Authority is presented as a governmental fund, reflecting the activity of the blended component unit, the Massachusetts School Building Authority, accounting for grants to cities, towns and regional school districts for school construction and renovation projects.

Federal Grants Fund is a special revenue fund to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

Proprietary Fund Types:

The proprietary funds include the following major funds:

Unemployment Compensation Trust 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.

University of Massachusetts and State Universities reports operating activities consist of tuition and fees, grants and contracts, sales and services, auxiliary enterprise and other operating revenues which provides student financial assistance/scholarships and operation of the universities.

Fiduciary Fund Types:

Pension and Other Employee Benefit (OPEB) Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's pension 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 pension and OPEB benefit trust funds may be found in [Notes 9 and 10](#) to the basic financial statements on [pages 110-128](#).

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, 2025, 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 FY25 governmental fund balances are shown below (amounts in thousands);

	Nonspendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	\$ —	\$ —	\$ —	\$ —	\$ 2,835,622	\$ 2,835,622
Stabilization Fund			8,110,684	—	—	8,110,684
FY25 Authorizations Reappropriated for FY26	—	—	—	929,101	—	929,101
Transitional Escrow Fund (Includes Authorizations Reappropriated in FY25)	—	—	—	496,418	469,952	966,370
Subtotals, General Fund	—	—	8,110,684	1,425,519	3,305,574	12,841,777
Lottery Funds						
Investments, Restricted Investments, Annuity Contracts and Lottery Operations	393,199	—	—	636	—	393,835
Massachusetts School Building Authority (MSBA)						
Debt Service	—	662,584	—	—	—	662,584
Grants to Cities, Towns and Local School Districts	—	—	—	1,645,549	—	1,645,549
Subtotals, MSBA	—	662,584	—	1,645,549	—	2,308,133
Federal Grants						
Restricted by Federal Grantors	—	104,309	—	—	—	104,309
Other Governmental Funds						
Environmental	—	—	24,502	—	—	24,502
Regional Greenhouse Gas Auction and Mitigation	—	—	191,486	—	—	191,486
Dam and Seawall Repair	—	—	23,681	—	—	23,681
Public Safety - Enhanced 911 Services	—	—	301,695	—	—	301,695
Public Safety - Other	—	—	42,799	—	—	42,799
Health Care	—	—	980,009	—	—	980,009
Vaccine Purchase	—	—	128,270	—	—	128,270
Opioid Recovery and Remediation	—	—	169,041	—	—	169,041
Marijuana Regulation	—	—	6,234	3,902	—	10,136
Workforce Training	—	—	36,395	—	—	36,395
Department of Industrial Accidents	—	—	7,838	—	—	7,838
Convention Centers	—	8,393	679,043	—	—	687,436
General Government Capital Projects Fund	—	—	—	—	(907,305)	(907,305)
Highway Capital Projects Fund	—	—	—	—	(872,860)	(872,860)
General Government Debt Service	—	5,655	—	—	—	5,655
Transportation (GANS*/Commonwealth Transportation Fund)	—	19,735	78,038	—	—	97,773
Gaming -- Community Mitigation	—	—	52,663	—	—	52,663
Race Horse Development	—	—	25,755	—	—	25,755
Housing Preservation	—	—	101,627	—	—	101,627
Expendable Trusts	—	178,382	702,552	177,286	7,596	1,065,816
Student Opportunity Act Investment Fund	—	—	767,877	—	—	767,877
Behavioral Health Funds	—	—	90,543	81,851	(142)	172,252
4% Surtax - Education and Transportation Fund	—	126,857	—	159,676	—	286,533
4% Surtax - Education and Transportation Reserve Fund	—	429,000	—	—	—	429,000
4% Surtax - Education and Transportation Innovation and Capital Fund	—	613,483	—	1,052,472	—	1,665,955
Population Health Investment Trust Fund	—	—	60,679	—	—	60,679
Debt and Long-Term Liability Reduction Trust Fund	—	—	30,554	—	—	30,554
Federal Matching and Debt Reduction	—	—	614,518	—	—	614,518
High-Quality Early Education & Care Affordability Trust Fund	—	—	33,717	—	—	33,717
Other	—	—	376,311	19,867	(107,485)	288,693
Subtotals, Other Governmental Funds	—	1,381,505	5,525,827	1,495,054	(1,880,196)	6,522,190
Totals	\$ 393,199	\$ 2,148,398	\$ 13,636,511	\$ 4,566,758	\$ 1,425,378	\$ 22,170,244

*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 110](#).

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. However, in FY24, Chapter 248 of the Acts of 2024 superseded Chapter 29 and required that the full amount of the consolidated net surplus instead be transferred to the Student Opportunity Act Investment 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. However, in FY24, Chapter 248 of the acts of 2024 superseded state finance law and required that \$876 million of capital gains tax revenue that would have been transferred to the Stabilization Fund per statute was instead retained in the General 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 FY25, the settlements and judgments revenue did not reach the five year average threshold and all such revenue was retained in the General Fund. In addition, withholding taxes on certain Lottery transfers are required to be transferred to the Stabilization 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 FY25 with a balance of \$8.111 billion, a decrease of \$413 million from FY24, due to transfers of both FY24 interest and FY25 interest earned by the Stabilization fund, totaling \$827 million, to the Commonwealth Federal Matching and Debt Reduction Fund (\$421 million in FY24 interest and \$406 million in FY25 interest) per a provision in the FY25 budget and a newly enacted statute that that requires all Stabilization Fund interest to be transferred to that fund. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

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, 2025, 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, 2025, 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' Retirement System, the Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 35.2%, 38.2% and 2.4% 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, 2025, 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 funds 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 reported as a deferred inflow of resources; unavailable revenue. 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" in the statement of net position and "Due from federal government" in the governmental funds balance sheet.

"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 FY25 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 \$79 million, representing 50%

of the amounts expected to be received during FY26. As of June 30, 2025, the Commonwealth has recognized a receivable for opioid settlements entered into to date totaling \$399 million. This amount may increase due to finalization of additional proposed settlements and/or pending certification of incentives.

“Loans Receivables” - The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist a limited number of school districts with unanticipated inflationary construction costs over the district’s original project budget. The loans outstanding as of June 30, 2025 were \$45 million, of which \$5 million is due in FY26. During FY25, the MSBA collected \$5 million of scheduled principal payments.

"Lease Receivables" - The Commonwealth and certain business-type entities act as lessors of various buildings, office space, ground leases, and similar infrastructure. Leases with maximum terms of more than twelve months are recognized as lease receivables and deferred inflow of resources in the applicable columns of the government-wide financial statements. Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, net of any estimated uncollectible amounts. As of June 30, 2025, there were no uncollectible amounts related to leases.

F. DUE FROM CITIES AND TOWNS

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

G. CAPITAL AND INTANGIBLE ASSETS

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements.

Methods used to value capital assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

Capitalization policies

All land, non-depreciable land improvements are capitalized. Single pieces of equipment, vehicles, computer equipment and software that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets of the component units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method. Unless unallocable, depreciation expense is charged to the function of the capital asset being depreciated. Estimated useful lives are as follows:

<i>Type of Asset</i>	Estimated Useful Life (in years)
Buildings	40
Infrastructure	20 to 50
Library collections that are not historical treasures	15
Equipment, office equipment and furniture, and life safety equipment	10
Computer hardware and software	3 to 7
Vehicles	5

Construction in process

Construction in process includes all associated cumulative costs of a constructed capital asset. Construction in process is relieved at the point at which an asset is placed in service for its intended use.

Intangible right to use assets

Right-to-use (RTU) assets are recognized at the lease commencement date and represent the Commonwealth's right to use an underlying asset for the lease term. RTU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Options to renew or terminate the lease are recognized as part of RTU assets and lease liabilities when it is reasonably certain the options will be exercised.

Subscription-based IT arrangements (SBITAs) are recognized in a similar fashion to RTU leases. Assets are recognized at the software's operational readiness date and represent the Commonwealth's right to use the software for the specified noncancellable term. The subscription asset is initially measured as the sum of the initial liability amount, payments made to the vendor before commencement of the subscription term, and any capitalizable implementation costs. Liabilities are recognized at the time the subscription asset is placed into service. The liability amount is initially measured at the present value of subscription payments expected to be made during the subscription term.

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

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 eligible project costs are incurred and measurable. A liability of \$251 million was recorded for reimbursements not reviewed or approved for payment prior to June 30, 2025, as well as final project hold back payments subject to final audit and Board approval after year end. As of June 30, 2025, there are \$2.0 billion of commitments outstanding for the New Program projects that will be recognized as expense when eligible costs are incurred and measurable.

For all projects, 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.

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 \$217 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 \$1.097 billion.

Lease and subscription (SBITAs) liabilities represent the Commonwealth's obligation to make payments arising from the lease or SBITA agreement. Liabilities are recognized at the commencement date based on the present value of future payments over the remaining term. Present value of lease and SBITA payments are discounted on a borrowing rate determined by the Commonwealth.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the Statement of Net Position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2025 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 [page 103](#).

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 FY25, approximately \$1.436 billion and \$1.277 billion of the dedicated sales tax revenue stream was directed to the MBTA and the MSBA, which are reported under governmental funds financial statements on [page 187](#) and [46](#) 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, 2025, taxes within the Convention Center districts support approximately \$367 million of outstanding principal and approximately \$108 million of interest on debts related to these Convention Centers. Taxes collected in FY25 were approximately \$237 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 FY25, approximately \$582 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$314 million was dedicated to funding the operations of the MBTA while an additional \$94 million was dedicated to funding the

operations of the regional transit authorities. These amounts are transferred through the CTF.

M. LOTTERY REVENUE AND PRIZES

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Lottery Commission purchases annuities and principal-only and interest-only Treasury strips, which are recorded as restricted annuity contracts investments and are included as nonspendable balance in the governmental funds. Prize payable is reported as liability accrual in the Statement of Net Position. Though the annuities are in the Lottery Commission's name in the case of a default, they are solely for the benefit of the prize winner. The Lottery Commission retains the risk related to such annuities.

N. RISK FINANCING

The Commonwealth self-insures for employees' workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees.

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

P. RESTRICTED NET POSITION

The Commonwealth reports net position as restricted when constraints placed on resources are either 1) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. 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 received 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.

"Restricted for 4% surtax - Education and transportation" - identifies amounts exclusively for expenditures of transportation and education pursuant to the subsection (h) of Section 2BBBBBB of Chapter 29.

"Higher education" – identifies amounts solely for expendable and nonexpendable endowment, scholarships and fellowships, research, academic support, loans, and capital projects purposes for resources whose use is subject to externally imposed constraints that can be satisfied by specific actions or by the passage of time.

"Restricted for grants and gifts" – identifies amounts held for restrictions either by federal or state grants.

"Restricted for other purposes" – identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments.

Q. SERVICE CONCESSION AGREEMENTS

The Commonwealth enters into service concession agreements for the operation of certain skating rinks and ski resorts. In exchange for these agreements, the operators provide maintenance on the facilities as well as revenue sharing arrangements. Any improvements and equipment remains the property of the Commonwealth. The contracts range from 10 to 25 years in duration and remit 1-3% of revenue to the Commonwealth. All facilities are fully depreciated on the Commonwealth's books. For the year ended June 30, 2025, approximately \$1 million in shared revenue was remitted to the Commonwealth.

The higher education institutions of the Commonwealth (State Universities and Community 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, with options to extend for additional years. 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, 2025 (amounts in thousands):

State Universities	\$ 19,748
Community Colleges (Nonmajor)	—
Total	<u>\$ 19,748</u>

Approximately \$15 million in the carrying value of capital assets associated with these service concession agreements are reported in the business-type activities in these financial statements.

In 2022, the University of Massachusetts entered into a service concession arrangement with Mass Ave Housing Partners LLC to carry out the design, construction, financing, operation, management, and maintenance of a portion of the Student Housing Project on the Amherst campus consisting of approximately 600 beds for undergraduates and 200 beds for graduates for apartment-style housing and related infrastructure, including parking. Mass Ave Housing Partners LLC will manage, maintain, and operating the Student Housing Facilities and be entitled to all user fees associated with the project as defined, for a term of 65 years. At the end of the arrangement, operation of the Student Housing Project will be transferred to the University of Massachusetts. The accumulated cost of the construction of the Student Housing Project was \$246 million, being placed into service in January 2024. The University of Massachusetts in fiscal year 2024 recorded an asset and corresponding deferred inflow for the cost of the Student Housing Project. For the year ended June 30, 2025, approximately \$239 million was the carrying value of the capital asset and approximately \$239 million was the amount of the deferred inflows.

In accordance with this service concession arrangement agreement, the University of Massachusetts received from Mass Ave Housing Partners LLC a lump-sum payment of \$20 million, which is included in other noncurrent liabilities in the business-type activities of these financial statements. The payment gets amortized over the term of the agreement.

The Commonwealth Zoological Corporation, a non-major component unit of the Commonwealth, reports a carrying value of \$3 million of capital assets constructed on leased land that would revert to the landlord should the zoo vacate the property. The Franklin Park Zoo leases land from the George Robert White Fund and operates the facilities in accordance with the charitable purposes of the Fund.

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 GASB has issued the following statements that take affect for the current fiscal year:

GASB Statement No. 101, *Compensated Absences*. The requirements update the recognition and measurement guidance for compensated absence under a unified model and amends certain previously required disclosures. This statement had no impact on the previously reported net position for governmental activities. However, there was an impact on the previously reported net position for business-type activities and discretely presented component units. Please see table on [page 83](#) for further information.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The implementation of this standard had no impact on these financial statements.

The following details the cumulative effect of the prior period adjustments of GASB Implementation (amounts in thousands):

	Proprietary Fund	Business -Type Activities	
	University of Massachusetts	Total	
Net position as of June 30, 2024, as previously reported	\$ 3,551,835	\$ 7,183,321	
Adoption of GASB Statement No. 101	(30,472)	(30,472)	
Net position as of July 1, 2024, as restated	<u>\$ 3,521,363</u>	<u>\$ 7,152,849</u>	

	Discretely presented component units		
	Massachusetts Department of Transportation	Massachusetts Bay Transportation Authority	Aggregate Discretely Presented Component Units
Net position as of June 30, 2024, as previously reported	\$ 26,073,130	\$ 8,057,454	\$ 41,749,198
Adoption of GASB Statement No. 101	(122)	(124,787)	(124,909)
Net position as of July 1, 2024, as restated	<u>\$ 26,073,008</u>	<u>\$ 7,932,667</u>	<u>\$ 41,624,289</u>

The GASB has issued the following statements:

1. GASB Statement No. 103, Financial Reporting Model Improvements - The requirements of this Statement will take effect for financials statements starting with the fiscal year that ends June 30, 2026.
2. GASB Statement No. 104, Disclosure of Certain Capital Assets - The requirements of this Statement are effective for fiscal years beginning with the fiscal year that ends June 30, 2026.
3. GASB Statement No. 105, Subsequent Events - The requirements of this Statement are effective for fiscal years beginning with the fiscal year that ends June 30, 2027.

Earlier application of these statements is encouraged. For the original pronouncements and the implementation guides, please visit the GASB's website, www.gasb.org. The Commonwealth is evaluating the impact of these pronouncements.

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.....	\$ 663,273	\$ 2,970,148 ⁽¹⁾	\$ 3,633,421	\$ 918,913
MMDT - cash fund	18,741,966	2,596,301 ⁽¹⁾	21,338,267	8,359,506
Restricted cash with fiscal agent.....	499,688	271,576	771,264	—
Total	<u>\$ 19,904,927</u>	<u>\$ 5,838,025</u>	<u>\$ 25,742,952</u>	<u>\$ 9,278,419</u>

⁽¹⁾ of which \$423 million 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, 2025, the amortized cost of annuities was approximately \$65 million. At June 30, 2025, the U.S Treasury Strips have a fair value of approximately \$329 million. Approximately 83.6% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 7.4% of the overall portfolio.

MSBA Deposits and Investments

The MSBA is authorized to invest in obligations of the US Treasury, its agencies and instrumentalities, bonds or notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and repurchase agreements. These investments are recorded at fair value. The MSBA has an investment policy that establishes the minimum credit quality for certain instruments, outlines investment procedures and provides for periodic reporting. The MSBA's investment policy does not specifically limit the amount the MSBA may invest in any one issuer.

As of June 30, 2025, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	\$ 1,112,027
Restricted investments	1,345,251
Total	<u>\$ 2,457,278</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 Investing for the Long Term Initiative "INVEST MA", 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) 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. Membership in the DIF is limited to Massachusetts chartered savings banks and 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, 2025, the bank balances of uninsured and uncollateralized deposits exposed to custodial credit risk totaled \$222 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, 2025, 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, 2025, the Cash Portfolio's securities had a weighted average maturity of 45 days and a weighted average life (WAL) of 80 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, 2025 duration was 2.61 years. At June 30, 2025, investments in the MMDT Short Term Bond Portfolio had a total net position of \$790 million with investment maturities ranging from less than one year to ten years. At June 30, 2025, 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	11.3 %
One to five years	83.7 %
Six to ten years	3.6 %
Cash equivalents	0.7 %
Other assets and liabilities, net ...	0.7 %
Total	<u>100.0 %</u>

Interest Rate Risk – Higher Education

As of June 30, 2025, the Institutions of Higher Education had debt investments stated at fair value of approximately \$1.269 billion and had investment maturities ranging from less than one year to more than ten years, with 20.4% of the investment's fair values maturing in less than 1 year, 66.6% maturing in one to five years, 9.0% maturing in six to ten years, and 4.0% maturing in more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. MSBA intends to hold its fixed income investments to maturity.

As of June 30, 2025, the MSBA had approximately \$767 million invested in U.S. Treasury Bonds and approximately \$288 million invested in U.S. Agency securities.

Interest Rate Risk – Custodial Funds

The custodial funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 2025, these investments had a fair value of approximately \$488 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 38.2% has maturities of less than one year,

40.1% from one to five years, 12.8% from six to ten years and 8.9% 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, 2025, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2025, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA.....	6.0 %
AA.....	72.4 %
A.....	8.6 %
BBB.....	11.6 %
Cash equivalents.....	0.7 %
Other assets and liabilities, net ...	0.7 %
Total.....	<u>100.0 %</u>

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were \$179 million at AAA, \$595 million from AA+ to A- and \$495 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.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$488 million, of which \$328 million were in U.S Government securities, \$82 million were in money market securities, \$53 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 Aggregate Bond index, US Treasury STRIPS 20+ Year index, Bloomberg Treasury 1-3 Year index, Bloomberg Global Inflation-Linked US TIPS index, Bloomberg Inflation-Linked Bonds index, Morningstar LSTA Leveraged Loan index, JP Morgan Emerging Markets Bond index, and the Intercontinental Exchange Bank of America High Yield index. The PRIT Fund had fixed income and short-term investments totaling approximately \$34.351 billion at fair value with an effective weighted average duration range from 3.36 to 15.05 years at June 30, 2025.

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, 2025 and June 30, 2024 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 \$4.236 billion, BBB+ to B- investments with a fair value of approximately \$6.417 billion, CCC+ to D investments with a fair value of approximately \$1.479 billion, nonrated investments with a fair value of approximately \$11.389 billion, and the remaining \$10.830 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, 2025 were approximately \$153 million in cash and short-term investments, \$15.265 billion in equities, \$1.161 billion in fixed income investments, \$1.044 billion in portfolio completion strategies, \$2.704 billion in private equity investments, and \$487 million in timberland investments. An additional \$4.735 billion is invested in international investments denominated in U.S. dollars.

Concentration of Credit Risk – PRIT

The PRIM Board manages PRIT Fund'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 Fund's total investments as of June 30, 2025 and June 30, 2024.

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 Exchange Contracts - PRIT

PRIT enters into forward currency exchange 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, 2025, PRIT had open foreign exchange contracts with combined net unrealized loss of approximately \$100 million with various delivery dates.

Further information on derivative instruments can be found in the notes to PRIT's basic financial statements.

Futures Contracts - PRIT

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. 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.

PRIT held contracts outstanding at June 30, 2025 with various expirations from FY26 to FY29. 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, 2025 was approximately \$3.316 billion with a fair value of \$3.342 billion, yielding an unrealized net gain of approximately \$27 million.

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, 2025, PRIT had contracts in effect with an aggregated notional amount of approximately \$45.807 billion to various investment banks that had maturity dates from FY26 to FY73. The contracts have an aggregate fair value loss of approximately \$104 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRIT's counterparty exposure was with various major investment companies with ratings ranging from AA- to A+ and various other banks with other ratings. Open swap contracts as of June 30, 2025 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
Bank of America NA	A+	\$ —	\$ —	\$ 56,790	\$ (7,174)	\$ 1	\$ 1
Barclays Bank PLC	A+	8,400	99	438,767	(16,496)	458	(47)
BNP Paribas SA	A+	4,245,817	208	211,812	(41,151)	—	—
BNP Paribas Commodity Futures Ltd.	A+	—	—	79,871	(6,555)	—	—
CME Group Inc.	AA-	502,909	(2,548)	—	—	—	—
Goldman Sachs & Co.	A+	1,398,916	38,500	3,319,666	(43,561)	8,500	149
Goldman Sachs International	A+	—	—	41,285	(3,828)	2,119	307
Intercontinental Exchange Holdings Inc.	A-	—	—	196,944	4,127	—	—
JPMorgan Chase Bank NA	AA-	28,125	(1,666)	42,896	(9,111)	118,482	5,268
JP Morgan Securities	AA-	29,215,094	32,503	553,887	(20,574)	19,954	45
LCH Ltd	AA-	2,108,288	2,772	—	—	179,164	59
Morgan Stanley & Co LLC	A+	1,476,240	325	379,352	(30,965)	9,710	104
Morgan Stanley Capital Services	A+	—	—	122,870	(13,120)	20	95
SMBC Capital Markets Inc.	A	250,000	5,623	—	—	—	—
All others	Various	622,749	(511)	12,296	55	155,317	3,508
Totals		<u>\$ 39,856,538</u>	<u>\$ 75,305</u>	<u>\$ 5,456,436</u>	<u>\$ (188,353)</u>	<u>\$ 493,725</u>	<u>\$ 9,489</u>

B. 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, 2025 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities	\$ 1,793,160	\$ 658,783	\$ 1,134,377	\$ —
Municipal securities	29,240	8,800	20,440	—
Institutional money market funds	440,574	221,043	219,531	—
Corporate debt/bonds	319,258	10,471	308,787	—
Asset backed securities	117,522	—	117,522	—
Registered investment companies	93,925	93,925	—	—
Mortgage backed securities	126,134	5,008	121,126	—
Other fixed income	239,215	187,342	51,873	—
Total debt securities	3,159,028	1,185,372	1,973,656	—
Equities:				
Equity securities	468,965	466,859	—	2,106
Corporate stock	33,677	33,041	636	—
Total equity investments	502,642	499,900	636	2,106
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds)	731,439			
Private equity	112,879			
Private debt	36,641			
Private real estate	5,164			
Other	2,088			
Total investments measured at the NAV	888,211			
Other investments at fair value:				
MMDT - bond fund	367,605			
Total other investments at fair value	367,605			
Subtotal investments at fair value	4,917,486	\$ 1,685,272	\$ 1,974,292	\$ 2,106
Other investments:				
MMDT	350,462			
Annuity contracts	64,657			
Certificates of deposit	12,672			
Total other investments	427,791			
Total investments - primary government	\$ 5,345,277			
Derivative instruments:				
Interest rate swaps (liabilities) ⁽¹⁾	\$ 249	\$ —	\$ —	\$ 249

⁽¹⁾ The business-type activities have various swaps.

Lottery annuity contracts and U.S. Treasury Strips of approximately \$393 million as of June 30, 2025 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	\$ 328,153	\$ 328,153	\$ —	\$ —
Bonds	78,510	25,275	53,235	—
Total debt securities	406,663	353,428	53,235	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	81,767			
Other investments at fair value:				
MMDT - bond fund	18,846			
Net investment in PRIT	115,449,024			
Total other investments at fair value	115,467,870			
Total investments - fiduciary funds	<u>\$ 115,956,300</u>	<u>\$ 353,428</u>	<u>\$ 53,235</u>	<u>\$ —</u>

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

Taxes, federal grants and reimbursements, loans, leases and other receivables presented in the statement of net position, exclusive of amounts due from cities and towns and component units, are as follows (amounts in thousands):

<i>Primary Government</i>	Taxes	Federal Grants and Reimbursements	Loans	Leases	Other	Total
<u>Governmental Activities:</u>						
Gross receivables	\$ 7,896,886	\$ 3,472,519	\$ 131,563	\$ 67,485	\$ 2,607,652	\$14,176,105
Less: allowance for uncollectibles	(1,945,055)	(121,231)	—	—	(590,639)	(2,656,925)
Receivables, net allowance for uncollectibles ..	5,951,831	3,351,288	131,563	67,485	2,017,013	11,519,180
Less: current portion	(5,508,209)	(3,347,706)	(13,562)	(1,443)	(1,430,274)	(10,301,194)
Noncurrent receivables	<u>\$ 443,622</u>	<u>\$ 3,582</u>	<u>\$ 118,001</u>	<u>\$ 66,042</u>	<u>\$ 586,739</u>	<u>\$ 1,217,986</u>
<u>Business-Type Activities:</u>						
Gross receivables	\$ —	\$ 42,661	\$ 25,041	\$ 1,157,285	\$ 3,313,468	\$ 4,538,455
Less: allowance for uncollectibles	—	—	(2,592)	—	(2,067,292)	(2,069,884)
Receivables, net allowance for uncollectibles ..	—	42,661	22,449	1,157,285	1,246,176	2,468,571
Less: current portion	—	(42,661)	(9,448)	(58,868)	(1,228,377)	(1,339,354)
Noncurrent receivables	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,001</u>	<u>\$ 1,098,417</u>	<u>\$ 17,799</u>	<u>\$ 1,129,217</u>

B. TAX ABATEMENTS

As of June 30, 2025, 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) was authorized to award 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 was also authorized to 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 could 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 authorized by the EACC in a calendar year is \$30 million.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

For projects certified before January 1, 2017, if a project's certification is revoked, or if property upon which a certification is based is sold prior to the end of its useful life, the difference between the credit taken and the credit allowed for actual use must be added back as additional taxes due in the year of disposition, except if the property had been in qualified use for more than twelve consecutive years. For an expansion project where the actual number of permanent full-time employees employed by the controlling business at the project is less than 50% of the number of such permanent full-time employees projected in the project proposal, this shall be deemed a material variance for the purpose of a revocation determination. Upon such a revocation, all tax credits available to the controlling business as a result of project certification shall be revoked and forfeited for the year in which revocation occurred and all subsequent years, and the Commonwealth, in the case of a certified expansion project, shall recover the value of any tax credits received by the controlling business prior to or subsequent to such revocation.

For projects certified on or after January 1, 2017, recapture is required only if the EACC revokes certification. The amount of credit subject to recapture shall be proportionate to the corporation's job creation requirements applicable to the certified project. The corporation's proportion of compliance will be determined by the EACC as part of the revocation process and reported to DOR and the taxpayer at time of revocation.

Life Sciences Tax Incentive Program

Credits

The Massachusetts Life Sciences Center (MLSC) certifies and awards five types of tax credits to life sciences companies, with the purpose of creating and retaining jobs in the Massachusetts life sciences sector. Unless stated otherwise, if one of these tax credits is claimed by a taxpayer and exceeds the tax otherwise due, 90% of the balance of such credit may, at the option of the taxpayer and to the extent authorized by the MLSC, be refundable to the taxpayer. These tax credits, together with other life sciences tax incentives, are subject to an aggregate \$40 million annual cap.

Unless stated otherwise, the taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, and insurance premiums excise under M.G.L. chapter 63, and the personal income tax under M.G.L. chapter 62, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

- The Life Sciences Investment Tax Credit is equal to 10% of the cost of qualifying property acquired, constructed, reconstructed or erected during the taxable year and used exclusively in Massachusetts.
- The Life Sciences User Fees Tax Credit is equal to 100% of the user fees paid to the U.S. Food and Drug Administration (USFDA) upon submission of an application to manufacture a human drug in Massachusetts, and may be claimed in the taxable year in which the application for licensure of an establishment to manufacture the drug is approved by the USFDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts.
- The Life Sciences Refundable Jobs Tax Credit is available to life sciences companies that commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. The amount of the credit is determined by the MLSC.
- The Life Sciences Research Tax Credit is equal to 10% of excess qualified research expenses, including expenditures for legally mandated clinical trial activities performed both inside and outside of Massachusetts, and 15% of basic research payments. The Life Sciences Research Tax Credit is not refundable. This credit is only available to taxpayers subject to M.G.L. chapter 63.

The MLSC may also authorize life sciences companies to obtain refunds of the Research Credit authorized by [M.G.L. c. 63, § 38M](#). Generally, the Research Credit authorized by M.G.L. c. 63, § 38M provides a credit for research expenses incurred in Massachusetts based on a formula that measures a taxpayer's year-to-year increases in Massachusetts research expenses.

Recipients of these tax credits agree to increase or maintain their employee headcount in Massachusetts, compared to their “baseline” employee headcount at the time of the award and the company’s projected net increase in headcount in the tax year following the award. Baseline and projected headcounts are summed to create a “total projected headcount” metric that is used for MLSC agreement and compliance purposes.

A life sciences company that has received tax incentives from the MLSC and subsequently fails to achieve the minimum net new headcount thresholds as specified in the MLSC’s Annual Tax report and Multiple Awards policy will have the award terminated and must return the amount of the tax credit claimed to the Commonwealth, although the company may be given an additional year to achieve the employment goals if the MLSC determines that it has the potential to meet those goals. The MLSC is required by statute to de-certify any life sciences company that fails to achieve at least 70% of its job target for two consecutive years. The MLSC has decided through administrative action that any life sciences company failing to achieve at least 80% of its job target by the end of any extension period and, in the case of the Life Sciences Refundable Jobs Tax Credit, failing to create at least 50 net new jobs, will be de-certified. More information on these job creation and recapture requirements is available on the MLSC’s website, <http://www.masslifesciences.com/programs/tax/>.

The MLSC also administers the Angel Investor Tax Credit. The credit is equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a “Gateway municipality,” as defined in [M.G.L. c. 23A, § 3A](#). A taxpayer cannot claim more than \$50,000 of the credit for a single calendar year. The Angel Investor Tax Credit is not refundable and is only available to taxpayers subject to M.G.L. chapter 62. If a taxpayer investor is allowed a credit for an investment in a qualifying business that ceases to have its principal place of business in the Commonwealth within the three taxable years following the taxable year for which the credit was allowed, the taxpayer investor must repay the total credit amount to the Commonwealth. The credit is subject to the aggregate \$40 million annual cap to which other credits in the Life Sciences Tax Incentive Program are subject. The credit was allowed for tax years beginning on or after January 1, 2017 but has been repealed as of January 1, 2024. Therefore, no credits may be awarded after this date. A taxpayer that has unused credit in a tax year beginning on or after January 1, 2024 that has been carried

forward from a prior tax year may claim the credit in such tax year subject to the limitations under [830 CMR 62.6.5\(11\)](#).

Other Tax Incentives

The MLSC may authorize sales and use tax exemptions and deductions as part of the Life Sciences Tax Incentive Program:

- A certified life sciences company may be deemed a research and development corporation for purposes of sales and use tax exemptions under M.G.L. chapters 64H and 64I.
- Sales of tangible personal property may be exempt from the Massachusetts sales or use tax under M.G.L. chapters 64H and 64I when that property is purchased for a certified life sciences company for use in connection with the construction, alteration, remodeling, repair, or remediation of research, development, or manufacturing facilities and utility support systems.
- A certified life sciences company may be allowed to deduct from Massachusetts gross income the amount allowed as a credit for federal purposes under Internal Revenue Code (IRC) § 45C (and disallowed as a federal deduction under IRC § 280C(b)): 25% of qualified clinical testing expenses for certain drugs for rare diseases or conditions, sometimes referred to as “orphan drug expenses” that are paid or incurred for the taxable year. This deduction is only available to taxpayers subject to M.G.L. chapter 63.

Film Tax Incentive

[M.G.L. c. 62, § 6\(I\)](#) and [M.G.L. c. 63, § 38X](#) provide tax credits to encourage the production in Massachusetts of films, television shows, commercials, and other motion pictures. Entities that fund such productions (known under the statute as “motion picture production companies”) may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with the filming and production of a motion picture and (2) a credit equal to 25% of their Massachusetts production expenses (not including the qualifying aggregate payroll expenses). Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The production companies must incur a minimum of \$50,000 in total Massachusetts production expenses during a consecutive twelve-month period to be eligible for the credits. For taxable years beginning on or after January 1, 2022, in addition to meeting other requirements, for a motion picture to qualify for the credit for production expenses, a taxpayer must incur at least 75% of its production expenses in Massachusetts or spend at least 75% of its principal photography days in Massachusetts. A 50% threshold applies to prior taxable years. The credits are either transferable or 90% refundable to the motion picture production companies to the extent that the credits exceed the companies’ Massachusetts tax liability. Transferees do not qualify for the 90% refundability option.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

There are no provisions in the statutes to recapture the film tax credits.

In addition to the tax credit, [M.G.L. c. 64H, § 6\(ww\)](#) provides that sales of tangible personal property to a qualifying motion picture production company or to an accredited film school student for the production expenses related to a school film project are exempt from the sales tax. In order to qualify for the sales tax exemption, a motion picture production company must incur at least \$50,000 in total production costs in Massachusetts during a consecutive twelve-month period and must be conditionally pre-approved as a qualifying company by the Commissioner of Revenue. Any taxpayer that has been conditionally pre-approved for the sales tax exemption that then fails to expend the requisite \$50,000 within a consecutive twelve-month period shall be liable for the sales taxes that would have been due had the conditional pre-approval not been granted.

The following is the total revenue estimated to be reduced under these programs for fiscal year 2025 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by	
Economic Development Incentive Program (EDIP)	\$ 17,283	(1)
Life Sciences Tax Incentive Program	39,980	(2)
Film Tax Incentive Program:		
Film Tax Credit	92,535	(3)
Sales Tax Exemption	316	(4)
Total	<u>\$ 150,114</u>	

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2025.

(2) Massachusetts Life Sciences Center, incentives awarded in FY2025.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2025.

(4) Massachusetts Department of Revenue, FY2026 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2025 (<https://budget.digital.mass.gov/govbudget/fy26/tax-expenditure-budget>).

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

The purposes of interfund receivables, payables and transfers between funds vary by legislative authority. Transfers include the following: intergovernmental services, fringe benefit cost assessments, the Transitional Escrow transfer, certain license fees collected by the Registry of Motor Vehicles that fund various highway project initiatives, fund closure transfers, and various other transfers for operations, largely for Institutions of Higher Education.

Activity between funds reflected as due to/from primary government in the various statements is summarized as follows (amounts in thousands):

Governmental funds:	General	Lotteries	Federal Grants	Other Governmental Funds	Total
<u>Transfers in:</u>					
Debt service.....	\$ —	\$ —	\$ —	\$ 2,788,898	\$ 2,788,898
Transfers in.....	2,441,199	—	14,673	8,536,460	10,992,332
Subtotal.....	2,441,199	—	14,673	11,325,358	13,781,230
<u>Transfers out:</u>					
Appropriations.....	(2,136,313)	—	—	(43,398)	(2,179,711)
Bond proceeds.....	—	—	—	(187,866)	(187,866)
Debt service.....	(1,455,589)	—	—	(1,333,309)	(2,788,898)
Transfers out.....	(4,970,850)	(1,197,402)	(163,209)	(4,402,846)	(10,734,307)
Subtotal.....	(8,562,752)	(1,197,402)	(163,209)	(5,967,419)	(15,890,782)
Total governmental funds.....	\$ (6,121,553)	\$ (1,197,402)	\$ (148,536)	\$ 5,357,939	\$ (2,109,552)
Proprietary funds:	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges (Nonmajor)	Total
<u>Transfers in:</u>					
Transfers in from governmental funds.....	\$ —	\$ 1,210,041	\$ 554,338	\$ 603,198	\$ 2,367,577
<u>Transfers out:</u>					
Transfers out to governmental funds.....	(5,941)	(161,705)	(47,313)	(43,066)	(258,025)
Total proprietary funds.....	\$ (5,941)	\$ 1,048,336	\$ 507,025	\$ 560,132	\$ 2,109,552
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 \$51 million at year end. Remaining receivables and payables between funds as of June 30, 2025 largely occur due to the timing of accruals and the funding of escrows.

