

**THE  
COMMONWEALTH  
OF  
MASSACHUSETTS**



**INFORMATION STATEMENT SUPPLEMENT**

**Dated November 21, 2007**

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**THE COMMONWEALTH OF MASSACHUSETTS**



**CONSTITUTIONAL OFFICERS**

**Deval L. Patrick.....Governor**  
**Timothy P. Murray .....Lieutenant Governor**  
**William F. Galvin.....Secretary of the Commonwealth**  
**Martha Coakley..... Attorney General**  
**Timothy P. Cahill ..... Treasurer and Receiver-General**  
**A. Joseph DeNucci.....Auditor**

**LEGISLATIVE OFFICERS**

**Therese Murray.....President of the Senate**  
**Salvatore F. DiMasi.....Speaker of the House**

**THE COMMONWEALTH OF MASSACHUSETTS**  
**INFORMATION STATEMENT SUPPLEMENT**

**November 21, 2007**

This supplement (“Supplement”) to the Information Statement of The Commonwealth of Massachusetts (the “Commonwealth”) dated May 9, 2007 (the “May Information Statement”) is dated November 21, 2007 and contains information which updates the information contained in the May Information Statement. The May Information Statement appears as Appendix A to the Official Statement dated May 9, 2007 for the Commonwealth’s \$498,565,000 General Obligation Bonds, Consolidated Loan of 2007, Series A, and \$553,135,000 General Obligation Refunding Bonds, 2007 Series A, a copy of which has been filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR) currently recognized by the Securities and Exchange Commission. This Supplement and the May Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through November 21, 2007. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the May Information Statement.

The May Information Statement, as supplemented hereby, includes three exhibits. Exhibits A and B, attached to this Supplement, are, respectively, the Statement of Economic Information as of September 28, 2007, which sets forth certain economic, demographic and statistical information concerning the Commonwealth and the Commonwealth’s Statutory Basis Financial Report for the year ended June 30, 2007. Exhibit C is the Commonwealth’s Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2006. Specific reference is made to said Exhibits B and C, copies of which have been filed with each NRMSIR currently recognized by the Securities and Exchange Commission. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on “Publications and Reports” and then “Financial Reports.”

**RECENT DEVELOPMENTS**

**Fiscal 2007**

The Commonwealth ended fiscal 2007 with a surplus of \$190.9 million. The Legislature suspended the requirement in state finance law that 0.5% of total fiscal 2007 tax revenues be deposited in the Stabilization Fund and instead mandated that \$90.9 million be deposited in the Stabilization Fund, with the remaining \$100 million being split among the Alternative and Clean Energy Investment Trust Fund (\$43 million), the Life Sciences Investment Fund (\$15 million), the Emerging Technology Fund (\$15 million), the Affordable Housing Trust Fund (\$10 million), the Smart Growth Housing Trust Fund (\$10 million) and the Cultural Facilities Fund (\$7 million).

For fiscal 2007, the Commonwealth’s audited financial statements report a year-end balance in the Stabilization Fund of \$2.335 billion. The balance reflects the \$90.9 million transfer described above, as well as \$89.5 million of investment earnings and additional taxes deposited into the fund. The year closed with additional reserve fund balances of \$451.3 million (including the \$100 million in transfers described above) and undesignated fund balances of \$114.7 million. The total ending fund balance in the budgeted operating funds was \$2.901 billion.

On October 19, 2007, the Governor approved \$212.1 million in supplemental fiscal 2007 appropriations to fund a number of administration initiatives, including \$116.5 million to fund recently approved collective bargaining agreements, \$20 million for legal services provided by private counsel in the Commonwealth, \$16 million for costs at MassHealth, the state’s Medicaid program, \$13 million for an endowment incentive program at the state’s higher education colleges and universities, \$8.7 million for the reimbursement of underground storage tank cleanup projects, \$7.8 million to fund a reserve associated with the “Rosie D” litigation (see “LEGAL MATTERS”), \$6.9 million to fund recommended initiatives at the Department of Correction and \$23.2 million in other programs and services. These appropriations are all authorized to be expended through June 30, 2008. The October 19, 2007 legislation also authorized \$60 million of previously appropriated funds for expenditure through June 30, 2008.

*Lottery Revenues.* The fiscal 2007 budget assumed total net transfers from the Lottery of \$1.103 billion (which is net of \$2 million in reversions from the Lottery) to fund various commitments appropriated by the Legislature from the State Lottery Fund and Arts Lottery Fund, including Lottery administrative expenses, and \$920 million in appropriations for local aid to cities and towns, with the balance, if any, to be transferred to the General Fund for the general activities of the Commonwealth. The assumed \$1.103 billion figure was \$65 million higher than the State Lottery Commission's projections for fiscal 2007, which were \$1.038 billion, and \$119 million higher than the Commission's actual operating revenues for fiscal 2007, which were \$984 million. However, the \$920 million in local aid spending was distributed to municipalities, and a transfer of \$119 million into the State Lottery Fund will be required to resolve this fund imbalance.

The fiscal 2008 budget assumes total net transfers from the Lottery of \$1.129 billion to fund various commitments appropriated by the Legislature from the State Lottery Fund and Arts Lottery Fund, including Lottery administrative expenses, and \$935 million in appropriations for local aid to cities and towns, with the balance, if any, to be transferred to the General Fund for the general activities of the Commonwealth. The assumed \$1.129 billion figure is \$124 million higher than the State Lottery Commission's projected operating revenues for fiscal 2008 of \$1.005 billion. In order to distribute \$935 million in local aid distribution to cities and towns as required by the fiscal 2008 budget, a transfer of \$124 million is currently projected to be necessary to resolve this fund imbalance for fiscal 2008.

For fiscal 2009, the State Lottery Commission is currently projecting operating revenues of \$1.025 billion. The fiscal 2009 budget has not yet been developed, but the State Lottery Commission has stated that continuing spending requirements in the absence of available revenues will result in the State Lottery Fund, a non-budgeted fund, ending fiscal 2009 in a deficit position.

*Tax Revenues.* Tax revenue collections for fiscal 2007 totaled \$19.736 billion, an increase of \$1.249 billion or 6.8% over fiscal 2006. The following table shows monthly tax collections for fiscal 2007 and the change from tax collections in the same months in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2007 that are dedicated to the MBTA and to the MSBA.

**Fiscal 2007 Tax Collections (in millions) (1)**

Month	Tax Collections	Change From Prior Year	Percentage Change	MBTA Portion (2)	MSBA Portion	Collections, Net of MBTA and MSBA
July	\$ 1,246.7	\$ 57.9	4.9%	\$ 61.5	\$ 48.0	\$ 1,137.2
August	1,188.2	(16.7)	(1.4)	58.2	45.4	1,084.5
September	2,068.9	127.7	6.6	63.8	43.2	1,961.9
October	1,244.8	28.8	2.4	60.7	47.4	1,136.7
November	1,229.8	110.7	9.9	54.5	42.5	1,125.2
December	1,784.4	(6.6)	(0.4)	68.3	43.2	1,672.9
January	2,052.9	131.7	6.9	69.9	54.5	1,928.5
February	987.2	133.6	15.6	54.3	42.3	890.7
March	1,768.0	141.3	8.7	59.4	38.6	1,670.0
April	2,336.2	123.2	5.6	55.8	43.5	2,236.8
May	1,536.1	160.6	11.7	57.2	44.6	1,434.3
June	<u>2,293.3</u>	<u>256.9</u>	<u>12.6</u>	<u>70.5</u>	<u>64.2</u>	<u>2,158.6</u>
Total	<u>\$19,736.3</u>	<u>\$1,248.8</u>	<u>6.8%</u>	<u>\$734.0</u>	<u>\$557.4</u>	<u>\$18,445.0</u>

SOURCE: Executive Office for Administration and Finance.

(1) Details may not add to Total because of rounding.

(2) Includes adjustment of \$8.4 million on the account of the first quarter, \$12.9 million on account of the second quarter, \$9.9 million on account of the third quarter, and \$11.1 million on the account of the fourth quarter, related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The tax revenue increase of \$1.249 billion over fiscal 2006 is attributable in large part to an increase of approximately \$500.2 million, or 6.2%, in withholding collections, an increase of approximately \$161.5 million, or

8.3%, in income tax estimated payments, an increase of approximately \$275.8 million, or 16.3%, in income tax payments with returns and bills, an increase of approximately \$61.1 million, or 1.5%, in sales and use tax collections, an increase of approximately \$220.6 million, or 9.8%, in corporate and business collections and an increase of \$51.3 million, or 2.9%, in miscellaneous tax collections. Preliminary fiscal 2007 tax collections exceeded the fiscal 2007 tax revenue estimate of \$19.300 billion issued by the Executive Office for Administration and Finance on January 30, 2007 by \$436.3 million.

## **Fiscal 2008**

The Legislature approved the fiscal 2008 budget on July 2, 2007, and it was approved by the Governor on July 12, 2007. The Governor vetoed \$40.7 million of appropriations; to date the Legislature has overridden \$36.9 million of these vetoes. The budget appropriates \$26.808 billion for the fiscal year, including \$8.220 billion for Medicaid, \$4.301 billion for education (excluding the school building assistance program), \$2.072 billion for debt service and contract assistance and \$12.215 billion for all other programs and services. The budget increases Chapter 70 education funding to cities and towns by \$220 million to \$3.726 billion. The budget also increases the distribution of lottery revenues to cities and towns to \$935 million, an increase of \$15 million over the fiscal 2007 level. Overall, local aid to cities and towns increases by 5.8% in the fiscal 2008 budget.

The fiscal 2008 budget relies on several one-time revenue sources, including a \$240 million transfer from the Stabilization Fund to the General Fund, a transfer of not more than \$75 million from the Stabilization Fund to the General Fund representing fiscal 2008 investment earnings in the Stabilization Fund and the suspension of the statutorily required Stabilization Fund deposit equal to 0.5% of fiscal 2008 tax revenues (approximately \$100 million). The fiscal 2008 budget also relies on \$44 million of interest earnings from the Health Care Security Trust Fund. The fiscal 2008 budget approved by the Legislature proposed to transfer \$150 million from the Health Care Security Trust to the General Fund to support fiscal 2008 spending. The Governor had proposed to amend the budget to decrease the size of the Health Care Security Trust Fund transfer to \$111.5 million, the amount which would have been required had his vetoes been sustained. Based upon the legislative overrides of the Governor's vetoes, the financial statements attached assume a transfer from the Health Care Security Trust to the General Fund of \$148.4 million. On November 20, 2007, the Legislature approved the \$150 million transfer from the Health Care Security Trust to the General Fund. This bill is currently on the Governor's desk awaiting his action.

On August 2, 2007, the Governor approved legislation establishing a sales tax holiday during the period August 11-12, 2007. The Department of Revenue estimates that this legislation reduced fiscal 2008 sales tax collections by approximately \$17.5 million.

On August 30, 2007, the Department of Revenue certified that fiscal 2007 baseline state tax revenue growth was sufficient to trigger an increase in income tax personal exemption amounts for tax year 2008, which increase is the final of four statutorily mandated personal exemption increases, the previous three having occurred in tax years 2005, 2006, and 2007. See the May Information Statement under the heading "COMMONWEALTH REVENUES - State Taxes; *Income Tax*." The Department of Revenue estimates that such increase in the personal exemption amounts for the 2008 tax year will reduce fiscal 2008 tax collections by approximately \$25 million and will reduce fiscal 2009 tax collections by approximately \$55 million.

On November 19, 2007, the Governor filed new supplemental appropriations totaling \$50.3 million, including \$23.1 million to fund recently approved collective bargaining contracts, \$10 million to fund health care costs at the Department of Corrections, \$4.1 million for additional funding at the Department of Transitional Assistance, \$3.5 million for the relocation costs of a Middlesex County courthouse and \$9.6 million for other programs and services.

On November 20, 2007, the Governor signed legislation appropriating \$15 million for the Low Income Heating and Energy Program, which provides support to low-income families during the winter heating season.

*Tax Revenue Estimate Update.* On October 30, 2007, as a result of a periodic review required by state finance law, the Executive Office for Administration and Finance increased the tax revenue estimate for fiscal 2008 by \$399.7 million to \$20.225 billion. The update also included an initial projection for fiscal 2009 revenues of \$20.987 billion.

Tax revenue collections for the first four months of fiscal 2008, ended October 31, 2007, totaled \$5.971 billion, an increase of \$222.5 million, or 3.9%, over the same period in fiscal 2007. The following table shows the tax collections for the first four months of fiscal 2008 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in the same period that are dedicated to the MBTA and the MSBA.

**Fiscal 2008 Budgeted Tax Collections (in millions) (1)**

Month	Tax Collections	Change From Prior Year	Percentage Change	MBTA Portion (3)	MSBA Portion	Collections, Net of MBTA and MSBA
July	\$1,298.1	\$51.5	4.1%	\$64.7	\$55.0	\$1,178.5
August	1,258.7	70.6	5.9	57.1	48.5	1,153.1
September	2,205.0	136.1	6.6	67.2	48.4	2,089.4
October (2)	1,209.2	(35.6)	(2.9)	59.8	50.2	1,100.0
Total (YTD)(2)	5,971.0	222.5	3.9	248.8	202.0	5,521.0

SOURCE: Executive Office for Administration and Finance.

(1) Details may not add to Total because of rounding.

(2) Figures are preliminary.

(3) Includes adjustment of \$10.4 million on account of the first quarter, related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The year-to-date tax revenue increase of \$222.5 million (through October, 2007) over the same period in the prior year is attributable in large part to an increase of approximately \$156.1 million, or 5.9%, in withholding collections, an increase of approximately \$99.3 million, or 19.8%, in income tax estimated payments, an increase of approximately \$24.1 million, or 1.7%, in sales and use tax collections, which are partially offset by changes in other revenues (net of refunds), and by a decline of \$33.2 million, or 6.2%, in corporate and business tax collections. The year-to-date fiscal year 2008 tax collections (through October) were \$144.0 million above the benchmark estimate for the corresponding period, which was based on the fiscal 2008 consensus tax estimate of \$19.879 billion adjusted for subsequent tax law changes.

**Major Legislation**

On September 17, 2007, the Governor filed legislation under Article 87 of the Amendments to the State Constitution (reorganization plans) to restructure the state’s labor relations agencies charged with resolving Massachusetts public employee labor disputes. This legislation restructured and consolidated the Labor Relations Commission, Board of Conciliation and Arbitration and Joint Labor-Management Committee into a new Division of Labor Relations located within the Department of Labor. The reorganization, which was approved unanimously by the Legislature, took effect on November 16, 2007.