Balances due within one year are recorded as Due to/Due from Other Funds. The following is a summary of receivables and payables between funds remaining as of June 30, 2025 recorded as (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Federal Grants	\$ 219,451
General	Other Governmental Funds	935,701
Massachusetts School Building Authority - Debt Service Fund	Massachusetts School Building Authority - Special Revenue Fund	11,445
Other Governmental Funds	Other Governmental Funds	119,209
Total Governmental Funds		\$ 1,285,806

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, 2024	Increases	Decreases and Reclassifications	Ending Balance June 30, 2025
Capital assets not being depreciated:				
Land	\$ 997,380	\$ 15,050	\$ (3,521)	\$ 1,008,909
Construction in process	1,126,933	343,012	(645,008)	824,937
Total capital assets not being depreciated	2,124,313	358,062	(648,529)	1,833,846
Capital assets being depreciated and amortized:				
Buildings	6,879,239	507,317	(72,050)	7,314,506
Machinery and equipment	1,956,215	434,220	(441,492)	1,948,943
Right-to-use lease buildings	1,425,064	158,568	(137,308)	1,446,324
Right-to-use lease machinery and equipment	32,565	4,785	(6,485)	30,865
Right-to-use subscription assets	187,514	21,099	(3,456)	205,157
Infrastructure non - central artery/tunnel project	457,521	63,640	—	521,161
Total capital assets being depreciated and amortized	10,938,118	1,189,629	(660,791)	11,466,956
Less, accumulated depreciation:				
Buildings	(3,997,595)	(299,021)	9,953	(4,286,663)
Machinery and equipment	(1,555,942)	(315,611)	199,384	(1,672,169)
Infrastructure non - central artery/tunnel project	(319,488)	(8,235)	835	(326,888)
Total accumulated depreciation	(5,873,025)	(622,867)	210,172	(6,285,720)
Less accumulated amortization:				
Right-to-use lease buildings	(653,282)	(169,299)	151,164	(671,417)
Right-to-use lease machinery and equipment	(15,309)	(5,941)	3,741	(17,509)
Right-to-use subscription assets	(77,636)	(60,846)	3,633	(134,849)
Total accumulated amortization	(746,227)	(236,086)	158,538	(823,775)
Total accumulated depreciation and amortization	(6,619,252)	(858,953)	368,710	(7,109,495)
Governmental activities capital assets, net	6,443,179	688,738	(940,610)	6,191,307

<i>Business - Type Activities</i>	Beginning Balance July 1, 2024	Increases	Decreases and Reclassifications	Ending Balance June 30, 2025
Capital assets not being depreciated or amortized:				
Land	240,320	7,326	—	247,646
Construction in process	557,175	473,644	(328,399)	702,420
Historical treasures	3,403	—	—	3,403
Total capital assets not being depreciated or amortized	800,898	480,970	(328,399)	953,469
Capital assets being depreciated and amortized:				
Buildings	13,807,948	406,600	(77,851)	14,136,697
Machinery and equipment	1,305,493	102,165	(51,597)	1,356,061
Right-to-use lease buildings	1,319,506	13,842	(13,248)	1,320,100
Right-to-use lease machinery and equipment	27,417	3,679	(4,258)	26,838
Right-to-use subscription assets	105,703	35,069	(11,701)	129,071
Library collections, not including historical treasures	29,889	64	(5,068)	24,885
Total capital assets being depreciated and amortized	16,595,956	561,419	(163,723)	16,993,652
Less, accumulated depreciation:				
Buildings	(6,229,995)	(457,116)	68,266	(6,618,845)
Machinery and equipment	(1,043,026)	(65,480)	43,077	(1,065,429)
Library collections, not including historical treasures	(20,865)	(454)	460	(20,859)
Total accumulated depreciation	(7,293,886)	(523,050)	111,803	(7,705,133)
Less, accumulated amortization:				
Right-to-use lease buildings	(304,443)	(73,130)	8,024	(369,549)
Right-to-use lease machinery and equipment	(11,737)	(7,608)	3,745	(15,600)
Right-to-use subscription assets	(48,077)	(30,160)	13,236	(65,001)
Total accumulated amortization	(364,257)	(110,898)	25,005	(450,150)
Total accumulated depreciation and amortization	(7,658,143)	(633,948)	136,808	(8,155,283)
Business - type activities capital assets, net	9,738,711	408,441	(355,314)	9,791,838
Total Primary Government capital assets, net	\$ 16,181,890	\$ 1,097,179	\$ (1,295,924)	\$ 15,983,145

Depreciation and amortization expense was charged to the various functions of governmental and business-type activities as follows (amounts in thousands):

Function	Depreciation	Amortization
General government	\$ 87,792	\$ 75,071
Judiciary	144,533	32,182
Energy and environmental affairs	21,200	11,721
Economic development	43	5,637
Health and human services	281,081	62,907
Early elementary and secondary education	3,598	5,488
Public safety and security	84,263	35,619
Housing and economic development	357	37
Labor and workforce development	—	7,424
Total, governmental activities	<u>\$ 622,867</u>	<u>\$ 236,086</u>
University of Massachusetts	\$ 351,047	\$ 30,905
State universities	110,879	63,929
Community colleges (Nonmajor)	61,124	16,064
Total, business-type activities	<u>\$ 523,050</u>	<u>\$ 110,898</u>

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. Short-term borrowing may be issued as fixed rate notes, floating rate notes or through a commercial paper program supported by bank liquidity facilities maintained by the Commonwealth. Per the State Constitution, revenue anticipation notes (RANs) issued for cash flow purposes are required to be paid within the same fiscal year. Temporary financings for capital needs, such as bond anticipation notes, may be outstanding for up to three years, per statute.

A. GENERAL FUND

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.750 billion from a syndicate of banks. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. In addition, the maturity of the line was extended to April 30, 2026. As of June 30, 2025, the Commonwealth did not draw on the line of credit.

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, 2025, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For this type of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

The following is a summary of the Commonwealth's outstanding debt, exclusive of leases, (amounts in thousands):

Type of Bond	Amount Outstanding
General obligation bonds - public offering, net proceeds.....	\$ 32,830,738
General obligation bonds - direct placement, net proceeds.....	100,000
Special obligation bonds (including GANs) - public offering, net proceeds	5,111,045
MSBA bonds, - public offering, net proceeds	5,521,739
Outstanding governmental activities, net proceeds.....	43,563,522
Less:	
Unamortized premiums on general obligation bonds - public offering*	(3,300,813)
Unamortized premiums on special obligation bonds	(557,130)
Unamortized premiums on MSBA bonds	(254,419)
Total governmental activities, principal.....	\$ 39,451,160

* - As of June 30, 2025, 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, 2025, there were three different special obligation bond programs with bonds outstanding.

The following is a table of GO bonds principal outstanding as of June 30, 2025, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds.....	\$ 29,373,910	99.1 %
Variable rate bonds	256,015	0.9 %
Total	<u>\$ 29,629,925</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
Direct purchase bonds.....	\$ 100,000	0.3 %
College opportunity bonds.....	156,015	0.6 %
Total.....	<u>\$ 256,015</u>	<u>0.9 %</u>

The following is a table of the different types of outstanding Special Obligation bonds as of June 30, 2025 (amounts in thousands), all of which are fixed rate bonds:

Special Obligation Bonds	Amount Outstanding
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds	<u>\$ 366,620</u>
Special obligation revenue bonds, net proceeds:	
CTF Accelerated bridge program	1,723,301
CTF Rail enhancement program	2,834,990
Total revenue bonds, net proceeds	<u>4,558,291</u>
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes	186,134
Total special obligation bonds, net proceeds.....	<u>5,111,045</u>
Less: unamortized premiums.....	<u>(557,130)</u>
Outstanding special obligation principal.....	<u><u>\$ 4,553,915</u></u>

Chapter 9 of the Acts of 2021, as amended authorized the Commonwealth to issue special obligation bonds secured by special assessments on private contributory employers for the purposes of repaying the federal advances made to the Commonwealth's account within the unemployment insurance trust fund (UITF) for fiscal years 2020 to 2025 and reducing the amount of or avoiding the need to obtain additional federal advances. On August 30, 2022, the Commonwealth issued \$2.681 billion (net proceeds of \$2.670 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. As of June 30, 2025, \$1.389 billion remain outstanding.

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 terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2025, approximately 99.1% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 0.9% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of College Opportunity Bonds and a direct purchase agreement.

College Opportunity Bonds are bonds that are approved by the Legislature to be issued for a specific program. These 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, 2025, the Commonwealth had approximately \$156 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%.

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, 2025, the Commonwealth had \$100 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 B ⁽¹⁾	100,000	4/1/2036	1 Month SIFMA/ Monthly Pay	RBC	4/1/2021	4/1/2026
Total	<u>\$ 100,000</u>					

⁽¹⁾ This bond has been paid off and see note 15 on page 139 - Subsequent events

To fund the FY25 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$3.331 billion in new money general obligation long-term bonds. In addition, \$610 million in refunding bonds were issued in two separate transactions which were executed as current refundings, all of which were executed for savings. The cash and present value savings of the refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2025, the MSBA had outstanding approximately \$5.267 billion of Dedicated Sales Tax bonds, which includes approximately \$254 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 0.290% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY51. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$5.267 billion of debt outstanding as of June 30, 2025, \$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 FY25, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. As of September 27, 2021, the IRS has extended the 5.7% rate through September 2030. Subsidy payments were reduced by approximately \$1.4 million due to sequestration during FY2025.

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. These bonds have been issued to finance expenditures for significant rail and transit improvement projects in the Commonwealth, projects to fund repairs, rehabilitation or replacement of bridges throughout the Commonwealth and certain other authorized transportation projects of the Commonwealth. These bonds mature from FY26 to FY54 and are secured by the 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. As of June 30, 2025, approximately \$1.525 billion and \$2.529 billion in principal was outstanding on the Accelerated Bridge Program (ABP) and the Rail Enhancement Program (REP) bonds, respectively, and approximately \$751 million and \$2.610 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the CTR ABP and REP bonds, 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, 2025, taxes within the Convention Center districts support approximately \$367 million of outstanding principal and approximately \$108 million of interest on debts related to these Convention Centers. Taxes collected in FY25 were approximately \$237 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 \$473 million as of June 30, 2025, which consists of Revenue Fund of \$412 million and Capital Reserve Fund of \$61 million.

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 2015, 2017, 2018 and 2020 with no new bonds issued in FY25. As of June 30, 2025, total principal remaining to be paid is approximately \$134 million. Maturities are from FY26 through FY27. Debt service paid during FY25 was approximately \$141 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. 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 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. 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, 2025, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$338 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. 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, 2025 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs.....	\$ 133,620	2025 - 2027	\$ —
Capital projects:			
General	17,312,779	2026 - 2055	28,374,635
Highway	16,244,403	2026 - 2055	24,291,269
Local aid	126,418	2026 - 2045	11,105
Other	366,620	2026 - 2034	—
Subtotal	34,050,220		52,677,009
MSBA debt.....	5,267,320		
Governmental activities debt.....	<u>\$ 39,451,160</u>		

Interest rates on the Commonwealth’s outstanding debt at the end of FY25 ranged from 0.3% to 5.7%.

Changes in long-term debt outstanding (excluding discount and premium) and bonds authorized - unissued for the year ended June 30, 2025 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2024	\$ 32,361,758	\$ 5,444,945	\$ 37,806,703	\$ 45,637,190
Plus: Increases in bonds authorized	—	—	—	10,526,263
General and special obligation bonds:				
Proceeds, defined as principal, plus premium,				
less discount	4,300,659	—	4,300,659	(3,486,444)
Less: Premium/discount	(355,415)	—	(355,415)	—
Less: Principal on refunded bonds	(774,750)	(177,625)	(952,375)	—
Less: Bonds retired	(1,348,412)	—	(1,348,412)	—
Outstanding principal June 30, 2025	<u>\$ 34,183,840</u>	<u>\$ 5,267,320</u>	<u>\$ 39,451,160</u>	<u>\$ 52,677,009</u>

Business - Type Activities

The University of Massachusetts (UMS) Building Authority has issued bonds for construction of higher education facilities and equipment. As of June 30, 2025, outstanding bonds payable for the Building Authority is \$3.238 billion, with maturity dates ranging from 2025 to 2054. The UMS Building Authority may have up to \$200 million principal amount of notes and bonds issued by the UMS Building Authority that are guaranteed by the Commonwealth. As of June 30, 2025, none of the outstanding debt carries a Commonwealth guarantee.

The Massachusetts State College Building Authority (MSCBA) issues debt to finance the design and construction of new facilities, major renovations, and capital repairs for its projects at State Universities. MSCBA's outstanding debt is secured by revenues received by the Authority from State Colleges relating to Authority projects and other pledged funds.

The University of Massachusetts, state universities, and community colleges have also entered into various loan agreements as participants in the Clean Energy Investment Program with the Division of Capital Asset Management and Maintenance. These programs are for upgrades to existing or creating new capital assets to improve energy usage and lower long-term energy costs.

On August 30, 2022, the Commonwealth issued \$2.681 billion of Special Obligation Revenue Bonds, 2022 Series A of \$1.997 billion issuance and 2022 Series B of \$684 million issuance. The proceeds of the bonds are being used to (i) repay outstanding Federal Advances received by the Commonwealth under the federal unemployment insurance program, along with accrued interest, (ii) to fund a deposit to the federal Unemployment Insurance Trust Fund to pay unemployment compensation benefits, and (iii) to pay the costs of issuance of the bonds. The bonds have maturity dates of July 2023 through July 2031. A special COVID-19 recovery assessment on Commonwealth employers is collected to pay debt service.

At June 30, 2025, 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							
	Public Offering Debt			Direct Placement Debt		Dedicated Sales Tax Bonds			Total Governmental Activities		Special Obligation UI Bonds		Revenue Obligation	
	Principal	Interest	Interest subsidies (1)	Principal	Interest	Principal	Interest	Interest subsidies (1)	Principal	Interest net of interest subsidies	Principal	Interest	Principal	Interest
2026	\$ 1,120,566	\$ 1,533,372	\$ (42,305)	\$ —	\$ 3,000	\$ 183,865	\$ 201,861	\$ (22,833)	\$ 1,304,431	\$ 1,673,095	\$ 325,640	\$ 48,294	\$ 263,726	\$ 179,228
2027	1,324,766	1,490,399	(41,268)	10,000	2,950	346,225	197,445	(22,833)	1,680,991	1,626,693	216,660	37,770	223,683	171,307
2028	1,210,009	1,428,620	(39,529)	10,000	2,650	208,115	184,520	(15,047)	1,428,124	1,561,214	215,125	29,841	235,225	166,048
2029	1,330,954	1,372,117	(36,745)	10,000	2,350	335,420	175,512	(11,767)	1,676,374	1,501,467	212,275	21,852	243,752	148,834
2030	1,282,082	1,308,887	(32,404)	10,000	2,050	198,430	167,214	(8,488)	1,490,512	1,437,259	209,530	13,910	265,355	139,845
2031 - 2035	6,361,215	5,608,510	(102,860)	50,000	5,750	1,146,760	726,462	(35,749)	7,557,975	6,202,113	209,875	9,736	1,085,986	570,098
2036 - 2040	6,042,448	4,211,013	(42,651)	10,000	250	1,435,615	444,024	(13,034)	7,488,063	4,599,602	—	—	1,049,429	357,258
2041 - 2045	6,146,125	2,860,913	—	—	—	951,960	198,524	—	7,098,085	3,059,437	—	—	717,673	173,089
2046 - 2050	5,507,975	1,562,970	—	—	—	434,470	46,112	—	5,942,445	1,609,082	—	—	325,978	72,160
2051 - 2055	3,757,700	435,916	—	—	—	26,460	612	—	3,784,160	436,528	—	—	143,473	13,147
Total long - term debt	34,083,840	21,812,717	(337,762)	100,000	19,000	5,267,320	2,342,286	(129,751)	39,451,160	23,706,490	1,389,105	161,403	4,554,280	1,991,014
Less: current portion	(1,120,566)	(1,533,372)	42,305	—	(3,000)	(183,865)	(201,861)	22,833	(1,304,431)	(1,673,095)	(325,640)	(48,294)	(263,726)	(179,228)
Long - term debt	<u>\$32,963,274</u>	<u>\$20,279,345</u>	<u>\$(295,457)</u>	<u>\$100,000</u>	<u>\$16,000</u>	<u>\$5,083,455</u>	<u>\$2,140,425</u>	<u>\$ (106,918)</u>	<u>\$38,146,729</u>	<u>\$22,033,395</u>	<u>\$1,063,465</u>	<u>\$113,109</u>	<u>\$4,290,554</u>	<u>\$1,811,786</u>

(1) Interest subsidies reflect announced sequestration reductions. There may be sequestration reductions in future years as well.

F. PRIOR DEFEASANCE

Business - Type Activities

The Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business-type activities financial statements. As of June 30, 2025, approximately \$45 million of bonds outstanding from advanced refunding transactions are considered defeased.

G. 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 FY25 was approximately \$32.188 billion. Outstanding debt subject to the limit at June 30, 2025 was approximately \$29.090 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 certain Central Artery/Tunnel debt, debt issued for the SMART program and CTF bonds issued. The amounts excluded from the debt limit are as follows (amounts in thousands):

	Principal Outstanding
Statutory debt June 30, 2025	\$ 34,183,840
Less amounts excluded:	
Central artery project bonds	(490,556)
Accelerated bridge program	(1,658,610)
SMART bonds	(49,759)
Convention center bonds	(366,620)
Rail enhancement program bonds	(2,528,685)
Outstanding direct debt June 30, 2025	<u>\$ 29,089,610</u>

H. 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, interest on federal grant anticipation notes, general obligation contract assistance payment obligations, and budgetary contract assistance payment obligations on certain financed purchases. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2025. In fiscal 2025 the Capital Debt Affordability Committee concluded that the Commonwealth can afford to increase the bond cap in fiscal year 2025 by \$212.2 million – which includes a \$125 million bond cap increase, plus an additional \$87.7 million adjustment to account for recent construction escalation. The fiscal year 2025 recommendation supports targeted investments in Commonwealth infrastructure while keeping growth in debt service and outstanding principal within long-term targets. 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 2025
Bond cap as approved by the Governor	\$ 3,117,200
Total annual debt service obligations	3,503,350
Statutory basis budgeted fund revenues	73,654,062
Debt service as % of budgeted revenues	4.8%

I. 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	\$ 860,256	\$ 888,131	\$ (860,256)	\$ 888,131	\$ 625,228
Claims and judgments	28,256	61,872	(26,864)	63,264	63,264
Prizes payable	451,316	12,937	(68,721)	395,532	88,452
School construction grants payable	272,019	—	(21,214)	250,805	250,805
Environmental remediation liability	291,648	6,348	(17,886)	280,110	19,758
Workers' compensation ⁽¹⁾	273,671	57,867	(55,063)	276,475	38,470
Group insurance claims ⁽¹⁾	178,268	2,414,662	(2,420,902)	172,028	168,494
Cost of living adjustment ⁽¹⁾	72,000	—	(7,200)	64,800	—
Total other long-term obligations	2,427,434	3,441,817	(3,478,106)	2,391,145	1,254,471
Overdraws of federal pandemic-related unemployment insurance benefits settlement interest payable	73,121	17,016	—	90,137	—
Bonded debt:					
Bonds and notes payable ⁽²⁾	37,806,703	3,945,244	(2,300,787)	39,451,160	1,304,431
Unamortized bonds and note premium	4,107,058	355,415	(350,111)	4,112,362	169,675
Right-to-use liabilities:					
Lease liabilities	824,590	196,473	(197,014)	824,049	142,066
Subscription-Based IT Arrangement liabilities	103,016	21,453	(58,384)	66,085	52,752
Total bonded debt and right-to-use liabilities	42,841,367	4,518,585	(2,906,297)	44,453,655	1,668,924
Long-term liabilities, governmental activities	\$ 45,341,922	\$7,977,418	\$ (6,384,403)	\$ 46,934,937	\$ 2,923,395

(1) These items are reported under other noncurrent liabilities in the Statement of Net Position.

(2) \$4 million of accreted interest on college opportunity bonds that are included in the total principal outstanding as of June 30, 2025.

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 ⁽¹⁾	\$ 291,857	\$ 37,874	\$ (13,903)	\$ 315,828	\$ 222,656
Workers' compensation	40,412	1,374	(1,356)	40,430	6,803
Total other long-term obligations	332,269	39,248	(15,259)	356,258	229,459
Liability for derivative instruments	228	21	—	249	—
Overdraws of federal pandemic-related unemployment insurance benefits	2,034,174	—	—	2,034,174	203,417
Bonded debt:					
Bonds and notes payable	6,599,974	—	(656,589)	5,943,385	589,366
Right-to-use liabilities:					
Lease liabilities	1,137,607	17,521	(69,091)	1,086,037	64,521
Subscription-Based IT Arrangement liabilities	53,049	35,069	(29,980)	58,138	24,555
Total bonded debt and other financing arrangements	7,790,630	52,590	(755,660)	7,087,560	678,442
Long-term liabilities, business - type activities	\$ 10,157,301	\$ 91,859	\$ (770,919)	\$ 9,478,241	\$ 1,111,318

⁽¹⁾ As restated, see note 1T on pages 82-83 - Business - type activities

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2025, net of unamortized discounts and premiums, compensated absences, and right-to-use lease, public-private partnership, and subscription-based IT arrangement liabilities are as follows (amounts in thousands):

Debt	Interest Rates	Maturities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Major component units:							
MassDOT	2.87 - 5.65%	2026 - 2039	\$ 1,675,244	\$ 3,339	\$ (73,000)	\$ 1,605,583	\$ 176,336
MBTA	0.00 - 5.87%	2026 - 2055	5,886,804	1,617,771	(1,123,957)	6,380,618	609,852
MCWT	2.00 - 5.25%	2026 - 2047	2,384,125	604,964	(353,871)	2,635,218	164,885
Nonmajor component units ...	1.00 - 5.50%	2026 - 2052	681,806	43,951	(67,158)	658,599	44,441
Total bonds and notes payable			10,627,979	2,270,025	(1,617,986)	11,280,018	995,514
Compensated absences ⁽¹⁾			202,313	52,209	(213)	254,309	128,760
Right-to-use lease liabilities			146,542	48,636	(25,778)	169,400	27,756
Right-to-use public-private partnership liabilities			2,049	66,514	(981)	67,582	1,068
Right-to-use subscription-based IT arrangement liabilities ...			6,557	10,280	(676)	16,161	5,965
Total long term liabilities			<u>\$ 10,985,440</u>	<u>\$ 2,447,664</u>	<u>\$ (1,645,634)</u>	<u>\$ 11,787,470</u>	<u>\$ 1,159,063</u>

⁽¹⁾ As restated, see note 1T on pages 82-83 - Component units

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, 2025. 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.....	(7,942)
Health Information Technology Trust Fund.....	(7,718)
Government Land Bank Fund	(35,033)
Public Safety Training Trust Fund	(9)
Behavioral Health Trust Fund	(142)
Capital Projects Funds:	
General Capital Projects Fund.....	(907,305)
Highway Capital Projects Fund.....	(872,860)
Government Land Bank Capital Projects Fund.....	(500)
Federal Highway Construction Program Capital Projects Fund....	(56,282)
	<u>\$ (1,887,792)</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 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, 2025, 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.....	70,243	71,006
Vested terminated employees entitled to benefits but not yet receiving them.....	5,516	N/A
Non-Vested terminated entitled only to a refund of their accumulated total deductions.....	32,892	N/A
Subtotal.....	108,651	71,006
Current members.....	93,138	101,122
Total.....	<u>201,789</u>	<u>172,128</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 2023 and based on the results of the January 1, 2022 Commonwealth Actuarial Valuation, the amortization payments increase 9.63% per year until FY28 with a final amortization payment in FY36 (four years before the statutory deadline of FY40). The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

Member contributions for SERS, MTRS and BRS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police, which is 12% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000 except for teachers subject to Chapter 114 of the Acts of 2000.

Members who joined the system on or after April 2, 2012 will have their withholding rate reduced as follows after achieving 30 years of creditable service:

- SERS:
 - Members of Group 1 will have their withholding rate reduced to 6%.
- MTRS:
 - Members of Group 1 will have their withholding rate reduced by 6%.

B. INVESTMENTS

Investment Policy. SERS and MTRS are required to invest in the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation.

The following was the PRIT Fund asset allocation as of June 30, 2025:

Asset Class	Target Allocation
Global Equity	36.0 %
Core Fixed Income	15.0 %
Private Equity	16.0 %
Portfolio Completion Strategies	10.0 %
Real Estate	10.0 %
Value Added Fixed Income	9.0 %
Timber/Natural Resources	4.0 %
Total	<u>100.0 %</u>

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses for fiscal 2025 were 9.63% and 9.64% 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, 2025 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 53,724,000	\$ 67,300,000
Plan fiduciary net position	(40,892,181)	(44,315,497)
Net pension liability	<u>\$ 12,831,819</u>	<u>\$ 22,984,503</u>
Fiduciary net position as a percentage of the total pension liability	76.1%	65.8%

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, 2025 rolled forward to June 30, 2025, using the following actuarial assumptions:

- The actuarial assumptions included: (a) 2.5% inflation rate (b) 7.00% investment rate of return/discount rate; (c) 5.44% discount rate for LDROM only; (d) 3.5% interest rate credited to the annuity savings fund; and (e) 3.0% cost of living increase on the first \$13,000 of allowance per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 9.0% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
- Experience studies were performed as follows:
 - SERS:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.
 - MTRS:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

4. Mortality rates were as follows:

a. SERS:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021, 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-2021 (gender distinct).
- Post-retirement mortality reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (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-2021 (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, 2025 (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	7.7%
Global Equity	4.9%
Value Added Fixed Income	5.3%
Timberland/Natural Resources	4.1%
Real Estate	4.1%
Portfolio Completion Strategies.....	4.1%
Core Fixed Income.....	2.6%

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	\$ 18,760,000	\$ 12,831,819	\$ 7,820,000
MTRS net pension liability	30,608,000	22,984,503	16,537,000

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 \$14.125 billion, \$25.356 billion, and \$3.668 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2024 and rolled forward to June 30, 2024. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2024 and rolled forward to December 31, 2024. 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, 2024	93.4%	\$ 13,197,705
Massachusetts Teachers' Retirement System	June 30, 2024	100.0%	25,356,461
Boston Retirement System - Teachers	December 31, 2024	64.9%	2,380,545
Total net pension liability			<u>\$ 40,934,711</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, 2024	5.8%	<u>\$ 821,645</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 \$3.496 billion and the discretely presented component units recognized approximately \$308 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.....	\$ 94,711	\$ —	\$ 439,410	\$ —	\$ 20,107	\$ —	\$ 7,010	\$ 20,128
Changes in proportion	184,769	257,488	—	—	—	—	77,299	1,610
Net difference between projected and actual earnings on pension plan investments....	—	171,603	—	196,337	45,264	—	120,700	10,683
Differences between expected and actual experience	661,463	169,087	404,482	395,225	4,920	98,610	170,605	24,427
Payments made after the measurement date	1,501,697	—	2,594,483	—	—	—	168,829	—
Totals	<u>\$ 2,442,640</u>	<u>\$ 598,178</u>	<u>\$ 3,438,375</u>	<u>\$ 591,562</u>	<u>\$ 70,291</u>	<u>\$ 98,610</u>	<u>\$ 544,443</u>	<u>\$ 56,848</u>

The \$1.502 billion for SERS, the \$2.594 billion for MTRS and \$169 million for the discretely presented component units reported as deferred outflows of resources are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resources 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	
2026	\$ (456,255)	\$ (348,672)	\$ (15,412)	\$ 116,561
2027	835,469	729,960	54,185	142,259
2028	80,607	(80,139)	(40,815)	43,445
2029	(102,512)	(106,543)	(27,188)	17,444
2030	(14,545)	57,724	911	(943)
Thereafter.....	—	—	—	—
Totals	<u>\$ 342,764</u>	<u>\$ 252,330</u>	<u>\$ (28,319)</u>	<u>\$ 318,766</u>

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024, using the following actuarial assumptions:

1. The actuarial assumptions included: (a) 2.5% inflation rate (b) 7.00% investment rate of return/discount rate; (c) 4.76% discount rate for LDROM only; (d) 3.5% interest rate credited to the annuity savings fund; and (e) 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 4.00% to 9.00% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
3. Experience studies were performed as follows:
SERS:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

MTRS:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

4. Mortality rates were as follows:

SERS:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2021, set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2021, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

MTRS:

- Pre-retirement - reflects SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
- Post-retirement - reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (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-2021 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024 using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.00% investment rate of return, (b) inflation 3.25% (c) 3.50% interest rate credited to the annuity savings fund and (d) 5.0% cost of living increase on the first \$15,000 for employer's fiscal year ended June 30, 2024 (previously and thereafter 3% of first \$15,000).
2. Salary increases range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Healthy - reflects Pub-2010 Teacher Employee, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2021 for Boston Teachers.
 - Disabled - reflects Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Tables projected generationally using Scale MP-2021 for Boston Teachers.

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, 2024:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity	36.00%	4.60%
Core Fixed Income	15.00%	2.10%
Private Equity	16.00%	7.40%
Portfolio Completion Strategies	10.00%	3.70%
Real Estate	10.00%	3.90%
Value Added Fixed Income	9.00%	5.10%
Timberland/Natural Resources	4.00%	4.40%
Total	100.00%	

* - BRS does not separately provide the long-term expected real rate of return for BRS-Teachers assets invested in the PRIT Fund as of the BRS measurement date.

Because SERS, MTRS and BRS-Teachers are all required to invest in the PRIT Fund, the long-term expected real rate of return was determined on that same basis as described in [Note 9C](#).

The discount rate used to measure the pension liabilities was 7.00% for SERS and MTRS as of the June 30, 2024 measurement date and 7.00% for BRS-Teachers as of the December 31, 2024 measurement date.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commonwealth calculated using the discount rate of 7.00% for SERS and MTRS and 7.00% for BRS-Teachers, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 6.00% for SERS and MTRS and 6.00% for BRS-Teachers) or 1-percentage-point higher 8.00% for SERS and MTRS and 8.00% for BRS-Teachers) than the current rate (amounts in thousands):

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
SERS net pension liability	\$ 18,541,070	\$ 13,197,705	\$ 8,677,228
MTRS net pension liability	32,776,000	25,356,461	19,080,000
BRS-Teachers net pension liability	\$ 2,983,052	\$ 2,380,545	\$ 1,882,913

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, 2025 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 142,448	\$ 110,711	\$ 253,159
Net investment in PRIT at fair value	40,673,552	44,093,895	84,767,447
Other receivables	133,389	118,587	251,976
Other assets	8	538	546
Total assets	40,949,397	44,323,731	85,273,128
LIABILITIES			
Accounts payable	57,216	8,234	65,450
Net position available for pension	\$ 40,892,181	\$ 44,315,497	\$ 85,207,678
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,547,546	\$ —	\$ 1,547,546
Non-employer contributions - Commonwealth	46,883	2,594,483	2,641,366
Employer and non-employer contributions - other	14,107	—	14,107
Employee contributions	885,959	1,010,643	1,896,602
ERIP funding contribution - Commonwealth	—	—	—
Boston teachers' contributions from Commonwealth	—	261,107	261,107
Other additions	96,171	157,591	253,762
Total contributions	2,590,666	4,023,824	6,614,490
Net investment gain/(loss):			
Investment gain/(loss)	3,785,054	4,072,525	7,857,579
Less: investment expense	(180,625)	(194,371)	(374,996)
Net investment gain/(loss)	3,604,429	3,878,154	7,482,583
Total additions	6,195,095	7,901,978	14,097,073
DEDUCTIONS			
Administration	18,600	21,940	40,540
Retirement benefits and refunds	3,163,947	3,657,842	6,821,789
Payments to State Boston Retirement System	—	261,107	261,107
Other deductions	22,224	68,131	90,355
Total deductions	3,204,771	4,009,020	7,213,791
Change in net position	2,990,324	3,892,958	6,883,282
Net position available for pension at beginning of year	37,901,857	40,422,539	78,324,396
Net position available for pension at end of year	\$ 40,892,181	\$ 44,315,497	\$ 85,207,678

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, 2025 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 8,079,390	\$ 11,319,990	Active members' contribution balance
Annuity Reserve Fund	1,569,395	517,372	Retired members' contribution account
Special Military Service Fund ...	35	375	Members' contribution account while on military leave
Pension Reserve Fund.....	31,243,361	32,477,760	Amounts appropriated to fund future retirement benefits
Total	<u>\$ 40,892,181</u>	<u>\$ 44,315,497</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, 2025 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments	86,680
Inactive plan members entitled to but not yet receiving benefit payments	4,696
Active plan members	71,741
Total	<u>163,117</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, 2025 and as of the valuation date (January 1, 2025), 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 FY25 totaled approximately \$616 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 FY25, none of the tobacco settlement proceeds was allocated to the SRBT, overriding existing statute. Based on recent contribution history and future expectations, it is assumed that tobacco settlement proceeds will continue to be transferred to the SRBT in future years, subject to annual evaluation.

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, 2025, 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 2025 was 9.62%. 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, 2025 are as follows (amounts in thousands);

	SRBT
Total OPEB liability	\$ 15,527,409
Plan fiduciary net position	(2,807,002)
Net OPEB liability	<u>\$ 12,720,407</u>
Fiduciary net position as a percentage of the total OPEB liability	18.1%

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, 2025 rolled forward to June 30, 2025, 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 2025_1b. The short-term trend assumptions were based on a review of the Commonwealth's emerging experience and enrollment by plan type (including migration assumptions for discontinued plans), 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 2029 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
2025	7.50%	9.60%
2026	7.21%	9.07%
2027	6.92%	8.55%
2028	6.62%	8.02%
2029	6.33%	7.50%
2034		4.87%
2044		4.55%
2054		4.47%
2064		4.41%
2074		3.98%
2075+		3.94%

2. Mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2021, 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. 15% 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 Medicare Supplement plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity-Medicare Supplement/HMO-Medicare Advantage/POS/PPO).

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 and reflect the migration of the members to the new plans, as stated in the GIC Provisions section.

	Non-Medicare		Medicare
Indemnity	18.0%	Medicare Supplement	96.0%
HMO	10.0%	Medicare Advantage	4.0%
POS/PPO	72.0%		

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 5.94%. This rate was based on a blend of the Bond Buyer Index rate 5.20% as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on SRBT investments was applied to projected benefit payments through year 2048 and the municipal bond rate was applied to all remaining future years to determine the Total OPEB Liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the OPEB plan's net OPEB liability calculated using the discount rate of 5.94%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.94% or 1-percentage-point higher 6.94% than the current rate (amounts in thousands):

	1% Decrease 4.94%	Current Discount Rate 5.94%	1% Increase 6.94%
Net OPEB liability	<u>\$ 14,728,762</u>	<u>\$ 12,720,407</u>	<u>\$ 11,050,622</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the OPEB plan's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate disclosed above (amounts in thousands):

	1% Decrease 6.50%-8.60%	Current Healthcare Cost Trend Rate 7.50%-9.60%	1% Increase 8.50%-10.60%
Net OPEB liability	<u>\$ 10,841,482</u>	<u>\$ 12,720,407</u>	<u>\$ 15,033,703</u>

D. NET OPEB LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 75

The Commonwealth's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024.

The Commonwealth's reporting entity reported the following net OPEB liability (amounts in thousands):

	Net OPEB Liability	
Primary government	\$ 12,932,671	(A)
Discretely presented component unit	3,185,051	(B)
Total net OPEB liability	<u>\$ 16,117,722</u>	

(A) - includes \$591 million of business-type activities and \$22 million of special funding arrangements that participate in the Commonwealth's OPEB plan. Nothing is related to non-participating governmental entities.