On July 19, 2007, the Governor filed legislation intended to promote investment in the Massachusetts life sciences industry. Among other provisions, the proposal would authorize the Secretary of Housing and Economic Development and the Secretary of Administration and Finance jointly to award tax incentives on a project-by-project basis for “certified life sciences projects.” The tax incentives for certified projects would include an investment tax credit of 10% (12% if the project is located in an economic opportunity area), a refundable tax credit equal to the fees paid by a project for application to the U. S. Food and Drug Administration for a human drug or supplement which was primarily researched and developed in Massachusetts, a refundable research tax credit, extension of the net operating loss carryforward from five to 15 years, elimination of the so-called “throwback rule” of the single sales factor provision of the corporate income tax and expanded sales taxation exemptions. The Executive Office for Administration and Finance anticipates that the amount of tax benefits granted by the Secretary of Housing and Economic Development and the Secretary of Administration and Finance under the program would be limited to \$25 million annually. Projects that do not meet agreed-upon thresholds for increased job creation that results in additional tax revenues paid to the Commonwealth would be subject to “clawback” provisions, whereby

the beneficiaries of previously received tax benefits would be required to repay some or all of such tax benefits to the Commonwealth.

On October 11, 2007, the Governor filed legislation authorizing the establishment of up to three resort casinos in distinct, identified regions of the Commonwealth. The legislation would establish an independent, seven-member Massachusetts Gaming Control Authority with broad authority to regulate gaming in the Commonwealth. The legislation would also create a Division of Gaming Investigation and Enforcement within the Attorney General's office. The legislation would establish a casino license application and competitive auction process for developers. Development proposals would be evaluated by the Authority on a set of assessment criteria described in the legislation. The authority would determine by regulation the weight to give to each of the criteria set out in the legislation. Non-transferable licenses would be awarded by the Authority for a ten-year period, subject to certain renewal conditions. Developers would be assessed a \$350,000 application fee; successful bidders would pay at a minimum an additional initial fee of \$200,000,000 and an annual operating license fee equal to 27% of gross gaming revenues or \$100,000,000, whichever is greater. Revenues generated by fees and payments collected from casinos would be disbursed to a variety of proposed trust funds. These funds would variously pay for regulatory and enforcement costs of the Authority, community mitigation costs, public health disbursements to pay for social services and gaming addiction costs related to expanding gaming and payments to hold harmless the local aid lottery funds. Funds for community mitigation and public health would be set at 2.5% of gross gaming revenue. The balance of revenues after community mitigation, public health and lottery payments would be split evenly between a fund to pay for transportation improvements throughout the Commonwealth and a fund to provide property tax credits to Massachusetts homeowners.

Both the life sciences bill and the resort casinos bill are currently being considered by the Legislature's Joint Committee on Economic Development and Emerging Technologies.

## **Health Care Reform**

*Health Care Reform Legislation.* As of November 1, 2007, over 132,000 residents have been enrolled in the subsidized Commonwealth Care Health Insurance Program (Commonwealth Care), while total membership in MassHealth has grown by 77,537 people, including over 36,000 children, since April, 2006. As of November 1, 2007, over 10,000 people have enrolled in health plans through Commonwealth Choice. See the May Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES - Medicaid; *Health Care Reform Legislation.*"

The Commonwealth continues to monitor closely the current and projected costs of health reform. Actual spending for health care reform related programs in fiscal 2007 included \$138.9 million for the Commonwealth Care program, \$136.5 million for MassHealth benefits and eligibility increases, \$100 million for mandated rate increases for Medicaid managed care organizations, \$70.9 million for acute care hospital and physician rate increases, \$577.3 million for uncompensated care, \$380 million for acute hospital supplemental payments (paid on a date-of-service basis), \$47.5 million for essential community provider trust fund grants, \$25 million for spending within other state agencies (*e.g.*, the Department of Public Health), \$25 million for start-up administrative costs at the Connector and \$13 million for the health care reform implementation reserve account. Finally, in fiscal year 2007, the Commonwealth Care Trust Fund had a \$28.4 million surplus based on mandated transfers.

The fiscal 2008 budget includes \$471.9 million for the Commonwealth Care Program, \$227.7 million for MassHealth benefits and eligibility increases, \$149.3 million for mandated rate increases for Medicaid managed care organizations, \$145.9 million for acute care hospital and physician rate increases, \$414.6 million for uncompensated care, \$325 million for acute hospital supplemental payments (paid on a date of service basis), \$28 million for essential community provider trust fund grants and \$14.7 million for spending within other state agencies.

Overall related revenue totals for fiscal 2007 and estimated for fiscal 2008 are \$1.48 billion and \$1.51 billion, respectively, including federal financial participation and related assessments. The spending and revenues listed above include changes directly driven by the health reform legislation and in some cases also inflation that would have occurred in the absence of the health care reform legislation.

Throughout the course of fiscal 2008, the Commonwealth will monitor funding needs for health care reform in light of the actual experience of implementation, examining factors such as levels of enrollment in insurance and the utilization and cost of services. Based on experience and observation to date, there are areas where fiscal 2008 costs may exceed amounts budgeted thus far, including:

- Commonwealth Care: Enrollment in this program has been very strong and, as of November 1, 2007, is at a level almost equal to earlier fiscal 2008 year-end estimates. Continued enrollment is expected, with a potential scenario of total fiscal 2008 enrollment of 178,000 (costing \$618 million) as well as other potential scenarios. The Administration and the Connector will continue to monitor actual enrollment in Commonwealth Care over the next few months to better assess year-end enrollment and cost scenarios.
- Acute Hospitals: Agreements with certain acute hospitals include supplemental payments that will exceed budget targets by at least \$120 million in fiscal 2008.
- “Fair Share” Revenues: Based on filings received thus far, year-to-date fiscal 2008 “fair share” liability for businesses totals \$5 million, relative to \$23.9 million estimated in the budget for fiscal 2008 as a whole. However, these initial estimates do not include revenues owed by businesses which have not filed to date but are required to. The Division of Unemployment Assistance and the Division of Health Care Finance and Policy will continue to pursue required “fair share” payments from businesses.

These estimates are based on information currently available. The Executive Office for Administration and Finance will work with state agencies involved in the implementation of health care reform to conduct mid-year and year-end reviews of fiscal 2008 spending and revenue assumptions. Additional fiscal 2008 funding provided for health care reform costs would, in most cases, generate 50% federal reimbursement.

*Three-year Renewal of 1115 Demonstration Project.* See the May Information Statement under the heading “COMMONWEALTH PROGRAMS AND SERVICES - Medicaid; *Three-year Renewal of 1115 Demonstration Project.*” As part of all Demonstration Waivers, CMS requires states to demonstrate that the waiver program is budget neutral to the federal government, meaning that costs to the federal government under the waiver program will be no more than what they would have been in the absence of the waiver program. The Executive Office of Health and Human Services is currently in the process of updating its budget neutrality projections for the period ending June 30, 2008, as part of the development of the financing package for the upcoming waiver renewal submission to CMS, as described below. This calculation is based on various assumptions of MassHealth spending, enrollment and utilization. The Commonwealth will continue to track assumptions and actual expenditures to ensure that waiver spending complies with federal requirements.

The Commonwealth is also in the process of seeking approval from CMS to extend its Medicaid waiver for another three-year period, to commence on July 1, 2008. The Commonwealth’s Office of Medicaid submitted an initial Demonstration Project Extension Request to CMS on June 29, 2007, providing a detailed status report on the key components of health care reform implementation. Later in 2007, the Commonwealth expects to submit subsequent proposals to CMS on the continued structure and financing of the Safety Net Care Pool (including its component programs, such as Commonwealth Care and the Health Safety Net Trust Fund) and on the “budget neutrality” calculation through the proposed three-year waiver extension. The state is currently developing these proposals with input from stakeholders, modeling cost projections for relevant programs and considering policy options.

## **Cash Flow**

On September 5, 2007, the State Treasurer and the Secretary of Administration and Finance released a revised projected cash flow forecast for fiscal 2008. The report indicates that fiscal 2007 ended with a non-segregated cash balance of \$1.590 billion and a segregated bond balance of \$112.2 million. The cash flow projection for fiscal 2008 is based on the fiscal 2008 budget signed into law on July 12, 2007 and includes the value of all vetoes and subsequent overrides as well as all prior appropriations continued into fiscal 2008 from the prior fiscal year. The cash flow projection also reflects all supplemental appropriations bills either filed or enacted that would affect the Commonwealth’s cash flow in fiscal 2008. It reflects authorized transfers between budgeted funds and

certain reserve funds as provided for in the fiscal 2008 budget and in subsequent legislation. The fiscal 2007 projection is based on actual spending and revenue through July, 2007 and estimates for the remainder of fiscal 2008. The fiscal 2008 projection is based on a fiscal 2008 tax estimate of \$19.825 billion (\$19.879 billion consensus estimate adjusted for tax law changes). The gross tax figure includes \$1.399 billion dedicated to the Commonwealth's fiscal 2008 pension obligation, \$756 million in sales tax revenues dedicated to the MBTA and \$634.7 million in sales tax revenues dedicated to the MSBA. This forecast also includes an inflow of \$279 million on April 15, 2008 pursuant to the tobacco master settlement agreement. The Commonwealth continues to actively pursue litigation to secure the right to receive the full amount of these payments. See the May Information Statement under the heading "LEGAL MATTERS."

The Commonwealth's cash flow management incorporates the periodic use of commercial paper borrowing to meet cash flow needs for both capital and operating expenditures. In particular, the Commonwealth makes local aid payments of approximately \$1 billion to its cities and towns at the end of each calendar quarter, which in recent years has often resulted in short-term cash flow borrowings. The Commonwealth began fiscal 2008 with no commercial paper outstanding. The Commonwealth's cash position reflects a typical cycle of tightening in the second and third quarters of the fiscal year. The Commonwealth borrowed \$200 million in October, 2007 and an additional \$300 million in November, 2007. The Commonwealth currently has \$500 million commercial paper outstanding and expects to issue the full \$1 billion program before April income tax revenues are realized. Commercial paper is expected to be retired in April and May of 2008.

The cash flow projection includes \$1.3 billion in proceeds of a long-term issuance done in anticipation of fiscal 2008 capital spending. In August, \$1.2 billion of these proceeds were deposited into guaranteed investment contracts that have been and will be drawn on monthly. The cash flow projects that the full amount deposited in these contracts will be expended in fiscal 2008.

The Commonwealth's next cash flow projection is expected to be released on or before November 30, 2007.

### **Initiative Petitions**

On September 5, 2007, the Attorney General certified thirteen voter initiative petitions, three proposing constitutional amendments and ten proposing laws. One of the petitions would eliminate the state personal income tax for all tax years beginning on or after January 1, 2009 and another would reduce the state personal income tax rate to 2.65% for all categories of taxable income for the tax year beginning on or after January 1, 2009 and would eliminate the tax for all tax years beginning on or after January 1, 2010. Three of the petitions would affect local municipal revenues, by eliminating the annual excise tax on motor vehicles or reducing the allowable annual increase in local property taxes from 2.5% to 1%, or both. One of the proposed constitutional amendments would create a way for voters to amend the constitution directly without submitting proposed amendments to the Legislature. In order to place an initiative petition for a new law on the November, 2008 ballot, the supporters of the petition must collect the signatures of 66,593 voters by December 5, 2007. If the Legislature does not enact the proposed law by May 7, 2008, supporters can place the petition on the November, 2008 ballot by collecting another 11,099 signatures by July 2, 2008. See the May Information Statement under the heading "THE GOVERNMENT - Initiative Petitions."

## **SELECTED FINANCIAL DATA**

### **Statutory Basis Distribution of Budgetary Revenues**

The following table sets forth the Commonwealth's revenues in its budgeted operating funds for fiscal 2003 through 2007 and as projected for fiscal 2008.

**Commonwealth Revenues – Budgeted Operating Funds**  
(in millions)(1)

	Fiscal 2003	Fiscal 2004(5)	Fiscal 2005	Fiscal 2006	Fiscal 2007	Estimated Fiscal 2008(7)
<b>Tax Revenues:</b>						
Alcoholic Beverages	\$ 66.3	\$ 67.9	\$ 68.6	\$ 68.9	\$ 71.0	\$ 74.1
Banks	344.5	238.7	198.9	349.9	340.9	312.6
Cigarettes	451.0	425.4	423.6	435.3	438.1	441.9
Corporations	799.4(4)	997.6	1,062.7	1,390.7	1,587.6	1,497.1
Deeds	147.8	187.0	220.3	210.1	194.1	173.2
Income	8,026.1	8,830.3	9,690.3	10,483.4	11,399.6	11,950.6
Inheritance and Estate	181.3	194.7	255.1	196.3	249.6	244.0
Insurance(8)	387.8	420.2	423.4	448.5	418.6	407.2
Motor Fuel	676.4	684.2	685.5	671.8	676.1	675.7
Public Utilities	40.6	64.7	71.1	118.5	178.3	153.8
Racing	-	-	-	-	-	-
Room Occupancy	120.0	88.9	97.8	105.8	111.1	125.8
Sales:						
Regular	2,583.6	2,591.6	2,746.6	2,864.7	2,927.7	3,017.1
Meals	512.0	531.7	555.6	584.1	608.7	634.8
Motor Vehicles	<u>612.5</u>	<u>625.8</u>	<u>584.2</u>	<u>555.5</u>	<u>531.1</u>	<u>513.5</u>
Sub-Total–Sales	3,708.1	3,749.2	3,886.4	4,004.3	4,067.5	4,165.4
Miscellaneous(9)	<u>14.3</u>	<u>4.2</u>	<u>4.2</u>	<u>4.0</u>	<u>3.8</u>	<u>3.5</u>
<b>Total Tax Revenues</b>	<u>14,963.8(5)</u>	<u>15,953.2</u>	<u>17,087.9</u>	<u>18,487.4</u>	<u>19,736.3</u>	<u>20,225.0</u>
MBTA Transfer	(684.3)	(684.3)	(704.8)	(712.6)	(734.0)	(756.0)
MSBA Transfer (2)	-	-	(395.7)	(488.7)	(557.4)	(634.7)
<b>Total Budgeted Operating Tax Revenues</b>	<u>14,279.5</u>	<u>15,268.9</u>	<u>15,987.4</u>	<u>17,286.2</u>	<u>18,444.9</u>	<u>18,834.3</u>
<b>Non-Tax Revenues:</b>						
Federal Reimbursements	4,523.6	5,098.5	4,697.0	5,210.1	6,167.6	6,780.5
Departmental and Other Revenues(6)						
	1,494.8	1,847.7	1,948.9	2,094.3	2,218.4	2,413.1
Inter-fund Transfers from Non - Budgeted Funds and Other Sources (3)						
	<u>1,689.2</u>	<u>1,773.1</u>	<u>1,740.2</u>	<u>1,714.9</u>	<u>1,785.0</u>	<u>39.7</u>
<b>Budgeted Non-Tax Revenues and Other Sources</b>	<u>7,707.6</u>	<u>8,719.3</u>	<u>8,386.1</u>	<u>9,019.3</u>	<u>10,171.0</u>	<u>9,233.3</u>
<b>Budgeted Revenues and Revenues from Other Sources</b>	<u>\$21,987.2</u>	<u>\$23,988.3</u>	<u>\$24,373.5</u>	<u>\$26,305.5</u>	<u>\$28,615.9</u>	<u>\$28,067.6</u>

SOURCE: Fiscal 2003-2007, Office of the Comptroller; fiscal 2008, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding. Table does not reflect inter-fund transfers among budgeted funds and other sources that have no effect on ending balances. Excludes certain miscellaneous taxes expended outside the budget process.
- (2) Beginning in fiscal 2005, sales tax transfers to the MSBA replaced budgetary appropriations for school building assistance. Actual expenditures for school building assistance in fiscal 2003 and 2004 were \$383.2 million and \$551.4 million, respectively. See the May Information Statement under the heading "SELECTED FINANCIAL DATA – Recent Financial Restructurings; *School Building Assistance Program*."
- (3) Inter-fund transfers from non-budgeted funds and other sources include profits from the State Lottery, tobacco settlement funds, abandoned property proceeds, transfers to the Commonwealth Care Trust Fund and Medical Assistance Trust Fund (successors to the Uncompensated Care Pool), as well as other inter-fund transfers.
- (4) The Department of Revenue estimates that as a result of the timing of federal tax legislation relating to the depreciation deduction for corporations and the Commonwealth's legislation in response, tax revenue collections in fiscal 2002 were reduced by approximately \$30 million and tax revenue collections in fiscal 2003 were increased by the same approximate amount.
- (5) Beginning on July 1, 2003, certain minor budgeted funds were reclassified as non-budgeted funds. Prior years have not been restated.
- (6) Excludes intergovernmental revenues.
- (7) Based on Executive Office for Administration and Finance estimates revised on October 30, 2007.
- (8) Includes unemployment insurance surcharges.
- (9) Includes miscellaneous receipts from departments comprising boxing receipts, beano receipts remittable to the Commonwealth and receipts from raffle and bazaar fees.

## **Statutory Basis**

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth's audited statutory basis financial statements for fiscal 2003 through 2007. Estimates for fiscal 2008 have been prepared by the Executive Office for Administration and Finance. Except where otherwise indicated, they are based on the office's most recent estimate of tax revenue (as officially issued) and non-tax revenue, on enacted appropriations adjusted for projected reversions and on supplemental appropriations filed by the Governor that remain before the Legislature. The financial information presented includes all budgeted operating funds of the Commonwealth. For additional detail, see the May Information Statement under the heading "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Operating Fund Structure."

During a fiscal year there are numerous transactions among these budgeted funds, which from a fund accounting perspective create offsetting inflows and outflows. In conducting the budget process, the Executive Office for Administration and Finance excludes those inter-fund transactions that by their nature have no impact on the combined fund balance of the budgeted funds. The following table isolates this inter-fund activity from the budgeted sources and uses to align more clearly forecasts prepared during the budget process to the detailed fund accounting of the Commonwealth's annual financial statements.

## Budgeted Operating Funds -- Statutory Basis

(in millions)(1)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Projected Fiscal 2008
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$ 195.2	\$ 76.8	\$ 664.6	\$ 355.6	\$ 947.2	\$ 351.3
Bay State Competitiveness Investment Fund						100.0
Tax Reduction Fund	-	-	-	-	-	
Transitional Escrow Fund				304.8	-	-
Stabilization Fund	881.8	641.3	1,137.3	1,728.4	2,154.7	2,335.0
Undesignated	<u>311.0</u>	<u>34.7</u>	<u>90.9</u>	<u>98.4</u>	<u>106.2</u>	<u>114.7</u>
Total	<u>1,388.0</u>	<u>752.8(5)</u>	<u>1,892.8</u>	<u>2,487.2</u>	<u>3,208.1</u>	<u>2,901.0</u>
<u>Revenues and Other Sources</u>						
Tax Revenues	14,279.5	15,269.0	15,987.4	17,286.2	18,444.9	18,834.3
Federal Reimbursements	4,523.6	5,098.5	4,697.0	5,210.1	6,167.6	6,780.5
Departmental and Other Revenues	1,494.8	1,847.7	1,948.9	2,094.3	2,218.4	2,413.1
Inter-fund Transfers from Non- budgeted Funds and Other Sources (2)	1,689.2	1,773.1	1,740.2	1,714.9	1,785.0	39.7
Budgeted Revenues and Other Sources	21,987.1	23,988.3	24,373.4	26,305.5	28,615.9	28,067.6
Inter-fund Transfers	<u>3,310.5(4)</u>	<u>2,058.7</u>	<u>2,231.3</u>	<u>1,358.1</u>	<u>552.9</u>	<u>681.1</u>
Total Budgeted Revenues and Other Sources	<u>25,297.7</u>	<u>26,047.0</u>	<u>26,604.7</u>	<u>27,663.6</u>	<u>29,168.8</u>	<u>28,748.7</u>
<u>Expenditures and Uses</u>						
Programs and Services (3)	22,209.5	21,456.1	22,067.7	23,918.7	27,657.3	27,156.7
Inter-fund Transfers to Non- budgeted Funds and Other Uses	229.6	1,392.2	1,711.3	1,665.9	1,265.7	1,398.6
Budgeted Expenditures and Other Uses	22,439.1	22,848.3	23,779.1	25,584.6	28,923.0	28,555.3
Inter-fund Transfers	<u>3,310.5(4)</u>	<u>2,058.7</u>	<u>2,231.2</u>	<u>1,358.1</u>	<u>552.9</u>	<u>681.1</u>
Total Budgeted Expenditures and Other Uses	<u>25,749.6</u>	<u>24,907.0</u>	<u>26,010.3</u>	<u>26,942.7</u>	<u>29,475.9</u>	<u>29,236.4</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(451.9)</u>	<u>1,140.0</u>	<u>594.4</u>	<u>720.9</u>	<u>(307.1)</u>	<u>(487.7)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated(6)	76.8	664.6	355.6	947.2	351.3	10.3
Bay State Competitiveness Fund	--	--	--	--	100.0	--
Transitional Escrow Fund	--	--	304.8	--	--	--
Stabilization Fund	641.3	1,137.3	1,728.4	2,154.7	2,335.0	2,285.4
Undesignated	<u>218.0</u>	<u>90.9</u>	<u>98.4</u>	<u>106.2</u>	<u>114.7</u>	<u>117.7</u>
Total	<u>\$936.1</u>	<u>\$1,892.8</u>	<u>\$2,487.2</u>	<u>\$3,208.1</u>	<u>\$2,901.0</u>	<u>\$2,413.4</u>

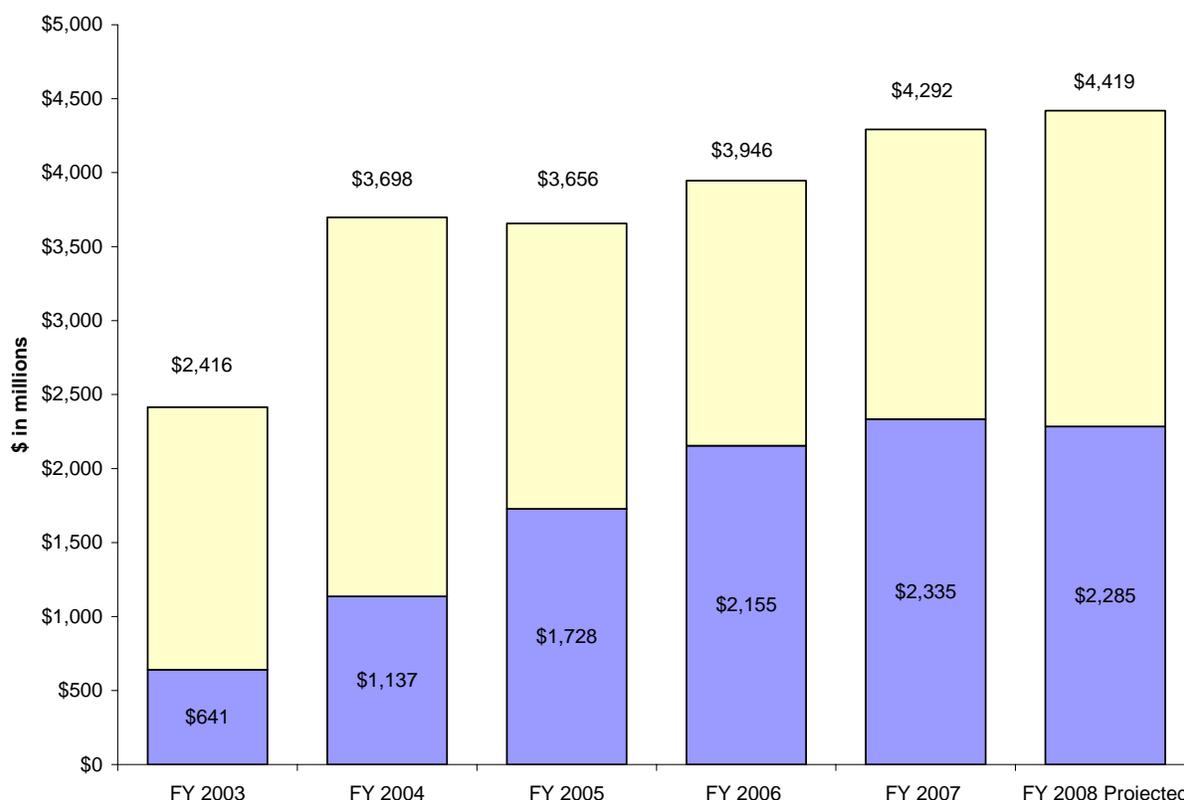
SOURCES: Fiscal 2003-2007, Office of the Comptroller; fiscal 2008, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, transfer of tobacco settlement funds to allow their expenditure, abandoned property proceeds and transfers to the Uncompensated Care Pool, as well as other inter-fund transfers.
- (3) Certain Medicaid expenditures have been accounted for off-budget since fiscal 2003 and have continued in part through 2008.

- (4) Inter-fund transfers increased substantially in fiscal 2003 due to the elimination of a number of Budgeted Operating Funds pursuant to the fiscal 2004 general appropriations act, effective June 30, 2003.
- (5) The variance between fiscal 2003 ending fund balances and fiscal 2004 beginning fund balances reflects a decrease of \$181.3 million in the undesignated fund balance due to closure of minor budgeted funds and the transfer of various funds off budget.
- (6) Reserved or Designated largely consists of appropriations from previous years, authorized to be expended in current years.

**Stabilization Fund**

The following graph sets forth ending balances in the Stabilization Fund for fiscal 2003 through 2007 and the projections for fiscal 2008. For each year, the whole column area equals the maximum balance permitted under the statutory formula, and the darker shaded area shows the amount of the actual or projected ending balance.



SOURCES: Fiscal 2003-2007, Office of the Comptroller; fiscal 2008, Executive Office for Administration and Finance.

**COMMONWEALTH PROGRAMS AND SERVICES**

**Pension and Other Post-Retirement Benefit Obligations**

*Valuation of Pension Obligation.* On August 24, 2007, PERAC released its actuarial valuation of the total pension obligation as of January 1, 2007. The unfunded actuarial accrued liability as of that date for the total obligation was approximately \$13.349 billion, including approximately \$3.226 billion for the State Employees' Retirement System, \$8.500 billion for the Massachusetts Teachers' Retirement System, \$1.221 billion for Boston Teachers and \$402 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2007 to be approximately \$53.761 billion (comprised of \$21.671 billion for state employees, \$29.321 billion for state teachers, \$2.368 billion for Boston Teachers and \$402 million for cost-of-living increases reimbursable to local systems). Total assets were valued at approximately \$40.412 billion based on a five-year average valuation method, which equaled 88.6% of the January 1, 2007 total asset market value. The valuation method was the same as the method used in the 2006 valuation, except that the

actuarial value of assets was determined so as not to be less than 90% or greater than 110% of market value. In prior valuations, the asset corridor was 85% to 115% of the market value. This change resulted in a decrease in unfunded liability of \$629 million. See the May Information Statement under the heading “COMMONWEALTH PROGRAMS AND SERVICES - Pension and Other Post-Retirement Benefit Obligations; *Valuation of Pension Obligation.*”

The following table shows the valuation of accrued liabilities and assets from 2003 through 2007:

**Pension Fund Valuation and Unfunded Accrued Liabilities (in millions)**

Valuation Date	Total Actuarial Accrued Liability	Actuarial Value of Assets(1)	Unfunded Accrued Liabilities		Valuation Date
			Unfunded Actuarial Liability(2)	Market Value of Unfunded Liability	
January 1, 2003	43,030	29,629	13,401	17,266	January 1, 2003
January 1, 2004	46,059	34,045	12,014	14,350	January 1, 2004
January 1, 2005	48,358	34,939	13,419	12,861	January 1, 2005
January 1, 2006	50,865	36,377	14,488	11,844	January 1, 2006
January 1, 2007	53,761	40,412	13,349	8,859	January 1, 2007

SOURCE: Public Employee Retirement Administration Commission.

(1) Based on five-year average smoothing methodology.

(2) Based on actuarial valuation.

The existing funding schedule is based on the January 1, 2003 actuarial liability brought forward on an estimated basis to January 1, 2004 and on asset values on January 1, 2004.