(B) - Of this amount \$2.402 billion 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, 2024, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$(393) million and \$86 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 Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 518,174	\$ 638,997	\$ 120,823	\$ —
Differences between expected and actual experience	359,674	999,610	133,128	111,592
Change of assumptions	253,635	2,889,368	293,529	550,930
Net difference between projected and actual earnings on OPEB plan investments	—	5,273	794	710
Payments made after the measurement date	623,715	—	96,120	—
Totals	<u>\$ 1,755,198</u>	<u>\$ 4,533,248</u>	<u>\$ 644,394</u>	<u>\$ 663,232</u>

The \$624 million and \$96 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 Units
2026	\$ (1,357,198)	\$ (102,816)
2027	(1,272,495)	(86,552)
2028	(519,671)	(11,906)
2029	(145,895)	45,125
2030	(106,551)	28,243
Thereafter	46	12,948
Total	<u>\$ (3,401,764)</u>	<u>\$ (114,958)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024 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 2024_1b. The short-term trend assumptions were based on a review of the Commonwealth's emerging experience and enrollment by plan type (including migration assumptions for discontinued plans), 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 2028 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
2024	5.35%	7.42%
2025	6.53%	8.03%
2026	5.24%	6.85%
2027	5.19%	6.57%
2028	5.14%	6.29%
2033	4.87%	
2043	4.48%	
2053	4.42%	
2063	4.37%	
2073	4.01%	
2075+	3.94%	

2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2021, 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 and reflect the migration of the members to the new plans, as stated in the GIC Provisions sections.

	Non-Medicare		Medicare
Indemnity	18.0%	Medicare Supplement	96.0%
HMO	10.0%	Medicare Advantage	4.0%
POS/PPO	72.0%		

Discount Rate

The discount rate used to measure the OPEB liability was 4.61%. This rate was based on a blend of the Bond Buyer Index rate 3.93% as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on SRBT investments was applied to projected benefit payments through year 2043 and the municipal bond rate was applied to all remaining future years to determine the Total OPEB Liability.

Investments

The long-term expected rate of return as of June 30, 2024 was 7.00%. Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return
Global Equity	36.0 %	4.6 %
Core Fixed Income	15.0 %	2.1 %
Private Equity	16.0 %	7.4 %
Portfolio Completion Strategies	10.0 %	3.7 %
Real Estate	10.0 %	3.9 %
Value Added Fixed Income	9.0 %	5.1 %
Timber/Natural Resources	4.0 %	4.4 %
Total	<u>100.0 %</u>	

Changes in Net OPEB liability

The following presents the changes in the net OPEB liability of entities participating in the Commonwealth's OPEB plan (including MassDOT, a discretely presented component unit) as of June 30, 2024 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023.....	\$ 16,470,056	\$ 2,266,842	\$ 14,203,214
Changes for the year:			
Service cost.....	551,863	—	551,863
Interest.....	725,635	—	725,635
Differences between expected and actual experience.....	(96,894)	—	(96,894)
Changes of assumptions.....	(797,949)	—	(797,949)
Contributions-employer.....	—	648,694	(648,694)
Net investment income.....	—	221,103	(221,103)
Benefit payments.....	(610,921)	(610,921)	—
Administrative expense.....	—	(223)	223
Other additions.....	—	150	(150)
Net changes.....	(228,266)	258,803	(487,069)
Balances at June 30, 2024.....	<u>\$ 16,241,790</u>	<u>\$ 2,525,645</u>	<u>\$ 13,716,145</u>

Sensitivity Analysis of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT) calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in thousands):

	1% Decrease 3.61%	Current Discount Rate 4.61%	1% Increase 5.61%
Net OPEB liability.....	\$ 15,974,849	\$ 13,716,145	\$ 11,851,966
Less: MassDOT Share.....	(912,492)	(783,474)	(676,991)
Commonwealth Net OPEB liability.....	<u>\$ 15,062,357</u>	<u>\$ 12,932,671</u>	<u>\$ 11,174,975</u>

Sensitivity Analysis of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT), as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate, as disclosed on [page 123](#) of this report (amounts in thousands):

	1% Decrease 4.35%-6.42%	Current Rate 5.35%-7.42%	1% Increase 6.35%-8.42%
Net OPEB liability.....	\$ 11,514,467	\$ 13,716,145	\$ 16,485,591
Less: MassDOT Share.....	(657,713)	(783,474)	(941,666)
Commonwealth Net OPEB liability.....	<u>\$ 10,856,754</u>	<u>\$ 12,932,671</u>	<u>\$ 15,543,925</u>

E. STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the State Retirees' Benefit Trust as of June 30, 2025 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents	\$ 29,055
Net investment in PRIT at fair value	2,777,965
Total assets	2,807,020
LIABILITIES	
Accounts payable	18
Net position available for other post-employment benefits	\$ 2,807,002
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth	\$ 654,739
Other additions	230
Total contributions	654,969
Net investment gain/(loss):	
Investment gain/(loss)	255,047
Less: investment expense	(12,505)
Net investment gain/(loss)	242,542
Total additions	897,511
DEDUCTIONS	
Administration	283
Retirement benefits and refunds	615,871
Total deductions	616,154
Change in net position	281,357
Net position available for other post-employment benefits at beginning of year	2,525,645
Net position available for other post-employment benefits at end of year	\$ 2,807,002

LEASES AND SUBSCRIPTION-BASED INFORMATION

11. TECHNOLOGY ARRANGEMENTS (SBITAs)

A. PRIMARY GOVERNMENT - AS LESSEE

The Commonwealth has entered into various right to use leases for land, buildings, and equipment, infrastructure, facilities, and improvements. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. One of the lease agreements calls for both fixed and variable (based on changes in index rates) payments; the latter of which are not included in the initial measurement of the lease liability. These variable payments totaled \$3 million and were recognized as expense during the year ended June 30, 2025.

The Institutions of Higher Education lease real property and equipment under numerous right to use lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2025 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities				Business - Type Activities			
	Principal	Interest	MSBA Principal	MSBA Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2026	\$ 142,009	\$ 13,430	\$ 57	\$ 27	\$ 155,523	\$ 64,521	\$ 45,696	\$ 110,217
2027	123,782	11,610	647	357	136,396	68,746	42,222	110,968
2028	112,030	9,935	693	332	122,990	65,123	39,365	104,488
2029	97,738	8,310	740	306	107,094	65,026	32,386	97,412
2030	69,724	6,894	789	277	77,684	66,230	29,926	96,156
2031-2035	159,414	19,167	4,961	704	184,246	322,407	113,668	436,075
2036-2040	31,760	9,537	1,036	69	42,402	303,272	51,208	354,480
2041-2045	30,150	6,429	—	—	36,579	103,994	11,370	115,364
2046-2050	33,349	3,221	—	—	36,570	25,832	1,891	27,723
2051-2055	13,359	435	—	—	13,794	886	23	909
2056-2060	439	160	—	—	599	—	—	—
2061-2065	486	114	—	—	600	—	—	—
2066-2070	537	62	—	—	599	—	—	—
2071-2075	349	10	—	—	359	—	—	—
Total lease liabilities	815,126	89,314	8,923	2,072	915,435	1,086,037	367,755	1,453,792
Less: current portion	(142,009)	(13,430)	(57)	(27)	(155,523)	(64,521)	(45,696)	(110,217)
Long-term lease liabilities	<u>\$ 673,117</u>	<u>\$ 75,884</u>	<u>\$ 8,866</u>	<u>\$ 2,045</u>	<u>\$ 759,912</u>	<u>\$ 1,021,516</u>	<u>\$ 322,059</u>	<u>\$ 1,343,575</u>

Right-to-use lease assets as of June 30, 2025 (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings	\$ 1,446,324	\$ 1,320,100
Machinery and equipment	30,865	26,838
Total assets	1,477,189	1,346,938
Less: accumulated amortization	(688,926)	(385,149)
Total	<u>\$ 788,263</u>	<u>\$ 961,789</u>

B. PRIMARY GOVERNMENT - AS LESSOR

The Commonwealth acts as Lessor on a ground lease associated with re-development of the Saltonstall Building in Boston. Additionally, the Commonwealth acts as Lessor for several properties under a historic curatorship program. For the year ended June 30, 2025, the Commonwealth recognized lease revenue of \$3 million and interest revenue of \$1 million.

The Institutions of Higher Education acts as lessor of real property and equipment under numerous agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2025 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities			Business - Type Activities		
	Principal	Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2026	\$ 1,443	\$ 1,164	\$ 2,607	\$ 58,868	\$ 44,178	\$ 103,046
2027	1,484	1,136	2,620	61,922	42,283	104,205
2028	1,524	1,105	2,629	62,873	43,134	106,007
2029	1,560	1,069	2,629	68,879	31,899	100,778
2030	3,407	2,222	5,629	71,104	29,383	100,487
2031-2035	10,683	5,583	16,266	358,604	110,584	469,188
2036-2040	13,130	4,385	17,515	318,396	53,554	371,950
2041-2045	14,046	2,937	16,983	115,293	12,970	128,263
2046-2050	15,180	1,463	16,643	32,664	3,152	35,816
2051-2055	4,955	117	5,072	6,291	501	6,792
2056-2060	73	5	78	2,391	33	2,424
Total lease receivable	67,485	21,186	88,671	1,157,285	371,671	1,528,956
Less: current portion	(1,443)	(1,164)	(2,607)	(58,868)	(44,178)	(103,046)
Long-term lease receivable	<u>\$ 66,042</u>	<u>\$ 20,022</u>	<u>\$ 86,064</u>	<u>\$ 1,098,417</u>	<u>\$ 327,493</u>	<u>\$ 1,425,910</u>

C. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

The Commonwealth has entered into various agreements for software as a service. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. 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, 2025 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities					Business - Type Activities		
	Principal	Interest	MSBA Principal	MSBA Interest	Governmental Activities Total	Principal	Interest	Business - Type Activities Total
2026	\$ 52,616	\$ 1,867	\$ 136	\$ 1	\$ 54,620	\$ 24,555	\$ 2,133	\$ 26,688
2027	9,948	360	—	—	10,308	15,520	1,523	17,043
2028	3,227	61	—	—	3,288	11,225	744	11,969
2029	158	1	—	—	159	6,080	315	6,395
2030	—	—	—	—	—	758	58	816
Total SBITAs liabilities	65,949	2,289	136	1	68,375	58,138	4,773	62,911
Less: current portion	(52,616)	(1,867)	(136)	(1)	(54,620)	(24,555)	(2,133)	(26,688)
Long-term SBITAs liabilities	<u>\$ 13,333</u>	<u>\$ 422</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13,755</u>	<u>\$ 33,583</u>	<u>\$ 2,640</u>	<u>\$ 36,223</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, 2025 is estimated to be \$276 million of which approximately \$38 million is expected to be paid during FY26.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY25 and FY24 were (amounts in thousands):

	FY25	FY24
Claims liability, beginning of year	\$ 273,671	\$ 272,553
Increase in liability estimate	57,867	58,144
Payments and decreases in liability estimate	(55,063)	(57,026)
Claims liability, end of year	<u>\$ 276,475</u>	<u>\$ 273,671</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 FY25 and FY24 were (amounts in thousands):

	FY25	FY24
Claims liability, beginning of year	\$ 178,268	\$ 191,551
Increase in liability estimate	2,414,662	2,172,281
Payments and decreases in liability estimate	(2,420,902)	(2,185,564)
Claims liability, end of year	<u>\$ 172,028</u>	<u>\$ 178,268</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 FY25 and FY24 (amounts in thousands):

	FY25	FY24
Unpaid claims, beginning of year	\$ 28,256	\$ 66,622
Incurred claims	61,872	33,398
Claim payments and reductions	(26,864)	(71,764)
Unpaid claims end of year	<u>\$ 63,264</u>	<u>\$ 28,256</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 FY25, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities
Environmental remediation liability, beginning of year	\$ 291,648
Expected additional future outlays, changes in liability estimates	(2,405)
FY25 outlays for environmental remediation	<u>(9,133)</u>
Environmental remediation liability, end of year	<u>\$ 280,110</u>

The Commonwealth has various ongoing pollution remediation projects, either in partnership with the U.S. Environmental Protection Agency or other projects the Commonwealth is obligated to perform.

Projects subject to participation with Federal Agencies - Under the Federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), state partners are responsible for 10% of cleanup costs at Superfund sites and 100% of costs when a site is in Operation & Maintenance (O&M) status after a period of years. Pollution remediation projects for various sites have an estimated \$212 million in O&M future outlays.

Orphaned Sites - Under Massachusetts General Law Chapter 21E, MassDEP is obligated to clean up hazardous waste sites that pose a harm to human health and the environment when a responsible party is unable or unwilling to conduct the cleanup. These types of pollution remediation projects are estimated at \$20 million in future outlays.

Sites under Commonwealth Control - The Commonwealth has various ongoing pollution remediation project for land and sites under its control. Environmental projects related to buildings or sites containing hazardous materials for demolition or remediation carry an estimated liability of \$48 million.

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 2025, there was a decrease of approximately \$7 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2025, the Commonwealth's liability for COLA was approximately \$65 million.

E. PANDEMIC-RELATED UNEMPLOYMENT INSURANCE

During the pandemic, from FY20 through FY23, the Department of Unemployment Assistance (DUA) overdraw approximately \$2.499 billion in pandemic-related unemployment insurance revenues from the federal government. In January 2025, the Commonwealth agreed pursuant to a settlement agreement to pay the federal government \$2.034 billion (reflecting a negotiated reduction of \$465 million in the assessed liability) from the Unemployment Compensation Trust Fund to remediate these errors, with such principal payments to be made in ten annual installments of approximately \$203 million commencing in December 2025 and total interest payment of \$409 million to be made beginning December 1, 2026 and ending on the earlier of: (i) December 1, 2034, or (ii) the payment in full of the settlement amount, of which \$17 million is accrued interest as of June 30, 2025. The Commonwealth also agreed to pay \$73 million in back-interest related to the covered claims on overdrafts of federal pandemic-related unemployment insurance benefits.

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. The Commonwealth continues to assess relevant policy changes from the federal government, which have constrained federal revenues in areas including healthcare, nutritional assistance programming, state and local education, infrastructure, and

environmental initiatives. Additionally, the Commonwealth has formed dedicated teams to assess ongoing changes and disruptions to federal revenues and continues to respond to constraints.

[Section 9 of Chapter 200A of the Massachusetts General Laws](#), amended by [Section 5H of Chapter 165 of the Acts of 2012](#), part of the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the Stabilization Fund and the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY25 totaled approximately \$461 million. FY25 final supplemental budget bill temporarily suspended the requirement to transfer 75% of the growth in abandoned property net revenues between FY24 and FY25 revenues to the Stabilization Fund, which reduced transfers to the Fund by \$99 million and remitted to the General Fund \$331 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 guaranteed certain Massachusetts Bay Transportation Authority (MBTA) which was extinguished as of June 30, 2025. The MBTA's Forward Funding legislation of 1999 provided 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.

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 FY25, the Commonwealth received approximately \$875 million, or 240.6% of the estimated amounts shown in the MSA. The Commonwealth participated in a nationwide settlement with the tobacco companies that addressed withholding of proceeds from the years 2005-2011 that had been in dispute, which resulted in a one-time payment of \$695 million to the Commonwealth in FY25. Annual amounts received in FY25 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 \$9.326 billion through 2025, which is subject to adjustments, reductions and offsets.

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, 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, 2025, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

C. OPIOID SETTLEMENT

In 2022, the Commonwealth, along with 50 other states and territories, signed on to opioid legal agreements with certain manufacturers and distributors to resolve legal claims for their role in the opioid crisis. As a result of these agreements, the Commonwealth has recognized a receivable for \$399 million as of June 30, 2025, of which \$364 million is considered long-term and the remaining \$35 million as short-term receivable. As of June 30, 2025, \$226 million has been received for opioid recovery and remediation purposes.

Other opioid related ongoing litigation will be subject to federal, state, and local government approval.

D. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2025, the Commonwealth had commitments of approximately \$996 million related to ongoing construction projects.

Chelsea Soldiers' Home - Pennrose Master Development Agreement. On October 28, 2022, the Commonwealth signed an agreement with Pennrose, LLC for redevelopment of a portion of the Chelsea Soldiers' Home, including a ground lease, open space, and residential and non-residential spaces. While the contract for this multi-phased project has not been executed, under GASB 94, the agreement likely represents an Availability Payment Arrangement for activities related to design and construction.

E. CONTRACTUAL ASSISTANCE TO AUTHORITIES

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

General obligation contract assistance obligations arise from statutory requirements for payments by the Commonwealth to the Massachusetts Clean Water Trust, the Massachusetts Department of Transportation and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds. Such assistance constitutes a pledge of the Commonwealth's credit for which a two-thirds vote of the Legislature is required.

Budgetary contract assistance liabilities do not constitute a pledge of the Commonwealth's credit. Contingent liabilities relate to debt obligations of independent authorities and agencies of the Commonwealth, or payment obligations of such entities on hedging transactions related to such debt, that are expected to be paid without

Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These contingent liabilities consist of guarantees and similar obligations with respect to which the Commonwealth's credit has been or may be pledged. Under legislation approved by the Governor during FY09, the Commonwealth may pledge its credit to guarantee payment obligations of the Massachusetts Turnpike Authority (succeeded by MassDOT in FY10) with respect to certain hedging transactions or provide financial support subject to annual appropriation and without a pledge of the Commonwealth's credit. The same legislation authorizes the Commonwealth to provide credit support to the Massachusetts Turnpike Authority (succeeded by MassDOT) in connection with the issuance of certain refunding bonds, subject to annual appropriation and without a pledge of the Commonwealth's credit. In addition, the Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to replenish the capital reserve funds securing certain debt obligations of the Massachusetts Housing Finance Agency and the Commonwealth's obligation to fund debt service, solely from monies otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

F. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2025 to be \$2.0 billion.

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 withdrew its prior request for a closing agreement. This matter remains pending.

14. COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED

The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 40 entities 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, 2025 fiscal year end) (entities marked with an * are not legally separate from the Commonwealth but have separately audited financial statements). Entities that are marked with a § also were not audited in accordance with *Governmental Auditing Standards* as promulgated by the Comptroller General of the United States.

Entities Audited by CliftonLarsonAllen (CLA):

The Massachusetts Clean Water Trust (MCWT)
 Massachusetts Clean Energy Center (MCEC)
 Massachusetts Convention Center Authority (MCCA)
 Massachusetts Development Finance Agency (MassDevelopment)
 Massachusetts Life Sciences Center
 Massachusetts Technology Park Corporation (MTPC)

Entities Audited by Other Auditors:

The Pension Reserves Investment Trust Fund (PRIT)
 *The Massachusetts State Lottery Commission
 The Massachusetts Department of Transportation (MassDOT)
 Massachusetts Bay Transportation Authority (MBTA)
 Commonwealth Health Insurance Connector Authority
 *§The Massachusetts Municipal Depository Trust (MMDT)
 *The University of Massachusetts System
 University of Massachusetts Foundation, Inc.
 The Massachusetts School Building Authority (MSBA)
 *State Universities:
 Bridgewater State University
 Fitchburg State University
 Framingham State University
 Massachusetts College of Art and Design
 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
Springfield Technical Community College

Nonmajor Discretely Presented Component Units:

Massachusetts Housing Partnership (MHP)

Economic Development Entities (3 separate entities):

Commonwealth Corporation
Community Economic Development Assistance Corporation (CEDAC)
Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (23 separate entities):

Bridgewater State University's:
 The Bridgewater State University Foundation
 Bridgewater Alumni Association of Bridgewater State University
Fitchburg State University's:
 Fitchburg State University Foundation, Inc.
 FSU Foundation Supporting Organization, Inc.
Framingham State University's:
 Framingham State University Foundation, Inc.
 Framingham State University Foundation Supporting Organization, Inc.
Massachusetts College of Art and Design Foundation, Inc.
Massachusetts College of Liberal Arts Foundation, Inc.
Massachusetts Maritime Academy Foundation, Inc.
Salem State University's:
 Salem State University Alumni Association and Foundation, Inc.
 Salem State University Assistance Corporation
Westfield State University Foundation, Inc.
Worcester State Foundation, Inc.
Berkshire Community College Foundation, Inc.
Bristol Community College Foundation, Inc.
Bunker Hill Community College Foundation, Inc.
Cape Cod Community College Educational Foundation, Inc.
Greenfield Community College Foundation, Inc.
Holyoke Community College Foundation, Inc.
Massachusetts Bay Community College Foundation, Inc.
Massasoit Community College Foundation, Inc.
Middlesex Community College Foundation, Inc.
Mount Wachusett Community College Foundation, Inc.
North Shore Community College Foundation, Inc.
Northern Essex Community College Foundation, Inc.
Quinsigamond Community College Foundation, Inc.
Springfield Technical Community College's:
 Springfield Technical Community College Foundation, Inc.
 Springfield Technical Community College Assistance Corporation

15. SUBSEQUENT EVENTS

Primary Government

On August 13, 2025, the Commonwealth issued \$300 million in GO Bonds, Consolidated Loan of 2025, Series E. These bonds carry interest rate of 5.00%. The first principal payment is due on August 1, 2028 with final maturity on August 1, 2043.

On August 13, 2025, the Commonwealth issued \$450 million in GO Bonds, Consolidated Loan of 2025, Series F. These bonds carry interest rate of 5.00%. The first principal payment is due on August 1, 2044 with final maturity on August 1, 2055.

On September 11, 2025, the Commonwealth issued approximately \$5 million in General Obligation (GO) Bonds, Consolidated Loan of 2025 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2030 with final maturity on August 1, 2045.

On October 22, 2025, the Commonwealth issued \$375 million in Commonwealth Transportation Fund Revenue Bonds 2025 Series A. These bonds carry an interest rate of 5.00% with maturity date of June 1, 2055.

On October 22, 2025, the Commonwealth issued approximately \$168 million in Commonwealth Transportation Fund Revenue Refunding Bonds 2025, Series A. The bonds were issued to refund, on a current basis, approximately \$184 million of various Commonwealth Transportation Fund Revenue bonds and carries interest rates of 5.00% with final maturity on June 1, 2045. The refunding resulted in reduced debt service of approximately \$29 million and a present value savings of approximately \$21 million over the life of the bonds.

On December 11, 2025, the Commonwealth issued \$750 million in GO Bonds, Consolidated Loan of 2025, Series G. These bonds carry interest rate of 5.00%. The first principal payment is due on December 1, 2028 with final maturity on December 1, 2055.

On December 11, 2025, the Commonwealth issued approximately \$268 million in GO Refunding Bonds 2025, Series B. The bonds were issued to refund, on a current basis, approximately \$296 million of various GO bonds and carries interest rates of 5.00% with final maturity on June 1, 2046. The refunding resulted in reduced debt service of approximately \$32 million and a present value savings of approximately \$27 million over the life of the bonds.

The Commonwealth's \$100 million direct purchase outstanding bonds has been paid off on December 11, 2025 with the proceeds from the 2025B Refunding bonds dated December 11, 2025.

On September 18, 2025, the MSBA issued \$500 million in Subordinated Dedicated Sales Tax Bonds, 2025 Series A (Social Bonds). These bonds carry interest rates of 5.00% to 5.50%. The first principal payment is due on February 15, 2039, with final maturity on February 15, 2055.

On September 18, 2025, the MSBA issued approximately \$1.495 billion in Subordinated Dedicated Sales Tax Refunding Bonds, 2025 Series B (Social Bonds) and used a combination of debt service releases and MSBA funds totaling approximately \$152 million to refund and to purchase tendered bonds. This transaction refunded, on a current basis, or purchased approximately \$1.848 billion of various Senior and Subordinate Dedicated Sales Tax bonds and carries an interest rate of 5.00% with final maturity on February 15, 2042. The refunding resulted in budgetary savings of approximately \$218 million and net present value savings of approximately \$169 million over the life of the bonds.

On September 18, 2025, the MSBA utilized approximately \$397 million in available funds and \$4 million of debt service releases to execute a cash defeasance of \$505 million of outstanding federally taxable bonds. This cash defeasance realized budgetary savings of \$771 million and net present value savings of \$47 million, net of the MSBA's cash contribution of \$297 million to the defeasance escrow.

On February 25, 2026, the MSBA Board authorized the use of available funds to cash defease up to \$550 million of principal. This transaction is scheduled to close on April 28, 2026. This transaction will have a budgetary savings of approximately \$866.7 million over the life of the defeased debt and a net present value savings of approximately \$27.3 million.

All debt issues were sold as tax exempt, except as noted.

Component Units

Subsequent to year end, MassDOT's fiscal 2026 operating budget was revised and approved for \$873 million in expenditures and debt service. The amount will be funded from operating revenue from Commonwealth Transportation Fund, pledged and unpledged revenues, motor vehicle inspection trust fund, federal funds and other revenues. Additionally, the Commonwealth legislature approved a supplemental transfer of \$61 million from the Education and Transportation Fund to the Massachusetts Transportation Trust Fund for snow and ice removal expenditures.

In July 2025, the MBTA issued \$978 million Senior Sales Tax Bonds, 2025 Series B. The Bonds have two Term Bonds with a maturity date of July 1, 2050. Both have annual sinking funds from July 1, 2048, through final maturity on July 1, 2050. There are two additional Term Bonds with a maturity date of July 1, 2055. Both have annual sinking funds from July 1, 2051, through final maturity on July 1, 2055. There are annual principal payments beginning July 1, 2029, through July 1, 2055. The Bonds maturing after July 1, 2035 are subject to an optional redemption at par and the Bonds maturing on or prior to July 1, 2035, are subject to an optional redemptions with a make-whole redemption price. The 2025 Series B Bonds were issued to provide financing for capital projects.

Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

**Schedule of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis –
Budget and Actual – General Fund**

**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, 2025
(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 36,916,000	\$ 36,916,000	\$39,328,783	\$ 2,412,783
Assessments	497,907	497,907	419,497	(78,410)
Federal grants and reimbursements	14,356,450	14,356,450	16,199,453	1,843,003
Tobacco settlement revenue	256,786	256,786	874,694	617,908
Departmental	4,044,907	4,044,907	4,444,480	399,573
Miscellaneous	842,919	842,919	1,109,606	266,687
Total revenues	56,914,969	56,914,969	62,376,513	5,461,544
Other financing sources:				
Fringe benefit cost recovery	604,898	604,898	641,840	36,942
Lottery reimbursements	132,670	132,670	148,181	15,511
Lottery distributions	1,345,750	1,345,750	1,031,804	(313,946)
Operating transfers in	294,418	294,418	1,112,267	817,849
Stabilization transfer	96,841	96,841	—	(96,841)
Other fund deficit support	—	217,735	217,735	—
Total other financing sources	2,474,577	2,692,312	3,151,827	459,515
Total revenues and other financing sources	59,389,546	59,607,281	65,528,340	5,921,059
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	140,627	148,642	96,781	51,861
Judiciary	1,371,138	1,401,569	1,354,704	46,865
Office of Inspector General	10,048	10,517	8,916	1,601
Governor and Lieutenant Governor	9,797	12,131	9,184	2,947
Secretary of the Commonwealth	87,066	87,226	83,126	4,100
Treasurer and Receiver-General	2,490,726	288,817	240,144	48,673
State Auditor	25,389	25,344	24,004	1,340
Attorney General	81,334	102,317	98,669	3,648
State Ethics Commission	3,731	3,839	3,828	11
District Attorneys	176,277	179,756	178,082	1,674
Office of Campaign & Political Finance	2,202	2,207	2,099	108
Sheriff's	737,861	888,344	882,887	5,457
Disabled Persons Protection Commission	13,497	12,868	12,688	180
Commission on the Status of Women	959	959	905	54
Office of the Comptroller	67,179	67,713	42,330	25,383
Administration and Finance	4,859,325	4,493,104	3,499,451	993,653
Energy and Environmental Affairs	585,106	656,878	583,911	72,967
Health and Human Services	9,601,939	10,831,370	10,075,146	756,224
Technology Services and Security	286,304	285,925	202,895	83,030
Veterans' Services	131,501	136,327	129,901	6,426
Office of the Veteran Advocate	2,000	1,963	1,684	279
Housing and Livable Communities	1,184,333	2,092,091	1,955,810	136,281
Massachusetts Department of Transportation	130	3,399	3,081	318
Office of the Child Advocate	8,892	8,144	5,374	2,770
Commission Against Discrimination	13,470	13,578	11,908	1,670
Board of Library Commissioners	52,429	52,473	52,384	89
Education	4,393,698	4,060,350	3,933,903	126,447
Center for Health Information and Analysis	36,762	39,085	36,349	2,736
Public Safety and Security	1,712,086	1,759,178	1,675,374	83,804
Massachusetts Peace Officer Standards and Training Commission	8,747	8,752	7,985	767
Commission on the Status of African Americans	150	150	—	150
Commission on the Status of Latinos and Latinas	150	150	—	150
Commission on the Status of Persons with Disabilities	150	150	145	5
Commission on the Social Status of Black Men and Boys	150	150	—	150
Economic Development	199,366	252,847	227,067	25,780

Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual
General Fund*
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
Labor and Workforce Development	162,286	106,231	104,775	1,456
Direct local aid	7,742,319	7,748,119	7,747,799	320
Medicaid	20,097,343	22,143,507	22,129,247	14,260
Post employment benefits	—	5,096,329	5,093,997	2,332
Debt service:				
Principal retirement	34,654	754,446	744,689	9,757
Interest and fiscal charges	—	719,572	710,900	8,672
Total expenditures	56,331,121	64,496,517	61,972,122	2,524,395
Other financing uses:				
Fringe benefit cost assessment	—	—	15,491	(15,491)
Operating transfers out	—	4,042,567	4,038,694	3,873
Medical assistance transfer	682,202	837,827	640,347	197,480
Stabilization transfer	—	951,492	826,992	124,500
Total other financing uses	682,202	5,831,886	5,521,524	310,362
Total expenditures and other financing uses	57,013,323	70,328,403	67,493,646	2,834,757
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 2,376,223	\$ (10,721,122)	(1,965,306)	\$ 8,755,816
Fund balance at beginning of year			11,971,462	
Fund balance at end of year			<u>\$10,006,156</u>	

* Includes the General Fund, the Commonwealth Stabilization Fund, the Intragovernmental Services Fund and the Transitional Escrow Fund, which are presented separately in the Statutory Basis Financial Report (SBFR). Please see pages 180-181 in the Other Supplemental Information for the breakdown of funds within Combined General Fund .

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	\$ 62,376,513
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	396,997
Tax refunds and abatements payable, net	(183,277)
Federal reimbursements and other receivables	(580,469)
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(195,469)
Inflows from component units and other miscellaneous financing sources	158,947
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(65,669)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 61,907,573

OTHER FINANCING SOURCES

Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 3,151,827
Adjustments and Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	—
Capital outlay on GAAP basis	208,867
Consolidation of transfers between funds	(552,672)
Inflows from component units and other miscellaneous financing sources	(157,956)
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 2,650,066

EXPENDITURES

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 61,972,122
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	117,315
Compensated absences and other accrued liabilities	106,387
Reclassifications:	
Leases and SBITAs additions are additions to expenditures for GAAP purposes on a fund perspective	208,867
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	(1,455,589)
Certain expenditures are reclassified to/from Other Financing Uses	(8,500)
Higher education expenditures are reclassified for GAAP reporting	(2,331,782)
Expenditures to component units reported on a GAAP basis	61,040
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(65,669)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 58,604,191

OTHER FINANCING USES

Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 5,521,524
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(552,672)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	2,136,313
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	1,455,589
Transfers to component units reported on a GAAP basis	(6,502)
Certain expenditures are reclassified to/from Other Financing Uses	8,500
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 8,562,752

* 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 FY25 (amounts in thousands):

General Appropriation Act, Chapter 140 of the Acts of 2024:	Revenues	Expenditures
Direct appropriations	\$ 58,002,800	\$ 56,994,169
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY 2024	—	4,712,732
Total original budget	58,002,800	61,706,901
Supplemental Acts of 2024:		
Chapter 88	—	175,000
Chapter 248		355,625
Supplemental Acts of 2025:		
Chapter 1	—	425,000
Chapter 3	—	240,000
Chapter 4	—	189,570
Chapter 7	—	1,388,225
Chapter 14	—	222,415
Chapter 33	—	157,000
Chapter 73	—	2,297,832
Total budgeted revenues and expenditures per Legislative action	—	5,450,667
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending	5,688,205	11,706,514
Budgeted revenues and expenditures as reported	<u>\$ 63,691,005</u>	<u>\$ 78,864,082</u>

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the Comptroller, Statewide Financial Reporting Team, at cathy.hunter@mass.gov.

Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2025	2024	2023	2022	2021
Total pension liability, July 1	\$ 52,027,000	\$ 50,005,000	\$ 48,041,000	\$ 46,476,000	\$ 45,725,000
Service cost	1,199,805	1,143,160	1,043,783	981,998	968,648
Interest	3,615,138	3,472,563	3,332,796	3,223,993	3,243,594
Change in benefit terms	—	—	—	—	—
Differences between expected and actual experience	46,004	486,506	424,236	160,909	(904,845)
Changes of assumptions	—	—	110,000	—	101,000
Benefit payments, including refunds of member contributions	(3,163,947)	(3,080,229)	(2,946,815)	(2,801,900)	(2,657,397)
Net change in total pension liability	1,697,000	2,022,000	1,964,000	1,565,000	751,000
Total pension liability, June 30 (a)	<u>\$ 53,724,000</u>	<u>\$ 52,027,000</u>	<u>\$ 50,005,000</u>	<u>\$ 48,041,000</u>	<u>\$ 46,476,000</u>
Plan fiduciary net position, July 1	\$ 37,901,857	\$ 35,357,510	\$ 34,131,126	\$ 36,039,471	\$ 28,567,300
Contributions:					
Employers - Commonwealth and MassDOT	1,547,546	1,408,975	1,368,423	1,310,596	1,105,838
Non-employer contributions - Commonwealth	46,883	57,185	63,822	56,988	41,963
Employer and non-employer contributions - other	14,107	16,572	13,764	11,454	13,352
ERIP funding contribution - Commonwealth	—	28,260	28,449	28,449	28,449
Plan members	885,959	760,851	722,382	693,853	652,911
Other additions	96,171	81,973	130,982	138,957	90,879
Total contributions	2,590,666	2,353,816	2,327,822	2,240,297	1,933,392
Net investment income (loss)	3,604,429	3,308,422	1,916,176	(1,297,464)	8,232,417
Benefit payments, including refunds of member contributions	(3,163,947)	(3,080,229)	(2,946,815)	(2,801,900)	(2,657,397)
Administrative expense	(18,600)	(17,632)	(16,120)	(14,461)	(21,685)
Other changes	(22,224)	(20,030)	(54,679)	(34,817)	(14,556)
Net change in plan fiduciary net position	2,990,324	2,544,347	1,226,384	(1,908,345)	7,472,171
Plan fiduciary net position, June 30 (b)	<u>\$ 40,892,181</u>	<u>\$ 37,901,857</u>	<u>\$ 35,357,510</u>	<u>\$ 34,131,126</u>	<u>\$ 36,039,471</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 12,831,819</u>	<u>\$ 14,125,143</u>	<u>\$ 14,647,490</u>	<u>\$ 13,909,874</u>	<u>\$ 10,436,529</u>
Plan fiduciary net position as a percentage of the total pension liability	76.1%	72.9%	70.7%	71.0%	77.5%
Covered payroll (as of the actuarial valuation date)	\$ 8,247,464	\$ 7,688,333	\$ 7,088,063	\$ 6,651,010	\$ 6,544,575
Net pension liability as a percentage of covered employee payroll	155.6%	183.7%	206.7%	209.1%	159.5%

2020*	2019	2018	2017	2016
\$ 43,398,000	\$ 41,225,000	\$ 39,107,000	\$ 37,760,000	\$ 35,425,414
963,828	897,600	856,200	855,440	813,975
3,124,187	2,965,890	2,852,239	2,813,374	2,638,929
—	—	—	10,000	400,000
336,183	303,066	102,008	(428,232)	589,009
442,000	434,000	622,000	304,000	—
(2,539,198)	(2,427,556)	(2,314,447)	(2,207,582)	(2,107,327)
2,327,000	2,173,000	2,118,000	1,347,000	2,334,586
<u>\$ 45,725,000</u>	<u>\$ 43,398,000</u>	<u>\$ 41,225,000</u>	<u>\$ 39,107,000</u>	<u>\$ 37,760,000</u>
\$ 28,763,796	\$ 27,995,021	\$ 26,282,232	\$ 23,971,156	\$ 24,042,585
1,003,828	919,545	842,864	716,266	660,818
38,381	37,359	33,310	28,455	21,830
9,718	10,191	9,564	7,999	16,642
28,724	28,724	28,724	29,093	29,093
659,015	632,730	600,705	604,772	591,948
90,944	104,765	118,124	232,548	397,077
1,830,610	1,733,314	1,633,291	1,619,133	1,717,408
567,319	1,543,398	2,460,748	2,987,632	422,938
(2,539,198)	(2,427,556)	(2,314,447)	(2,207,582)	(2,107,327)
(18,089)	(15,853)	(16,369)	(30,030)	(20,624)
(37,138)	(64,528)	(50,434)	(58,077)	(83,824)
(196,496)	768,775	1,712,789	2,311,076	(71,429)
<u>\$ 28,567,300</u>	<u>\$ 28,763,796</u>	<u>\$ 27,995,021</u>	<u>\$ 26,282,232</u>	<u>\$ 23,971,156</u>
<u>\$ 17,157,700</u>	<u>\$ 14,634,204</u>	<u>\$ 13,229,979</u>	<u>\$ 12,824,768</u>	<u>\$ 13,788,844</u>
62.5%	66.3%	67.9%	67.2%	63.5%
\$ 6,354,473	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012	\$ 5,792,288
270.0%	230.3%	214.9%	216.4%	238.1%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.
See Independent Auditors' Report and notes to the schedule.