*Other Post Employment Benefits (OPEB).* The fiscal 2008 budget creates a State Retiree Benefit Trust Fund. This fund, proposed by the Governor in his fiscal 2008 budget recommendations, is an irrevocable trust fund created to begin funding the Commonwealth’s “other post-employment benefit” (OPEB) liability. For fiscal 2008, the current-year cost of state retiree health benefits will be funded through the new trust fund. The fiscal 2008 budget directs the transfer of \$343.2 million to support such costs. In addition, the budget transfers the balance of the Health Care Security Trust Fund to the State Retiree Benefit Trust Fund prior to June 30, 2008 to begin funding the unfunded OPEB liability. This transfer is currently estimated at approximately \$405.1 million.

The fiscal 2008 budget also establishes a study commission relative to the Commonwealth’s OPEB liability. The commission, comprised of various legislative leaders and representatives of the Executive Office for Administration and Finance, the State Treasurer, the Comptroller, the PRIM Board and the Group Insurance Commission, is to examine further legislation necessary to comply with relevant statements of the Government Accounting Standards Board, a possible amortization schedule to fund the Commonwealth’s OPEB liability and, alternatively, state borrowing against future tobacco litigation proceeds to fund the Commonwealth’s liability. The study commission is to report its findings and recommendations to the Legislature by December 31, 2007. See the May Information Statement under the heading “COMMONWEALTH PROGRAMS AND SERVICES - Pension and Other Post-Retirement Benefit Obligations; *Other Post Employment Benefits (OPEB).*”

**COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN**

**Capital Spending Plan**

On July 31, 2007, the Governor announced that the annual administrative limit on the amount of bond-funded capital expenditures, known as the “bond cap,” will be \$1.5 billion for fiscal year 2008 and is expected to increase by \$125 million for each subsequent fiscal year through fiscal year 2012. See the May Information Statement under the heading “COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN - Capital Spending Plan.” The bond cap determination is based on a new debt management policy described in a debt affordability analysis released by the Executive Office for Administration and Finance on July 31, 2007.

Under this new policy, the Commonwealth will set the annual borrowing limit at a level designed to keep debt service within 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations and budgetary contract assistance payment obligations on certain capital lease financings. The budgeted revenue projection for fiscal 2008 is the budgeted revenue amount used in the

Governor's fiscal year 2008 budget proposal (net of revenues to be transferred to fund the fiscal 2008 scheduled pension payment), which was based on the fiscal 2008 consensus tax revenue estimate. For future fiscal years, 3% annual growth is assumed, which is the 10-year historic annual average growth in budgeted revenues. 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 within 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap to not more than \$125 million. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

The following table shows the annual bond cap, the resulting estimated total annual debt service payment obligations and the estimated debt service as a percentage of estimated budgeted revenues, all as presented in the debt affordability analysis published on July 31, 2007. As shown in the table, the bond cap for each of the next five fiscal years is expected to result in debt service decreasing as a percentage of budgeted revenues by fiscal year 2012. This is a function of the rate at which outstanding debt is expected to amortize, the projected increases in budgeted revenues, the assumed amortization of one-third of the annual bond cap amounts over 30 years instead of 20 years and the fact that, although the stated bond cap is increasing as compared to prior years, the amount of General Fund-supported debt actually issued in prior years often exceeded the stated bond cap. The Commonwealth intends to re-evaluate the annual bond cap amount in accordance with the policy described above and to publish an updated affordability analysis on an annual basis.

**Bond Cap (in thousands)**

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012
Bond Cap	\$ 1,373,000	\$ 1,500,000	\$ 1,625,000	\$ 1,750,000	\$ 1,875,000	\$ 2,000,000
Total Debt Obligations	2,064,400	2,096,820	2,181,430	2,187,175	2,272,890	2,227,775
Estimated Budget Revenue	26,985,600(1)	26,727,000	27,528,810	28,354,674	29,205,315	30,081,474
Debt Service as % of Budgeted Revenues	7.65%	7.85%	7.92%	7.71%	7.78%	7.41%

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis, published July 31, 2007.

(1) Based on April, 2007 estimate and includes budgeted revenues dedicated to the scheduled fiscal year 2007 pension payment.

The Administration expects 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.

On August 6, 2007, the Governor released a five-year capital investment plan for fiscal 2008 through fiscal 2012. This plan, totaling an estimated \$12 billion over five years, increases the Commonwealth's direct capital investment in several priority areas, including higher education, economic development, housing, transportation infrastructure, energy and environmental affairs, and community investments.

The Governor's capital investment plan includes a 186% increase in state capital spending for higher education, dedicating \$125 million to the state's public colleges and universities in fiscal 2008, compared to \$44 million projected in fiscal 2007. The capital investment plan also dedicates \$1.12 billion to transportation projects and programs in fiscal 2008, a 25% increase over projected fiscal 2007 spending of approximately \$897 million. The capital investment plan provides more than \$170 million in funding for public housing and the development of affordable private housing in fiscal 2008, a 33% increase over projected fiscal 2007 spending of \$128 million.

Other key capital investments include \$150 million in Chapter 90 funding for local road projects, an increase of at least \$30 million over bond-funded investments in this program in recent years; \$50 million annually to protect open space, a 37% increase over projected fiscal 2007 spending and a 52% increase over average spending over the past five years; an estimated \$200-250 million over the next five years to help fund key elements of the Governor's ten-year life sciences initiative; an estimated \$25 million over five years to capitalize a new Broadband Incentive Fund to expand broadband access in western Massachusetts and other underserved areas of the state; and \$30 million in fiscal 2008 for the MORE Jobs capital program.

In the past, the Commonwealth aggregated its capital expenditures into seven major categories based primarily on the agencies responsible for spending and carrying out capital projects: economic development, environment, housing, information technology, infrastructure and facilities, public safety, and transportation. The following table sets forth historical capital spending in fiscal 2002 through fiscal 2007 according to these categories:

**Commonwealth Historical Capital Spending (in millions) (1)**

<b>USES:</b>	<b>Fiscal 2002</b>	<b>Fiscal 2003</b>	<b>Fiscal 2004</b>	<b>Fiscal 2005</b>	<b>Fiscal 2006</b>	<b>Fiscal 2007</b>
Information technology	\$ 86	\$ 76	\$ 75	\$ 61	\$ 88	\$ 53
Infrastructure	235	274	251	262	283	271
Environment	156	134	113	122	142	153
Housing	106	112	121	122	129	140
Public safety	8	37	20	18	19	18
Transportation						
CA/T project	1,296	1,015	691	509	318	228
Non-CA/T projects	612	682	767	791	871	892
Economic development						
Convention centers	134	225	113	54	12	2
Other	99	86	64	39	30	31
School building assistance	—	—	—	565	435	-
<b>Total Uses:</b>	<b><u>\$2,732</u></b>	<b><u>\$2,641</u></b>	<b><u>\$2,215</u></b>	<b><u>\$2,543</u></b>	<b><u>\$2,327</u></b>	<b><u>\$1,786</u></b>
<b>SOURCES:</b>						
Funds from general obligation Debt	\$1,847	\$1,472	\$1,285	\$1,850	\$1,647	\$1,208
Funds from special obligation debt	139	230	119	64	9	2
Funds from grant anticipation notes	9	24	-	-	-	-
Operating revenues	195	354	133	194	44	49
Third-party payments	52	52	63	99	274	26
Federal reimbursements	490	509	615	336	353	501(2)
<b>Total Sources:</b>	<b><u>\$2,732</u></b>	<b><u>\$2,641</u></b>	<b><u>\$2,215</u></b>	<b><u>\$2,543</u></b>	<b><u>\$2,327</u></b>	<b><u>\$1,786</u></b>

SOURCES: Fiscal 2002-2006, Office of the State Comptroller; fiscal 2007, Office of the State Comptroller and the Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding. Table does not include capital spending for certain projects that were originally funded with current year revenues and were not funded pursuant to the capital budget.
- (2) Includes \$104 million of temporary expenditures by the Commonwealth in anticipation of federal reimbursements for the Central Artery/Ted Williams Tunnel project that are being withheld from the project by the federal government pending approval of the Turnpike Authority's finance plan for the project. See "Central Artery/Ted Williams Tunnel Project."

For fiscal 2008 through fiscal 2012, the Executive Office for Administration and Finance has re-characterized capital spending into 13 categories based on spending purpose, rather than spending agency: higher education, transportation, economic development, housing, energy and environment, public safety, corrections, information technology, health and human services, state office buildings and facilities, courts, community investments and building maintenance. This new presentation of capital investment categories results in certain expenditures appearing in categories that are different from those in which they had been categorized in the

historical capital spending table above. For example, Chapter 90 local aid for municipal transportation projects appears in the community investment category, rather than the transportation category, because these funds are invested in municipally owned assets. Similarly, expenditures for Department of Conservation and Recreation roads and bridges appear in the transportation category, rather than the energy and environment category.

Projected spending for fiscal 2008 through fiscal 2012 is presented according to these categories in the table below; for comparison purposes, fiscal year 2007 spending is also presented according to the new categories:

**Projected Commonwealth Capital Spending (in millions) (1)(2)**

	<b>Fiscal 2007</b>	<b>Fiscal 2008</b>	<b>Fiscal 2009</b>	<b>Fiscal 2010</b>	<b>Fiscal 2011</b>	<b>Fiscal 2012</b>
Higher Education	\$ 32.2	\$ 124.9	\$ 133.1	\$ 146.0	\$ 172.0	\$ 200.0
Transportation (3)	995.6	1,120.7	990.5	1,003.0	1,239.6	1,364.3
Economic Development	13.1	64.7	117.4	147.0	143.0	159.0
Housing	129.2	170.5	170.5	161.8	166.5	166.5
Energy & Environment	128.1	141.7	138.0	136.7	122.2	116.4
Public Safety	25.4	45.1	54.8	75.9	71.7	43.0
Corrections	34.3	17.5	19.2	24.6	34.7	46.9
Information Technology	53.1	161.6	107.7	82.2	83.0	79.7
Health & Human Services	21.5	46.4	59.0	77.3	96.0	88.0
State Office Buildings & Facilities	28.2	26.2	33.9	41.8	53.8	43.8
Courts	117.0	58.5	72.2	92.6	86.0	83.3
Community Investment Program	182.4	271.1	272.2	272.6	266.5	266.5
Building Maintenance	<u>28.0</u>	<u>30.5</u>	<u>30.2</u>	<u>31.0</u>	<u>29.7</u>	<u>30.2</u>
<b>Total:</b>	<b><u>\$1,786.1</u></b>	<b><u>\$2,279.2</u></b>	<b><u>\$2,198.7</u></b>	<b><u>\$2,292.4</u></b>	<b><u>\$2,564.8</u></b>	<b><u>\$2,686.5</u></b>

SOURCE: Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) Based on current estimates; subject to change. Table does not include spending for certain capital projects originally funded from current year revenues and not funded on the capital budget.
- (3) Does not include certain amounts related to the CA/T project for fiscal year 2007 that are reflected in the historical table above. To be consistent with the way in which the capital investment plan reflects spending for projects being carried out by other governmental entities, the new presentation of capital spending for the CA/T project only includes Commonwealth funding for such projects. Specifically, this table does not reflect federal and other third-party funds for the CA/T project that are reflected in the historical capital spending table above.

The capital investment plan is funded from a variety of sources, including proceeds of Commonwealth bonds (including bonds subject to the bond cap and project-funded bonds, as described above), federal funds, contributions from other governmental entities and third parties and other sources of Commonwealth funds. The projected amount of Commonwealth bonds supporting the five-year capital investment plan is based on the debt affordability analysis described above. The bond cap for fiscal 2008 consists of the \$1.5 billion of new bonds referenced in the table above based on the debt affordability analysis, plus unexpended bond-financed amounts expected to be carried forward from fiscal 2007. (The tables above and below reflect a projection of \$55.7 million of bond-financed capital spending to be carried forward from fiscal year 2007; based on current estimates, the actual amount expected to be carried forward is now \$165 million, but the additional carryforward amount has not yet been budgeted.) The federal and other sources of funding supporting the Commonwealth's capital budget are estimates based on historical experience and projections of certain state investments. The following table shows the sources of capital funds for fiscal 2007 and the estimated sources of funds for the next five fiscal years:

**Projected Capital Funding Sources (in millions) (1)**

	<b>Fiscal 2007</b>	<b>Fiscal 2008</b>	<b>Fiscal 2009</b>	<b>Fiscal 2010</b>	<b>Fiscal 2011</b>	<b>Fiscal 2012</b>
Bond cap	\$1,208.0	\$1,555.7	\$1,625.0	\$1,750.0	\$1,875.0	\$2,000.0
Federal funds	501.0	494.2	459.9	475.3	526.7	517.5
Project-funded bonds	2.2	75.5	51.2	62.7	157.8	162.0
Other/third party	<u>75.0</u>	<u>153.8</u>	<u>62.6</u>	<u>4.4</u>	<u>5.3</u>	<u>7.0</u>
<b>Total:</b>	<b><u>\$1,786.2</u></b>	<b><u>\$2,279.2</u></b>	<b><u>\$2,198.7</u></b>	<b><u>\$2,292.4</u></b>	<b><u>\$2,564.8</u></b>	<b><u>\$2,686.5</u></b>

SOURCE: Executive Office for Administration and Finance.

(1) Based on current estimates; subject to change. Table does not include funding for certain capital projects that were originally funded with current year revenues and not funded in the capital budget.

On October 10, 2007, the Governor filed a ten-year, \$2 billion higher education bond bill. The legislation includes authorizations for new buildings, renovation projects and capital improvements at each of the Commonwealth's public higher education campuses. Of the \$2 billion total authorization, \$1 billion would be dedicated to capital investments at state and community colleges, and \$1 billion would be dedicated to capital investments at the University of Massachusetts.

On October 18, 2007, the Governor filed a \$25 million broadband bond bill. The legislation would create a Massachusetts Broadband Institute within the Massachusetts Technology Collaborative. The Institute would administer a new Broadband Incentive Fund, to be capitalized by general obligation bonds, to invest in long-lived, publicly owned broadband infrastructure, enabling private firms to partner with the state to connect the Commonwealth's 32 unserved communities, nearly all of which are in western Massachusetts, by 2010.

On November 16, 2007, the Governor filed a five-year, \$1.1 billion affordable housing bond bill. The legislation would authorize \$500 million for the preservation and improvement of the Commonwealth's 50,000 units of state-owned public housing. The legislation would also provide authorization for various programs that subsidize the development and preservation of privately owned affordable housing, including \$200 million for the Affordable Housing Trust Fund and \$175 million for the Housing Stabilization Fund.

On September 17, 2007, the Transportation Finance Commission issued its second report, containing recommendations for closing the funding gaps identified in the commission's first report. The commission recommended 22 reform initiatives, which it estimated could save approximately \$2.5 billion over 20 years. The report also included six proposals for transportation revitalization; the commission estimated that these proposals could generate more than \$18.7 billion in new revenue to fund transportation infrastructure improvements over 20 years.

The Patrick administration is working on a major transportation reform initiative with the objectives of better coordinating statewide transportation policy, more efficiently managing the Commonwealth's road, bridge and transit assets and more effectively financing its transportation infrastructure investments. The administration's proposal currently contemplates consolidation of financial resources in a transportation trust fund under the control of a new independent authority with the capacity to achieve administrative efficiencies, cross-subsidization of resources and new financing options. The administration hired consultants in October, 2007 to assist it in further developing its transportation reform proposal. The administration expects to file legislation seeking the authorization to implement a final transportation reform proposal within the next few months.

**Central Artery/Ted Williams Tunnel Project**

Following the approval on May 15, 2007 by the members of the Turnpike Authority of the Commonwealth's proposal relating to the \$210 million funding shortfall for the Central Artery/Ted Williams Tunnel project described in the May Information Statement under the heading "COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN – Central Artery/Ted Williams Tunnel Project; *Project Budget and Oversight and Delay of*

*Federal Funding*,” the Turnpike Authority and the Commonwealth entered into an agreement to implement such proposal. On May 23, 2007 the Massachusetts Turnpike Authority filed a finance plan update with the Federal Highway Administration. See the May Information Statement under the heading “COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN – Central Artery/Ted Williams Tunnel Project; *Project Budget and Oversight and Delay of Federal Funding*.” The finance plan update is currently under review by the Federal Highway Administration and the Inspector General of the U. S. Department of Transportation.

On June 29, 2007, the Governor filed legislation to implement the provisions of the agreement referenced above between the Turnpike Authority and the Commonwealth relating to the funding shortfall for the CA/T project. Among other provisions, the proposed legislation would have provided for all CA/T project-related cost recoveries, insurance proceeds and certain real estate proceeds to be deposited into the Statewide Road and Bridge and Central Artery/Tunnel Infrastructure Fund (TIF) for purposes of paying costs of the project or reimbursing the Commonwealth for such costs. New legislation was filed by the Governor on November 19, 2007 to provide for certain cost recovery amounts to be deposited in a trust fund and dedicated to maintenance of the CA/T project in accordance with the terms of the recent settlement with Aggregate Industries and any future, similar settlements. See “LEGAL MATTERS - Other Revenues; *In re Aggregate Industries Settlement*.” The new legislation provides that all other cost recoveries, insurance proceeds and certain real estate proceeds will be deposited in the TIF for purposes of paying costs of the CA/T project or reimbursing the Commonwealth for payment of such costs. On October 29, 2007, the members of the Turnpike Authority voted to authorize the Authority to enter into an amended agreement with the Commonwealth. The amended agreement, which has not yet been entered into, is expected, among other things, to reflect this change in the application of certain cost recoveries.

On June 4, 2007, the Commonwealth received final payment of a \$58.5 million settlement with American International Group (AIG) for reimbursement of delayed credits to the owner-controlled insurance program for the CA/T project and accrued interest on such delayed credits. The federal government recently determined that the portion of the principal reimbursement allocable to overpayments made by the federal government which must be credited back to the federal government would be re-obligated to the CA/T project, resulting in no net impact on the federal funding commitment for the project. The federal government has indicated, however, that it will reduce future federal contributions to the project by \$29 million, representing the portion of the settlement allocable to the federal share of accrued interest on the delayed credits. Of the \$58.5 million of settlement proceeds received by the Commonwealth, \$23.7 million has been transferred to pay remaining costs of the CA/T project (thereby offsetting most of the impact of the \$29 million reduction), and the balance has been expended by the Commonwealth for general purposes.

The federal review of the finance plan update is near completion. The Commonwealth currently anticipates receiving \$133 million in withheld funds upon federal approval of the update. One issue raised by the federal government in the course of its review is that the finance plan is based on an assumption that the remaining deductible liability payable to AIG from the owner-controlled insurance program trust for construction-related CA/T project claims will be sold and that there is insufficient evidence of AIG’s willingness to grant the required approval for the sale of such liability. The Commonwealth and the Turnpike Authority are engaged in negotiations with AIG to obtain AIG’s approval of the sale or of another option for liquidating excess amounts on deposit in the insurance trust to satisfy cash flow needs identified in the updated finance plan. The Commonwealth and the Turnpike Authority anticipate obtaining a commitment from AIG to grant the desired approval. In the event AIG does not grant the desired approval, the Turnpike Authority or the Commonwealth would need to temporarily fund approximately \$30 million of CA/T project costs to complete the project, but it is expected that this amount would be reimbursed over time as final claims are paid from the insurance trust and excess amounts in the trust are released.

With respect to the \$50 million balance of the purchase price Massport is required to pay to the Commonwealth for the transfer to Massport of certain portions of the CA/T project as described in the May Information Statement under the heading “COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN – Central Artery/Ted Williams Tunnel Project; *July, 2006 Incident and Other Quality Concerns*,” Massport paid \$25.1 million to the Commonwealth on June 15, 2007 and \$12.5 million to the Commonwealth on July 20, 2007. The \$12.4 million balance is expected to be paid when the Turnpike Authority and the Massachusetts Highway Department complete the transfer of title to portions of the CA/T project in accordance with the agreement between the agencies.

On July 1, 2007, the Secretary of Transportation and Public Works became the Chairman of the Turnpike Authority by operation of law. In August, 2007, the Governor made two additional appointments to complete the current membership of the five-member Turnpike Authority board.

On July 10, 2007, the National Transportation Safety Board released its findings pertaining to the collapse of several concrete suspended ceiling panels in the Interstate 90 connector. See the May Information Statement under the heading "COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN – Central Artery/Ted Williams Tunnel Project; July, 2006 Incident and Other Quality Concerns." The Board's assessment was that the proximate cause of the failure was the use of a fast-setting epoxy anchoring system which was susceptible to "creep" -- the tendency for slippage or elongation with the application of sustained tensile loads. Subsequent to the collapse, a full inspection was conducted, and continues today, inspecting all aspects of the project's design, construction and life safety systems. Immediate concerns have been remediated with additional design modifications and adjustments made as necessary to ensure the safety of the motoring public.

### LONG-TERM LIABILITIES

The following table shows long-term debt of the Commonwealth as issued and retired from fiscal 2003 through fiscal 2007:

#### Long-Term Debt Issuance and Repayment Analysis (in thousands) (1)

	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
<b>Fiscal Year Beginning Balance (as of July 1)</b>	\$14,955,135	\$15,962,506	\$17,382,172	\$17,856,799	\$18,461,406
General and special obligation debt issued (2), (3)	1,845,458	1,925,990	1,267,281	1,770,346	1,556,485
Subtotal	16,800,593	17,888,496	18,649,453	19,627,145	20,017,891
Debt retired or defeased, exclusive of refunded debt	(737,832)	(758,444)	(882,266)	(1,024,542)	(1,188,475)
Refunding debt issued, net of refunded debt	<u>(100,255)</u>	<u>252,120</u>	<u>89,612</u>	<u>(141,197)</u>	<u>118,785</u>
<b>Fiscal Year Ending Balance (June 30)</b>	<u>\$15,962,506</u>	<u>\$17,382,172</u>	<u>\$17,856,799</u>	<u>\$18,461,406</u>	<u>\$18,948,201</u>

SOURCE: Office of the Comptroller.

- (1) Including premium, discount and accretion of capital appreciation bonds. Capital appreciation bonds are reported at original net proceeds for the purposes of calculating debt limit compliance.
- (2) As of June 30, 2007, includes \$30.1 million of bonds, which, although not legally defeased, will be paid in fiscal 2008 from funds held in escrow by a third-party trustee. Also includes a series of \$103.6 million of bonds, which, although not legally defeased, will also be paid in fiscal 2008 from funds held in escrow by a third-party trustee.
- (3) As of June 30, 2007, includes \$408.0 million of grant anticipation notes, which, although not legally defeased, will be paid in fiscal 2009 and 2011 from funds held in escrow by a third-party trustee.

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

**Calculation of the Debt Limit (in thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Balance as of June 30	\$15,962,506	\$17,382,172	\$17,856,799	\$18,461,406	\$18,948,201
Less amounts excluded:					
(Discount)/premium and issuance costs	(68,718)	1,120	70,937	112,673	102,048
1991 refunding/restructuring	(10,600)	-	-	-	-
Special obligation debt (1)	(748,124)	(1,347,822)	(1,485,548)	(1,291,266)	(1,260,941)
Federal grant anticipation notes (1)	(1,500,000)	(1,908,015)	(1,908,015)	(1,789,876)	(1,666,690)
Assumed county debt	(855)	(675)	(600)	(525)	(450)
MBTA forward funding	(680,869)	(601,027)	(511,546)	(416,830)	(368,873)
Transportation Infrastructure Fund	(1,386,869)	(1,066,638)	(1,336,741)	(1,476,287)	(1,462,870)
MSBA	-	-	(500,000)	(1,000,002)	(946,285)
Outstanding Direct Debt(2)	<u>\$11,566,472</u>	<u>\$12,459,055</u>	<u>\$12,185,286</u>	<u>\$12,599,293</u>	<u>\$13,344,140</u>
Statutory Debt Limit	<u>\$12,211,823</u>	<u>\$12,822,414</u>	<u>\$13,463,535</u>	<u>\$14,136,712</u>	<u>\$14,843,547</u>

SOURCE: Office of the Comptroller.

- (1) Includes three series of outstanding crossover refunding bonds, two of which are special obligation bonds and one of which consists of federal grant anticipation notes. 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) Capital appreciation bonds reported at original net proceeds for the purposes of calculating debt limit, not at maturity value.

The following table sets forth the amounts of Commonwealth long-term general obligation debt, special obligation debt and federal grant anticipation notes outstanding as of the end of the last five fiscal years.

**Long Term Commonwealth Debt (in thousands) (1)**

	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
General Obligation Debt	\$13,714,382	\$14,126,275	\$14,463,236	\$15,383,366	\$16,033,831
Special Obligation Debt (2)	748,124	1,347,882	1,485,548	1,288,595	1,248,750
Federal Grant Anticipation Notes (2)	<u>1,500,000</u>	<u>1,908,015</u>	<u>1,908,015</u>	<u>1,789,445</u>	<u>1,665,620</u>
<b>TOTAL</b>	<u>\$15,962,506</u>	<u>\$17,382,172</u>	<u>\$17,856,799</u>	<u>\$18,461,406</u>	<u>\$18,948,201</u>

SOURCE: Office of the Comptroller.

- (1) The amount of debt is calculated based on net proceeds.
- (2) Includes three series of outstanding crossover refunding bonds, two of which are special obligation bonds and one of which consists of federal grant anticipation notes. Amounts attributable to such bonds are shown in this table beginning in fiscal 2004. 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.

On May 30, 2007, the Commonwealth issued general obligation bonds to defease all outstanding Massachusetts Convention Center Authority and Foxborough Industrial Development Financing Authority bonds with respect to which the Commonwealth was liable for general obligation contract assistance. In addition, on May 30, 2007, the Commonwealth reduced its budgetary contract assistance liability for lease revenue bonds issued by the Route 3 North Transportation Improvements Association by issuing general obligation bonds to defease approximately \$53.4 million of such bonds.

The following table sets forth, as of October 1, 2007, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate exchange agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. For other variable rate bonds and for auction rate securities, the schedule assumes a 5% interest rate.

**Debt Service Requirements on Commonwealth Bonds as of October 1, 2007**  
(in thousands)(1)

Fiscal Year	<i>General Obligation Bonds</i>				<i>Federal Grant Anticipation Notes(2)</i>			<i>Special Obligation Bonds</i>			Total Debt Service Commonwealth Bonds
	Principal (3)	Current Interest	Interest on CABS at Maturity (3)	Sub Total	Principal	Interest	Sub Total	Principal	Interest	Sub Total	
2008	\$ 751,969	\$ 573,231	\$ -	\$ 1,325,200	\$ 130,240	\$ 81,469	\$ 211,709	\$ 32,545	\$ 48,898	\$ 81,443	\$ 1,618,352
2009	1,048,936	786,015	6,900	1,841,850	137,230	74,478	211,708	33,960	64,631	98,591	2,152,149
2010	992,722	733,147	6,905	1,732,774	158,815	66,835	225,650	35,530	63,067	98,597	2,057,021
2011	1,008,302	680,171	7,763	1,696,237	214,620	57,206	271,826	37,240	61,359	98,599	2,066,661
2012	895,563	626,924	8,260	1,530,747	226,420	45,694	272,114	39,135	59,470	98,605	1,901,466
2013	971,393	578,657	8,887	1,558,938	208,410	35,110	243,520	41,150	57,438	98,588	1,901,046
2014	860,037	532,497	6,978	1,399,513	302,820	21,697	324,517	38,925	55,200	94,125	1,818,155
2015	879,561	488,968	6,494	1,375,024	287,065	7,185	294,250	87,430	53,210	140,640	1,809,913
2016	927,870	447,297	5,127	1,380,295	-	-	-	90,760	48,593	139,353	1,519,647
2017	1,014,834	399,653	3,575	1,418,062	-	-	-	108,385	43,803	152,188	1,570,250
2018	656,981	359,749	2,676	1,019,406	-	-	-	46,350	38,425	84,775	1,104,182
2019	649,304	325,879	20,214	995,397	-	-	-	48,775	36,121	84,896	1,080,293
2020	727,990	292,929	1,407	1,022,327	-	-	-	49,020	33,499	82,519	1,104,846
2021	923,411	252,310	1,277	1,176,998	-	-	-	51,515	31,064	82,579	1,259,577
2022	717,087	211,485	1,063	929,635	-	-	-	54,355	28,292	82,647	1,012,282
2023	646,996	177,286	839	825,121	-	-	-	36,960	25,428	62,388	887,509
2024	572,918	147,208	489	720,614	-	-	-	28,990	23,443	52,433	773,047
2025	506,415	121,157	204	627,775	-	-	-	30,625	21,848	52,473	680,249
2026	363,768	99,552	122	463,441	-	-	-	32,360	20,164	52,524	515,966
2027	357,431	82,278	21	439,730	-	-	-	34,190	18,384	52,574	492,304
2028	167,590	69,146	-	236,736	-	-	-	36,125	16,504	52,629	289,365
2029	235,910	59,051	-	294,961	-	-	-	38,170	14,517	52,687	347,648
2030	242,575	46,925	-	289,500	-	-	-	40,330	12,418	52,748	342,248
2031	252,425	34,263	-	286,688	-	-	-	42,610	10,199	52,809	339,497
2032	60,460	26,517	-	86,977	-	-	-	45,020	7,856	52,876	139,853
2033	61,505	23,699	-	85,204	-	-	-	47,565	5,380	52,945	138,149
2034	86,545	20,201	-	106,746	-	-	-	50,250	2,764	53,014	159,760
2035	90,680	15,947	-	106,627	-	-	-	-	-	-	106,627
2036	94,865	11,493	-	106,358	-	-	-	-	-	-	106,358
2037	100,105	6,811	-	106,916	-	-	-	-	-	-	106,916
2038	75,000	1,875	-	76,875	-	-	-	-	-	-	76,875
<b>TOTAL</b>	<b>\$16,941,149</b>	<b>\$8,232,321</b>	<b>\$89,201</b>	<b>\$25,262,671</b>	<b>\$1,665,620</b>	<b>\$389,674</b>	<b>\$2,055,294</b>	<b>\$1,258,270</b>	<b>\$901,975</b>	<b>\$2,160,245</b>	<b>\$29,478,210</b>

SOURCE: Office of the State Treasurer and Office of the Comptroller.