NOTES TO THE SERS SCHEDULE

FY2025 Changes in Actuarial Assumptions

No changes.

FY2024 Changes in Actuarial Assumptions

No changes.

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2023 Actuarial Valuation:

- The Mortality improvement scale is updated from MP-2020 to MP-2021. This change increased the pension liability by approximately \$110 million

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.00% from 7.15%. This change resulted in an increase to the total pension liability of approximately \$726 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2021 Actuarial Valuation:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

This change resulted in a decrease to the total pension liability of approximately \$625 million.

FY2020 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$442 million.

NOTES TO THE SERS SCHEDULE

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.

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.

NOTES TO THE SERS SCHEDULE

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.

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)

	2025	2024	2023	2022	2021
Total pension liability, July 1	\$ 65,779,000	\$ 63,314,000	\$ 61,273,000	\$ 59,795,000	\$ 57,862,841
Service cost	1,255,816	1,259,763	1,182,258	1,084,503	1,085,414
Interest	4,564,413	4,395,268	4,249,912	4,143,763	4,097,558
Differences between expected and actual experience	(641,387)	378,415	(17,711)	(384,483)	(555,322)
Changes of assumptions	—	—	111,000	—	584,000
Benefit payments, including refunds of plan member contributions	(3,657,842)	(3,568,446)	(3,484,459)	(3,365,783)	(3,279,491)
Net change in total pension liability	1,521,000	2,465,000	2,041,000	1,478,000	1,932,159
Total pension liability, June 30 (a)	<u>\$ 67,300,000</u>	<u>\$ 65,779,000</u>	<u>\$ 63,314,000</u>	<u>\$ 61,273,000</u>	<u>\$ 59,795,000</u>
Plan fiduciary net position, July 1	\$ 40,422,539	\$ 37,023,729	\$ 35,384,862	\$ 37,088,124	\$ 29,317,997
Contributions:					
Non-employer	2,594,483	2,417,533	2,148,676	2,104,604	1,748,483
Plan members	1,010,643	987,837	943,929	892,123	833,236
Other additions	418,698	395,017	319,016	276,758	254,903
Total contributions	4,023,824	3,800,387	3,411,621	3,273,485	2,836,622
Net investment income (loss)	3,878,155	3,501,432	1,997,214	(1,353,547)	8,455,507
Benefit payments, including refunds of plan member contributions	(3,657,842)	(3,568,446)	(3,484,459)	(3,365,783)	(3,279,491)
Administrative expense	(21,940)	(20,120)	(21,332)	(19,196)	(21,783)
Other changes	(329,239)	(314,443)	(264,177)	(238,221)	(220,728)
Net change (deficits) in plan fiduciary net position	3,892,958	3,398,810	1,638,867	(1,703,262)	7,770,127
Plan fiduciary net position, June 30 (b)	<u>\$ 44,315,497</u>	<u>\$ 40,422,539</u>	<u>\$ 37,023,729</u>	<u>\$ 35,384,862</u>	<u>\$ 37,088,124</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 22,984,503</u>	<u>\$ 25,356,461</u>	<u>\$ 26,290,271</u>	<u>\$ 25,888,138</u>	<u>\$ 22,706,876</u>
Plan fiduciary net position as a percentage of the total pension liability	65.8%	61.5%	58.5%	57.7%	62.0%
Covered payroll (as of actuarial valuation date)	\$ 9,037,950	\$ 8,731,185	\$ 8,371,450	\$ 7,704,176	\$ 7,670,306
Net pension liability as a percentage of covered employee payroll	254.3%	290.4%	314.0%	336.0%	296.0%

2020 *	2019	2018	2017	2016
\$ 54,751,000	\$ 52,503,000	\$ 50,024,000	\$ 47,300,000	\$ 45,918,711
1,019,331	949,262	901,234	891,760	843,800
3,927,724	3,763,191	3,633,027	3,505,761	3,402,525
495,599	50,910	92,317	47,046	(74,025)
859,000	577,000	845,000	1,176,000	—
(3,189,813)	(3,092,363)	(2,992,578)	(2,896,567)	(2,791,011)
3,111,841	2,248,000	2,479,000	2,724,000	1,381,289
<u>\$ 57,862,841</u>	<u>\$ 54,751,000</u>	<u>\$ 52,503,000</u>	<u>\$ 50,024,000</u>	<u>\$ 47,300,000</u>
\$ 29,536,980	\$ 28,791,711	\$ 27,138,609	\$ 24,942,072	\$ 25,429,068
1,553,433	1,443,710	1,314,783	1,235,515	1,124,583
821,105	782,431	755,688	730,212	699,422
233,222	234,532	231,734	223,746	202,796
2,607,760	2,460,673	2,302,205	2,189,473	2,026,801
581,648	1,584,770	2,542,576	3,100,352	441,363
(3,189,813)	(3,092,363)	(2,992,578)	(2,896,567)	(2,791,011)
(22,391)	(18,324)	(19,528)	(24,053)	(24,220)
(196,187)	(189,487)	(179,573)	(172,668)	(139,929)
(218,983)	745,269	1,653,102	2,196,537	(486,996)
<u>\$ 29,317,997</u>	<u>\$ 29,536,980</u>	<u>\$ 28,791,711</u>	<u>\$ 27,138,609</u>	<u>\$ 24,942,072</u>
<u>\$ 28,544,844</u>	<u>\$ 25,214,020</u>	<u>\$ 23,711,289</u>	<u>\$ 22,885,391</u>	<u>\$ 22,357,928</u>
50.7%	53.9%	54.8%	54.3%	52.7%
\$ 7,074,960	\$ 7,074,960	\$ 6,829,012	\$ 6,583,871	\$ 6,388,732
403.5%	356.4%	347.2%	347.6%	350.0%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

See Independent Auditors' Report and notes to the schedule.

NOTES TO THE MTRS SCHEDULE

FY2025 Changes in Actuarial Assumptions

No changes.

FY2024 Changes in Actuarial Assumptions

No changes.

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2023 Actuarial Valuation:

- The Mortality improvement scale is updated from MP-2020 to MP-2021. This change increased the pension liability by approximately \$111 million

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.00% from 7.15%. This change resulted in an increase to the total pension liability of approximately \$1.011 billion.

Change in mortality

The following mortality assumption changes were made in the January 1, 2021 Actuarial Valuation:

- Pre-retirement mortality reflects SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement mortality reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- For disabled members, the mortality rate is assumed to be in accordance with the SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

These changes resulted in an decrease to the total pension liability of approximately \$ 427 million.

NOTES TO THE MTRS SCHEDULE

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.

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.

NOTES TO THE MTRS SCHEDULE

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.

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)

	2025	2024	2023	2022	2021
Total OPEB liability, July 1	\$ 16,241,790	\$ 16,470,056	\$ 15,340,605	\$ 17,910,405	\$ 22,105,511
Service cost	547,890	551,863	530,964	774,039	992,669
Interest	759,968	725,635	672,136	510,542	521,143
Differences between expected and actual experience	1,267,952	(96,894)	591,887	(16,054)	(2,926,517)
Changes of assumptions	(2,674,320)	(797,949)	(179,432)	(3,328,161)	(2,297,649)
Benefit payments, including refunds of member contributions	(615,871)	(610,921)	(486,104)	(510,166)	(484,752)
Net change in total pension liability	(714,381)	(228,266)	1,129,451	(2,569,800)	(4,195,106)
Total OPEB liability, June 30 (a)	<u>\$ 15,527,409</u>	<u>\$ 16,241,790</u>	<u>\$ 16,470,056</u>	<u>\$ 15,340,605</u>	<u>\$ 17,910,405</u>
Plan fiduciary net position, July 1	\$ 2,525,645	\$ 2,266,842	\$ 1,988,383	\$ 1,910,940	\$ 1,414,312
Contributions:					
Employer	654,739	648,694	653,178	660,800	569,989
Other additions	230	150	176	175	200
Total contributions	654,969	648,844	653,354	660,975	570,189
Net investment income (loss)	242,542	221,103	111,455	(73,126)	411,438
Benefit payments, including refunds of plan member contributions	(615,871)	(610,921)	(486,104)	(510,166)	(484,752)
Administrative expenses	(283)	(223)	(246)	(240)	(247)
Other changes	—	—	—	—	—
Net change in plan fiduciary net position	281,357	258,803	278,459	77,443	496,628
Plan fiduciary net position, June 30 (b)	<u>\$ 2,807,002</u>	<u>\$ 2,525,645</u>	<u>\$ 2,266,842</u>	<u>\$ 1,988,383</u>	<u>\$ 1,910,940</u>
Plan net OPEB liability - June 30 (a) - (b)	<u>\$ 12,720,407</u>	<u>\$ 13,716,145</u>	<u>\$ 14,203,214</u>	<u>\$ 13,352,222</u>	<u>\$ 15,999,465</u>
Plan fiduciary net position as a percentage of the total OPEB liability	18.1%	15.6%	13.8%	13.0%	10.7%
Covered payroll *	\$ 7,395,339	\$ 6,395,957	\$ 5,721,250	\$ 5,772,086	\$ 5,594,324
Net OPEB liability as a percentage of covered employee payroll	172.0%	214.5%	248.3%	231.3%	286.0%

* - 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.

See Independent Auditors' Report and notes to the schedule.

	2020	2019	2018	2017
\$	19,662,106	\$ 19,761,333	\$ 18,480,936	\$ 19,821,600
	785,689	806,023	792,135	950,800
	732,808	796,880	691,630	591,900
	(600,057)	715,192	218,891	(48,600)
	2,050,139	(1,935,139)	21,504	(2,393,700)
	(525,174)	(482,183)	(443,763)	(441,064)
	2,443,405	(99,227)	1,280,397	(1,340,664)
<u>\$</u>	<u>22,105,511</u>	<u>\$ 19,662,106</u>	<u>\$ 19,761,333</u>	<u>\$ 18,480,936</u>
\$	1,368,548	\$ 1,187,569	\$ 996,407	\$ 866,043
	547,611	594,916	542,896	465,449
	122	188	133	784
	547,733	595,104	543,029	466,233
	23,380	68,229	93,308	105,822
	(525,174)	(482,183)	(443,763)	(441,064)
	(175)	(171)	(150)	(127)
	—	—	(1,262)	(500)
	45,764	180,979	191,162	130,364
<u>\$</u>	<u>1,414,312</u>	<u>\$ 1,368,548</u>	<u>\$ 1,187,569</u>	<u>\$ 996,407</u>
<u>\$</u>	<u>20,691,199</u>	<u>\$ 18,293,558</u>	<u>\$ 18,573,764</u>	<u>\$ 17,484,529</u>
	6.4%	7.0%	6.0%	5.4%
\$	5,625,684	\$ 5,491,214	\$ 5,296,859	\$ 5,259,298
	367.8%	333.1%	350.7%	332.4%

NOTES TO THE SRBT SCHEDULE

FY2025 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 4.61% to 5.94% (based on a blend of the Bond Buyer Index rate of 5.20% 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 \$2.75 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 emerging experience, industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in an increase in the total OPEB liability of approximately \$1.86 billion.

Change in future retirees' plan participation rate

Participation rate for vested terminated participants was updated from 85% to 15% based on the experience of retirement-eligible vested terminated from 2019. This change resulted in a decrease in the total OPEB liability of approximately \$1.83 billion.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY26 rates, and this change resulted in an increase in the total OPEB liability of approximately \$1.35 billion.

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$80.4 million.

Change in plan

Basic life insurance coverage increased from \$5,000 to \$10,000 and this change resulted in an increase in the total OPEB liability of approximately \$51.4 million.

FY2024 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 4.34% to 4.61% (based on a blend of the Bond Buyer Index rate of 3.93% 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 \$567 million.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's emerging experience, industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in a decrease in the total OPEB liability of approximately \$231 million.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY25 rates, and this change resulted in an increase in the total OPEB liability of approximately \$20 million.

NOTES TO THE SRBT SCHEDULE

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$117 million.

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 4.30% to 4.34% (based on a blend of the Bond Buyer Index rate of 3.65% 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 \$85.7 million.

Change in mortality projection scale

Mortality projection scale was updated from MP-2020 to MP2021, consistent with the January 1, 2023 SERS Actuarial Valuation Report. This change resulted in an increase in the total OPEB liability of approximately \$56.9 million.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's emerging experience, industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in a decrease in the total OPEB liability of approximately \$150.7 million.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY24 rates, including the new plan offerings as of FY24. This change resulted in an increase in the total OPEB liability of approximately \$615 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 \$23 million.

FY2022 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 2.77% to 4.30% (based on a blend of the Bond Buyer Index rate 3.54% and the expected rate of return on assets of 7.00%) as required by GASB Statement No.74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$3.601 billion.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY23 rates, including the discontinuation of the Fallon Direct and Select plans as of FY23. This change resulted in a decrease in the total OPEB liability of approximately \$139 million.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates during the past two fiscal years, along with industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in an increase in the total OPEB liability of approximately \$273 million.

NOTES TO THE SRBT SCHEDULE

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in an increase in the total OPEB liability of approximately \$123 million.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 2.28% to 2.77% (based on a blend of the Bond Buyer Index rate 2.16%) as of the measurement date and the expected rate of return on assets of 7.00%) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$1.391 billion.

Change in mortality projection scale

Mortality projection scale was updated from MP-2016 to MP2020. This change resulted in a decrease in the total OPEB liability of approximately \$969 million.

Change in per capita claims costs

Per capita claims costs for the Medicare HMO plan (Tufts Medicare Preferred plan) was no longer age-graded. This change resulted in a decrease in the total OPEB liability of approximately \$18 million.

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates. This change resulted in a decrease in the total OPEB liability of approximately \$2.755 billion.

Change in healthcare trend rates

The healthcare trend rates were updated to 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 \$172 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

NOTES TO THE SRBT SCHEDULE

discontinuation of the ACA Health Insurer Fee and Excise Tax. The short-term assumptions were based on a review of the Commonwealth's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$706 million.

Change in salary scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS. This change resulted in a decrease in the total OPEB liability of approximately \$441 million.

Change in future retirees' plan participation rates

The proportion of future retirees cover a spouse was reduced from 80% to 60%. This resulted in a decrease in the total OPEB liability of approximately \$1.117 billion.

35% of employees currently opting out of active employee health coverage are assumed to enroll in retiree coverage. An 8% load was applied to the active liability to estimate the impact of its population. This resulted in an increase in the total OPEB liability of approximately \$531 million.

Change in medical plan election rates

Retirees and spouses (if covered) are assumed to be non-Medicare eligible prior to age 65 and Medicare eligible at age 65, unless their spouse is over age 65 and non-Medicare eligible. This resulted in an increase in the total OPEB liability of approximately \$350 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in a decrease to the total OPEB liability of approximately \$1.638 billion.

Change in trend on future costs

The healthcare trend rate decreased from 8.0% in FY2018 to 7.5% in FY2019, which impacts the high cost excise tax. This resulted in a decrease to the total OPEB liability of approximately \$1.067 billion.

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									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense - SERS	9.63 %	9.50 %	5.70 %	(3.65)%	29.35 %	2.01 %	5.63 %	9.58 %	12.74 %	1.79 %
Annual money-weighted rate of return, net of investment expense - MTRS	9.64 %	9.52 %	5.70 %	(3.69)%	29.35 %	2.00 %	5.62 %	9.58 %	12.75 %	1.78 %
Annual money-weighted rate of return, net of investment expense - SRBT (1)	9.62 %	9.97 %	5.65 %	(3.85)%	29.40 %	1.75 %	5.87 %	9.46 %	12.90 %	(1)

(1) - GASB 74 implemented in FY2017.

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	2025 (measurement date June 30, 2024)	2024 (measurement date June 30, 2023)	2023 (measurement date June 30, 2022)	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)
Proportion of the net pension liability	93.4%	93.6%	94.2%	94.2%	94.3%
Proportionate share of the net pension liability	\$ 13,197,705	\$ 13,713,722	\$ 13,101,342	\$ 9,834,175	\$ 16,180,809
Plan net position as a percentage of the total pension liability	76.1%	72.9%	70.7%	71.0%	62.5%
Covered payroll	\$ 6,570,028	\$ 5,880,270	\$ 5,921,315	\$ 5,734,862	\$ 5,778,859
Net pension liability as a percentage of covered payroll	200.9%	233.2%	221.3%	171.5%	280.0%

Fiscal Year Ending June 30

Contributions	2025	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 1,594,429	\$ 1,466,160	\$ 1,432,245	\$ 1,367,584	\$ 1,147,801	\$ 1,042,209
Contributions in relation to the statutorily required contribution	1,594,429	1,466,160	1,432,245	1,367,584	1,147,801	1,042,209
Annual contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,584,570	\$ 6,570,028	\$ 5,880,270	\$ 5,921,315	\$ 5,734,862	\$ 5,778,859
Contributions as a percentage of covered payroll	21.0%	22.3%	24.4%	23.1%	20.0%	18.0%

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.

See Independent Auditors' Report and notes to the schedule

2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)
94.7%	94.6%	94.5%	94.3%	93.8%
\$ 13,856,209	\$ 12,520,028	\$ 12,122,363	\$ 12,996,818	\$ 10,682,765
66.3%	67.9%	67.2%	63.5%	67.9%
\$ 5,641,512	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985	\$ 5,136,405
245.6%	230.1%	224.6%	247.6%	208.0%
2019	2018	2017	2016	2015
\$ 956,904	\$ 876,174	\$ 744,721	\$ 682,648	\$ 619,971
956,904	876,174	744,721	682,648	619,971
\$ —	\$ —	\$ —	\$ —	\$ —
\$ 5,641,512	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985	\$ 5,136,405
17.0%	16.1%	13.8%	13.0%	12.1%

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	2025 (measurement date June 30, 2024)	2024 (measurement date June 30, 2023)	2023 (measurement date June 30, 2022)	2022 (measurement date June 30, 2021)	2021 (measurement date June 30, 2020)
Proportion of the net pension liability	100.0%	100.0%	100.0%	100.0%	100.0%
Proportionate share of the net pension liability	\$ 25,356,461	\$ 26,290,271	\$ 25,888,138	\$ 22,706,876	\$ 28,544,844
Plan net position as a percentage of the total pension liability	61.5%	58.5%	57.7%	62.0%	50.7%

Contributions	Fiscal Year Ending June 30					
	2025	2024	2023	2022	2021	2020
Statutorily required contribution	\$ 2,594,483	\$ 2,417,533	\$ 2,148,676	\$ 2,104,604	\$ 1,748,483	\$ 1,553,433
Contributions in relation to the statutorily required contribution	2,594,483	2,417,533	2,148,676	2,104,604	1,748,483	1,553,433
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Massachusetts Teachers' Retirement System (MTRS) is included in the ACFR as a pension trust fund in the fiduciary fund type. MTRS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

See Independent Auditors' Report and notes to the schedule

2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)	2016 (measurement date June 30, 2015)
100.0%	100.0%	100.0%	100.0%	100.0%
\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643
53.9%	54.8%	54.3%	52.7%	55.4%
2019	2018	2017	2016	2015
\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930
1,443,710	1,314,783	1,235,515	1,124,583	1,021,930
\$ —	\$ —	\$ —	\$ —	\$ —

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	2025 (measurement date December 31, 2024)	2024 (measurement date December 31, 2023)	2023 (measurement date December 31, 2022)	2022 (measurement date December 31, 2021)	2021 (measurement date December 31, 2020)
Proportion of the net pension liability.....	64.9%	61.2%	56.2%	65.5%	60.8%
Proportionate share of the net pension liability	\$ 2,380,545	\$ 2,586,901	\$ 2,682,386	\$ 2,265,594	\$ 2,416,125
Plan net position as a percentage of the total pension liability.....	74.2%	69.4%	64.1%	73.3%	67.6%

	Fiscal Year Ending December 31				
Contributions	2024	2023	2022	2021	2020
Statutorily required contribution.....	\$ 261,107	\$ 238,472	\$ 196,833	\$ 179,369	\$ 162,976
Contributions in relation to the statutorily required contribution.....	261,107	238,472	196,833	179,369	162,976
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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.

See Independent Auditors' Report and notes to the schedule

2020 (measurement date December 31, 2019)	2019 (measurement date December 31, 2018)	2018 (measurement date December 31, 2017)	2017 (measurement date December 31, 2016)	2016 (measurement date December 31, 2015)
56.5%	55.6%	60.5%	55.9%	54.5%
\$ 2,572,923	\$ 2,551,190	\$ 2,433,199	\$ 2,325,286	\$ 2,402,267
61.9%	58.3%	62.7%	58.4%	55.8%
2019	2018	2017	2016	2015
\$ 157,041	\$ 143,146	\$ 131,298	\$ 132,477	\$ 120,434
157,041	143,146	131,298	132,477	120,434
\$ —	\$ —	\$ —	\$ —	\$ —



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 2023 (for fiscal years 2024 through 2026) based upon the January 1, 2022 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2025 was determined as part of the January 1, 2025 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.00% investment return/discount rate, (b) 5.44% discount rate for LDROM only (c) inflation rate of 2.5%, per year (d) 3.50% interest rate credited to the annuity savings fund and (e) 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 (AVA) is determined so that 20% of the investment gain or loss in a given year is recognized annually for the ensuing five years. Therefore, these investment gains and losses are fully recognized after five years. In addition to this treatment of gains and losses, we use a "corridor" approach so that the AVA can never be too far from the market value of assets. Under our approach for the Commonwealth, the AVA cannot be less than 90% nor greater than 110% of the market value. As of January 1, 2025, the calculated AVA is 100.4% of the MVA.
6. Normal costs are amortized using level percentage of payroll.
7. The remaining amortization period for the unfunded pension liability at January 1, 2024 was 12 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2024. The funding requirements are established for the employers' fiscal year ended June 30, 2024 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 BRS excluding Boston Teachers
Remaining amortization period	12 years remaining as of January 1, 2024 for Boston Teachers
Asset valuation method	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Inflation	3.25%
Salary increases	Based on years of service, ranging from 7.50% at zero years of service decreasing to 4.00% after 20 years of services for Boston Teachers
Investment rate of return	7.00% for Boston Teachers
Cost of Living adjustment	3.00% of the first \$15,000 for fiscal 2024
See Independent Auditors' Report	

Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts
Last 9 Years
(amounts in thousands)

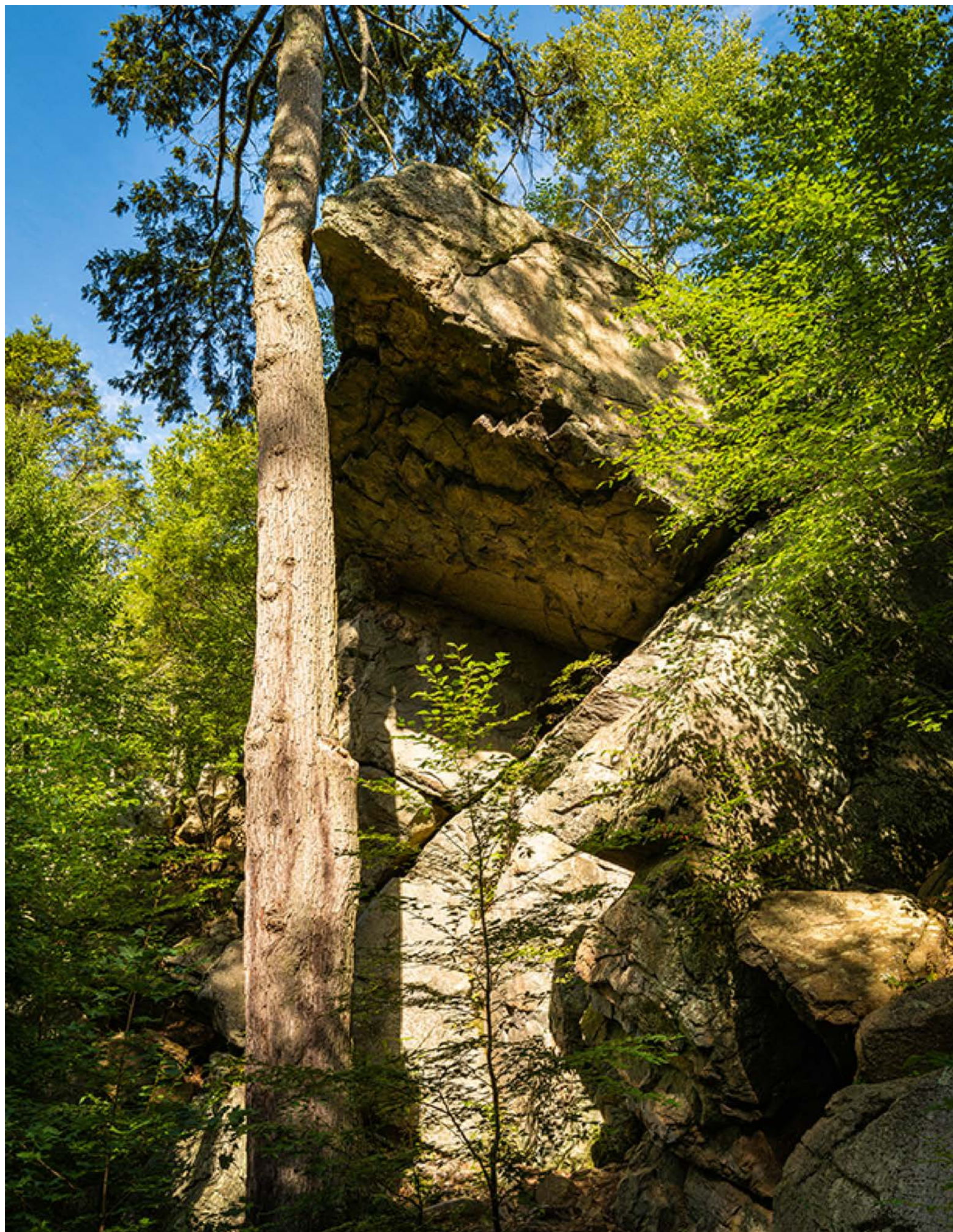
Contributions	Fiscal Year Ending June 30				
	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 623,715	\$ 619,324	\$ 630,606	\$ 637,189	\$ 546,664
Contributions in relation to the statutorily required contribution	623,715	619,324	630,606	637,189	546,664
Annual contribution deficiency/(excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll*	\$ 7,395,339	\$ 6,395,957	\$ 5,721,250	\$ 5,772,086	\$ 5,594,324
Contributions as a percentage of covered payroll	8.4%	9.7%	11.0%	11.0%	9.8%

* 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 year of data. Additional years will be presented when available.

See Independent Auditors' Report

2020	2019	2018	2017
\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
526,494	572,434	520,703	419,932
\$ —	\$ —	\$ —	\$ —
\$ 5,625,684	\$ 5,491,214	\$ 5,296,859	\$ 5,259,298
9.4%	10.4%	9.8%	8.0%



Other Supplementary Information

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis
– Budget and Actual – Combined General Fund**

Combining Balance Sheet – Other Governmental Funds

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other
Governmental Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis
– Budget and Actual – Other Budgeted Nonmajor Governmental Funds**

Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds

**Combining Statement of Fiduciary Net Position - Pension and Post-Employment Benefits Trust
Funds – Pension and OPEB Trust Funds**

**Combining Statement of Changes in Fiduciary Net Position - Pension and Post-Employment
Benefits Trust Funds – Pension and OPEB Trust Funds**

**Combining Statement of Fiduciary Net Position Held in Trust for Pool Participants – External
Investment Trust Funds**

**Combining Statement of Changes in Fiduciary Net Position Held in Trust for Pool Participants –
External Investment Trust Funds**

Combining Statement of Fiduciary Net Position - Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

Combining Statement of Net Position – Nonmajor Discretely Presented Component Units

**Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely
Presented Component Units**



Combining Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

Combined General Fund
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	General Fund				Commonwealth Stabilization Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 36,916,000	\$ 36,916,000	\$ 39,328,604	\$ 2,412,604	\$ —	\$ —	\$ 179	\$ 179
Assessments	497,907	497,907	419,497	(78,410)	—	—	—	—
Federal grants and reimbursements	14,356,450	14,356,450	16,199,453	1,843,003	—	—	—	—
Tobacco settlement revenue	256,786	256,786	874,694	617,908	—	—	—	—
Departmental	4,044,907	4,044,907	3,883,977	(160,930)	—	—	—	—
Miscellaneous	842,919	842,919	695,741	(147,178)	—	—	413,865	413,865
Total revenues	56,914,969	56,914,969	61,401,966	4,486,997	—	—	414,044	414,044
Other financing sources:								
Fringe benefit cost recovery	604,898	604,898	641,840	36,942	—	—	—	—
Lottery reimbursements	132,670	132,670	148,181	15,511	—	—	—	—
Lottery distributions	1,345,750	1,345,750	1,031,804	(313,946)	—	—	—	—
Operating transfers in	294,418	294,418	591,502	297,084	—	—	—	—
Stabilization transfer	—	—	—	—	96,841	96,841	—	(96,841)
Other fund deficit support	—	217,735	217,735	—	—	—	—	—
Total other financing sources	2,377,736	2,595,471	2,631,062	35,591	96,841	96,841	—	(96,841)
Total revenues and other financing sources	59,292,705	59,510,440	64,033,028	4,522,588	96,841	96,841	414,044	317,203
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	140,627	148,642	96,781	51,861	—	—	—	—
Judiciary	1,367,460	1,357,716	1,351,808	5,908	—	—	—	—
Office of Inspector General	10,048	9,974	8,532	1,442	—	—	—	—
Governor and Lieutenant Governor	9,797	12,131	9,184	2,947	—	—	—	—
Secretary of the Commonwealth	87,050	87,050	82,966	4,084	—	—	—	—
Treasurer and Receiver-General	2,490,726	288,817	240,144	48,673	—	—	—	—
State Auditor	25,389	25,344	24,004	1,340	—	—	—	—
Attorney General	81,334	82,131	79,301	2,830	—	—	—	—
State Ethics Commission	3,731	3,839	3,828	11	—	—	—	—
District Attorneys	176,277	179,756	178,082	1,674	—	—	—	—
Office of Campaign & Political Finance	2,202	2,207	2,099	108	—	—	—	—
Sheriff's	737,861	888,344	882,887	5,457	—	—	—	—
Disabled Persons Protection Commission	11,895	12,050	12,047	3	—	—	—	—
Commission on the Status of Women	959	959	905	54	—	—	—	—
Office of the Comptroller	10,875	11,111	11,067	44	—	—	—	—
Administration and finance	4,431,952	3,893,739	3,352,931	540,808	—	—	—	—
Energy and environmental affairs	472,879	583,544	543,146	40,398	—	—	—	—
Health and human services	9,363,519	10,390,410	9,716,522	673,888	—	—	—	—
Technology Services and Security	101,115	100,163	97,855	2,308	—	—	—	—
Veterans' Services	126,501	128,050	122,174	5,876	—	—	—	—
Office of the Veteran Advocate	2,000	1,963	1,684	279	—	—	—	—
Housing and Livable Communities	1,178,053	1,532,398	1,399,216	133,182	—	—	—	—
Massachusetts Department of Transportation	—	3,269	2,951	318	—	—	—	—
Office of the Child Advocate	8,892	8,144	5,374	2,770	—	—	—	—
Commission Against Discrimination	13,470	13,578	11,908	1,670	—	—	—	—
Board of Library Commissioners	52,429	52,473	52,384	89	—	—	—	—
Education	4,275,233	3,912,205	3,816,364	95,841	—	—	—	—
Center for Health Information and Analysis	36,688	39,014	36,285	2,729	—	—	—	—
Public Safety and Security	1,634,349	1,666,686	1,604,438	62,248	—	—	—	—
Massachusetts Peace Officer Standards and Training Commission	8,747	8,752	7,985	767	—	—	—	—
Commission on the Status of African Americans	150	150	—	150	—	—	—	—
Commission on the Status of Latinos and Latinas	150	150	—	150	—	—	—	—
Commission on the Status of Persons with Disabilities	150	150	145	5	—	—	—	—
Commission on the Social Status of Black Men and Boys	150	150	—	150	—	—	—	—
Economic Development	170,055	224,877	207,868	17,009	—	—	—	—
Labor and workforce development	122,844	70,203	68,808	1,395	—	—	—	—
Direct local aid	7,742,319	7,748,119	7,747,799	320	—	—	—	—
Medicaid	20,097,343	22,143,507	22,129,247	14,260	—	—	—	—
Post employment benefits	—	5,096,329	5,093,997	2,332	—	—	—	—
Debt service:								
Principal retirement	—	719,792	711,118	8,674	—	—	—	—
Interest and fiscal charges	—	719,572	710,900	8,672	—	—	—	—
Total expenditures	54,995,219	62,167,458	60,424,734	1,742,724	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	11,784	(11,784)	—	—	—	—
Operating transfers out	—	3,991,664	3,987,791	3,873	—	—	—	—
Medical assistance transfer	682,202	837,827	640,347	197,480	—	—	—	—
Stabilization transfer	—	124,500	—	124,500	—	826,992	826,992	—
Total other financing uses	682,202	4,953,991	4,639,922	314,069	—	826,992	826,992	—
Total expenditures and other financing uses	55,677,421	67,121,449	65,064,656	2,056,793	—	826,992	826,992	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 3,615,284	\$ (7,611,009)	(1,031,628)	\$ 6,579,381	\$ 96,841	\$ (730,151)	(412,948)	\$ 317,203
Fund balances at beginning of year							8,523,632	
Fund balances at end of year			<u>\$ 920,767</u>				<u>\$8,110,684</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 36,916,000	\$ 36,916,000	\$ 39,328,783	\$ 2,412,783
—	—	—	—	—	—	—	—	497,907	497,907	419,497	(78,410)
—	—	—	—	—	—	—	—	14,356,450	14,356,450	16,199,453	1,843,003
—	—	—	—	—	—	—	—	256,786	256,786	874,694	617,908
—	—	560,503	560,503	—	—	—	—	4,044,907	4,044,907	4,444,480	399,573
—	—	—	—	—	—	—	—	842,919	842,919	1,109,606	266,687
—	—	560,503	560,503	—	—	—	—	56,914,969	56,914,969	62,376,513	5,461,544
—	—	—	—	—	—	—	—	604,898	604,898	641,840	36,942
—	—	—	—	—	—	—	—	132,670	132,670	148,181	15,511
—	—	—	—	—	—	—	—	1,345,750	1,345,750	1,031,804	(313,946)
—	—	—	—	—	—	520,765	520,765	294,418	294,418	1,112,267	817,849
—	—	—	—	—	—	—	—	96,841	96,841	—	(96,841)
—	—	—	—	—	—	—	—	—	217,735	217,735	—
—	—	—	—	—	—	520,765	520,765	2,474,577	2,692,312	3,151,827	459,515
—	—	560,503	560,503	—	—	520,765	520,765	59,389,546	59,607,281	65,528,340	5,921,059
—	—	—	—	—	—	—	—	140,627	148,642	96,781	51,861
—	—	—	—	3,678	43,853	2,896	40,957	1,371,138	1,401,569	1,354,704	46,865
—	—	—	—	—	543	384	159	10,048	10,517	8,916	1,601
—	—	—	—	—	—	—	—	9,797	12,131	9,184	2,947
16	16	—	16	—	160	160	—	87,066	87,226	83,126	4,100
—	—	—	—	—	—	—	—	2,490,726	288,817	240,144	48,673
—	—	—	—	—	—	—	—	25,389	25,344	24,004	1,340
—	15	12	3	—	20,171	19,356	815	81,334	102,317	98,669	3,648
—	—	—	—	—	—	—	—	3,731	3,839	3,828	11
—	—	—	—	—	—	—	—	176,277	179,756	178,082	1,674
—	—	—	—	—	—	—	—	2,202	2,207	2,099	108
—	—	—	—	—	—	—	—	737,861	888,344	882,887	5,457
—	—	—	—	1,602	818	641	177	13,497	12,868	12,688	180
—	—	—	—	—	—	—	—	959	959	905	54
56,304	56,322	30,983	25,339	—	280	280	—	67,179	67,713	42,330	25,383
245,676	245,676	143,102	102,574	181,697	353,689	3,418	350,271	4,859,325	4,493,104	3,499,451	993,653
6,500	6,500	3,686	2,814	105,727	66,834	37,079	29,755	585,106	656,878	583,911	72,967
200,055	200,830	159,057	41,773	38,365	240,130	199,567	40,563	9,601,939	10,831,370	10,075,146	756,224
185,189	185,174	104,452	80,722	—	588	588	—	286,304	285,925	202,895	83,030
5,000	5,000	4,450	550	—	3,277	3,277	—	131,501	136,327	129,901	6,426
—	—	—	—	—	—	—	—	2,000	1,963	1,684	279
—	—	—	—	6,280	559,693	556,594	3,099	1,184,333	2,092,091	1,955,810	136,281
—	—	—	—	130	130	130	—	130	3,399	3,081	318
—	—	—	—	—	—	—	—	8,892	8,144	5,374	2,770
—	—	—	—	—	—	—	—	13,470	13,578	11,908	1,670
—	—	—	—	—	—	—	—	52,429	52,473	52,384	89
3,000	3,000	2,229	771	115,465	145,145	115,310	29,835	4,393,698	4,060,350	3,933,903	126,447
—	—	—	—	74	71	64	7	36,762	39,085	36,349	2,736
75,720	75,720	54,172	21,548	2,017	16,772	16,764	8	1,712,086	1,759,178	1,675,374	83,804
—	—	—	—	—	—	—	—	8,747	8,752	7,985	767
—	—	—	—	—	—	—	—	150	150	—	150
—	—	—	—	—	—	—	—	150	150	—	150
—	—	—	—	—	—	—	—	150	150	145	5
—	—	—	—	—	—	—	—	150	150	—	150
6,846	6,846	2,492	4,354	22,465	21,124	16,707	4,417	199,366	252,847	227,067	25,780
—	—	—	—	39,442	36,028	35,967	61	162,286	106,231	104,775	1,456
—	—	—	—	—	—	—	—	7,742,319	7,748,119	7,747,799	320
—	—	—	—	—	—	—	—	20,097,343	22,143,507	22,129,247	14,260
—	—	—	—	—	—	—	—	—	5,096,329	5,093,997	2,332
34,654	34,654	33,571	1,083	—	—	—	—	34,654	754,446	744,689	9,757
—	—	—	—	—	—	—	—	—	719,572	710,900	8,672
818,960	819,753	538,206	281,547	516,942	1,509,306	1,009,182	500,124	56,331,121	64,496,517	61,972,122	2,524,395
—	—	—	—	—	—	3,707	(3,707)	—	—	15,491	(15,491)
—	31,908	31,908	—	—	18,995	18,995	—	—	4,042,567	4,038,694	3,873
—	—	—	—	—	—	—	—	682,202	837,827	640,347	197,480
—	—	—	—	—	—	—	—	—	951,492	826,992	124,500
—	31,908	31,908	—	—	18,995	22,702	(3,707)	682,202	5,831,886	5,521,524	310,362
818,960	851,661	570,114	281,547	516,942	1,528,301	1,031,884	496,417	57,013,323	70,328,403	67,493,646	2,834,757
<u>\$ (818,960)</u>	<u>\$ (851,661)</u>	<u>(9,611)</u>	<u>\$ 842,050</u>	<u>\$ (516,942)</u>	<u>\$(1,528,301)</u>	<u>(511,119)</u>	<u>\$1,017,182</u>	<u>\$ 2,376,223</u>	<u>\$(10,721,122)</u>	<u>(1,965,306)</u>	<u>\$ 8,755,816</u>
		17,946				1,477,489				11,971,462	
		<u>\$ 8,335</u>				<u>\$ 966,370</u>				<u>\$ 10,006,156</u>	

Combining Balance Sheet
Other Governmental Funds
June 30, 2025
(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	High-Quality Early Education & Care	Education and Transportation
ASSETS						
Cash and cash equivalents	\$ 499	\$ 691,975	\$ 22,044	\$ 767,877	\$ 33,717	\$ 429,501
Restricted cash with fiscal agent	19,735	—	—	—	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	60,185	7,483	78	—	—	—
Due from federal government	—	30,597	3,470	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivables	7,754	162,410	181	—	—	—
Due from other funds	—	—	—	—	—	—
Total assets	\$ 88,173	\$ 892,465	\$ 25,773	\$ 767,877	\$ 33,717	\$ 429,501
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 499	\$ 30,844	\$ 555	\$ —	\$ —	\$ 48,650
Accrued payroll	—	235	716	—	—	301
Tax refunds and abatements payable	21	—	—	—	—	—
Due to other funds	—	14,166	—	—	—	—
Due to component units	17,008	23,218	—	—	—	94,017
Other accrued liabilities	—	95,144	—	—	—	—
Total liabilities	17,528	163,607	1,271	—	—	142,968
Deferred inflows of resources	—	102,873	—	—	—	—
Total liabilities and deferred inflows of resources	17,528	266,480	1,271	—	—	142,968
Fund balances:						
Restricted	19,735	—	—	—	—	126,857
Committed	50,910	625,985	24,502	767,877	33,717	—
Assigned	—	—	—	—	—	159,676
Unassigned (includes deficits)	—	—	—	—	—	—
Fund balances (deficits)	70,645	625,985	24,502	767,877	33,717	286,533
Total liabilities and fund balances	\$ 88,173	\$ 892,465	\$ 25,773	\$ 767,877	\$ 33,717	\$ 429,501

See Independent Auditors' Report

Special Revenue								
Education and Transportation Reserve	Education and Transportation Innovation and Capital	Gaming Revenue	MBTA State & Local Contribution	Housing Preservation and Stabilization	Behavioral Health Access and Crisis Intervention Trust	Vaccine Purchase Trust	Enhanced 911	Sports Wagering
\$ 429,000	\$ 2,183,322	\$ —	\$ 141,772	\$ 104,209	\$ 64,780	\$ 159,708	\$ 324,165	\$ —
—	—	—	—	—	—	—	—	—
—	—	—	50,081	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
\$ 429,000	\$ 2,183,322	\$ —	\$ 191,853	\$ 104,209	\$ 64,780	\$ 159,708	\$ 324,165	\$ —
\$ —	\$ —	\$ —	\$ —	\$ 2,582	\$ 2,025	\$ 31,434	\$ 21,840	\$ —
—	—	—	—	—	—	4	630	—
—	—	—	812	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	517,367	—	191,041	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	517,367	—	191,853	2,582	2,025	31,438	22,470	—
—	—	—	—	—	—	—	—	—
—	517,367	—	191,853	2,582	2,025	31,438	22,470	—
429,000	613,483	—	—	—	—	—	—	—
—	—	—	—	101,627	62,755	128,270	301,695	—
—	1,052,472	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
429,000	1,665,955	—	—	101,627	62,755	128,270	301,695	—
\$ 429,000	\$ 2,183,322	\$ —	\$ 191,853	\$ 104,209	\$ 64,780	\$ 159,708	\$ 324,165	\$ —

continued

Combining Balance Sheet
Other Governmental Funds
June 30, 2025
(Amounts in thousands)

	Special Revenue					
	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Hospital Investment and Performance Trust	Population Health Investment Trust	Convention and Exhibition Center	Commonwealth Federal Matching Debt Reduction	Opioid Recovery and Remediation
ASSETS						
Cash and cash equivalents	\$ 196,430	\$ —	\$ 59,706	\$ 216,492	\$ 615,214	\$ 152,046
Restricted cash with fiscal agent	—	—	—	473,018	—	—
Receivables, net of allowance for uncollectibles:						
Taxes	—	—	—	10,250	—	—
Due from federal government	—	408,837	6,650	—	—	—
Loans receivable	—	—	—	—	—	—
Other receivables	—	—	—	—	—	398,077
Due from other funds	—	—	—	—	—	—
Total assets	\$ 196,430	\$ 408,837	\$ 66,356	\$ 699,760	\$ 615,214	\$ 550,123
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,858	\$ —	\$ 5,677	\$ 20,717	\$ 696	\$ 17,580
Accrued payroll	86	—	—	—	—	30
Tax refunds and abatements payable	—	—	—	—	—	—
Due to other funds	—	178,556	—	—	—	—
Due to component units	—	—	—	—	—	—
Other accrued liabilities	—	—	—	—	—	—
Total liabilities	4,944	178,556	5,677	20,717	696	17,610
Deferred inflows of resources	—	—	—	—	—	363,472
Total liabilities and deferred inflows of resources	4,944	178,556	5,677	20,717	696	381,082
Fund balances:						
Restricted	—	—	—	—	—	—
Committed	191,486	230,281	60,679	679,043	614,518	169,041
Assigned	—	—	—	—	—	—
Unassigned (includes deficits)	—	—	—	—	—	—
Fund balances (deficits)	191,486	230,281	60,679	679,043	614,518	169,041
Total liabilities and fund balances	\$ 196,430	\$ 408,837	\$ 66,356	\$ 699,760	\$ 615,214	\$ 550,123

See Independent Auditors' Report

Special Revenue			Capital Projects				
Expendable Trust	Other	Debt Service	General Capital Projects	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ 1,101,038	\$ 1,115,404	\$ 5,654	\$ —	\$ —	\$ —	\$ 8,393	\$ 8,822,946
—	6,935	—	—	—	—	—	499,688
—	13,276	—	—	—	—	—	141,353
217	128,639	1	50,752	—	—	—	629,163
—	9,389	—	—	—	—	—	9,389
50,220	7,660	—	—	—	—	—	626,302
—	—	—	—	—	119,209	—	119,209
\$ 1,151,475	\$ 1,281,303	\$ 5,655	\$ 50,752	\$ —	\$ 119,209	\$ 8,393	\$ 10,848,050
\$ 42,785	\$ 318,480	\$ —	\$ 721,517	\$ —	\$ —	\$ —	\$ 1,270,739
1,977	4,233	—	2,185	—	—	—	10,397
—	123	—	—	—	—	—	956
—	122,781	—	234,352	465,874	38,681	500	1,054,910
40,236	—	—	3	406,986	136,810	—	1,426,686
—	—	—	—	—	—	—	95,145
84,998	445,617	—	958,057	872,860	175,491	500	3,858,833
661	21	—	—	—	—	—	467,027
85,659	445,638	—	958,057	872,860	175,491	500	4,325,860
178,382	—	5,655	—	—	—	8,393	1,381,505
702,552	780,889	—	—	—	—	—	5,525,827
177,286	105,620	—	—	—	—	—	1,495,054
7,596	(50,844)	—	(907,305)	(872,860)	(56,282)	(500)	(1,880,196)
1,065,816	835,665	5,655	(907,305)	(872,860)	(56,282)	7,893	6,522,190
\$ 1,151,475	\$ 1,281,303	\$ 5,655	\$ 50,752	\$ —	\$ 119,209	\$ 8,393	\$ 10,848,050

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Special Revenue					
	Commonwealth Transportation	Universal Health Care	Environmental	Student Opportunity Act Investment	High-Quality Early Education & Care Affordability	Education and Transportation
REVENUES						
Taxes	\$ 1,497,022	\$ 111,436	\$ 913	\$ —	\$ —	\$ —
Assessments	26,866	651,625	—	—	—	—
Federal grants and reimbursements	—	628,024	8,973	—	—	—
Departmental	683,846	286,586	41,763	—	—	—
Miscellaneous	6,228	5,608	135	—	—	18,072
Total revenues	2,213,962	1,683,279	51,784	—	—	18,072
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—
Transfers in	334,386	790,577	2,193	100,000	—	2,997,711
Total other financing sources	334,386	790,577	2,193	100,000	—	2,997,711
Total revenues and other financing sources	2,548,348	2,473,856	53,977	100,000	—	3,015,783
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	—	—
Office of Inspector General	—	212	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	8,218	—	—	—	—	—
Attorney General	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—	—
Massachusetts Gaming Commission	—	5,659	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	125,000	355,141	6,888	—	—	37,000
Energy and Environmental Affairs	—	—	19,319	—	—	—
Developmental Disabilities Council	—	—	—	—	—	—
Health and Human Services	—	417,866	—	—	—	—
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—
Massachusetts Department of Transportation	962,247	—	—	—	—	313,227
Cannabis Control Commission	—	—	—	—	—	—
Education	—	—	—	58,000	231,282	821,267
Center for Health Information and Analysis	—	117	—	—	—	—
Public Safety and Security	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Medicaid	—	1,822,921	—	—	—	—
Direct local aid	—	—	—	199,769	—	—
Capital outlay	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—
Total expenditures	1,095,465	2,601,916	26,207	257,769	231,282	1,171,494
OTHER FINANCING USES						
Transfers out	314,333	158,234	28,272	—	—	1,700,298
Transfers of appropriations	—	—	—	—	—	15,836
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	1,144,260	—	—	—	—	—
Total other financing uses	1,458,593	158,234	28,272	—	—	1,716,134
Total expenditures and other financing uses	2,554,058	2,760,150	54,479	257,769	231,282	2,887,628
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(5,710)	(286,294)	(502)	(157,769)	(231,282)	128,155
Fund balances/(deficits) at beginning of year, as restated	76,355	912,279	25,004	925,646	264,999	158,378
Fund balances/(deficits) at end of year	\$ 70,645	\$ 625,985	\$ 24,502	\$ 767,877	\$ 33,717	\$ 286,533

See Independent Auditors' Report

Special Revenue								
Education and Transportation Reserve	Education and Transportation Innovation and Capital	Gaming Revenue	MBTA State & Local Contribution	Housing Preservation and Stabilization	Behavioral Health Access and Crisis Intervention Trust	Vaccine Purchase Trust	Enhanced 911	Sports Wagering
\$ —	\$ —	\$ 327,030	\$ 1,436,072	\$ —	\$ —	\$ —	\$ —	\$ 151,839
—	—	—	193,069	—	16,294	96,514	—	—
—	—	—	—	—	—	—	—	—
—	—	200	—	—	—	—	167,791	14,188
11,015	63,523	—	—	222	—	—	11,880	—
11,015	63,523	327,230	1,629,141	222	16,294	96,514	179,671	166,027
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
254,657	1,461,591	—	—	70,569	—	—	—	—
254,657	1,461,591	—	—	70,569	—	—	—	—
265,672	1,525,114	327,230	1,629,141	70,791	16,294	96,514	179,671	166,027
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	1,629,141	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	4,894	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	5,000	—	—	—	—	—	101	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	8,744	141,436	—	—
—	—	—	—	—	—	—	9,752	—
—	—	—	—	—	—	—	—	—
—	753,823	—	—	8,093	—	—	—	—
—	16,298	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	146,751	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	7,750	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	775,121	—	1,629,141	8,093	16,494	141,436	161,498	—
18,536	100,000	327,230	—	—	—	49	8,396	166,027
—	10,000	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
18,536	110,000	327,230	—	—	—	49	8,396	166,027
18,536	885,121	327,230	1,629,141	8,093	16,494	141,485	169,894	166,027
247,136	639,993	—	—	62,698	(200)	(44,971)	9,777	—
181,864	1,025,962	—	—	38,929	62,955	173,241	291,918	—
\$ 429,000	\$ 1,665,955	\$ —	\$ —	\$ 101,627	\$ 62,755	\$ 128,270	\$ 301,695	\$ —

continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Special Revenue					
	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Hospital Investment and Performance Trust	Population Health Investment Trust	Convention and Exhibition Center	Commonwealth Federal Matching Debt Reduction	Opioid Recovery and Remediation
REVENUES						
Taxes	\$ —	\$ —	\$ —	\$ 237,477	\$ —	\$ —
Assessments	—	878,500	106,750	—	—	—
Federal grants and reimbursements	—	1,060,377	204,082	—	—	—
Departmental	199,347	—	—	—	—	42,685
Miscellaneous	—	—	—	31,197	—	—
Total revenues	199,347	1,938,877	310,832	268,674	—	42,685
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—
Transfers in	—	—	—	—	826,992	—
Total other financing sources	—	—	—	—	826,992	—
Total revenues and other financing sources	199,347	1,938,877	310,832	268,674	826,992	42,685
EXPENDITURES						
Current:						
Judiciary	—	—	—	—	—	—
Office of Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	104,653	—
Attorney General	—	—	—	—	—	—
District Attorneys	—	—	—	—	—	—
Sheriffs	—	—	—	—	—	—
Commission on the Status of Women	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—
Office of the Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	85,467	96,784	—
Energy and Environmental Affairs	210,576	—	—	—	—	—
Developmental Disabilities Council	—	—	—	—	—	—
Health and Human Services	—	—	17,861	—	—	62,201
Technology Services and Security	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—
Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	149
Economic Development	86	—	—	—	11,037	—
Labor and Workforce Development	—	—	—	—	—	—
Medicaid	—	1,709,334	296,589	—	—	—
Direct local aid	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—
Total expenditures	210,662	1,709,334	314,450	85,467	212,474	62,350
OTHER FINANCING USES						
Transfers out	—	—	—	15,067	—	339
Transfers of appropriations	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	—	—	—	52,473	—	—
Total other financing uses	—	—	—	67,540	—	339
Total expenditures and other financing uses	210,662	1,709,334	314,450	153,007	212,474	62,689
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(11,315)	229,543	(3,618)	115,667	614,518	(20,004)
Fund balances/(deficits) at beginning of year, as restated	202,801	738	64,297	563,376	—	189,045
Fund balances/(deficits) at end of year	\$ 191,486	\$ 230,281	\$ 60,679	\$ 679,043	\$ 614,518	\$ 169,041

See Independent Auditors' Report

Special Revenue			Capital Projects				
Expendable Trust	Other	Debt Service	General Capital Projects	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ —	\$ 304,999	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,066,788
79,714	108,505	—	—	—	—	—	2,157,837
2,520	1,038,519	29,435	135,808	—	—	—	3,107,738
55,234	149,394	—	—	—	778	—	1,641,812
874,470	16,527	—	—	5,232	—	—	1,044,109
1,011,938	1,617,944	29,435	135,808	5,232	778	—	12,018,284
—	—	67,615	182,051	105,749	—	—	355,415
—	—	—	1,903,406	1,427,550	—	—	3,330,955
—	—	610,115	—	—	—	—	610,115
—	—	2,788,898	—	—	—	—	2,788,898
64,346	601,130	—	—	—	1,032,308	—	8,536,460
64,346	601,130	3,466,628	2,085,457	1,533,299	1,032,308	—	15,621,843
1,076,284	2,219,074	3,496,063	2,221,265	1,538,531	1,033,086	—	27,640,127
133	3,588	—	—	—	—	—	3,721
32	—	—	—	—	—	—	244
—	114	—	—	—	—	—	114
—	10,425	—	—	—	—	—	10,425
198,339	5,258	1,657	3,383	3,631	—	—	1,954,280
9,246	4,811	—	—	—	—	—	14,057
8,609	460	—	—	—	—	—	9,069
5,519	12,490	—	—	—	—	—	22,903
25	—	—	—	—	—	—	25
—	68,505	—	—	—	—	—	74,164
954	2,051	—	—	—	—	—	3,005
43,411	88,890	—	—	—	—	—	843,682
117,980	41,164	—	—	—	—	—	389,039
105	—	—	—	—	—	—	105
43,300	311,019	—	—	—	—	—	1,002,427
135	22,747	—	—	—	—	—	32,634
1,038	—	—	—	—	—	—	1,038
6,485	19,005	—	—	—	—	—	33,583
317	—	—	366	1,356,586	1,038,653	—	4,425,219
—	19,932	—	—	—	—	—	19,932
25,970	126,949	—	—	—	—	—	1,279,766
31	360	—	—	—	—	—	508
6,309	27,842	—	—	—	—	—	181,051
8,192	98,036	—	—	—	—	—	117,351
62,887	130,682	—	—	—	—	—	193,569
—	69,107	—	—	—	—	—	3,905,701
—	300,804	—	—	—	—	—	500,573
—	—	—	2,058,930	42,691	—	—	2,101,621
—	—	2,827,278	—	—	—	—	2,827,278
—	—	676,072	—	—	—	—	676,072
539,017	1,364,239	3,505,007	2,062,679	1,402,908	1,038,653	—	20,623,156
356,619	957,368	—	16,161	209,757	26,160	—	4,402,846
231	17,331	—	—	—	—	—	43,398
—	—	—	187,866	—	—	—	187,866
—	136,576	—	—	—	—	—	1,333,309
356,850	1,111,275	—	204,027	209,757	26,160	—	5,967,419
895,867	2,475,514	3,505,007	2,266,706	1,612,665	1,064,813	—	26,590,575
180,417	(256,440)	(8,944)	(45,441)	(74,134)	(31,727)	—	1,049,552
885,399	1,092,105	14,599	(861,864)	(798,726)	(24,555)	7,893	5,472,638
\$ 1,065,816	\$ 835,665	\$ 5,655	\$ (907,305)	\$ (872,860)	\$ (56,282)	\$ 7,893	\$ 6,522,190

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2025
(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	\$ 1,851,600	\$1,851,600	\$1,497,767	\$(353,833)	\$ 900	\$ 900	\$ 914	\$ 14
Assessments	26,496	26,496	26,797	301	—	—	—	—
Federal grants and reimbursements	—	—	—	—	8,420	8,420	10,120	1,700
Departmental	666,374	666,374	686,080	19,706	9,543	9,543	10,075	532
Miscellaneous	8	8	6,228	6,220	90	90	133	43
Total revenues	<u>2,544,478</u>	<u>2,544,478</u>	<u>2,216,872</u>	<u>(327,606)</u>	<u>18,953</u>	<u>18,953</u>	<u>21,242</u>	<u>2,289</u>
Other financing sources:								
Operating transfers in	64,800	64,800	334,386	269,586	1,450	1,450	2,193	743
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	<u>64,800</u>	<u>64,800</u>	<u>334,386</u>	<u>269,586</u>	<u>1,450</u>	<u>1,450</u>	<u>2,193</u>	<u>743</u>
Total revenues and other financing sources	<u>2,609,278</u>	<u>2,609,278</u>	<u>2,551,258</u>	<u>(58,020)</u>	<u>20,403</u>	<u>20,403</u>	<u>23,435</u>	<u>3,032</u>
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	364,172	—	8,218	(8,218)	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	125,000	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	19,571	19,728	17,396	2,332
Health and Human services	—	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	314,280	314,280	314,280	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—	—
Center for Health and Information Analysis	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	464,215	450,186	14,029	—	—	—	—
Interest and fiscal charges	—	721,419	694,074	27,345	—	—	—	—
Total expenditures	<u>803,452</u>	<u>1,499,914</u>	<u>1,466,758</u>	<u>33,156</u>	<u>19,571</u>	<u>19,728</u>	<u>17,396</u>	<u>2,332</u>
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	4,878	(4,878)
Operating transfers out	644,268	781,877	781,877	—	—	—	—	—
Other fund deficit support	—	301,724	301,724	—	—	—	—	—
Total other financing uses	<u>644,268</u>	<u>1,083,601</u>	<u>1,083,601</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,878</u>	<u>(4,878)</u>
Total expenditures and other financing uses	<u>1,447,720</u>	<u>2,583,515</u>	<u>2,550,359</u>	<u>33,156</u>	<u>19,571</u>	<u>19,728</u>	<u>22,274</u>	<u>(2,546)</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 1,161,558</u>	<u>\$ 25,763</u>	899	<u>\$ (24,864)</u>	<u>\$ 832</u>	<u>\$ 675</u>	1,161	<u>\$ 486</u>
Fund balances at beginning of year			18,836				15,127	
Fund balances at end of year			<u>\$ 19,735</u>				<u>\$ 16,288</u>	

See Independent Auditors' Report

continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2025
(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	\$ —	\$ —	\$ —	\$ —	\$ 16,500	\$ 16,500	\$ —	\$ (16,500)
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	—	—	13,200	13,200	—	(13,200)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	—	—	29,700	29,700	—	(29,700)
Other financing sources:								
Operating transfers in	18,700	18,700	15,889	(2,811)	227,900	227,900	193,751	(34,149)
Other fund deficit support	—	2,813	2,813	—	—	63,804	63,804	—
Total other financing sources	18,700	21,513	18,702	(2,811)	227,900	291,704	257,555	(34,149)
Total revenues and other financing sources	18,700	21,513	18,702	(2,811)	257,600	321,404	257,555	(63,849)
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—	—
Housing and Livable Communities	2,500	18,702	18,702	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—	—
Center for Health and Information Analysis	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	257,555	257,555	257,555	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	2,500	18,702	18,702	—	257,555	257,555	257,555	—
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	—	—	—
Total expenditures and other financing uses	2,500	18,702	18,702	—	257,555	257,555	257,555	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 16,200</u>	<u>\$ 2,811</u>	<u>—</u>	<u>\$ (2,811)</u>	<u>\$ 45</u>	<u>\$ 63,849</u>	<u>—</u>	<u>\$ (63,849)</u>
Fund balances at beginning of year			—				—	
Fund balances at end of year			<u>\$ —</u>				<u>\$ —</u>	
See Independent Auditors' Report								

continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2025
(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	\$ 172,600	\$ 172,600	\$ 183,269	\$ 10,669	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	21,554	21,554	19,392	(2,162)	—	—	—	—
Miscellaneous	1	1	—	(1)	—	—	—	—
Total revenues	194,155	194,155	202,661	8,506	—	—	—	—
Other financing sources:								
Operating transfers in	—	—	—	—	20,000	20,000	18,278	(1,722)
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	20,000	20,000	18,278	(1,722)
Total revenues and other financing sources	194,155	194,155	202,661	8,506	20,000	20,000	18,278	(1,722)
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	1	1	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	—	1,862	612	1,250	—	—	—	—
Energy and Environmental Affairs	1,075	1,075	1,054	21	—	—	—	—
Health and Human services	—	110,757	109,015	1,742	11,335	14,972	12,263	2,709
Veterans' Services	—	—	—	—	—	—	—	—
Housing and Livable Communities	—	99	99	—	—	205	205	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	20,006	20,005	19,932	73	—	—	—	—
Education	—	14,923	14,012	911	4,922	6,005	5,533	472
Center for Health and Information Analysis	—	—	—	—	—	—	—	—
Public Safety and Security	—	7,112	6,873	239	—	—	—	—
Economic Development	—	7,500	6,928	572	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	21,081	163,333	158,525	4,808	16,257	21,183	18,002	3,181
Other financing uses:								
Fringe benefit cost assessment	—	—	11,799	(11,799)	—	—	492	(492)
Operating transfers out	—	29,001	29,001	—	—	—	—	—
Other fund deficit support	—	4,361	4,361	—	—	—	—	—
Total other financing uses	—	33,362	45,161	(11,799)	—	—	492	(492)
Total expenditures and other financing uses	21,081	196,695	203,686	(6,991)	16,257	21,183	18,494	2,689
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 173,074</u>	<u>\$ (2,540)</u>	<u>(1,025)</u>	<u>\$ 1,515</u>	<u>\$ 3,743</u>	<u>\$ (1,183)</u>	<u>(216)</u>	<u>\$ 967</u>
Fund balances at beginning of year			4,927				5,236	
Fund balances at end of year			<u>\$ 3,902</u>				<u>\$ 5,020</u>	
See Independent Auditors' Report								

Federal COVID-19 Response Fund				Student Opportunity Act Investment Fund				Broadband Innovation Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	—	\$ —	\$ —	\$ —	—	\$ —	\$ —	\$ —	—	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	6,785	6,785	—	—	—	—	—	—	—	—
—	—	6,785	6,785	—	—	—	—	—	—	—	—
—	—	—	—	—	—	100,000	100,000	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	100,000	100,000	—	—	—	—
—	—	6,785	6,785	—	—	100,000	100,000	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
171	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
521,065	6,785	6,785	—	—	—	—	—	—	—	—	—
233,902	—	—	—	—	—	—	—	—	—	—	—
232,557	—	—	—	—	—	—	—	—	—	—	—
8,450	—	—	—	—	—	—	—	—	—	—	—
164,288	—	—	—	—	—	—	—	—	—	—	—
11,868	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
15,004	—	—	—	—	58,000	58,000	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
8,718	—	—	—	—	—	—	—	—	—	—	—
118,658	—	—	—	—	—	—	—	37,575	37,575	37,330	245
1,028	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	199,769	199,769	199,769	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,315,709	6,785	6,785	—	199,769	257,769	257,769	—	37,575	37,575	37,330	245
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,315,709	6,785	6,785	—	199,769	257,769	257,769	—	37,575	37,575	37,330	245
<u>\$(1,315,709)</u>	<u>\$ (6,785)</u>	—	<u>\$ 6,785</u>	<u>\$(199,769)</u>	<u>\$(257,769)</u>	(157,769)	<u>\$ 100,000</u>	<u>\$ (37,575)</u>	<u>\$ (37,575)</u>	(37,330)	<u>\$ 245</u>
		—				925,646				37,575	
		<u>\$ —</u>				<u>\$ 767,877</u>				<u>\$ 245</u>	

continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	High-Quality Early Education & Care Affordability Fund				Youth Development and Achievement Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 600	\$ 600	\$ —	\$ (600)
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	—	—	480	480	—	(480)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	—	—	1,080	1,080	—	(1,080)
Other financing sources:								
Operating transfers in	—	—	—	—	—	—	1,660	1,660
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	1,660	1,660
Total revenues and other financing sources	—	—	—	—	1,080	1,080	1,660	580
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Veterans' Services	—	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Education	—	267,010	231,282	35,728	—	1,746	1,671	75
Center for Health and Information Analysis	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	—	267,010	231,282	35,728	—	1,746	1,671	75
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	8	(8)
Operating transfers out	—	—	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing uses	—	—	—	—	—	—	8	(8)
Total expenditures and other financing uses	—	267,010	231,282	35,728	—	1,746	1,679	67
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	\$ (267,010)	(231,282)	\$ 35,728	\$ 1,080	\$ (666)	(19)	\$ 647
Fund balances at beginning of year			264,999				763	
Fund balances at end of year			\$ 33,717				\$ 744	
See Independent Auditors' Report								

Behavioral Health Trust Fund				Castle Island Marine Park Trust Fund				Education and Transportation Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	18,072	18,072
—	—	—	—	—	—	—	—	—	—	18,072	18,072
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	1,050,000	1,050,000	2,997,711	1,947,711
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	1,050,000	1,050,000	2,997,711	1,947,711
—	—	—	—	—	—	—	—	1,050,000	1,050,000	3,015,783	1,965,783
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	351	351	—	—	—	—	—	588	37,588	37,000	588
—	—	—	—	—	—	—	—	—	—	—	—
190,559	164,932	85,906	79,026	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	334,965	136,465	42,448	94,017
—	—	—	—	—	—	—	—	—	—	—	—
—	24,916	22,228	2,688	—	—	—	—	785,447	903,316	837,103	66,213
—	360	360	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
190,559	190,559	108,845	81,714	—	—	—	—	1,121,000	1,077,369	916,551	160,818
—	—	785	(785)	—	—	—	—	—	—	2,586	(2,586)
—	—	—	—	—	250	250	—	—	1,920,939	1,920,939	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	785	(785)	—	250	250	—	—	1,920,939	1,923,525	(2,586)
190,559	190,559	109,630	80,929	—	250	250	—	1,121,000	2,998,308	2,840,076	158,232
<u>\$ (190,559)</u>	<u>\$ (190,559)</u>	(109,630)	<u>\$ 80,929</u>	<u>\$ —</u>	<u>\$ (250)</u>	(250)	<u>\$ —</u>	<u>\$ (71,000)</u>	<u>\$ (1,948,308)</u>	175,707	<u>\$2,124,015</u>
		191,206				250				204,843	
		<u>\$ 81,576</u>				<u>\$ —</u>				<u>\$ 380,550</u>	

continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

	Education and Transportation Reserve Fund				Education and Transportation Innovation and Capital 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	—	—	11,016	11,016	—	—	63,523	63,523
Total revenues	—	—	11,016	11,016	—	—	63,523	63,523
Other financing sources:								
Operating transfers in	—	—	254,656	254,656	—	—	1,461,591	1,461,591
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing sources	—	—	254,656	254,656	—	—	1,461,591	1,461,591
Total revenues and other financing sources	—	—	265,672	265,672	—	—	1,525,114	1,525,114
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs'	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	5,000	5,000	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Executive Office of Veterans' Services	—	—	—	—	—	—	—	—
Housing and Livable Communities	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	577,367	60,000	517,367
Cannabis Control Commission	—	—	—	—	—	—	—	—
Education	—	—	—	—	—	561,403	26,298	535,105
Center for Health and Information Analysis	—	—	—	—	—	—	—	—
Public Safety and Security	—	—	—	—	—	—	—	—
Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	—	—	—	—	—	1,143,770	91,298	1,052,472
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	—	—	—
Operating transfers out	—	18,536	18,536	—	—	276,456	276,456	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing uses	—	18,536	18,536	—	—	276,456	276,456	—
Total expenditures and other financing uses	—	18,536	18,536	—	—	1,420,226	367,754	1,052,472
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	\$ —	\$ (18,536)	247,136	\$ 265,672	\$ —	\$ (1,420,226)	1,157,360	\$ 2,577,586
Fund balances at beginning of year			181,864				1,025,962	
Fund balances at end of year			\$ 429,000				\$ 2,183,322	
See Independent Auditors' Report								

Early Education and Care Operational Grant Fund				Total			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ 2,042,200	\$ 2,042,200	\$ 1,681,950	\$ (360,250)
—	—	—	—	26,496	26,496	26,797	301
—	—	—	—	8,420	8,420	10,120	1,700
—	—	—	—	743,794	743,794	748,195	4,401
—	—	—	—	99	99	105,759	105,660
—	—	—	—	2,821,009	2,821,009	2,572,821	(248,188)
—	—	—	—	1,480,450	1,480,450	5,463,661	3,983,211
—	—	—	—	—	89,240	89,240	—
—	—	—	—	1,480,450	1,569,690	5,552,901	3,983,211
—	—	—	—	4,301,459	4,390,699	8,125,722	3,735,023
—	—	—	—	—	1	1	—
—	—	—	—	364,172	—	8,218	(8,218)
—	—	—	—	171	—	—	—
—	—	—	—	—	4	4	—
—	—	—	—	655,504	60,437	56,637	3,800
—	—	—	—	256,730	22,985	20,373	2,612
—	—	—	—	434,451	290,661	207,184	83,477
—	—	—	—	8,450	—	—	—
—	—	—	—	166,788	19,006	19,006	—
—	—	—	—	661,113	1,028,112	416,728	611,384
—	—	—	—	20,006	20,005	19,932	73
—	99,990	82,129	17,861	805,373	1,942,818	1,283,765	659,053
—	—	—	—	—	360	360	—
—	—	—	—	8,718	8,517	8,213	304
—	—	—	—	156,233	45,075	44,258	817
—	—	—	—	1,028	44,949	25,310	19,639
—	—	—	—	500,573	500,573	500,573	—
—	—	—	—	—	464,215	450,186	14,029
—	—	—	—	—	721,419	694,074	27,345
—	99,990	82,129	17,861	4,039,310	5,169,137	3,754,822	1,414,315
—	—	—	—	—	—	23,287	(23,287)
—	—	—	—	654,268	3,059,566	3,059,566	—
—	—	—	—	—	306,975	306,975	—
—	—	—	—	654,268	3,366,541	3,389,828	(23,287)
—	99,990	82,129	17,861	4,693,578	8,535,678	7,144,650	1,391,028
<u>\$ —</u>	<u>\$ (99,990)</u>	<u>(82,129)</u>	<u>\$ 17,861</u>	<u>\$ (392,119)</u>	<u>\$(4,144,979)</u>	981,072	<u>\$ 5,126,051</u>
		150,000				3,032,875	
		<u>\$ 67,871</u>				<u>\$ 4,013,947</u>	

Combining Budget to GAAP Reconciliation **Other Budgeted Nonmajor Governmental Funds**

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Commonwealth Transportation Fund	Inland Fisheries and Game Fund	Marine Recreational Fisheries Development Fund	Underground Storage Tank Petroleum Product Cleanup Fund
Total actual revenues - budgetary basis (pages 190-199)	\$ 2,216,872	\$ 21,242	\$ 1,716	\$ 30,000
Adjustments:				
Taxes receivable, net	(738)	(1)	—	—
Tax refunds and abatements payable, net	(14)	—	—	—
Federal grants receivables, net	—	(1,147)	—	—
Departmental and other receivables, net	(2,158)	(25)	—	—
Miscellaneous adjustments	—	—	—	—
Total actual revenues - GAAP basis (pages 186-189)	<u>\$ 2,213,962</u>	<u>\$ 20,069</u>	<u>\$ 1,716</u>	<u>\$ 30,000</u>
 Total actual other financing sources - budgetary basis (pages 190-199) ...	 \$ 334,386	 \$ 2,193	 \$ —	 \$ —
Adjustments:				
Miscellaneous adjustments	—	—	—	—
Total actual other financing sources - GAAP basis (pages 186-189)	<u>\$ 334,386</u>	<u>\$ 2,193</u>	<u>\$ —</u>	<u>\$ —</u>
 Total actual expenditures - budgetary basis (pages 190-199)	 \$ 1,466,758	 \$ 17,396	 \$ 1,923	 \$ 6,889
Adjustment:				
Due to component units accrual, net	3,699	—	—	—
Miscellaneous adjustments	—	—	—	(1)
Reclassification:				
MassDOT transfers out is reclassified to expenditures	769,268	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,144,260)	—	—	—
Certain expenditures are reclassified to/from Other Financing Uses	—	—	—	—
Total actual expenditures - GAAP basis (pages 186-189)	<u>\$ 1,095,465</u>	<u>\$ 17,396</u>	<u>\$ 1,923</u>	<u>\$ 6,888</u>
 Total actual other financing uses - budgetary basis (pages 190-199)	 \$ 1,083,601	 \$ 4,878	 \$ 283	 \$ 23,111
Adjustment:				
Miscellaneous adjustments	—	—	—	1
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(769,268)	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,144,260	—	—	—
Certain expenditures are reclassified to/from Other Financing Uses	—	—	—	—
Total actual other financing uses - GAAP basis (pages 186-189)	<u>\$ 1,458,593</u>	<u>\$ 4,878</u>	<u>\$ 283</u>	<u>\$ 23,112</u>

* in pages 200-203

On a GAAP basis, the activities for the Public Safety Trust fund, the Local Capital Projects fund, the Gaming Local Aid fund, the Education Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund, the Behavioral Health Outreach, Access and Support Trust Fund, the Federal COVID-19 Response Fund, the Broadband Innovation Fund, the Youth Development and Achievement Fund, the Behavioral Health Trust Fund, the Castle Island Marine Park Trust Fund and the Early Education and Care Operational Grant Fund are combined in the other special revenue funds in the combined statement of revenues, expenditures and changes in fund balance. The revenues, other financing sources, expenditures and other financing uses of the other special revenue funds are \$1,617,944; \$601,130; \$1,364,239 and \$1,111,275, respectively (all amounts in thousands).