- (1) Amounts are preliminary.
- (2) Includes three series of outstanding crossover refunding bonds, two of which are special obligation bonds and one of which consists of federal grant anticipation notes. 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. The amount of debt is calculated based on net proceeds as provided under state finance law relative to debt limits.
- (3) Totals may not add up due to rounding.

## STATE WORKFORCE

The following table sets forth information regarding the Commonwealth's workforce as of the end of the last five fiscal years.

### Budget-Funded Workforce (1)

	<u>June 2003</u>	<u>June 2004</u>	<u>June 2005</u>	<u>June 2006</u>	<u>June 2007</u>
Executive Office	94	73	71	66	79
Office of the Comptroller	102	102	124	122	124
Executive Departments					
Administration and Finance	2,921	2,791	2,913	2,990	2,791
Energy and Environmental Affairs (3)	2,156	1,997	1,984	2,057	2,168
Housing and Community Development (3)	98	92	94	91	
Early Education and Care	-	-	-	164	189
Health and Human Services	21,440	20,682	21,066	21,022	21,072
Transportation and Public Works	445	344	1,139(2)	1,078	1,087
Board of Library Commissioners	13	12	11	12	13
Economic Development (3)	922	879	935	960	
Housing and Economic Development (3)					610
Labor and Workforce Development (3)					320
Department of Education	248	223	241	266	269
Board of Higher Education	14,117	11,844	13,198	12,932	13,319
Public Safety and Homeland Security	9,148	8,765	8,109(2)	8,430	8,457
Elder Affairs	38	28	51	34	44
Subtotal under Governor's authority	<u>51,742</u>	<u>47,832</u>	<u>49,934</u>	<u>50,223</u>	<u>50,543</u>
Judiciary	7,233	7,175	7,435	7,630	7,993
Other (4)	<u>7,256</u>	<u>7,220</u>	<u>7,352</u>	<u>7,594</u>	<u>7,947</u>
Total	<u>66,232</u>	<u>62,227</u>	<u>64,721</u>	<u>65,447</u>	<u>66,483</u>

SOURCE: Executive Office for Administration and Finance.

- (1) Excludes employees whose positions are established in accounts funded by capital projects funds, direct federal grants, expendable trusts and other non-appropriated funds, as well as seasonal help, members of boards and commissions and staff of independent authorities. Numbers represent full-time equivalent positions (FTEs), not individual employees. Total may not add due to rounding.
- (2) Effective July, 2004, the Registry of Motor Vehicles was transferred from the Executive Office of Public Safety to the Executive Office of Transportation and Public Works. Approximately 814 FTEs were involved in the transfer.
- (3) Effective April 11, 2007, the Executive Office of Economic Development was divided into the Executive Office of Housing and Economic Development, incorporating the former Department of Housing and Community Development, and the Executive Office of Labor and Workforce Development. The Department of Public Utilities and the Department of Energy Resources were transferred to the renamed Executive Office of Energy and Environmental Affairs from the Executive Office of Economic Development, a net shift of 100 FTEs.
- (4) Other includes members of the Legislature and their staff, the offices of the State Treasurer, Secretary, Auditor and Attorney General, the eleven District Attorneys, the seven former county sheriffs that have become state agencies, and other agencies independent from the Governor.

### Unions and Labor Negotiations

Under Chapter 150E of the General Laws, 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. Collective bargaining with employees of the Commonwealth's colleges and universities, its judicial branch and the Lottery Commission generally is conducted directly by those entities. The Human Resources Division of the Executive Office for Administration and Finance conducts the collective bargaining negotiations with all other employees of the Commonwealth. 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.

The Trial Court, the Lottery Commission, state sheriffs, the Registries of Deeds under the control of the Secretary of the Commonwealth and public higher education management negotiate directly with their respective employee representatives, but all wage increases and other economic provisions contained in agreements negotiated by the Lottery Commission, state sheriffs, Registries of Deeds and higher education management are subject to the review

of the Governor and to funding approval by the Legislature. If the Governor does not recommend the requested appropriation to fund contractual increases, he may refer the contracts back to the parties for further negotiation.

The Commonwealth is also beginning the process of negotiating with a new union, the Personal Care Attendants, represented by the Service Employees International Union Local 1199. This bargaining unit represents approximately 22,000 personal care attendants throughout the state. They negotiate with the Personal Care Attendant Quality Home Care Work Force Council for rate increases through the MassHealth program. The Executive Office for Administration and Finance promulgates the parameters for rate increases, and the Council must stay within those numbers. The union organized on November 7, 2007 and has not begun negotiations with Council.

Approximately 39,331 executive branch full-time-equivalent state employees are organized in 12 bargaining units, the employees of the Commonwealth's colleges and universities are organized in 28 bargaining units, and the employees of the judicial branch and the Lottery Commission are organized in 7 bargaining units. Public employees of the Commonwealth do not have a legal right to strike or otherwise withhold services.

The Commonwealth has outstanding agreements with the following bargaining units (negotiations are underway with the units that have contracts due to expire in December, 2007):

(1) The Massachusetts Nurses Association is under contract through December, 2007. A one-year contract from July, 2004 to June, 2005 did not provide for any salary increases. A two-and-a-half-year contract from July, 2005 to December, 2007 provided for a 3% increase in July, 2005, a directed job upgrade of approximately 4.4% for specific titles within the unit, including nurses, effective January, 2006, a 2% increase in January, 2006, a 3% increase in July, 2006, a 1.5% increase in January, 2007 and a 1.5% increase in July, 2007. The total estimated cost of the contract is \$58.6 million.

(2) The Service Employees International Union, representing employees in units 8 and 10, has a one-year contract from January, 2007 to December, 2007 that provided a 4% increase in January, 2007. The total estimated cost of the contract is approximately \$27 million.

(3) The Massachusetts Organization of State Engineers and Scientists has a one-year contract from July, 2007 to June, 2008 that provided a 3% increase in July, 2007. The total estimated cost of the contract is \$2.5 million.

(4) The National Association of Government Employees, representing Units 1, 3 and 6, has a one-year contract from July, 2007 to June, 2008 that provided a 3% increase in July, 2007. The total estimated cost of the contract is \$15.9 million.

(5) The Alliance Unit 2 (American Federation of State, Country and Municipal Employees) has a one-year contract from July, 2007 to June, 2008 that provided a 3% increase in July, 2007. The total estimated cost of the contract is \$10.5 million.

(6) The State Police Association of Massachusetts is under contract until December, 2008. A two-year contract from January, 2007 to December, 2008 provided a 3.75% increase in January, 2007 and provides a 3.75% increase in January, 2008. The total estimated cost of the contracts is \$108.7 million.

(7) The Massachusetts Correction Officers Federated Union is under contract until June, 2009. The period from January, 2004 to June, 2005 did not provide for any salary increases. A three year contract and an accompanying one-year extension cover the period from July, 2005 to June, 2009 and provided an 8% increase in October, 2006 and a 3% increase in July, 2007, and provides for a 3% increase in July, 2008. The total estimated cost of the contracts is \$49.6 million.

(8) The Coalition of Public Safety is under contract until June, 2009. A three-year contract covers the period from July, 2004 to July, 2007 and provided a 6.5% increase in January, 2007. A two-year extension covers the period from June, 2007 to June, 2009 and provides a 2.5% increase in July, 2007 and a 3% increase in July, 2008. The total estimated cost of the contract is \$4.2 million.

The following table sets forth information regarding the 12 bargaining units that are within the responsibility of the Human Resources Division.

## Human Resources Division Bargaining Units(1)(2)

Contract Unit	Bargaining Union	Type of Employee	FTEs	Contract Expiration Dates
1	National Association of Government Employees	Clerical	2,866	6/30/08
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	9,225	6/30/08
3	National Association of Government Employees	Skilled trades	595	6/30/08
4	Massachusetts Correction Officers Federated Union	Corrections	3,751	6/30/09
4A	Corrections Captains	Corrections	87	6/30/08
5	Coalition of Public Safety	Law enforcement	232	6/30/09
5A	State Police Association of Massachusetts	State Police	1,928	12/31/08
6	National Association of Government Employees	Administrative professionals	8,174	6/30/08
7	Massachusetts Nurses Association	Health professionals	1,720	12/31/07
8	Alliance/Service Employees International Union	Social workers	7,249	12/31/07
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	2,818	6/30/08
10	Alliance/Service Employees International Union	Secondary education	584	12/31/07
		Total	39,329	

SOURCE: Executive Office for Administration and Finance.

(1) Totals may not add due to rounding.

(2) Numbers represent full-time equivalent filled positions (FTEs) in the standard workforce as of July 7, 2007 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).

## LEGAL MATTERS

Matters described in the May Information Statement under the heading “LEGAL MATTERS” are updated as follows:

*Ricci v. Okin.* On August 14, 2007, the District Court reopened the case, restored it to the active docket and ordered the Department of Mental Retardation to continue to offer Fernald Developmental Center as a residential placement option for its residents. The Department has appealed that order to the U. S. Court of Appeals for the First Circuit. If the Department is required to keep Fernald open indefinitely, additional operational, maintenance and infrastructure costs will possibly be in the millions of dollars.

*Hutchinson et al v. Patrick et al.* This is a class action seeking declaratory and injunctive relief brought by two organizations and five individuals with brain injuries who are residents of various nursing facilities. The plaintiffs claim that they and a class of between 2,000 and 4,000 brain-injured individuals are entitled to, among other things, placement in community settings. The plaintiffs assert claims under the Americans with Disabilities Act, the Rehabilitation Act and the Medicaid Act. Plaintiffs filed their complaint on May 17, 2007 and filed an amended complaint on June 18, 2007. The defendants filed their answer to the amended complaint on July 16, 2007. Pursuant to the plaintiffs’ motion, which the defendants opposed, the U. S. District Court has certified a class. The potential fiscal impact of an adverse decision is unknown, but could be hundreds of millions of dollars annually.

*Rolland v. Patrick.* In April, 2007, the U. S. District Court found that, despite a “tremendous amount of work,” and substantial improvement in the provision of services, the Commonwealth has not yet ensured that all class members receive active treatment. A Court Monitor has been appointed to evaluate whether each class member is receiving active treatment. This case carries the potential for a prospective increase in annual program costs of more than \$20 million.

*Rosie D. et al v. Governor.* On July 16, 2007, the Court entered judgment in accordance with a proposed remedial plan that it had adopted on February 22, 2007. The Commonwealth did not appeal from that judgment and has

begun implementation of its remedial plan. The plan contemplates full implementation by June 30, 2009. The cost of implementation is likely to exceed \$20 million. The plaintiffs' counsel have requested attorneys' fees in the amount of approximately \$8 million, and the Commonwealth is currently considering that request.

*Disability Law Center, Inc. v. Massachusetts Department of Correction et al.* The Disability Law Center (DLC) filed suit against the Department of Correction (DOC) and various senior DOC officials, alleging that confining prisoners with mental illness in segregation beyond a short period violates the Eighth Amendment of the United States Constitution, the Americans with Disabilities Act and the Rehabilitation Act of 1973. DLC asks the Court to enjoin DOC from confining mentally ill prisoners in segregation for more than one week and to require DOC to establish a maximum security residential treatment unit or units as an alternative to segregation. DLC has proposed a broad definition of "mental illness," which, if adopted, would cover a large percentage of DOC's segregation population. DLC counsel and its consultants (a psychiatrist, a psychologist and a corrections specialist) have toured several DOC facilities and have interviewed numerous segregation inmates. The U. S. District Court has requested that the parties report on settlement prospects by November 23, 2007. While DLC requests only injunctive relief, estimated increased program costs could amount to \$24.8 million in the event of an adverse outcome.

*TJX Companies v. Commissioner of Revenue ("TJX I & TJX II").* In *TJX II*, the taxpayer is challenging a tax liability of approximately \$15.7 million (including interest) at the Appellate Tax Board arising from the Commissioner's disallowance of deductions for various royalty payments and interest taken in connection with transactions between several subsidiaries of the taxpayer. The Appellate Tax Board decided *TJX I* in favor of the Commissioner in 2006 and, on August 15, 2007, issued a 112-page report affirming the taxpayer's liability of approximately \$22 million, but also requiring a refund that will amount to approximately \$1.5 million. TJX has filed a notice of appeal of the Board's decision, which was docketed on October 5, 2007. The Board has stayed *TJX II* pending the outcome of *TJX I*, although the facts and circumstances of each are slightly different.

*MBNA America Bank v. Commissioner of Revenue, Greenwood Trust Company v. Commissioner of Revenue, Provident National Bank v. Commissioner of Revenue.* The total potential refund in these cases stands at approximately \$25 million. Since the 2006 report, the Appellate Tax Board has decided another financial institution excise case raising similar issues, *Capital One Bank and Capital One F.S.B. v. Commissioner of Revenue*, also in the Commissioner's favor, which is now on appeal to the Appeals Court.