See Independent Auditors' Report

Public Safety Trust Fund*	Local Capital Projects Fund*	Gaming Local Aid Fund*	Education Fund*	Gaming Economic Development Fund*	Marijuana Regulation Fund*	Behavioral Health, Outreach, Access and Support Trust Fund*	Federal COVID-19 Response Fund*	Student Opportunity Act Investment Fund	Broadband Innovation Fund*
\$ 934	\$ —	\$ —	\$ —	\$ —	\$ 202,661	\$ —	\$ 6,785	\$ —	\$ —
—	—	—	—	—	(2,433)	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	(929)	—	—	—	—
1	—	—	—	—	—	—	—	—	—
<u>\$ 935</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 199,299</u>	<u>\$ —</u>	<u>\$ 6,785</u>	<u>\$ —</u>	<u>\$ —</u>
\$ —	\$ 18,702	\$ 257,555	\$ 49,718	\$ 56,451	\$ —	\$ 18,278	\$ —	\$ 100,000	\$ —
—	(1)	—	—	—	—	—	—	—	—
<u>\$ —</u>	<u>\$ 18,701</u>	<u>\$ 257,555</u>	<u>\$ 49,718</u>	<u>\$ 56,451</u>	<u>\$ —</u>	<u>\$ 18,278</u>	<u>\$ —</u>	<u>\$ 100,000</u>	<u>\$ —</u>
\$ 1,347	\$ 18,702	\$ 257,555	\$ 47,139	\$ 26,926	\$ 158,525	\$ 18,002	\$ 6,785	\$ 257,769	\$ 37,330
—	—	—	—	—	—	—	—	—	—
—	(1)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
(3)	—	—	(3,890)	—	(12,736)	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	(612)	—	—	—	—
<u>\$ 1,344</u>	<u>\$ 18,701</u>	<u>\$ 257,555</u>	<u>\$ 43,249</u>	<u>\$ 26,926</u>	<u>\$ 145,177</u>	<u>\$ 18,002</u>	<u>\$ 6,785</u>	<u>\$ 257,769</u>	<u>\$ 37,330</u>
\$ 163	\$ —	\$ —	\$ 2,579	\$ 10,000	\$ 45,161	\$ 492	\$ —	\$ —	\$ —
1	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3	—	—	3,890	—	12,737	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	612	—	—	—	—
<u>\$ 167</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,469</u>	<u>\$ 10,000</u>	<u>\$ 58,510</u>	<u>\$ 492</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

continued

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	High-Quality Early Education & Care Affordability Fund	Youth Development and Achievement Fund*	Behavioral Health Trust Fund*	Castle Island Marine Park Trust Fund*
Total actual revenues - budgetary basis (pages 190-199)	\$ —	\$ —	\$ —	\$ —
Adjustments:				
Taxes receivable, net	—	—	—	—
Tax refunds and abatements payable, net	—	—	—	—
Federal grants receivables, net	—	—	—	—
Departmental and other receivables, net	—	—	—	—
Miscellaneous adjustments	—	—	—	—
Total actual revenues - GAAP basis (pages 186-189)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
 Total actual other financing sources - budgetary basis (pages 190-199) ...	 \$ —	 \$ 1,660	 \$ —	 \$ —
Adjustments:				
Miscellaneous adjustments	—	—	—	—
Total actual other financing sources - GAAP basis (pages 186-189)	<u>\$ —</u>	<u>\$ 1,660</u>	<u>\$ —</u>	<u>\$ —</u>
 Total actual expenditures - budgetary basis (pages 190-199)	 \$ 231,282	 \$ 1,671	 \$ 108,845	 \$ —
Adjustment:				
Due to component units accrual, net	—	—	—	—
Miscellaneous adjustments	—	—	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures	—	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	—	—	—	—
Certain expenditures are reclassified to/from Other Financing Uses	—	—	—	—
Total actual expenditures - GAAP basis (pages 186-189)	<u>\$ 231,282</u>	<u>\$ 1,671</u>	<u>\$ 108,845</u>	<u>\$ —</u>
 Total actual other financing uses - budgetary basis (pages 190-199)	 \$ —	 \$ 8	 \$ 785	 \$ 250
Adjustment:				
Miscellaneous adjustments	—	—	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures	—	—	—	—
Higher education expenditures are reclassified to transfers out	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	—	—	—	—
Certain expenditures are reclassified to/from Other Financing Uses	—	—	—	—
Total actual other financing uses - GAAP basis (pages 186-189)	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ 785</u>	<u>\$ 250</u>

Education and Transportation Fund	Education and Transportation Reserve Fund	Education and Transportation Innovation and Capital Fund	Early Education and Care Operational Grant Fund*	Totals
\$ 18,072	\$ 11,016	\$ 63,523	\$ —	\$ 2,572,821
—	—	—	—	(3,172)
—	—	—	—	(14)
—	—	—	—	(1,147)
—	—	—	—	(3,112)
—	—	—	—	1
<u>\$ 18,072</u>	<u>\$ 11,016</u>	<u>\$ 63,523</u>	<u>\$ —</u>	<u>\$ 2,565,377</u>
\$ 2,997,711	\$ 254,656	\$ 1,461,591	\$ —	\$ 5,552,901
—	1	—	—	—
<u>\$ 2,997,711</u>	<u>\$ 254,657</u>	<u>\$ 1,461,591</u>	<u>\$ —</u>	<u>\$ 5,552,901</u>
\$ 916,551	\$ —	\$ 91,298	\$ 82,129	\$ 3,754,822
47,552	—	517,367	—	568,618
—	—	—	—	(2)
223,227	—	176,456	—	1,168,951
(15,836)	—	(10,000)	—	(42,465)
—	—	—	—	(1,144,260)
—	—	—	—	(612)
<u>\$ 1,171,494</u>	<u>\$ —</u>	<u>\$ 775,121</u>	<u>\$ 82,129</u>	<u>\$ 4,305,052</u>
\$ 1,923,525	\$ 18,536	\$ 276,456	\$ —	\$ 3,389,828
—	—	—	—	2
(223,227)	—	(176,456)	—	(1,168,951)
15,836	—	10,000	—	42,466
—	—	—	—	1,144,260
—	—	—	—	612
<u>\$ 1,716,134</u>	<u>\$ 18,536</u>	<u>\$ 110,000</u>	<u>\$ —</u>	<u>\$ 3,408,217</u>

Combining Statement of Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds

Pension and OPEB Trust Funds

June 30, 2025

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ASSETS				
Cash and cash equivalents	\$ 142,448	\$ 110,711	\$ 29,055	\$ 282,214
Net investment in PRIT at fair value	40,673,552	44,093,895	2,777,965	87,545,412
Other receivables	133,389	118,587	—	251,976
Other assets	8	538	—	546
Total assets	40,949,397	44,323,731	2,807,020	88,080,148
LIABILITIES				
Accounts payable	57,216	8,234	18	65,468
Net position available for pension and post-employment benefits	\$ 40,892,181	\$ 44,315,497	\$ 2,807,002	\$ 88,014,680

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, 2025

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth and MassDOT	\$ 1,547,546	\$ —	\$ 654,739	\$ 2,202,285
Non-employer contributions - Commonwealth	46,883	2,594,483	—	2,641,366
Employer and non-employer contributions - other	14,107	—	—	14,107
Employee contributions	885,959	1,010,643	—	1,896,602
Boston teachers' contribution from Commonwealth	—	261,107	—	261,107
Other additions	96,171	157,591	230	253,992
Total contributions	2,590,666	4,023,824	654,969	7,269,459
Net investment gain/(loss):				
Investment gain/(loss)	3,785,054	4,072,525	255,047	8,112,626
Less: investment expense	(180,625)	(194,371)	(12,505)	(387,501)
Net Investment gain/(loss)	3,604,429	3,878,154	242,542	7,725,125
Total additions	6,195,095	7,901,978	897,511	14,994,584
DEDUCTIONS				
Administration	18,600	21,940	283	40,823
Retirement benefits and refunds	3,163,947	3,657,842	615,871	7,437,660
Payments to State Boston Retirement System	—	261,107	—	261,107
Other deductions	22,224	68,131	—	90,355
Total deductions	3,204,771	4,009,020	616,154	7,829,945
Change in net position	2,990,324	3,892,958	281,357	7,164,639
Net position available for pension and post-employment benefits at beginning of year	37,901,857	40,422,539	2,525,645	80,850,041
Net position available for pension and post-employment benefits at end of year	\$ 40,892,181	\$ 44,315,497	\$ 2,807,002	\$ 88,014,680

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position Held in Trust for Pool Participants
External Investment Trust Funds

June 30, 2025

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 8,291,670	\$ —	\$ 8,291,670
Short-term investments	18,846	—	18,846
Net investment in PRIT at fair value	—	27,903,612	27,903,612
Receivables, net of allowance for uncollectibles:			
Other receivables	18,413	—	18,413
Total assets	8,328,929	27,903,612	36,232,541
LIABILITIES			
Accounts payable	58,409	—	58,409
Net position held in trust for pool/pension participants	\$ 8,270,520	\$ 27,903,612	\$ 36,174,132

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, 2025

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions.....	\$ —	\$ 2,088,729	\$ 2,088,729
Proceeds from sale of units	25,652,606	—	25,652,606
Total contributions	25,652,606	2,088,729	27,741,335
Net investment gain/(loss):			
Investment gain/(loss)	377,040	2,851,765	3,228,805
Less: investment expense	(2,337)	(396,244)	(398,581)
Net Investment gain/(loss)	374,703	2,455,521	2,830,224
Total additions	26,027,309	4,544,250	30,571,559
DEDUCTIONS			
Cost of units redeemed	25,541,305	—	25,541,305
Distributions to unit holders from net interest income	374,212	—	374,212
Retirement benefits and refunds	26	1,487,205	1,487,231
Total deductions	25,915,543	1,487,205	27,402,748
Change in net position	111,766	3,057,045	3,168,811
Net position held in trust for pool/participants at beginning of year	8,158,754	24,846,567	33,005,321
Net position held in trust for pool/participants at end of year	\$ 8,270,520	\$ 27,903,612	\$ 36,174,132

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2025

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Total Custodial Funds
ASSETS					
Cash and cash equivalents	\$ 433,753	\$ 169,635	\$ 37,002	\$ 62,930	\$ 703,320
Investments and restricted investments	—	—	—	488,430	488,430
Receivables, net of allowance for uncollectibles:					
Taxes	41,249	—	—	—	41,249
Other receivables	—	—	135,461	—	135,461
Due from federal government	—	—	1,605	—	1,605
TOTAL ASSETS	<u>475,002</u>	<u>169,635</u>	<u>174,068</u>	<u>551,360</u>	<u>1,370,065</u>
LIABILITIES					
Accounts payable	2,746	180	4,140	1,424	8,490
Due to cities and towns	136,818	—	—	—	136,818
Due to federal government	9	—	—	—	9
Other liabilities	6,621	—	—	—	6,621
TOTAL LIABILITIES	<u>146,194</u>	<u>180</u>	<u>4,140</u>	<u>1,424</u>	<u>151,938</u>
NET POSITION					
Restricted for:					
Individuals, organizations and other governments	<u>\$ 328,808</u>	<u>\$ 169,455</u>	<u>\$ 169,928</u>	<u>\$ 549,936</u>	<u>\$ 1,218,127</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position

Custodial Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Total Custodial Funds
ADDITIONS					
Sales tax collections for other governments	\$ 719,251	\$ —	\$ —	\$ —	\$ 719,251
Child support collections	—	—	612,423	—	612,423
Local school aid collections	1,110,752	—	—	—	1,110,752
Municipal health insurance deposit collections	—	—	—	725,399	725,399
Court escrow account collections	—	117,601	—	—	117,601
Other additions	415,851	85,428	243	15,845	517,367
Investment income (loss):					
Interest, dividends and other investment income	1,373	3,643	1,154	6,941	13,111
Net investment income (loss)	1,373	3,643	1,154	6,941	13,111
TOTAL ADDITIONS	\$ 2,247,227	\$ 206,672	\$ 613,820	\$ 748,185	\$ 3,815,904
DEDUCTIONS					
Sales tax payments to other governments	719,251	—	—	—	719,251
Child support payments to individuals	—	—	616,325	—	616,325
Local school aid payments	1,110,752	—	—	—	1,110,752
Municipal health insurance deposit payments	—	—	—	926,752	926,752
Court escrow account payments	—	122,663	—	—	122,663
Other deductions	415,925	81,754	—	7,934	505,613
TOTAL DEDUCTIONS	\$ 2,245,928	\$ 204,417	\$ 616,325	\$ 934,686	\$ 4,001,356
Change in fiduciary net position	1,299	2,255	(2,505)	(186,501)	(185,452)
Net position - beginning	327,509	167,200	172,433	736,437	1,403,579
Net position - ending	\$ 328,808	\$ 169,455	\$ 169,928	\$ 549,936	\$ 1,218,127

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2025
(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	\$ 26,640	\$ 51,839	\$ 7,527	\$ 12,382	\$ 17,666	\$ 87,951	\$ 47,172	\$ 251,177
Short-term investments	—	115,910	11,094	—	63,378	9,081	48,688	248,151
Restricted cash and investments	1,180	235,443	593,397	40,281	129,296	156,790	8,351	1,164,738
Assets held in trust	64,895	—	—	—	—	—	—	64,895
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursements	—	—	540	11,431	—	—	50	12,021
Loans	567	13,735	—	—	42,219	22,533	285	79,339
Lease receivable	2,556	341	5,735	564	—	—	3,076	12,272
Other receivables	6,346	13,159	6,179	—	11,519	9,054	20,209	66,466
Due from primary government	19,932	3,052	40,236	48,793	—	21,148	333	133,494
Inventory	—	—	—	—	—	113	115	228
Other current assets	3,327	5,545	6,112	3,117	—	1,028	3,190	22,319
Total current assets	125,443	439,024	670,820	116,568	264,078	307,698	131,469	2,055,100
Noncurrent assets:								
Cash and cash equivalents - restricted	1,591	16,204	—	82,809	—	—	1,471	102,075
Long-term investments	—	2,751	—	—	—	2,128	1,847,443	1,852,322
Endowment investments	—	—	—	—	—	—	57,935	57,935
Lease receivables	12,487	4,455	—	1,053	—	—	43,943	61,938
Other receivables, net	221	278	—	95	—	3,673	21,850	26,117
Loans receivables, net	13,879	122,851	—	—	479,497	52,448	—	668,675
Due from primary government	—	—	—	4,632	—	—	—	4,632
Non-depreciable capital assets	234,404	—	54,636	4,533	—	—	26,499	320,072
Depreciable capital and right-to-use assets, net	393,416	118,799	146,460	34,327	4,343	48,933	76,880	823,158
Other noncurrent assets	—	9,478	—	—	2,437	2,777	269	14,961
Total noncurrent assets	655,998	274,816	201,096	127,449	486,277	109,959	2,076,290	3,931,885
Total assets	781,441	713,840	871,916	244,017	750,355	417,657	2,207,759	5,986,985
Deferred outflows of resources:								
Change in fair value of interest rate swaps	—	—	—	—	11,801	—	—	11,801
Pension	7,367	—	—	—	—	—	—	7,367
OPEB	3,533	—	—	—	—	—	—	3,533
Total deferred outflows of resources	10,900	—	—	—	11,801	—	—	22,701
Total assets and deferred outflows	792,341	713,840	871,916	244,017	762,156	417,657	2,207,759	6,009,686
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	29,852	20,604	26,456	28,813	2,041	34,461	33,253	175,480
Accrued payroll	—	—	—	356	2,306	1,281	—	3,943
Compensated absences	1,555	2,065	416	285	—	1,258	—	5,579
Accrued interest payable	—	250	—	—	1,570	—	—	1,820
Due to primary government	—	1,650	—	—	—	—	14,991	16,641
Unearned revenue	12,565	65,495	151,863	1,862	—	114,751	12,931	359,467
Right-to use lease and subscription liabilities	324	2,214	811	540	985	1,098	1,959	7,931
Bonds, notes payable and other obligations	—	1,275	—	—	28,132	13,376	1,658	44,441
Total current liabilities	44,296	93,553	179,546	31,856	35,034	166,225	64,792	615,302
Noncurrent liabilities:								
Compensated absences	702	—	361	334	—	758	—	2,155
Right-to use lease and subscription liabilities	—	3,040	18,164	1,616	4,840	3,278	16,587	47,525
Due to primary government	—	21,603	—	—	—	—	—	21,603
Unearned revenue	1,415	—	—	—	—	—	—	1,415
Bonds, notes payable and other obligations	—	15,500	—	—	463,847	120,896	13,915	614,158
Net pension liability	43,526	—	—	—	—	—	—	43,526
Net OPEB liability	—	—	—	—	—	—	—	—
Other noncurrent liabilities	—	60,443	—	125	162,119	—	3,392	226,079
Total noncurrent liabilities	45,643	100,586	18,525	2,075	630,806	124,932	33,894	956,461
Total liabilities	89,939	194,139	198,071	33,931	665,840	291,157	98,686	1,571,763
Deferred inflows of resources:								
Service concession arrangements	—	—	—	—	—	343	—	343
Pension	2,734	—	—	—	—	—	—	2,734
OPEB	4,974	—	—	—	—	—	—	4,974
Leases	14,260	4,401	5,797	1,552	—	—	40,185	66,195
Total deferred inflows of resources	21,968	4,401	5,797	1,552	—	343	40,185	74,246
Total liabilities and deferred inflows	111,907	198,540	203,868	35,483	665,840	291,500	138,871	1,646,009
NET POSITION								
Net investment/(deficit) in capital assets	612,004	70,433	181,159	36,704	(2,139)	47,334	69,260	1,014,755
Restricted for:								
Other purposes	68,584	247,634	326,601	156,627	26,481	17,289	1,837,024	2,680,240
Unrestricted	(154)	197,233	160,288	15,203	71,974	61,534	162,604	668,682
Total net position	\$ 680,434	\$ 515,300	\$ 668,048	\$ 208,534	\$ 96,316	\$ 126,157	\$ 2,068,888	\$4,363,677

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Discretely Presented Component Units

Fiscal Year Ended June 30, 2025

(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	\$ 80,194	\$ 82,837	\$ 3,439	\$ 2,542	\$ 13,159	\$ 176,817	\$ 9,069	\$ 368,057
Other	5,610	4,078	55,383	167,745	—	1,864	156,968	391,648
Total operating revenues	85,804	86,915	58,822	170,287	13,159	178,681	166,037	759,705
Operating expenses:								
Cost of services	66,248	58,048	92,194	103,861	2,016	158,128	59,084	539,579
Administration costs	43,633	30,447	8,825	109	14,978	34,219	45,912	178,123
Depreciation and Amortization	38,600	10,590	5,538	4,760	944	4,795	2,785	68,012
Total operating expenses	148,481	99,085	106,557	108,730	17,938	197,142	107,781	785,714
Operating income/(loss)	(62,677)	(12,170)	(47,735)	61,557	(4,779)	(18,461)	58,256	(26,009)
Nonoperating revenues/(expenses):								
Net increase/decrease in fair value of investments	—	—	—	—	1,976	—	—	1,976
Operating grants	12,986	376	104,178	—	—	419	—	117,959
Interest income	6,013	14,753	29,742	3,725	4,498	4,995	221,198	284,924
Other nonoperating revenue/(expense)	4,063	57,696	(403)	—	5,135	(55,560)	10,619	21,550
Nonoperating revenues/(expenses), net	23,062	72,825	133,517	3,725	11,609	(50,146)	231,817	426,409
Income/(loss) before contributions	(39,615)	60,655	85,782	65,282	6,830	(68,607)	290,073	400,400
Capital contributions	74,342	7,583	4,970	—	—	7,829	—	94,724
Change in net position	34,727	68,238	90,752	65,282	6,830	(60,778)	290,073	495,124
Net position - beginning	645,707	447,062	577,296	143,252	89,486	186,935	1,778,815	3,868,553
Net position - ending	\$ 680,434	\$ 515,300	\$ 668,048	\$ 208,534	\$ 96,316	\$ 126,157	\$ 2,068,888	\$4,363,677

See Independent Auditors' Report



Statistical Section

(Unaudited)

Schedule of Net Position by Component – Last Ten Fiscal Years
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Massachusetts General Information



Statistical Section Narrative and Table of Contents

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Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

	2025	2024***	2023	2022	2021
Governmental activities					
Net investment in capital assets*	\$ (3,068,979)	\$ (2,346,839)	\$ (1,331,848)	\$ (2,065,404)	\$ (1,958,190)
Restricted	2,088,328	2,244,029	924,765	1,285,776	1,320,793
Unrestricted*	(68,180,803)	(67,288,210)	(69,360,014)	(71,977,915)	(78,418,503)
Total governmental activities net position	\$ (69,161,454)	\$ (67,391,020)	\$ (69,767,097)	\$ (72,757,543)	\$ (79,055,900)
Business-type activities					
Net investment in capital assets**	\$ 4,147,590	\$ 4,088,920	\$ 3,965,038	\$ 3,761,986	\$ 3,778,471
Restricted	3,181,118	3,494,444	2,906,317	2,175,161	1,908,425
Unrestricted**	682,030	(430,515)	(749,564)	(603,430)	(2,428,455)
Total business-type activities net position	\$ 8,010,738	\$ 7,152,849	\$ 6,121,791	\$ 5,333,717	\$ 3,258,441
Commonwealth net position					
Net investment in capital assets	\$ 1,078,611	\$ 1,742,081	\$ 2,633,190	\$ 1,696,582	\$ 1,820,281
Restricted	5,269,446	5,738,473	3,831,082	3,460,937	3,229,218
Unrestricted	(67,498,773)	(67,718,725)	(70,109,578)	(72,581,345)	(80,846,958)
Total Commonwealth net position	\$ (61,150,716)	\$ (60,238,171)	\$ (63,645,306)	\$ (67,423,826)	\$ (75,797,459)

See Independent Auditors' Report

* 2023 - 2015 - Governmental activities - reclassification between net investment in capital assets and unrestricted. There was no impact on net position.

**Business-type activities' net investment in capital assets and net position restated for 2023 - information not available for 2022-2015.

*** As restated, see note 1T on pages 82-83 - Business-type activities

2020	2019	2018	2017	2016
\$ (1,960,676)	\$ (1,647,669)	\$ (1,608,691)	\$ (1,401,635)	\$ (1,229,474)
1,543,264	1,270,844	1,546,202	1,926,716	1,538,662
(77,259,953)	(73,703,527)	(74,091,999)	(63,911,602)	(58,948,692)
<u>\$ (77,677,365)</u>	<u>\$ (74,080,352)</u>	<u>\$ (74,154,488)</u>	<u>\$ (63,386,521)</u>	<u>\$ (58,639,504)</u>
\$ 3,938,922	\$ 3,868,576	\$ 3,777,515	\$ 3,623,966	\$ 3,311,658
1,319,929	2,271,721	1,833,109	1,735,575	1,745,840
(591,205)	(490,819)	(595,311)	722,923	678,667
<u>\$ 4,667,646</u>	<u>\$ 5,649,478</u>	<u>\$ 5,015,313</u>	<u>\$ 6,082,464</u>	<u>\$ 5,736,165</u>
\$ 1,978,246	\$ 2,220,907	\$ 2,330,581	\$ 2,222,331	\$ 2,082,184
2,863,193	3,542,565	3,379,311	3,662,291	3,284,502
(77,851,158)	(74,194,346)	(74,849,067)	(63,188,679)	(58,270,025)
<u>\$ (73,009,719)</u>	<u>\$ (68,430,874)</u>	<u>\$ (69,139,175)</u>	<u>\$ (57,304,057)</u>	<u>\$ (52,903,339)</u>

Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

	2025	2024*	2023	2022	2021
EXPENSES					
Governmental Activities:					
General government	\$ 4,052,100	\$ 3,690,195	\$ 3,787,362	\$ 3,902,680	\$ 3,522,506
Judiciary	1,621,992	1,483,297	1,334,037	1,243,650	1,429,817
Direct local aid	8,265,832	7,962,691	7,300,065	6,758,880	6,499,305
Medicaid	26,323,064	23,600,996	24,714,689	22,064,800	20,208,100
Group Health Insurance	2,414,661	2,172,282	1,957,686	1,863,586	1,710,258
Energy and Environmental Affairs	1,367,138	1,312,517	859,147	822,053	900,326
Housing and Economic Development	4,046,052	3,646,100	2,963,505	2,806,068	2,963,819
Health and Human Services	15,273,503	13,886,097	14,338,681	13,785,541	11,658,328
Transportation and Public Works	4,547,763	3,513,748	2,868,870	3,122,013	3,283,352
Early Elementary and Secondary Education	8,437,350	9,081,911	7,811,625	6,961,534	7,687,798
Public Safety and Security	3,899,789	4,165,298	3,477,565	3,126,435	3,716,834
Labor and Workforce Development	502,800	353,961	448,410	440,198	428,225
Lottery	4,796,456	4,911,262	4,850,287	4,651,322	4,617,789
Interest (unallocated)	1,662,553	1,574,300	1,488,890	1,445,343	1,510,178
Total governmental activities	87,211,053	81,354,655	78,200,819	72,994,103	70,136,635
Business-type Activities:					
Unemployment compensation	2,145,856	2,214,741	1,889,677	3,904,080	19,438,890
Family and Employment Security Trust	1,294,920	1,104,335	899,367	686,343	236,361
Higher Education:					
University of Massachusetts	4,478,236	4,089,905	3,973,304	3,669,599	3,419,868
State Universities	1,337,346	1,284,954	1,196,945	1,135,857	1,078,315
Community Colleges (Nonmajor)	1,150,341	1,029,525	990,335	967,202	900,821
Total business-type activities	10,406,699	9,723,460	8,949,628	10,363,081	25,074,255
Total Commonwealth expenses	\$ 97,617,752	\$ 91,078,115	\$ 87,150,447	\$ 83,357,184	\$ 95,210,890
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 929,727	\$ 686,425	\$ 591,379	\$ 561,303	\$ 747,288
Judiciary	65,906	62,121	49,371	65,958	59,074
Medicaid	438,429	786,818	665,633	642,125	1,272,228
Group Health Insurance	957,026	935,591	935,591	898,761	860,726
Energy and Environmental Affairs	495,152	472,502	414,613	386,816	319,315
Housing and Economic Development	264,605	260,444	246,490	257,188	242,815
Health and Human Services	3,896,265	3,410,969	2,989,732	2,915,732	1,576,692
Transportation and Public Works	639,594	642,777	605,371	602,857	627,594
Early Elementary and Secondary Education	7,561	7,690	6,411	6,366	6,624
Public Safety and Security	393,131	401,938	361,173	405,960	345,917
Labor and Workforce Development	44,827	24,087	73,409	192,356	56,603
Lottery	5,975,463	6,171,948	6,142,338	5,861,393	5,827,632
Total charges for services	14,107,686	13,863,310	13,081,511	12,796,815	11,942,508
Operating grants and contributions	25,977,849	27,586,881	27,680,603	27,170,190	22,611,465
Capital grants and contributions	135,807	87,743	101,788	114,296	77,259
Total governmental activities	40,221,342	41,537,934	40,863,902	40,081,301	34,631,232
Business-type Activities:					
Charges for services:					
Unemployment compensation	2,003,621	1,817,877	1,795,731	1,881,248	1,608,603
Family and employment security trust	1,352,311	1,148,319	916,906	925,337	1,005,102
Higher Education:					
University of Massachusetts	2,277,064	2,064,348	2,125,627	2,001,814	1,636,154
State Universities	624,895	602,478	634,710	607,506	562,137
Community Colleges (Nonmajor)	176,755	203,868	198,016	176,012	200,278
Operating grants and contributions	1,646,968	2,063,238	1,431,347	4,963,847	16,603,329
Capital grants and contributions	18,915	11,277	201,144	195,238	174,851
Total business-type activities	8,100,529	7,911,405	7,303,481	10,751,002	21,790,454
Total Commonwealth program revenues	\$ 48,321,871	\$ 49,449,339	\$ 48,167,383	\$ 50,832,303	\$ 56,421,686
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 44,909,477	\$ 41,331,611	\$ 39,947,336	\$ 39,803,816	\$ 34,947,335
Investment earnings and miscellaneous	2,419,352	2,960,072	2,404,903	1,135,334	697,132
Transfers, net	(2,109,552)	(2,098,885)	(1,928,133)	(1,727,991)	(1,517,599)
Total governmental activities	45,219,277	42,192,798	40,424,106	39,211,159	34,126,868
Business-type Activities:					
Investment earnings and miscellaneous	1,054,507	772,480	506,088	(40,636)	356,997
Transfers, net	2,109,552	2,098,885	1,928,133	1,727,991	1,517,599
Total business -type activities	3,164,059	2,871,365	2,434,221	1,687,355	1,874,596
Total Commonwealth general revenues	\$ 48,383,336	\$ 45,064,163	\$ 42,858,327	\$ 40,898,514	\$ 36,001,464
CHANGES IN NET POSITION					
Governmental activities	\$ (1,770,434)	\$ 2,376,077	\$ 3,087,189	\$ 6,298,357	\$ (1,378,535)
Business-type activities	857,889	1,059,310	788,074	2,075,276	(1,409,205)
Total changes in net position	\$ (912,545)	\$ 3,435,387	\$ 3,875,263	\$ 8,373,633	\$ (2,787,740)

See Independent Auditors' Report

* As restated, see note 1T on pages 82-83 - Business - type activities

	2020		2019		2018		2017		2016
\$	2,923,397	\$	2,766,272	\$	2,792,959	\$	2,764,634	\$	2,616,051
	1,396,370		1,221,969		1,162,698		1,226,221		1,154,038
	6,390,233		6,089,548		5,900,634		5,734,682		5,598,687
	19,206,749		18,093,807		18,105,722		17,182,691		16,825,110
	1,651,357		1,670,238		1,648,278		1,668,100		1,632,703
	824,062		701,950		732,161		720,182		1,069,510
	1,599,085		1,574,628		1,544,103		1,411,189		1,367,957
	9,645,198		8,662,012		8,298,704		8,131,843		7,912,817
	2,806,861		2,554,289		2,483,768		2,535,121		2,711,910
	6,618,282		5,607,240		6,101,603		6,243,115		5,420,052
	3,962,024		3,006,893		2,757,266		2,913,849		2,746,612
	342,418		298,930		295,061		312,510		324,678
	4,306,512		4,445,654		4,325,321		4,128,209		4,299,592
	1,491,983		1,522,183		1,419,910		1,384,248		1,250,004
	63,164,531		58,215,613		57,568,188		56,356,594		54,929,721
	11,948,319		1,483,901		1,552,404		1,514,002		1,499,811
	5,434		—		—		—		—
	3,446,910		3,282,171		3,307,087		3,167,596		3,151,215
	1,150,987		1,145,531		1,089,551		1,063,196		1,002,577
	886,593		917,967		887,223		936,241		928,067
	17,438,243		6,829,570		6,836,265		6,681,035		6,581,670
\$	80,602,774	\$	65,045,183	\$	64,404,453	\$	63,037,629	\$	61,511,391
\$	926,889	\$	611,834	\$	652,138	\$	594,132	\$	565,434
	69,737		81,567		91,500		95,937		100,568
	1,388,195		1,129,343		1,054,698		897,542		841,697
	822,420		808,194		941,946		802,628		799,011
	280,252		279,267		273,504		249,565		289,738
	225,908		163,315		213,530		194,940		173,941
	822,920		1,411,918		1,292,584		1,359,519		1,224,967
	568,028		627,941		625,595		596,200		577,292
	7,365		8,445		7,846		7,919		7,508
	370,568		338,099		248,234		280,400		284,264
	203,992		307,506		269,293		40,652		38,581
	5,391,167		5,644,440		5,436,551		5,254,468		5,405,128
	11,077,441		11,411,869		11,107,419		10,373,902		10,308,129
	18,661,840		16,253,915		16,230,934		15,519,380		15,158,087
	77,964		66,085		99,002		58,354		85,759
	29,817,245		27,731,869		27,437,355		25,951,636		25,551,975
	1,833,362		1,852,195		1,617,394		1,468,492		1,611,096
	840,600		—		—		—		—
	1,844,180		1,860,268		1,907,824		1,882,899		1,875,144
	644,932		679,801		658,608		654,170		616,025
	221,732		237,288		259,156		274,868		274,252
	9,250,714		976,096		931,780		909,228		891,823
	145,646		112,033		160,201		238,621		265,714
	14,781,166		5,717,681		5,534,963		5,428,278		5,534,054
\$	44,598,411	\$	33,449,550	\$	32,972,318	\$	31,379,914	\$	31,086,029
\$	30,482,040	\$	30,609,957	\$	27,964,093	\$	25,949,577	\$	25,676,303
	1,169,416		1,513,855		1,283,283		995,073		1,161,089
	(1,404,336)		(1,565,932)		(1,123,731)		(1,286,709)		(1,246,055)
	30,247,120		30,557,880		28,123,645		25,657,941		25,591,337
	333,608		145,483		423,379		312,347		245,441
	1,404,336		1,565,932		1,123,731		1,286,709		1,246,055
	1,737,944		1,711,415		1,547,110		1,599,056		1,491,496
\$	31,985,064	\$	32,269,295	\$	29,670,755	\$	27,256,997	\$	27,082,833
\$	(3,100,166)	\$	74,136	\$	(2,007,188)	\$	(4,747,017)	\$	(3,786,409)
	(919,133)		599,526		245,808		346,299		443,880
\$	(4,019,299)	\$	673,662	\$	(1,761,380)	\$	(4,400,718)	\$	(3,342,529)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2025	2024	2023	2022	2021
General Fund					
Committed (2)	\$ 8,110,684	\$ 8,523,632	\$ 8,036,051	\$ 6,937,864	\$ 4,626,419
Assigned (3)	1,425,519	2,848,646	2,322,991	2,542,037	1,070,523
Unassigned	3,305,574	4,078,803	4,255,805	4,451,749	4,045,371
Total General Fund	12,841,777	15,451,081	14,614,847	13,931,650	9,742,313
All other governmental funds					
Nonspendable	393,199	450,897	526,385	615,882	755,378
Restricted (1)	2,148,398	2,244,029	924,765	1,285,777	1,320,793
Committed (2)	5,525,827	5,278,711	5,085,302	3,403,602	2,179,151
Assigned (3)	3,141,239	1,847,637	1,344,555	1,254,362	976,474
Unassigned	(1,880,196)	(1,725,067)	(3,485,620)	(2,358,148)	(1,156,764)
Total all other governmental funds	9,328,467	8,096,207	4,395,387	4,201,475	4,075,032
Total governmental fund balances	\$ 22,170,244	\$23,547,288	\$19,010,234	\$ 18,133,125	\$ 13,817,345

- (1) Restricted fund balance overall decreased by \$96 million from FY24 mainly due to a decrease of education and transportation related fund balances, which revenue generated by the 4% income tax surtax on income greater than \$1 million, which is constitutionally restricted for education and transportation purposes.
- (2) The major decrease in the committed fund balance from FY24 is mainly due to a decrease of approximately \$413 million in the ending balance of the Commonwealth's stabilization, a decrease of \$231 million in High-Quality Early Education & Care Affordability Trust Fund and a decrease of \$158 million in the Student Opportunity Act Investment Fund. The decrease was partially offset by a significant increase of \$615 million increase in Commonwealth Federal Matching and Debt Reduction fund balance.
- (3) Assigned fund balance decreased from due primarily to a \$410 million decrease in budgetary fund prior appropriations continued, offset by a \$234 million in increases in funds the MSBA reserved for grants and loans to local cities and towns for school construction, and a \$46 million increase in expendable trust assigned balances.

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2020	2019	2018	2017	2016
\$ 3,501,181	\$ 3,424,376	\$ 2,001,299	\$ 1,300,678	\$ 1,291,514
731,696	445,216	349,927	98,316	109,328
1,697,212	2,000,618	1,164,566	939,018	1,173,549
5,930,089	5,870,210	3,515,792	2,338,012	2,574,391
—	—	—	—	—
1,294,124	1,316,707	1,519,833	1,926,716	1,377,671
1,824,616	1,583,112	1,300,923	1,051,009	1,130,574
951,226	811,501	605,903	586,339	736,239
(942,539)	(470,195)	(104,007)	(304,694)	(545,129)
3,127,427	3,241,125	3,322,652	3,259,370	2,699,355
\$ 9,057,516	\$ 9,111,335	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746

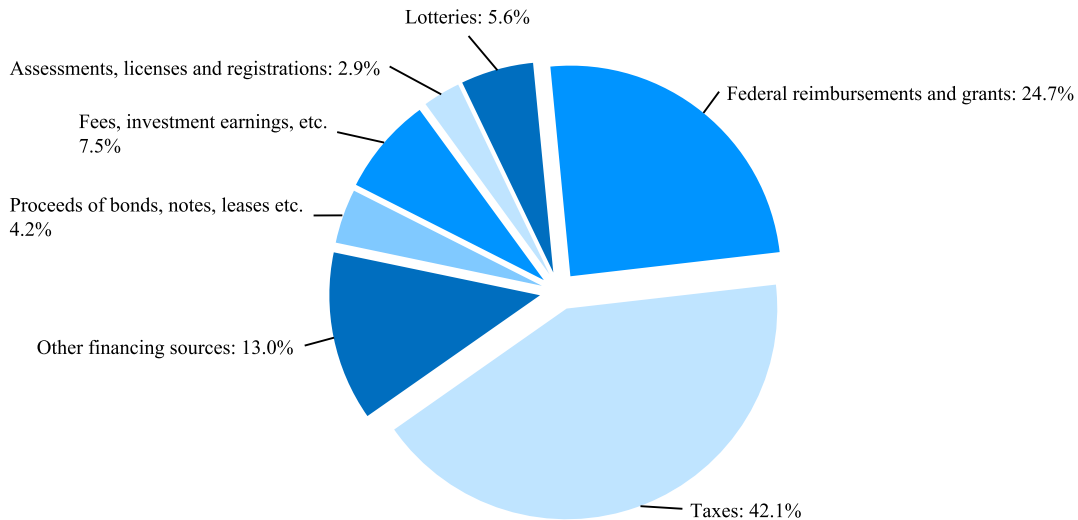
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

	% 2025		% 2024		% 2023		% 2022		% 2021	
	Total		Total		Total		Total		Total	
Taxes	\$ 44,886	42.1	\$ 41,306	39.3	\$ 39,976	42.6	\$ 39,816	43.4	\$ 34,955	41.2
Federal reimbursements	19,322	18.1	19,384	18.5	19,320	20.6	17,801	19.4	16,438	19.4
Federal grants	6,997	6.6	8,143	7.8	8,473	9.0	9,413	10.2	6,515	7.7
Lotteries	5,991	5.6	6,193	5.9	6,158	6.6	5,864	6.4	5,829	6.9
Assessments	2,579	2.4	2,173	2.1	1,822	1.9	1,585	1.7	1,350	1.6
Motor vehicle licenses and registrations	581	0.5	590	0.6	555	0.6	549	0.6	515	0.6
Fees, investment earnings, etc	7,961	7.5	8,594	8.2	7,273	7.7	6,166	6.7	5,780	6.8
Issuance of general and special obligation bonds	3,331	3.1	4,557	4.3	1,610	1.7	2,085	2.3	4,216	5.0
Issuance of refunding bonds	610	0.6	2,011	1.9	813	0.9	525	0.6	1,766	2.1
Bond premiums	355	0.3	685	0.7	248	0.3	369	0.4	786	0.9
Proceeds of capital lease	—	—	—	—	—	—	—	—	2	—
Leases & SBITAs issued	218	0.2	312	0.3	58	—	—	—	—	—
Other financing sources	13,782	13.0	11,037	10.4	7,583	8.1	7,668	8.3	6,569	7.8
Total revenues and other financing sources	<u>\$106,613</u>	<u>100.0</u>	<u>\$104,985</u>	<u>100.0</u>	<u>\$ 93,889</u>	<u>100.0</u>	<u>\$ 91,841</u>	<u>100.0</u>	<u>\$ 84,721</u>	<u>100.0</u>

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**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2025**



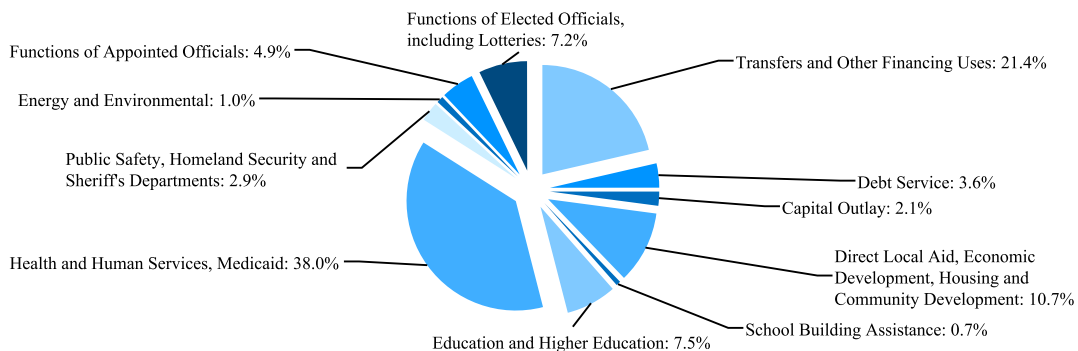
	%		%		%		%		%
2020	Total	2019	Total	2018	Total	2017	Total	2016	Total
\$ 30,266	41.7	\$ 30,618	43.8	\$ 28,243	41.1	\$ 25,828	37.7	\$ 25,746	38.0
14,427	19.9	12,650	18.1	12,647	18.3	11,932	17.4	11,577	17.1
4,048	5.6	3,678	5.3	3,684	5.3	3,635	5.3	3,656	5.4
5,395	7.4	5,652	8.1	5,442	7.9	5,258	7.7	5,406	8.0
1,378	1.9	1,377	2.0	1,354	2.0	1,219	1.8	1,104	1.6
515	0.7	566	0.8	566	0.8	554	0.8	546	0.8
5,527	7.6	5,794	8.3	5,518	8.0	4,966	7.3	4,957	7.3
2,787	3.8	2,008	2.9	2,779	4.0	3,464	5.1	3,969	5.9
1,225	1.7	819	1.2	993	1.4	1,853	2.7	1,463	2.2
276	0.4	470	0.7	562	0.8	812	1.2	613	0.9
1	—	—	—	—	—	1	—	31	—
—	—	—	—	—	—	—	—	—	—
6,662	9.3	6,143	8.8	7,202	10.4	8,915	13.0	8,682	12.8
<u>\$ 72,507</u>	<u>100.0</u>	<u>\$ 69,775</u>	<u>100.0</u>	<u>\$ 68,990</u>	<u>100.0</u>	<u>\$ 68,437</u>	<u>100.0</u>	<u>\$ 67,750</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)									
	2025	% Total	2024	% Total	2023	% Total	2022	% Total	2021	% Total
Legislature.....	\$ 97	0.1	\$ 89	0.1	\$ 83	0.1	\$ 76	0.1	\$ 73	0.1
Judiciary.....	1,363	1.3	1,307	1.3	1,199	1.3	1,095	1.3	1,023	1.3
Office of Inspector General.....	9	—	8	—	7	—	6	—	6	—
Governor and Lieutenant Governor.....	9	—	9	—	7	—	7	—	9	—
Secretary of the Commonwealth.....	94	0.1	82	0.1	87	0.1	59	0.1	78	0.1
Treasurer and Receiver-General.....	7,085	6.6	7,035	7.0	7,196	7.8	6,743	7.7	6,583	8.1
State Auditor.....	24	—	23	—	23	—	21	—	20	—
Attorney General.....	176	0.2	74	0.1	115	0.1	165	0.2	112	0.1
State Ethics Commission.....	4	—	3	—	3	—	3	—	2	—
District Attorneys.....	193	0.2	186	0.2	171	0.2	161	0.2	154	0.2
Office of Campaign and Political Finance.....	2	—	2	—	2	—	2	—	2	—
Sheriff's.....	911	0.8	833	0.8	764	0.8	679	0.8	699	0.9
Disabled Persons Protection Commission.....	14	—	14	—	12	—	10	—	7	—
Commission on the Status of Women.....	1	—	1	—	1	—	1	—	—	—
Massachusetts Gaming Commission.....	74	0.1	66	0.1	59	0.1	56	0.1	46	0.1
Office of the Comptroller.....	45	—	34	—	28	—	27	—	22	—
Administration and Finance.....	3,931	3.6	3,545	3.5	3,161	3.4	3,613	4.2	2,910	3.9
Energy and Environmental.....	1,050	1.0	1,068	1.1	696	0.7	592	0.7	461	0.6
Developmental Disabilities Council.....	1	—	—	—	—	—	—	—	—	—
Health and Human Services.....	14,546	13.5	13,381	13.3	14,060	15.2	13,446	15.4	10,702	13.2
Technology Services and Security.....	234	0.2	209	0.2	205	0.2	173	0.2	156	0.2
Veterans' Services.....	131	0.1	119	0.1	38	—	—	—	—	—
Office of the Veteran Advocate.....	2	—	—	—	—	—	—	—	—	—
Housing and Livable Communities.....	2,871	2.7	2,620	2.6	284	0.3	—	—	—	—
Massachusetts Department of Transportation.....	4,428	4.1	3,360	3.3	2,776	3.0	3,002	3.4	2,909	3.6
Office of the Child Advocate.....	5	—	5	—	5	—	3	—	2	—
Commission Against Discrimination.....	12	—	10	—	8	—	7	—	7	—
Cannabis Control Commission.....	20	—	19	—	17	—	14	—	11	—
Board of Library Commissioners.....	55	0.1	50	—	45	—	43	—	37	—
Education*.....	8,130	7.5	8,166	8.1	7,085	7.6	6,579	7.5	5,049	6.2
Center for Health and Information Analysis.....	35	—	34	—	32	—	29	—	21	—
Massachusetts School Building Assistance.....	755	0.7	811	0.8	580	0.6	628	0.7	752	0.9
Public Safety and Security.....	2,293	2.1	2,648	2.6	2,138	2.3	1,839	2.1	1,769	2.2
Massachusetts Peace Officer Standards and Training Commission.....	8	—	8	—	7	—	2	—	—	—
Commission on the Status of Persons with Disabilities.....	—	—	—	—	—	—	—	—	—	—
Economic Development*.....	357	0.3	390	0.4	2,193	2.4	2,294	2.6	2,440	3.0
Labor and Workforce Development*.....	451	0.4	338	0.3	428	0.5	411	0.5	356	0.4
Medicaid.....	26,323	24.4	23,601	23.5	24,715	26.6	22,065	25.3	20,208	25.0
Pension.....	1,896	1.8	1,825	1.8	2,133	2.3	2,117	2.4	1,657	2.1
Direct local aid.....	8,266	7.7	7,963	7.9	7,300	7.9	6,759	7.7	6,499	8.0
Capital outlay.....	2,310	2.1	2,012	2.0	1,516	1.6	1,420	1.6	1,308	1.6
Debt service:										
Principal/commercial paper repayment.....	1,526	1.4	1,503	1.5	1,732	1.9	1,780	2.0	1,878	2.3
Interest.....	1,685	1.6	1,553	1.5	1,497	1.6	1,245	1.4	1,230	1.5
Principal on current refunding.....	676	0.6	2,308	2.3	888	1.0	610	0.7	1,065	1.3
Other financing uses:										
Payments to refunding bond escrow agent.....	—	—	—	—	—	—	347	0.4	2,469	3.1
Transfers.....	15,892	14.7	13,136	13.5	9,507	10.4	9,396	10.7	8,084	10.0
Total expenditures and other financing uses.....	<u>\$ 107,990</u>	<u>100.0</u>	<u>\$ 100,448</u>	<u>100.0</u>	<u>\$ 92,803</u>	<u>100.0</u>	<u>\$ 87,525</u>	<u>100.0</u>	<u>\$ 80,816</u>	<u>100.0</u>
Change in Governmental Fund Balance.....	<u>\$ (1,377)</u>		<u>\$ 4,537</u>		<u>\$ 1,086</u>		<u>\$ 4,316</u>		<u>\$ 3,905</u>	
Ratio of debt service expenditures to total noncapital expenditures.....	<u>4.3%</u>		<u>6.3%</u>		<u>5.0%</u>		<u>4.8%</u>		<u>6.1%</u>	

* 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, 2025



2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1	\$ 61	0.1
1,022	1.4	985	1.5	921	1.4	908	1.3	880	1.3
6	—	5	—	5	—	4	—	5	—
7	—	7	—	7	—	7	—	7	—
63	0.1	55	0.1	45	0.1	51	0.1	44	0.1
5,961	8.2	6,092	9.0	5,854	8.6	5,657	8.2	5,799	8.7
19	—	18	—	19	—	18	—	19	—
108	0.2	107	0.2	98	0.1	76	0.1	67	0.1
2	—	2	—	2	—	2	—	2	—
150	0.2	138	0.2	129	0.2	130	0.2	124	0.2
2	—	3	—	2	—	2	—	2	—
718	1.0	672	1.0	635	0.9	624	0.9	616	0.9
6	—	5	—	4	—	3	—	3	—
—	—	—	—	—	—	—	—	—	—
44	0.1	50	0.1	44	0.1	37	0.1	34	0.1
17	—	16	—	16	—	17	—	17	—
2,490	3.4	2,310	3.4	2,475	3.7	2,444	3.6	2,416	3.6
466	0.6	477	0.7	445	0.7	405	0.6	436	0.6
—	—	—	—	—	—	—	—	—	—
8,817	12.1	8,054	12.0	7,813	11.5	7,463	11.0	7,402	10.9
140	0.2	116	0.2	81	0.1	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
2,486	3.4	2,349	3.5	2,387	3.5	2,391	3.5	2,595	3.8
2	—	1	—	1	—	1	—	1	—
—	—	—	—	—	—	—	—	—	—
13	—	10	—	2	—	—	—	—	—
33	—	30	—	28	—	28	—	28	—
4,323	6.0	3,972	5.9	3,723	5.5	3,589	5.3	3,478	5.1
20	—	20	—	21	—	23	—	27	—
713	1.0	572	0.9	550	0.8	621	0.9	626	0.9
2,066	2.8	1,463	2.2	1,400	2.1	1,374	2.0	1,385	2.0
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,223	1.7	1,157	1.7	1,089	1.6	1,021	1.5	1,048	1.5
280	0.4	258	0.4	255	0.4	259	0.4	277	0.4
19,207	26.5	18,094	26.8	18,106	26.9	17,183	25.2	16,825	24.9
1,384	1.9	1,368	2.0	1,294	1.9	1,127	1.7	1,103	1.6
6,390	8.8	6,090	9.0	5,901	8.7	5,735	8.4	5,599	8.3
1,051	1.5	1,310	1.9	1,253	1.8	1,202	1.8	1,162	1.7
—	—	—	—	—	—	—	—	—	—
1,948	2.7	1,480	2.2	3,706	5.5	4,676	6.9	4,487	6.6
1,238	1.7	1,484	2.2	1,381	2.0	1,262	1.9	1,248	1.8
409	0.6	956	1.4	522	0.8	188	0.3	250	0.4
—	—	—	—	—	—	—	—	—	—
1,655	2.3	—	—	628	0.9	2,304	3.4	2,613	3.9
8,067	11.1	7,709	11.4	6,838	10.1	7,215	10.6	7,094	10.5
<u>\$ 72,616</u>	<u>100.0</u>	<u>\$ 67,503</u>	<u>100.0</u>	<u>\$ 67,748</u>	<u>100.0</u>	<u>\$ 68,114</u>	<u>100.0</u>	<u>\$ 67,781</u>	<u>100.0</u>
<u>\$ (108)</u>		<u>\$ 2,273</u>		<u>\$ 1,241</u>		<u>\$ 324</u>		<u>\$ (32)</u>	
<u>5.8%</u>		<u>6.7%</u>		<u>9.5%</u>		<u>10.7%</u>		<u>10.5%</u>	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2024	2023	2022	2021	2020
Total personal income	\$ 667,993	\$ 614,224	\$ 594,119	\$ 575,188	\$ 550,584
Unearned income.....	179,664	151,920	142,298	152,340	166,915
Farm earnings.....	184	139	126	126	170
Nonfarm earnings.....	488,145	462,165	451,695	422,722	383,499
Private earnings	469,786	443,839	433,761	407,096	368,213
Agricultural services, forestry, fishing.....	561	602	573	705	600
Mining.....	586	456	144	94	146
Construction.....	28,152	26,961	27,594	27,349	22,859
Manufacturing	32,954	30,795	30,829	29,969	28,355
Durable goods.....	21,152	20,814	20,929	20,502	19,760
Nondurable goods.....	11,802	9,981	9,900	9,467	8,595
Transportation and utilities.....	15,917	17,282	14,222	12,561	11,669
Wholesale trade.....	19,371	18,673	18,539	17,366	15,280
Retail trade.....	20,997	21,304	20,014	19,436	17,303
Services.....	351,248	327,766	321,846	299,616	272,001
Government	51,313	49,121	48,762	45,595	43,642
Federal, civilian.....	7,082	6,628	6,018	5,920	5,821
Military.....	1,211	1,071	1,048	1,001	1,096
State and local.....	43,020	41,422	41,696	38,674	36,725
Personal income tax revenue (fiscal year, statutory basis).....	\$ 26,712	\$ 24,112	\$ 18,995	\$ 24,337	\$ 19,618
Total personal income.....	\$ 667,993	\$ 614,224	\$ 594,119	\$ 575,188	\$ 550,584
Average Effective Rate.....	4.00 %	3.93 %	3.20 %	4.23 %	3.56 %
Highest Earned Income Tax Rate.....	5.00 %	5.00 %	5.00 %	5.00 %	5.00 %

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

2019	2018	2017	2016	2015
\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636
126,165	118,567	111,017	108,349	97,728
108	103	129	151	195
385,061	364,763	339,816	334,000	317,713
369,080	349,476	323,875	319,931	272,533
625	659	716	677	406
144	274	608	379	276
23,397	23,177	20,609	19,473	17,197
28,568	27,271	26,550	27,181	26,497
20,020	19,239	18,709	18,894	18,193
8,548	8,032	7,841	8,287	8,304
11,724	9,667	8,649	8,330	7,600
15,254	15,102	14,830	14,621	13,938
17,438	16,432	15,982	15,520	14,716
271,930	256,894	235,931	233,750	191,903
44,549	42,557	42,492	41,130	39,921
5,647	5,458	5,477	5,427	5,202
1,003	900	891	860	860
37,899	36,199	36,124	34,843	33,859
\$ 17,361	\$ 17,109	\$ 16,240	\$ 14,394	\$ 14,449
\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636
3.40 %	3.54 %	3.60 %	3.25 %	3.48 %
5.00 %	5.05 %	5.10 %	5.10 %	5.15 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2023 and 2014

(Amounts, except income level are in thousands)

Calendar Year 2023 (or Fiscal Year 2024)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	1,133,816	28.1%	\$ 17,551,590	80.8%
\$75,001 - \$100,000	382,604	9.5%	1,411,098	6.5%
\$50,001 - \$75,000	575,329	14.3%	1,443,653	6.6%
\$25,001 - \$50,000	759,212	18.7%	1,031,066	4.8%
\$10,001 - \$25,000	552,193	13.7%	244,964	1.1%
\$10,000 and lower	633,147	15.7%	36,097	0.2%
Total	<u>4,036,301</u>	<u>100.0%</u>	<u>\$ 21,718,468</u>	<u>100.0%</u>

Calendar Year 2014 (or Fiscal Year 2015)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher	733,307	19.8%	\$ 9,684,457	72.7%
\$75,001 - \$100,000	298,797	8.1%	1,108,477	8.3%
\$50,001 - \$75,000	474,976	12.8%	1,199,591	9.0%
\$25,001 - \$50,000	786,552	21.2%	1,028,605	7.7%
\$10,001 - \$25,000	673,024	18.2%	273,862	2.1%
\$10,000 and lower	738,337	19.9%	32,912	0.2%
Total	<u>3,704,993</u>	<u>100.0%</u>	<u>\$ 13,327,904</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2023 is the most recent tax year for which complete data is available.

See Independent Auditors' Report

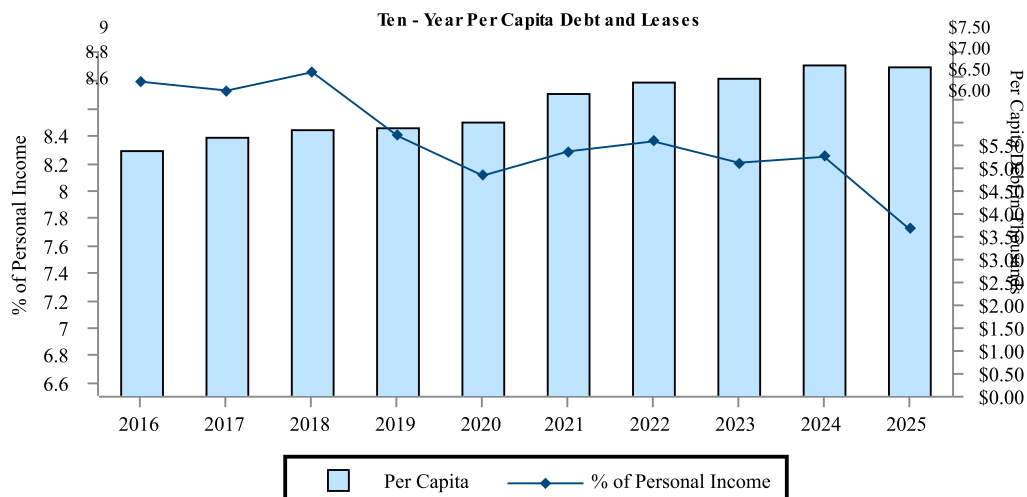
Ten-Year Schedule of Per Capita General Long-Term Bonded Debt and Leases

(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities						Business-Type Activities			Total Primary Government	Prior Year Personal Income (6)	Massachusetts Resident Population (4)	Debt as a % of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Right-to-use Leases (5)	SBITA (5)	MSBA Bonded debt (2)	MSBA Leases (5)	MSBA SBITA (5)	Bonded Debt (3)	Right-to-use Leases (5)	SBITA (5)					
2025	\$ 38,041,782	\$ 815,126	\$ 65,949	\$ 5,521,739	\$ 8,923	\$ 136	\$ 5,943,385	\$ 1,086,037	\$ 58,138	\$ 51,541,215	\$667,993,020	7,136	7.7%	\$ 7.22
2024	36,194,300	823,374	102,898	5,719,461	1,216	118	6,599,974	1,137,607	53,049	50,631,997	614,224,147	7,001	8.2%	7.23
2023	32,987,686	830,636	38,193	5,915,372	2,311	399	7,448,982	1,200,797	54,620	48,478,996	594,118,801	6,982	8.2%	6.94
2022	32,774,329	942,590	—	6,323,688	3,454	—	6,759,878	1,257,644	—	48,061,583	575,187,880	6,985	8.4%	6.88
2021	32,229,313	14,260	—	6,508,385	—	—	6,842,430	8,724	—	45,603,112	550,584,495	6,894	8.3%	6.61
2020	30,701,422	17,114	—	6,053,947	—	—	4,667,917	8,842	—	41,449,242	511,333,665	6,895	8.1%	6.01
2019	30,219,316	19,835	—	6,054,994	—	—	4,284,704	9,589	—	40,588,438	483,433,495	6,886	8.4%	5.89
2018	29,496,401	22,492	—	5,990,554	—	—	4,438,502	9,825	—	39,957,774	450,961,579	6,864	8.9%	5.82
2017	28,216,650	30,856	—	5,828,790	—	—	4,529,353	8,979	—	38,614,628	442,500,000	6,827	8.7%	5.66
2016	26,422,941	41,302	—	5,624,275	—	—	4,438,282	9,887	—	36,536,687	415,636,000	6,797	8.8%	5.38

- (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, source: <https://www.census.gov> (U.S. Census Bureau). Population data is reported as of July 1 of the previous year.
- (5) Leases represent right-to-use leases and subscription leases starting 2022 and Capital Leases for periods 2021 and earlier.
- (6) Source: <https://www.bea.gov> (Bureau of Economic Analysis)

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Ten-Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2025	2024	2023	2022	2021
Outstanding principal as of June 30 (1)	\$ 34,183,840	\$ 32,361,758	\$ 29,520,860	\$ 29,335,406	\$ 29,048,457
Less: principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(490,556)	(551,473)	(618,232)	(691,378)	(847,790)
Accelerated bridge program	(1,524,990)	(1,480,072)	(1,507,360)	(1,537,605)	(1,555,220)
Grant anticipation notes (2)	(133,620)	(255,805)	(389,675)	(478,235)	(582,550)
School Modernization and Reconstruction Trust Bonds ..	(49,759)	(143,163)	(242,630)	(337,411)	(430,926)
Convention center bonds	(366,620)	(397,245)	(426,235)	(453,675)	(479,645)
MBTA forward funding bonds	—	(207)	(207)	(207)	(207)
Special obligation gas bonds	—	—	—	—	(28,385)
Rail enhancement program bonds (3)	(2,528,685)	(2,393,389)	(1,928,881)	(1,958,461)	(1,637,221)
Outstanding direct debt, net proceeds/principal	29,089,610	27,140,404	24,407,640	23,878,434	23,486,513
Statutory debt limit	32,188,031	30,655,267	29,195,493	27,805,231	26,481,173
Debt margin (debt limit less direct debt)	<u>\$ 3,098,421</u>	<u>\$ 3,514,863</u>	<u>\$ 4,787,853</u>	<u>\$ 3,926,797</u>	<u>\$ 2,994,660</u>
Debt margin as a percentage of direct debt limit	<u>9.6%</u>	<u>11.5%</u>	<u>16.4%</u>	<u>14.1%</u>	<u>11.3%</u>

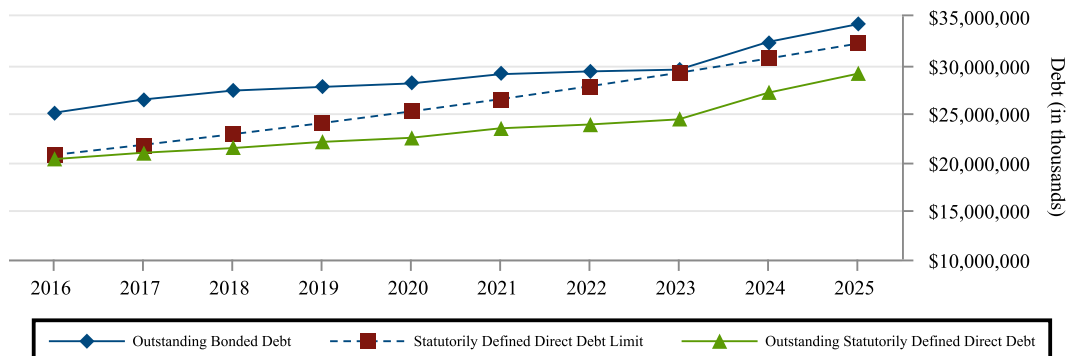
(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

(3) Section 4 of Chapter 220 of the Acts of 2016 exempted bonds issued under the Rail Enhancement Program from the statutory debt limit.

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**Outstanding Bonded Debt, Statutory Direct Debt and Statutory Debt Limit
2016 - 2025**



2020	2019	2018	2017	2016
\$ 28,098,890	\$ 27,739,221	\$ 27,360,819	\$ 26,445,665	\$ 25,079,591
—	—	—	—	—
28,098,890	27,739,221	27,360,819	26,445,665	25,079,591
(945,574)	(1,013,492)	(1,092,519)	(1,110,195)	(1,150,296)
(1,663,350)	(1,665,205)	(1,680,555)	(1,642,730)	(1,535,890)
(662,270)	(684,745)	(748,445)	(738,010)	(657,040)
(496,936)	(574,902)	(598,985)	(632,348)	(652,197)
(504,255)	(527,635)	(552,110)	(575,420)	(597,630)
(207)	(207)	(207)	(207)	(207)
(55,290)	(80,930)	(105,230)	(128,270)	(170,735)
(1,260,565)	(1,104,610)	(1,131,105)	(644,540)	—
22,510,443	22,087,495	21,451,663	20,973,945	20,315,596
25,220,164	24,019,204	22,875,433	21,786,126	20,748,692
\$ 2,709,721	\$ 1,931,709	\$ 1,423,770	\$ 812,181	\$ 433,096
10.7%	8.0%	6.2%	3.7%	2.1%

Ten Fiscal Year Schedule of Pledged Revenue Coverage
Special Obligation Transportation 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)

	2025	2024	2023	2022	2021

Commonwealth Transportation Fund Bonds

The CTF bonds are secured by the full 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The 2010 bonds were issued as federally taxable Build America Bonds/Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. For years prior to 2023, receipts are net of revenues pledged to Highway Fund bonds, which were issued prior to 2010, and final payments for which were made in 2022.

CTF Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds, Which Matured in FY22)

Receipts	\$ 1,339,901	\$ 1,361,251	\$ 1,313,036	\$ 1,302,636	\$ 1,266,755
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 1,339,901	\$ 1,361,251	\$ 1,313,036	\$ 1,302,636	\$ 1,266,755
Annual Debt Service	\$ 240,923	\$ 233,434	\$ 215,493	\$ 186,189	\$ 189,083
Debt Service Coverage Ratio	5.56	5.83	6.09	7.00	6.70
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa1, AAA	NA, Aa1, AAA	NA, Aa1, AAA	NA, Aa1, AA+	NA, Aa1, AA+

Convention Center Bonds

These bonds are secured by amounts payable to the Convention Center Fund, which include certain hotel tax receipts in Boston, Cambridge, Springfield, surcharges on car rentals, parking, sightseeing tours and cruises and sales tax receipts in those cities. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table.

Receipts	\$ 238,955	\$ 225,208	\$ 203,560	\$ 148,719	\$ 45,744
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 238,955	\$ 225,208	\$ 203,560	\$ 148,719	\$ 45,744
Annual Debt Service	\$ 52,473	\$ 52,433	\$ 52,392	\$ 52,350	\$ 52,283
Debt Service Coverage Ratio	4.55	4.30	3.89	2.84	0.87
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aa3, A-	NA, A1, A-	NA, A1, A-	NA, A1, A-	NA, A1, BBB+

Grant Anticipation Notes (GANS)

Grant Anticipation Notes are secured by all federal highway reimbursements, which are deposited in the Grant Anticipation Note Trust fund. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds; the program provides an interest subsidy of 35% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.