*Wellesley College v. Commonwealth.* Under the terms of the September, 2001 partial settlement and judgment, the Commonwealth has reimbursed the college approximately \$1 million (about 2.5% of total clean-up costs) from an escrow account after the Department of Environmental Protection (DEP) determined that a portion of the Lake Waban shoreline clean-up was properly performed. Other issues that may lead to counterclaims by the College against the Commonwealth or its agencies include groundwater contamination (estimated to cost \$2 million or more depending on future decisions by DEP on appropriate clean-up) and clean-up of Lake Waban itself, for which DEP has now approved a temporary solution, reviewable every five years. If a full clean-up of the lake is required in the future, it could cost up to \$100 million.

*The Arborway Committee v. Executive Office of Transportation et al.* The Commonwealth has answered the complaint and the case is currently in the discovery phase, although the parties have agreed to a stay of discovery until January 1, 2008.

*Boston Harbor Clean-Up.* The Massachusetts Water Resources Authority (MWRA) has assumed primary responsibility for developing and implementing a court-approved plan and timetable for the construction of the treatment facilities necessary to achieve compliance with the federal requirements. The total cost of construction of the wastewater facilities required under the court's order, not including combined sewer overflow (CSO) costs, was approximately \$3.5 billion. The MWRA anticipates spending \$868 million for CSO projects overall.

*Shwachman v. Commonwealth,* Worcester Superior Court. This is an eminent domain matter arising from a taking in Worcester of property necessary for the construction of a new Worcester County courthouse. The pro tanto amount was \$6.65 million. The property owner suggests that his estimated damages are in excess of \$30 million. Suit was filed May 17, 2004. Discovery is ongoing with a trial date likely in late 2008 or early 2009.

*American Council of Engineering Cos. v. Mass Turnpike, Mass Highway Department and the Commonwealth,* Suffolk Superior Court. The plaintiff, a trade association of consulting engineers, asserts that, due to the financial

difficulties of two insurers who are part of the Central Artery/Tunnel Project's Owner-Controlled Insurance Program ("OCIP"), the CA/T Project is contractually required to replace two insurance policies totaling \$25 million. The cost of replacing the two policies may exceed \$20 million. The Commonwealth's motion to dismiss has been denied and the case is at the discovery stage.

The following matters are not described in the May Information Statement:

*In re: Audit by the U. S. Department of Health and Human Service Office of the Inspector General (Targeted Case Management).* The Office of the Inspector General (OIG) of the U. S. Department of Health and Human Services has issued a final report on Medicaid targeted case management claims for children in the target group of abused or neglected children involved with the Department of Social Services (DSS). In the report, the OIG recommends that the Commonwealth refund to the Center for Medicare and Medicaid Services (CMS) approximately \$80 million in Federal Financial Participation (FFP) and that the Commonwealth discuss with CMS the allowability of an additional \$20 million. MassHealth has filed an extensive response to OIG's audit findings. CMS has not yet formally advised MassHealth whether it is accepting the recommendations of the OIG.

*In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund).* The federal Health Care Financing Administration (now known as the Centers for Medicare and Medicaid Services, or CMS) asserted in June, 2000 that the portion of the Medicaid program funded by the Commonwealth's uncompensated care pool might violate federal regulations regarding permissible taxes on health care providers. Since 1993, MassHealth has sought federal waivers for 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. The Commonwealth believes that the assessments are within the federal law pertaining to health care-related taxes. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. The Commonwealth has collected an estimated \$4.336 billion in acute hospital assessments since 1990 and an estimated \$1.237 billion in surcharge payments since 1998. Clarification of the law surrounding permissible provider taxes is a national issue involving a number of states, and resolution could take several years.

*In re: Deferral of 2005 MassHealth acute hospital supplemental payments.* In March, 2006, CMS deferred payment of claims for FFP totaling almost \$52.5 million. This amount represents the federal share of the portion of MassHealth supplemental payments to Boston Medical Center, Cambridge Health Alliance and UMass Memorial Health Care, Inc., hospitals attributable to dates of service in or before fiscal 2003. CMS has posed a series of questions concerning application of the "two-year" rule for claiming FFP for expenditures, and concerning specific hospital costs, charges and payment limits used in calculating payments. The Commonwealth has responded to all inquiries.

*In re: Deferral of 2007 MassHealth acute hospital supplemental payments.* In October, 2007, CMS deferred payment of claims for FFP totaling approximately \$20.6 million. This amount represents the federal share of the portion of state fiscal year 2007 MassHealth Safety Net Care supplemental payments to Boston Medical Center that exceed the hospital's costs, but are below its charges. MassHealth's response to CMS is due the first week of December, 2007.

*In re: Audit by the U. S. Department of Health and Human Services Office of the Inspector General (UMMHC hospital supplemental payments).* The OIG is auditing MassHealth supplemental payments made to the UMass Memorial Health Care hospitals in 2004 and 2005. In a draft report, the OIG identified an overpayment of \$40 million in FFP based on the allowability of hospital-based physician services. The OIG is now reconsidering its findings.

*Cutting Edge Enterprises, Inc. v. National Association of Attorneys General et al.*, U. S. District Court, Southern District of New York; *Cutting Edge Enterprises, Inc. v. National Association of Attorneys General et al.*, U. S. Bankruptcy Court, Middle District of North Carolina. The plaintiff, now in bankruptcy, is a Subsequent Participating Manufacturer ("SPM") which filed suit in the Southern District of New York (SDNY) in January, 2006 against numerous states, including Massachusetts, alleging that the states' refusal to list the plaintiff as an approved SPM on their Tobacco Directories violates the terms of the MSA and the Sherman Anti-Trust Act. In March, 2006, the SDNY dismissed the suit for lack of personal jurisdiction over the defendant states and NAAG. The plaintiff subsequently filed bankruptcy in the Middle District of North Carolina. In its complaint filed in the bankruptcy court, the plaintiff asks the court to declare that states' refusal to list the plaintiff as an approved SPM on their Tobacco Directories violates the terms of the MSA and the Sherman Anti-Trust Act and tortiously interferes with the plaintiff's business. If the court finds no breach of the MSA, the plaintiff asks the court to find that certain provisions of the MSA are pre-empted by the

Sherman Anti-Trust Act and are therefore unenforceable. The defendant states have filed a motion to dismiss the Sherman Act claim and a motion requesting that the court abstain from ruling on the breach-of-contract and tortious interference claims because those claims are being litigated in Maryland state court. If the plaintiff ultimately obtains a judgment invalidating portions of the MSA, that result could make it more likely that future payments to Massachusetts and other states would be reduced by amounts that could be significant but cannot be estimated at this time.

*In re Aggregate Industries Settlement.* In late June, 2007, the Attorney General and the United States Attorney resolved four civil cases and one criminal matter with Aggregate Industries NE, Inc. (Aggregate), arising out of Aggregate's supply of concrete products to the Central Artery/Ted Williams Tunnel project. In addition to a guilty plea on a charge of conspiracy to defraud the government, the settlement requires Aggregate to make total payments of \$50 million, including approximately \$6.2 million to the Commonwealth, approximately \$1.1 million of which the Commonwealth must in turn pay to "relators" (whistleblowers). In addition, the settlement provides that approximately \$27.1 million plus accrued interest will be paid into a trust fund for future repairs and maintenance of structures related to the project. The four civil cases resolved by this agreement are: *Commonwealth of Massachusetts ex rel. Chase v. Aggregate Industries, Inc. et al* in Suffolk Superior Court and *United States ex rel. Harrington and Finney v. Aggregate Industries, Inc. et al, United States ex rel. Chase v. Aggregate Industries, Inc. et al,* and *United States ex rel. Johnston v. Aggregate Industries PLC et al,* all in the United States District Court.

*Historical Nipmuc Tribe v. Commonwealth of Massachusetts,* Land Court. The Historical Nipmuc Tribe seeks the return of "State Parks and other unsettled Lands" in Central Massachusetts that are allegedly illegally obtained Nipmuc tribal homelands, as well as restitution for the Commonwealth's use of this property.

*In re Delayed Release of Inmates.* The Department of Correction has identified a group of inmates who were not released on their actual release dates, resulting in incarceration beyond their sentences. An initial group of 14 inmates has been identified who were released from one day to three years late. Although litigation has not been commenced, two of these inmates have already made demands for compensation in excess of the statutory cap, arguing that their delayed release violated their civil rights. The Department is continuing to review its records to identify any additional inmates who may have been released late.

*ASD Specialty Healthcare, Inc. v. Massachusetts Biologic Laboratories,* District Court of Dallas County, Texas; *Massachusetts Biologic Laboratories of the University of Massachusetts Medical School v. ASD Specialty Health Care, Inc.,* Suffolk Superior Court. On May 2, 2007, ASD Specialty Healthcare, Inc. (ASD) filed suit against Massachusetts Biologic Laboratories (MBL) in Texas state court alleging that it entered into an agreement with MBL for the distribution of Td vaccine ("Distribution Agreement") and that MBL induced ASD to enter into the Distribution Agreement based on false statement concerning the size and nature of the marker for Td vaccine and the nature of the exclusive relationship ASD was to enjoy under the Distribution Agreement. ASD seeks to rescind the Distribution Agreement and recover the amounts it claims to have made MBL to date for Td vaccine, totaling over \$34 million. On May 25, 2007, MBL filed suit against ASD in Suffolk Superior Court, alleging ASD's breach of the Distribution Agreement, under which ASD agreed to purchase certain guaranteed minimum quantities of Td vaccine from MBL. Specifically, MBL brings claims for breach of contract, breach of duty of good faith and fair dealing, unfair and deceptive practices and a declaration concerning mitigation. MBL asserts that ASD refuses to take delivery of remaining Td vaccine lots to which ASD committed under the Distribution Agreement and pay MBL for certain lots that ASD either holds in its possession or had resold. MBL claims that the Td vaccine at issue has a contract value of approximately \$18.4 million and seeks contract damages in that amount plus exemplary damages and attorneys' fees. In September, 2007, the Texas state court allowed MBL's motion to dismiss based on the Distribution Agreement's forum selection clause. ASD's time to appeal that dismissal has not elapsed. On October 3, 2007, MBL filed a motion to lift the stay of the Massachusetts case, which is still pending.

## MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of general and special laws and of other documents set forth or referred to in the May Information Statement and this supplement 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.

The May Information Statement and this Supplement Statement contain 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 the May Information Statement and this Supplement 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 the May Information Statement and this Supplement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the Commonwealth’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained in the May Information Statement and this Supplement, 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 the May Information Statement and this Supplement are subject to change without notice. Neither the delivery of this Supplement nor any sale made pursuant to any official statement of which the May Information Statement and this Supplement are a part shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Supplement, except as expressly stated.

#### **CONTINUING DISCLOSURE**

The Commonwealth prepares its Statutory Basis Financial Report and its Comprehensive Annual Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report becomes available by October 31 of the following fiscal year and the Comprehensive Annual 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, Room 909, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller’s web site located at <http://www.mass.gov/osc> by clicking on “Financial Reports/Audits.”

On behalf of the Commonwealth, the State Treasurer will provide to each NRMSIR within the meaning of Rule 15c2-12 of the SEC, 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 said Rule 15c2-12, together with audited financial statements of the Commonwealth for such fiscal year. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to the general obligation debt of the Commonwealth and has not failed in the last five years to comply with its continuing disclosure undertakings with respect to its special obligation debt and federal grant anticipation notes. However, the annual filings relating to the fiscal year ended June 30, 2001 for the Commonwealth’s special obligation debt and for the Commonwealth’s federal highway grant anticipation notes were filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the Nationally Recognized Municipal Securities Information Repositories and the Municipal Securities Rulemaking Board.

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

#### **AVAILABILITY OF OTHER FINANCIAL INFORMATION**

Questions regarding this Information Statement Supplement or requests for additional information concerning the Commonwealth should be directed to Patrick F. Landers, III, Assistant Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900 (ext. 226), or to Jay Gonzalez, Undersecretary of Administration and Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters

relating to this Information Statement Supplement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Timothy P. Cahill  
Timothy P. Cahill  
Treasurer and Receiver-General

By /s/ Leslie A. Kirwan  
Leslie A. Kirwan  
Secretary of Administration and Finance

November 21, 2007

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## ECONOMIC INFORMATION

The information in this section was prepared by the Massachusetts State Data Center (MassSDC) at the University of Massachusetts Donahue Institute and may be relevant in evaluating the economic and financial condition and prospects of the Commonwealth of Massachusetts. The State Data Center archives much of the data about Massachusetts. The demographic information and statistical data, which have been obtained by the MassSDC from the sources indicated, do not necessarily present all factors that may have a bearing on the Commonwealth's fiscal and economic affairs.

All information is presented on a calendar-year basis unless otherwise indicated. **The section was prepared for release on October 18, 2007. Information in the text, tables, charts, and graphs was current as of September 28, 2007.** Sources of information are indicated in the text or immediately following the charts and tables, and also on the *Sources List* on the last page of the Exhibit A section. Although the Commonwealth considers the sources to be reliable, the Commonwealth has made no independent verification of the information presented herein and does not warrant its accuracy.

### Statistical Overview

#### Population (p. A-2)

	<u>Massachusetts</u>	<u>United States</u>
Estimated Percent Change in Population, April 1, 2000–July 1, 2006	1.4%	6.4%

#### Personal Income, Consumer Prices, and Poverty (p. A-7)

Per Capita Personal Income, 2006	\$46,255	\$36,629
Average Annual Pay, All Industries, 2006 (preliminary)	\$52,396	\$42,521
Percent Change in CPI-U, 2005-2006*	3.1%	3.2%
Percent Change in CPI-U, July 2006-July 2007*	0.8%	2.4%
Poverty Rate, 2004-2006 Average	10.5%	12.5%
Average Weekly Earnings, Manufacturing Production Workers: 2007ytd (8mo.)	\$771.69	\$703.97
Percent Change 2007ytd (Aug07 prelim.), over same period last year	4.9%	2.7%

#### Employment (p. A-15)

Percent Change in Nonfarm Payroll Employment, August 2006-August 2007(p)	1.1%	1.1%
Unemployment Rate, 2006	5.0%	4.6%
Unemployment Rate, August, 2007 (seasonally adjusted)	4.5%	4.6%

#### Economic Base and Performance (p. A-20)

Percent Change in Gross Domestic Product, 2005-2006	5.5%	6.3%
Percent Change in International Exports, 2005-2006	9.1%	14.7%
Percent Change in Housing Permits Authorized, 2005-2006	-20.2%	-14.7%

#### Human Resources and Infrastructure (p. A-38)

Expenditure Per Pupil, 2005	\$11,267	\$8,701
Percent of Adults with a Bachelor's Degree or higher, 2006	37.0%	27.0%

\*NOTE: Percent changes in the Consumer Price Index for All Urban Consumers (CPI-U) are for the Boston-Worcester-Lawrence, MA-NH-ME-CT CMSA & the United States.