GANS (Includes Revenues in Excess of those Needed to Pay Debt Service Commonwealth Transportation Fund Bonds)

Receipts	\$ 2,045,709	\$ 1,941,450	\$ 1,851,800	\$ 1,744,871	\$ 1,792,915
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	\$ 2,045,709	\$ 1,941,450	\$ 1,851,800	\$ 1,744,871	\$ 1,792,915
Annual Debt Service	\$ 134,975	\$ 153,523	\$ 112,087	\$ 133,012	\$ 112,368
Debt Service Coverage Ratio	15.16	12.65	16.52	20.50	15.96
Ratings History of Bonds (Fitch, Moody's and S&P)*	NR, Aa2, AAA	NR, Aa2, AAA	NR, Aa2, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA

*Uninsured rating, if available.
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2020	2019	2018	2017	2016

\$	1,250,653	\$	1,373,116	\$	1,362,788	\$	1,326,734	\$	1,294,357
	N/A		N/A		N/A		N/A		N/A
\$	1,250,653	\$	1,373,116	\$	1,362,788	\$	1,326,734	\$	1,294,357
\$	184,361	\$	176,189	\$	149,968	\$	129,024	\$	94,859
	6.78		7.79		9.09		10.28		13.65
NA, Aa1, AA+		NA, Aa1, AAA		NA, Aa1, AAA		NA, Aa1, AAA		NA, AAA, AAA	

\$	145,835	\$	164,197	\$	146,872	\$	133,789	\$	134,806
	N/A		N/A		N/A		N/A		N/A
\$	145,835	\$	164,197	\$	146,872	\$	133,789	\$	134,806
\$	52,222	\$	54,601	\$	54,473	\$	54,540	\$	54,540
	2.79		3.01		2.70		2.45		2.47
NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A		NA, A1, A	

\$	1,705,993	\$	1,771,001	\$	1,756,726	\$	1,734,397	\$	1,707,187
	N/A		N/A		N/A		N/A		N/A
\$	1,705,993	\$	1,771,001	\$	1,756,726	\$	1,734,397	\$	1,707,187
\$	111,218	\$	100,493	\$	97,489	\$	80,359	\$	76,049
	15.34		20.57		20.96		21.58		22.45
AA+, Aa2, AAA		AA+, Aa2, AAA		AA+, Aa2, AAA		AA+, Aa2, AAA		AA+, Aa1, 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**

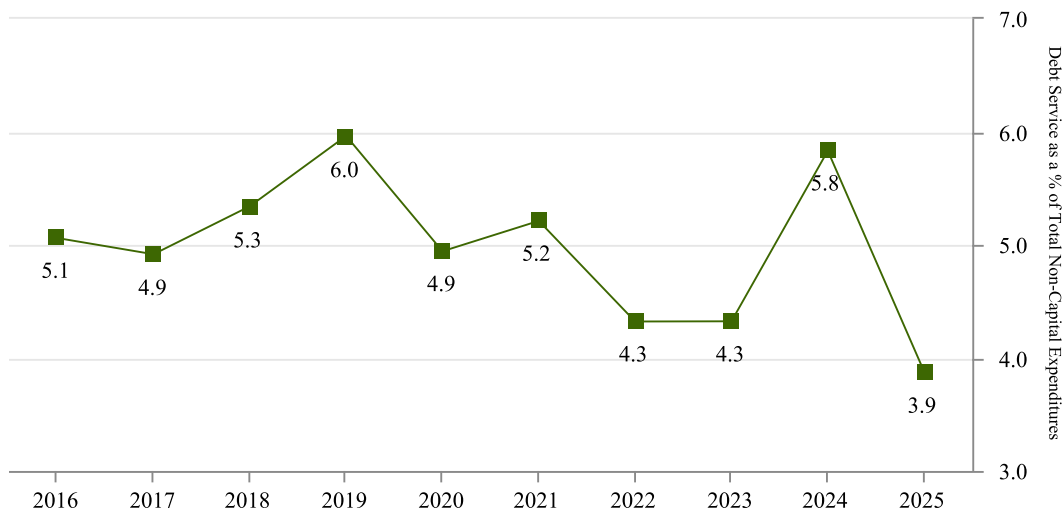
(Amounts in thousands)

Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2025	\$ 3,503,350	90,314,885	3.9
2024	4,979,656	85,377,992	5.8
2023	3,527,748	81,583,443	4.3
2022	3,248,922	75,166,146	4.3
2021	3,572,588	68,543,124	5.2
2020	3,026,865	61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1

- (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 Fiscal Year 2016 - 2025



**Component Units Revenue Bond Coverage
For the Last Ten Fiscal Years**

(Amounts in thousands)

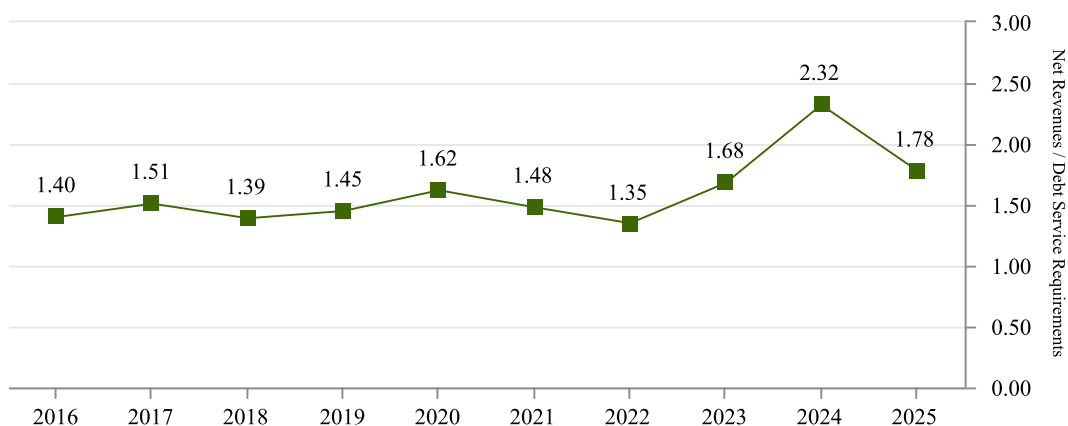
Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2025	\$ 2,825,455	\$ 1,584,543	1.78
2024	2,655,517	1,143,897	2.32
2023	2,846,930	1,693,612	1.68
2022	2,393,922	1,773,781	1.35
2021	2,234,478	1,513,531	1.48
2020	2,194,836	1,352,565	1.62
2019	2,073,011	1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40

- (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 Fiscal Year 2016 - 2025



Ten-Year Schedule of Massachusetts and United States Resident Population

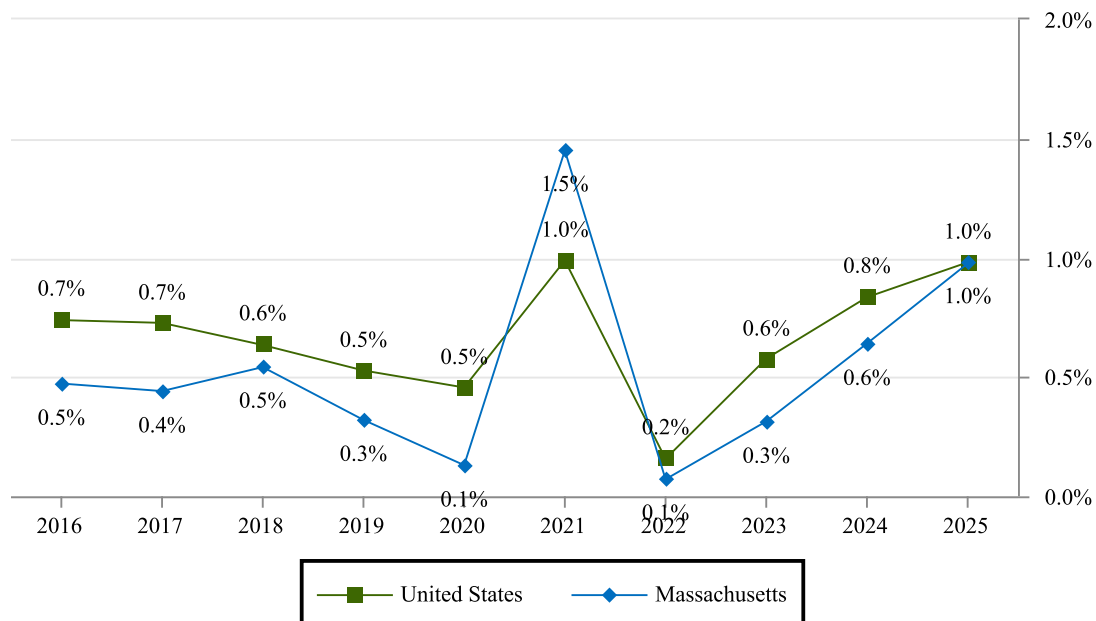
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population (1)	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2025	7,136	1.0%	340,111	1.0%	2.1%
2024	7,067	0.6%	336,806	0.8%	2.1%
2023	7,022	0.3%	334,017	0.6%	2.1%
2022	7,000	0.1%	332,100	0.2%	2.1%
2021	6,995	1.5%	331,578	1.0%	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%

(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.

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**Massachusetts and United States Estimated Year-to-Year Population Change
Fiscal Year 2016 - Fiscal Year 2025**



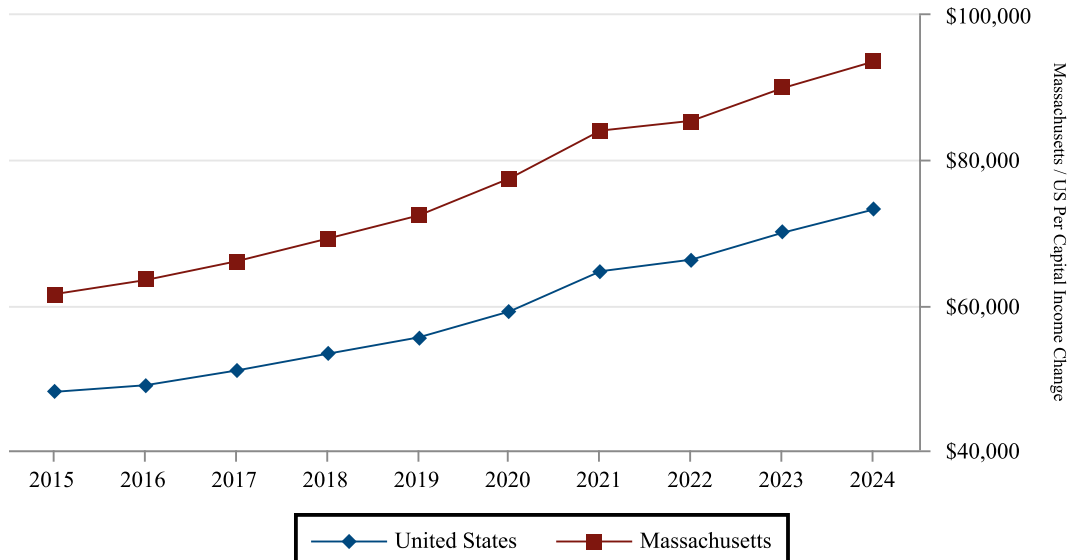
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2024	\$ 93,607	4.1 %	\$ 73.204	4.6 %	127.9 %
2023	89,947	5.3 %	70,002	5.6 %	128.5 %
2022	85,441	1.6 %	66,298	2.5 %	128.9 %
2021	84,087	8.5 %	64,692	9.4 %	130.0 %
2020	77,493	7.1 %	59,151	6.4 %	131.0 %
2019	72,381	4.6 %	55,567	4.2 %	130.3 %
2018	69,191	4.7 %	53,311	4.5 %	129.8 %
2017	66,069	4.1 %	51,006	4.1 %	129.5 %
2016	63,476	3.2 %	48,974	1.9 %	129.6 %
2015	61,536	5.9 %	48,062	3.8 %	128.0 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on September 26, 2025.

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Massachusetts and United States Estimated Per Capita Net Income
Calendar Year 2015 - 2024



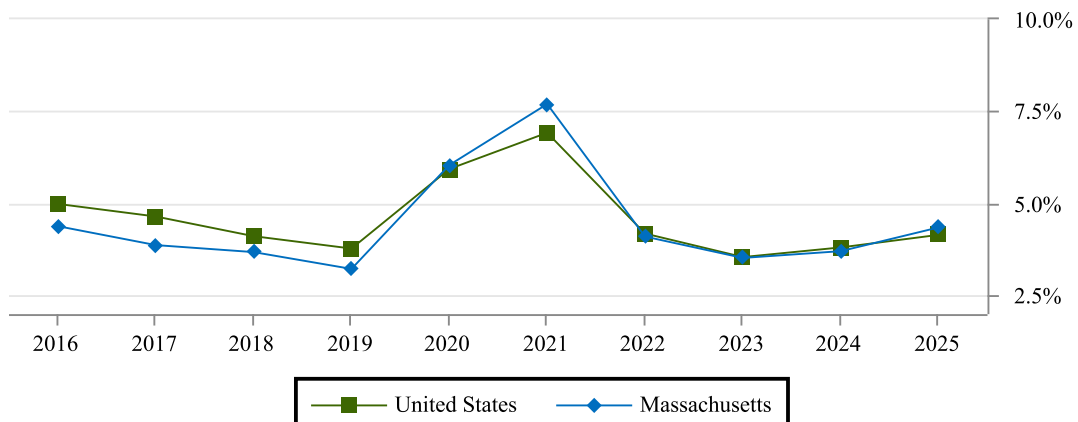
**Ten-Year Schedule of Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**
(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2025	3,929	171	4.4%	169,543	7,038	4.2%	104.8 %
2024	3,856	143	3.7%	167,702	6,389	3.8%	97.4 %
2023	3,773	133	3.5%	165,577	5,875	3.5%	100.0 %
2022	3,752	154	4.1%	162,925	6,821	4.2%	97.6 %
2021	3,740	288	7.7%	160,575	11,115	6.9%	111.6 %
2020	3,788	229	6.0%	162,570	9,654	5.9%	101.7 %
2019	3,843	124	3.2%	162,675	6,148	3.8%	84.2 %
2018	3,774	139	3.7%	161,152	6,632	4.1%	90.2 %
2017	3,692	143	3.9%	159,790	7,429	4.6%	84.8 %
2016	3,625	159	4.4%	158,047	7,887	5.0%	88.0 %

Source: Federal Bureau of Labor Statistics, August 2025. 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
Fiscal Year 2016 to Fiscal Year 2025**



Largest Private Sector Massachusetts Employers 2025 and 2016

(Alphabetical Order)

2025			2016		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Boston	Hospital	Bay State Medical Center, Inc.	Boston	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	General Hospital Corporation	Boston	Hospital
General Hospital Corporation	Boston	Hospital	Harvard University	Cambridge	University
Harvard University	Cambridge	University	Mass General Brigham Incorporated	Boston	Hospital
Mass General Brigham Incorporated	Boston	Hospital	Massachusetts Institute of Technology	Cambridge	University
Massachusetts Institute of Technology	Cambridge	University	Northeastern University	Boston	University
Northeastern University	Boston	University	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Southcoast Hospitals Group	Fairhaven	Hospital
Southcoast Hospitals Group	Fairhaven	Hospital	State Street Bank and Trust Company	Boston	Banking
State Street Bank and Trust Company	Boston	Banking	The Children's Hospital Corporation	Boston	Hospital
The Children's Hospital Corporation	Boston	Hospital	The Stop & Shop Supermarkets Company	Quincy	Supermarket
The Stop & Shop Supermarkets Company	Quincy	Supermarket	The TJX Companies	Framingham	Retail
The TJX Companies, Inc.	Framingham	Retail	UMASS Memorial Medical Center, Inc.	Worcester	Hospital
Tufts University	Medford	University	Atrius Health Inc.	Newton	Doctors
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	E.M.C Corporation	Hopkinton	Manufacturing

Source: Massachusetts Executive Office of Labor and Workforce Development, Department of Economic Research. In addition, Amazon.Com Services, Inc., CVS Pharmacy, Inc, Home Depot U.S.A.; Inc., Target Corp, United Parcel Services, Inc., and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. The information is based from June 2025 reports filed by private employers subject to unemployment compensation laws. 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	2025	2024	2023	2022	2021
General government	7,623	7,395	7,150	6,936	6,942
Judiciary	7,851	7,680	7,435	7,094	7,061
Energy and environmental affairs	3,110	3,061	2,823	2,635	2,671
Health and human services	23,479	23,006	21,788	21,447	22,022
Housing and Livable Communities	568	500	382	—	—
Transportation and construction	4,156	4,298	4,031	3,614	3,504
Education	1,039	1,003	953	912	908
Public safety and security	17,031	16,736	16,418	16,216	16,649
Economic development	710	703	657	1,011	980
Veterans' Service	769	738	713	—	—
Higher Education:					
University of Massachusetts	15,852	15,690	15,374	15,124	14,840
State universities	5,112	5,035	4,964	4,948	4,944
Community colleges	5,084	4,913	4,738	4,712	4,653
Totals	92,384	90,758	87,426	84,649	85,174
Percentage change	1.8 %	3.8 %	3.3 %	(0.6)%	(1.6)%

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

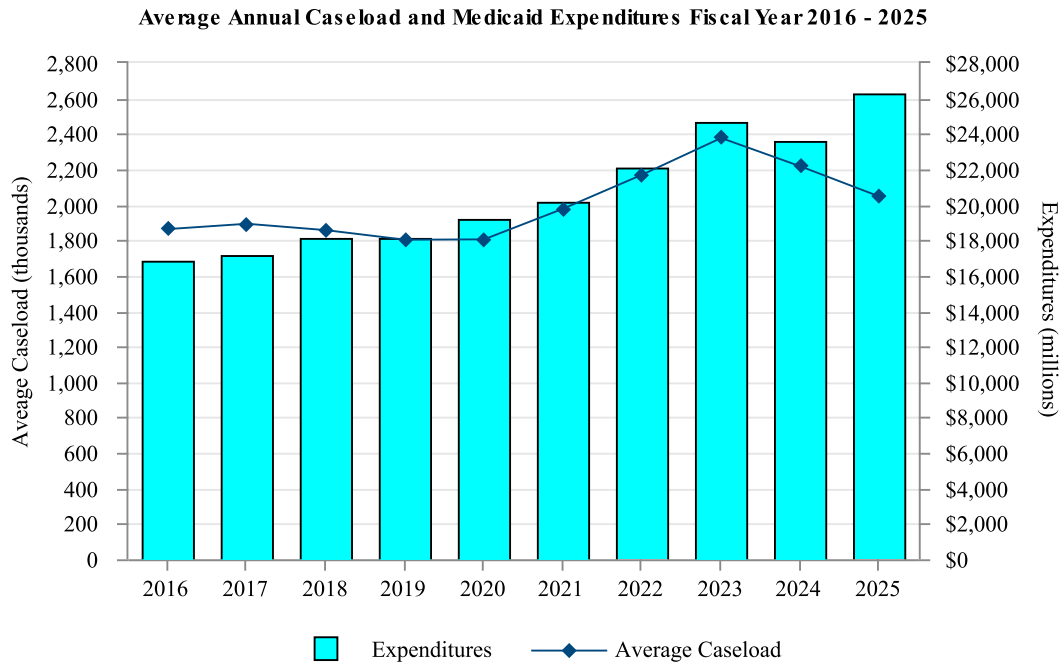
2020	2019	2018	2017	2016	Change - 2025 from 2016
6,890	6,900	6,855	6,905	7,018	8.6 %
7,217	7,164	7,229	7,208	7,264	8.1 %
2,626	2,614	2,533	2,509	2,539	22.5 %
22,218	22,209	22,104	21,817	21,557	8.9 %
—	—	—	—	—	— %
3,584	3,555	3,527	3,482	4,004	3.8 %
887	852	821	815	907	14.6 %
16,907	16,676	16,502	16,522	16,868	1.0 %
936	922	918	818	844	(15.9)%
—	—	—	—	—	— %
15,324	15,193	14,737	15,032	15,130	4.8 %
5,136	5,219	5,233	5,186	5,050	1.2 %
4,858	4,816	4,917	5,066	5,032	1.0 %
86,583	86,120	85,376	85,360	86,213	7.2 %
0.5 %	0.9 %	— %	(1.0)%	(1.8)%	

**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
2025	2,047	\$ 26,323	\$ 12,859
2024	2,217	23,601	10,645
2023	2,377	24,715	10,398
2022	2,170	22,065	10,168
2021	1,978	20,208	10,216
2020	1,805	19,207	10,641
2019	1,803	18,094	10,035
2018	1,857	18,106	9,750
2017	1,893	17,183	9,077
2016	1,863	16,825	9,031

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
2024	3,186	15,568	9,089	47,677	75,520	0.08%	84.2%	15.8%
2023	3,188	15,580	9,089	47,601	75,458	0.24%	84.2%	15.8%
2022	3,188	15,564	9,086	47,439	75,277	2.96%	84.2%	15.8%
2021	3,190	15,557	9,032	45,333	73,112	0.02%	85.8%	14.2%
2020	3,190	15,588	9,046	45,271	73,095	0.11%	85.8%	14.2%
2019	3,168	15,613	9,049	45,183	73,013	1.10%	85.8%	14.2%
2018	3,199	15,587	9,047	44,383	72,216	(0.58)%	85.7%	14.3%
2017	3,204	15,618	9,051	44,761	72,634	1.16%	85.9%	14.1%
2016	3,204	15,624	9,050	43,926	71,804	(1.02)%	85.9%	14.1%
2015	3,204	15,641	9,048	44,654	72,547	0.24%	85.8%	14.2%

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 2025	Survey Year 2024	Survey Year 2023	Survey Year 2022	Survey Year 2021
General Government:					
Total Acreage	2,952	3,065	4,087	3,281	3,234
Number of Improvements	220	259	258	317	331
Gross square footage	4,212,224	4,404,603	4,817,038	5,764,113	5,643,667
Judiciary:					
Total Acreage	153	152	150	143	144
Number of Improvements	81	77	76	77	73
Gross square footage	5,119,828	5,119,828	5,108,767	5,130,191	5,129,991
Energy and environmental affairs:					
Total Acreage	793,596	790,817	780,582	354,720	347,857
Number of Improvements	4,482	4,429	4,394	4,161	4,108
Gross square footage	108,989,478	108,945,697	109,079,497	107,960,374	104,763,962
Housing and economic development:					
Total Acreage	2	2	2	2	2
Number of Improvements	5	5	6	6	6
Gross square footage	57,812	57,812	67,412	67,412	67,412
Health and human services:					
Total Acreage	2,640	2,616	2,492	2,018	2,111
Number of Improvements	500	487	476	474	466
Gross square footage	8,982,470	8,983,483	8,888,144	8,467,766	8,079,366
Transportation and public works:					
Total Acreage	179	6,866	6,693	1,072	1,061
Number of Improvements	56	973	970	1,001	999
Gross square footage	400,595	6,293,626	6,295,186	6,815,457	6,583,261
Education:					
Total Acreage	208	208	208	150	150
Number of Improvements	30	30	30	30	30
Gross square footage	508,706	508,706	508,706	508,706	508,706
Public safety and security:					
Total Acreage	11,593	11,619	10,123	9,382	9,352
Number of Improvements	1,175	1,136	1,135	1,079	1,078
Gross square footage	15,990,437	15,003,893	15,233,261	14,773,374	14,554,396
Higher Education:					
Total Acreage	7,513	7,476	7,426	6,589	6,577
Number of Improvements	1,243	1,240	1,208	1,227	1,215
Gross square footage	43,343,796	43,228,850	42,912,717	43,067,759	42,579,314
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	818,836	822,821	811,763	377,357	370,488
Number of Improvements	7,792	8,636	8,553	8,372	8,306
Gross square footage	187,605,346	192,546,498	192,910,728	192,555,152	187,910,075
Percentage Change for Commonwealth:					
Acreage	(0.5)%	1.4 %	115.1 %	1.9 %	(52.7)%
Improvement	(9.8)%	1.0 %	2.2 %	0.8 %	11.4 %
Gross square footage	(2.6)%	(0.2)%	0.2 %	2.5 %	13.2 %

Source: Division of Capital Asset Management and Maintenance

See Independent Auditors' Report

Survey Year 2020	Survey Year 2019	Survey Year 2018	Survey Year 2017	Survey Year 2016
4,615	4,812	5,108	4,964	2,488
330	307	287	268	118
5,602,706	6,056,184	5,848,109	6,054,449	4,808,125
154	152	155	154	153
74	69	73	75	75
5,129,991	4,763,973	4,935,067	5,224,810	4,843,949
753,328	692,352	689,821	688,129	680,310
3,329	2,625	2,352	2,184	2,186
83,595,589	12,292,810	8,410,119	8,214,843	8,134,142
2	2	2	2	2
6	6	6	6	6
67,412	78,012	78,012	78,012	78,012
2,569	2,560	2,760	2,862	5,568
463	462	455	455	627
8,088,467	7,908,283	8,390,655	8,131,022	8,361,435
6,957	6,951	7,160	7,195	6,968
1,008	971	965	952	930
6,519,615	6,296,235	6,273,557	6,123,984	5,820,282
208	208	220	208	208
30	30	40	40	40
508,706	223,706	207,633	207,633	207,633
10,198	10,336	12,071	19,271	19,150
1,035	1,129	1,100	1,118	1,063
14,483,439	15,394,170	15,176,714	14,998,157	13,845,503
5,924	5,923	5,715	6,770	7,244
1,178	1,185	1,136	1,101	1,078
42,039,298	42,092,601	40,434,772	43,339,713	38,443,057
783,955	723,296	723,012	729,555	722,091
7,453	6,784	6,414	6,199	6,123
166,035,223	95,105,974	89,754,638	92,372,623	84,542,138
8.4 %	— %	(0.9)%	1.0 %	0.9 %
9.9 %	5.8 %	3.5 %	1.2 %	— %
74.6 %	6.0 %	(2.8)%	9.3 %	(0.7)%

**Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years**

Academic Year	Fall 2024	Fall 2023	Fall 2022	Fall 2021	Fall 2020
ENROLLMENT					
University System					
Undergraduate (FTE)	50,145	49,903	50,144	50,720	52,633
Graduate (FTE)	13,691	14,952	14,434	14,066	13,437
System Enrollment	63,836	64,855	64,578	64,786	66,070
State University System					
Undergraduate (FTE)	27,283	27,614	27,004	28,208	31,087
Graduate (FTE)	4,590	5,623	5,611	4,940	5,859
System Enrollment	31,873	33,237	32,615	33,148	36,946
Community College System					
Undergraduate (FTE)	42,770	39,870	41,858	38,503	39,814
DEGREES CONFERRED					
	2025	2024	2023	2022	2021
University System					
Certificates (MD)	726	666	732	734	693
Associates	49	49	53	53	70
Bachelors	12,517	12,634	13,280	13,100	13,364
Masters	5,525	5,256	4,805	4,342	4,111
Doctoral	704	725	596	712	599
Certificate of Advance Graduate Study	51	54	57	58	48
Post-Baccalaureate Certificate	796	709	638	749	652
First Professional	99	111	110	86	86
Total Degrees	20,467	20,204	20,271	19,834	19,623
State University System					
Certificates	82	67	60	61	45
Bachelors	6,340	6,350	6,907	7,478	7,996
Masters	2,996	3,062	3,093	3,199	2,855
Certificate of Advance Graduate Study	161	159	134	137	130
Post-Baccalaureate Certificate	360	280	322	276	301
Total Degrees	9,939	9,918	10,516	11,151	11,327
Community College System					
Certificates	2,733	2,251	2,320	2,295	2,473
Associates	7,802	7,533	7,598	8,641	9,267
Total Degrees	10,535	9,784	9,918	10,936	11,740
Total All Systems - Degrees	40,941	39,906	40,705	41,921	42,690

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

See Independent Auditors' Report

Fall 2019	Fall 2018	Fall 2017	Fall 2016	Fall 2015	% Change - 2024 from 2015
53,103	56,544	56,275	51,209	50,816	(1.3) %
12,907	18,161	18,284	12,769	12,517	9.4 %
66,010	74,705	74,559	63,978	63,333	0.8 %
34,807	35,081	36,074	35,909	34,700	(21.4) %
6,003	6,169	5,694	5,641	8,007	(42.7) %
40,810	41,250	41,768	41,550	42,707	(25.4)%
47,190	47,891	52,306	55,336	59,827	(28.5) %
2020	2019	2018	2017	2016	% Change - 2025 from 2016
604	573	571	505	423	71.6 %
80	93	82	73	85	(42.4) %
13,061	13,118	13,036	12,754	12,124	3.2 %
4,074	4,099	4,013	3,771	3,669	50.6 %
662	665	599	602	575	22.4 %
49	67	71	76	86	(40.7) %
658	696	708	842	769	3.5 %
58	47	49	50	53	86.8 %
19,246	19,358	19,129	18,673	17,784	15.1 %
54	39	28	35	40	105.0 %
8,516	8,692	8,867	8,775	8,762	(27.6) %
2,876	2,693	2,388	2,283	2,353	27.3 %
138	92	85	83	73	120.5 %
259	370	302	359	283	27.2 %
11,843	11,886	11,670	11,535	11,511	(13.7)%
2,311	2,886	3,332	3,147	3,131	(12.7) %
9,413	10,276	10,416	11,067	11,317	(31.1) %
11,724	13,162	13,748	14,214	14,448	(27.1)%
42,813	44,406	44,547	44,422	43,743	(6.4)%

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2025

(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*	\$ (515,024)	\$ 301,724	\$ (2,813)	\$ (63,804)	\$ 890	\$ (22,623)	\$ 4,361	\$ (297,289)
Fund Balance Deficit Elimination Transfers Per Section 5C of Ch. 29	217,735	(301,724)	2,813	63,804	(890)	22,623	(4,361)	—
Budgeted Fund Undesignated Balance - before Section 188 of chapter 73 of the acts of 2025 capital gains above threshold recalculation transfer**	(297,289)	—	—	—	—	—	—	(297,289)
Capital Gains Tax Revenue Used to Eliminate General Fund Deficit capital gains above the threshold Per Section 5C of Ch. 29/ MGL C. 29.5G/ Section 188 of chapter 73 of the acts of 2025	297,289							297,289
Budgeted Fund Undesignated Balances (Consolidated Net Surplus)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Stabilization Balance Reconciliation:

Balance as of July 1, 2024	\$ 8,523,632
Certain tax revenues	179
FY2025 Stabilization Fund Interest Earnings	406,229
Transfer of FY2024 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund***	(420,764)
Transfer of FY2025 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund	(406,229)
Accounting Adjustment for Change in Value of Short-Term Bond Fund	7,637
Stabilization Fund Balance as of June 30, 2025	<u>\$ 8,110,684</u>
Memo: Change in Stabilization Fund Balance, FY24-25	\$ (412,948)

* Excludes funds not part of the consolidated net surplus or with no FY25 balances or activity

**Supersedes Section 5C of Chapter 29 of the Massachusetts General Laws, which determines the disposition of the consolidated net surplus

*** Timing difference - Transfer for \$421 million in Fiscal 2024 interest is a Fiscal 2025 event for reporting purposes.

Note: Details may not add to totals due to rounding

See Independent Auditors' Report

Calculation of Transfers: Tax Reduction Fund

June 30, 2025

(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 25.5% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	\$ 8,110,684
Allowable Stabilization Fund balance	<u>15,742,311</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	\$ 8,110,684
Transfer to Tax Reduction Fund	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund	<u>\$ 8,110,684</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

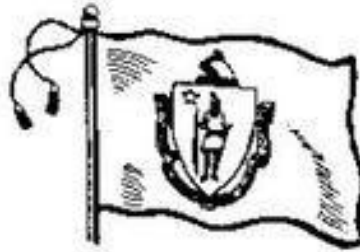
Admitted to Union (6th State): 1788
Population: 7,136,171

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

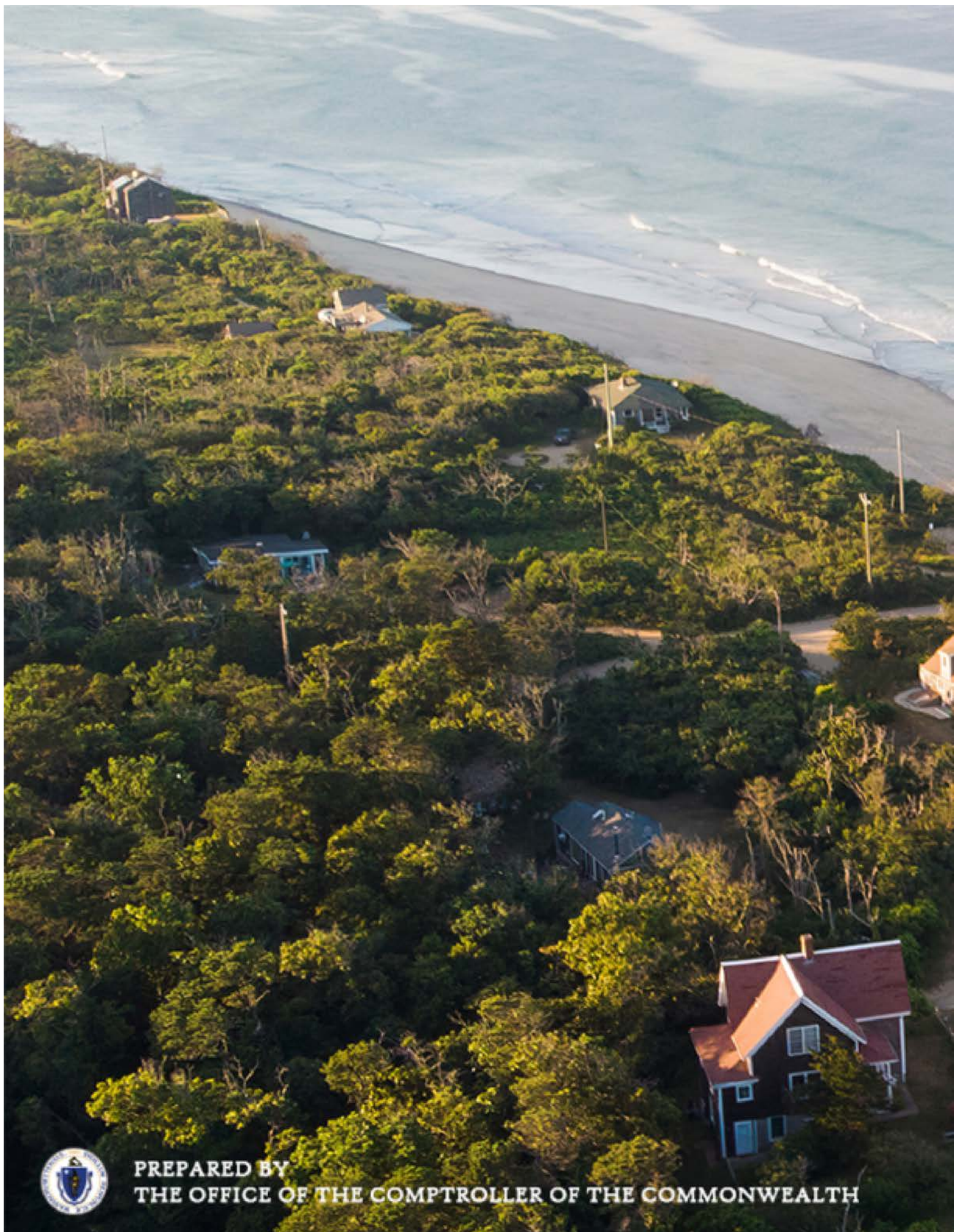


The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

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 are expected to be refunded from the proceeds of the Refunding Bonds. The list of bonds set forth below is not final and is subject to change. The Commonwealth reserves the right not to refund any or all of the bonds listed below and to refund any of its bonds not listed.

General Obligation Bonds, Consolidated Loan of 2015, Series E

<u>Maturity Date</u>	<u>Principal Amount To be Refunded*</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
9/1/2036	\$40,000,000	4.00%	57582RFQ4

General Obligation Refunding Bonds, 2016 Series A

<u>Maturity Date</u>	<u>Principal Amount To be Refunded*</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
7/1/2030	\$13,975,000	5.00%	57582RHJ8
7/1/2031	40,680,000	5.00	57582RHK5

General Obligation Bonds, Consolidated Loan of 2016, Series E

<u>Maturity Date</u>	<u>Principal Amount To be Refunded*</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
4/1/2038	\$30,000,000	4.00%	57582RJH0

General Obligation Refunding Bonds, 2016 Series B

<u>Maturity Date</u>	<u>Principal Amount To be Refunded*</u>	<u>Interest Rate</u>	<u>CUSIP**</u>
7/1/2030	\$3,795,000	5.00%	57582RJX5
7/1/2032	14,910,000	5.00	57582RJZ0
7/1/2033	30,000,000	4.00	57582RKQ8
7/1/2034	20,245,000	5.00	57582RKB1
7/1/2035	15,500,000	5.00	57582RKC9
7/1/2036	21,135,000	5.00	57582RKD7
7/1/2037	13,495,000	5.00	57582RKN5
7/1/2037	1,415,000	4.00	57582RKE5
7/1/2038	15,170,000	5.00	57582RKP0

* To be redeemed on July 23, 2026 at a price of 100%.

** 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 \$_____ General Obligation Bonds, Consolidated Loan of 2026, Series D and its \$_____ General Obligation Refunding Bonds, 2026 Series B (together, the “Bonds”), dated the date of delivery. In such capacity, we have examined such law and such certified proceedings, certifications 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, is excludable from the gross income of the holders of the Bonds for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). This opinion is rendered subject to the condition that the Commonwealth comply with certain requirements of the Code which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excludable from gross income for federal income tax purposes under Section 103 of the Code. Failure to comply with certain of such requirements may cause interest on the Bonds to be includable in the gross income of holders of the Bonds for federal income tax purposes retroactive to the date of issuance of the Bonds. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, it may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. 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.

The Honorable Deborah B. Goldberg
June __, 2026
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This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

FORM OF CONTINUING DISCLOSURE UNDERTAKING

[to be included in bond form]

The Commonwealth of Massachusetts

\$ _____
 General Obligation Bonds
 Consolidated Loan of 2026, Series D

\$ _____
 General Obligation Refunding Bonds
 2026 Series B

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, 2026, (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 May 26, 2026 (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 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

⁽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.

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 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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BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company 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 Bondowner.

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.

THE COMMONWEALTH OF MASSACHUSETTS
GENERAL OBLIGATION BONDS, CONSOLIDATED LOAN OF 2026, SERIES D AND GENERAL OBLIGATION REFUNDING BONDS, 2026 SERIES B



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