Massachusetts is a densely populated state with a well-educated population, comparatively high income levels, and a relatively diversified economy. While the total population of Massachusetts has remained fairly stable in the last twenty-five years, significant changes have occurred in the age distribution of the population: dramatic growth in residents between the ages of 20 and 44 since 1980 is expected to lead to a population distributed more heavily in the 65 and over age group in the next twenty-five years. Just as the working-age population has increased, income levels in Massachusetts since 1980 have grown significantly more than the national average, and a variety of measures of income show that Massachusetts residents have significantly higher amounts of annual income than the national average. These higher levels of income have been accompanied by a consistently lower poverty rate and, with the exception of the recession of the early 1990s and the current slow recovery period, considerably lower unemployment rates in Massachusetts than in the United States since 1980. The state is now recovering from the recession of 2001, but is lagging behind the nation in many indicators, particularly employment levels and rates of unemployment.

The following five sections provide detailed information on population characteristics, personal income, employment, economic base and performance, and human resources and infrastructure.

## **POPULATION CHARACTERISTICS**

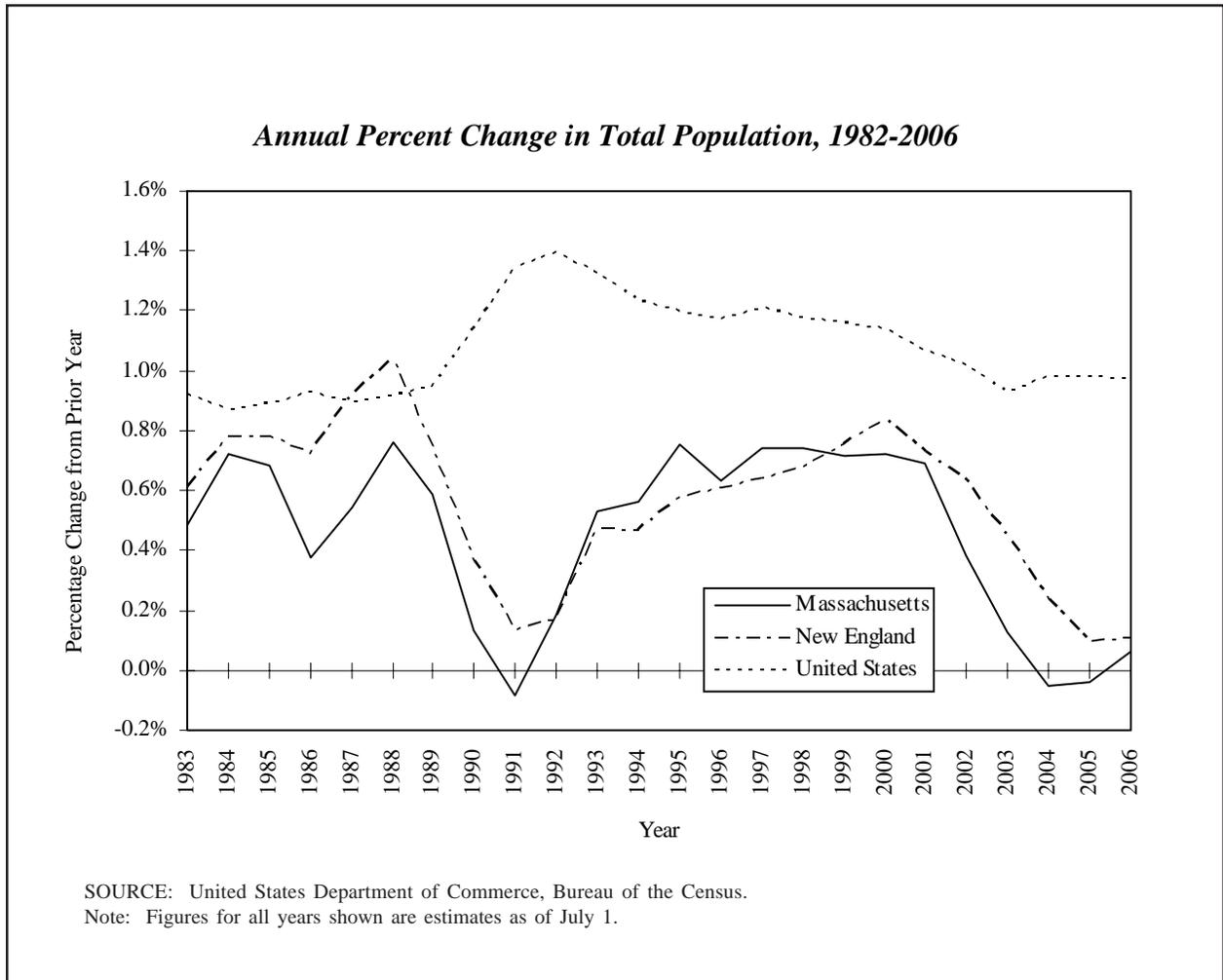
Massachusetts is a relatively slow growing but densely populated state with a comparatively large percentage of its residents living in metropolitan areas. The population density of Massachusetts was estimated as of July 1, 2006 to be 821.1 persons per square mile, as compared to 84.6 for the United States as a whole. Among the 50 states, only Rhode Island and New Jersey have a greater population density. Massachusetts also ranked just behind the same two states in percentage of residents living in metropolitan areas according to the metropolitan definitions released in 2003 which are based on whole counties. According to this new definition, the entire state is considered metropolitan except for the two island counties (99.6 percent of state residents in 2005) while Rhode Island, New Jersey and D.C. are wholly metropolitan.

The State's population is concentrated in its eastern portion. The city of Boston is the largest city in New England, with a 2006 population estimated at 590,763, or 9.2 percent of the state's population. Boston is the hub of the seven-county Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA), which includes the two southeastern New Hampshire counties, and which had a total population in 2006 estimated at 4,455,217 or 31 percent of the total New England population. The three-county Boston-Quincy, MA Metropolitan Division is the largest component of that MSA, with a total population in 2006 estimated at 1,835,986.

The second largest MSA in the state is the Worcester, MA MSA, with a 2006 population estimated at 784,992. The city of Worcester, situated approximately 40 miles west of Boston with a 2006 population estimated at 175,454, is the second largest city in New England as well as the second largest in the state. As a major medical and educational center, the Worcester area is home to 18 patient care facilities, including the University of Massachusetts Medical School, and thirteen other colleges and universities.

The third largest MSA in Massachusetts is the three-county Springfield MSA, with a 2006 population estimated at 686,174. Springfield, the third largest city in the Commonwealth with a 2006 population estimated at 151,176, is located in the Connecticut River Valley in Western Massachusetts and enjoys a diverse body of corporate employers, the largest of which are Baystate Health System, Big Y Supermarkets, MassMutual Financial Group, and Hasbro Games (Milton Bradley). In addition, Springfield is home to three independent colleges.

As the following chart and table indicate, the population in Massachusetts generally grows more slowly than the population of New England and much more slowly than the nation as a whole. According to the Census Bureau's latest revised estimates released in December, 2006, Massachusetts population has grown by 1.4% since Census 2000, and only five states have grown more slowly. All of that growth occurred between 2000 and 2003; the estimate has been essentially flat since then.



The following table compares the population level and percentage change in the population level of Massachusetts with those of the New England states and the United States.

### *Population, 1972-2006*

*(in thousands)*

<i>Year</i>	<i>Massachusetts</i>		<i>New England</i>		<i>United States</i>	
	<i>Total</i>	<i>Percent Change</i>	<i>Total</i>	<i>Percent Change</i>	<i>Total</i>	<i>Percent Change</i>
<b>1972</b>	5,760	0.4%	12,082	0.7%	209,284	1.2%
<b>1973</b>	5,781	0.4%	12,140	0.5%	211,357	1.0%
<b>1974</b>	5,774	-0.1%	12,146	0.0%	213,342	0.9%
<b>1975</b>	5,758	-0.3%	12,163	0.1%	215,465	1.0%
<b>1976</b>	5,744	-0.2%	12,192	0.2%	217,563	1.0%
<b>1977</b>	5,738	-0.1%	12,239	0.4%	219,760	1.0%
<b>1978</b>	5,736	0.0%	12,283	0.4%	222,095	1.1%
<b>1979</b>	5,738	0.0%	12,322	0.3%	224,567	1.1%
<b>1980</b>	5,737	0.0%	12,348	0.2%	226,546	0.9%
<b>1981</b>	5,769	0.6%	12,436	0.7%	229,466	1.3%
<b>1982</b>	5,771	0.0%	12,468	0.3%	231,664	1.0%
<b>1983</b>	5,799	0.5%	12,544	0.6%	233,792	0.9%
<b>1984</b>	5,841	0.7%	12,642	0.8%	235,825	0.9%
<b>1985</b>	5,881	0.7%	12,741	0.8%	237,924	0.9%
<b>1986</b>	5,903	0.4%	12,833	0.7%	240,133	0.9%
<b>1987</b>	5,935	0.5%	12,951	0.9%	242,289	0.9%
<b>1988</b>	5,980	0.8%	13,085	1.0%	244,499	0.9%
<b>1989</b>	6,015	0.6%	13,182	0.7%	246,819	0.9%
<b>1990</b>	6,023	0.1%	13,230	0.4%	249,623	1.1%
<b>1991</b>	6,018	-0.1%	13,248	0.1%	252,981	1.3%
<b>1992</b>	6,029	0.2%	13,271	0.2%	256,514	1.4%
<b>1993</b>	6,061	0.5%	13,334	0.5%	259,919	1.3%
<b>1994</b>	6,095	0.6%	13,396	0.5%	263,126	1.2%
<b>1995</b>	6,141	0.8%	13,473	0.6%	266,278	1.2%
<b>1996</b>	6,180	0.6%	13,555	0.6%	269,394	1.2%
<b>1997</b>	6,226	0.7%	13,642	0.6%	272,647	1.2%
<b>1998</b>	6,272	0.7%	13,734	0.7%	275,854	1.2%
<b>1999</b>	6,317	0.7%	13,838	0.8%	279,040	1.2%
<b>2000</b>	6,363	0.7%	13,954	0.8%	282,217	1.1%
<b>2001</b>	6,407	0.7%	14,056	0.7%	285,226	1.1%
<b>2002</b>	6,431	0.4%	14,145	0.6%	288,126	1.0%
<b>2003</b>	6,440	0.1%	14,208	0.4%	290,796	0.9%
<b>2004</b>	6,436	-0.1%	14,241	0.2%	293,638	1.0%
<b>2005</b>	6,433	0.0%	14,255	0.1%	296,507	1.0%
<b>2006</b>	6,437	0.1%	14,270	0.1%	299,398	1.0%

SOURCE: United States Department of Commerce, Bureau of the Census. 1980 figures are census counts as of April 1, 1980; figures for all other years shown are estimates as of July 1.

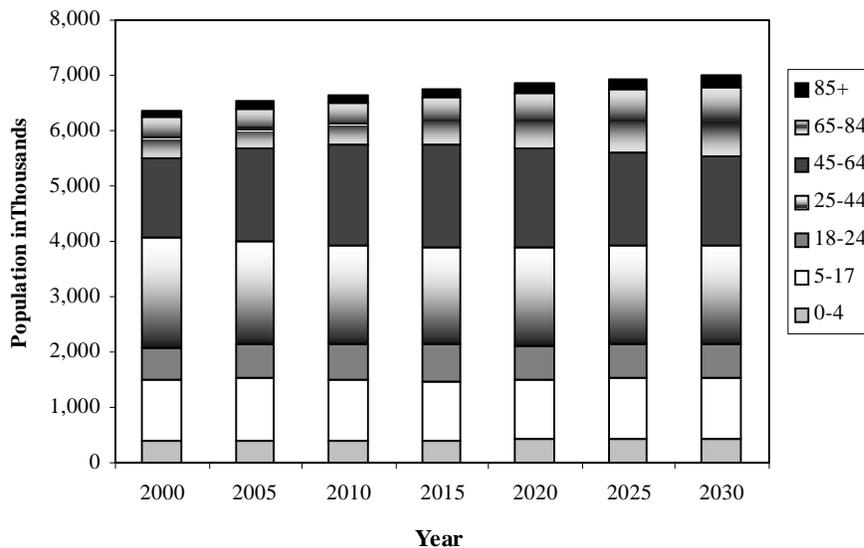
The next twenty-five years are expected to bring about a continued change in the age distribution of the Massachusetts population. As the following table and chart show, the share of the 65 and over age group and especially the 85 and over age group will continue to grow. The chart, table and population pyramids (below, and on the following page) show the projected population by age for Massachusetts for 2000 through 2030.

**Projected Massachusetts Population by Age Group, 2000-2030**  
(in thousands)

<i>Year</i>	<i>0-4</i>	<i>5-17</i>	<i>18-24</i>	<i>25-44</i>	<i>45-64</i>	<i>65-84</i>	<i>85+</i>	<i>All Ages</i>	<i>Median Age</i>
<b>2000</b>	397.3	1,102.8	579.3	1,989.8	1,419.8	743.5	116.7	6,349.1	36.5
<b>2005</b>	406.3	1,119.2	611.8	1,874.6	1,649.0	720.7	137.4	6,518.9	37.8
<b>2010</b>	400.7	1,083.1	670.2	1,769.7	1,817.1	750.6	158.0	6,649.4	38.8
<b>2015</b>	409.7	1,064.2	656.0	1,746.1	1,857.1	856.5	168.9	6,758.6	39.2
<b>2020</b>	422.3	1,070.9	617.5	1,775.8	1,809.3	987.8	172.0	6,855.5	39.5
<b>2025</b>	431.0	1,087.7	616.2	1,782.5	1,703.3	1,137.8	180.1	6,938.6	39.7
<b>2030</b>	430.6	1,115.0	610.7	1,783.9	1,608.7	1,251.2	211.9	7,012.0	40.2

Actual Census 2000 counts as of April 1; all other figures are projections as of July 1 of the indicated year.  
Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce. More recent estimates of the 2005 population are somewhat lower.

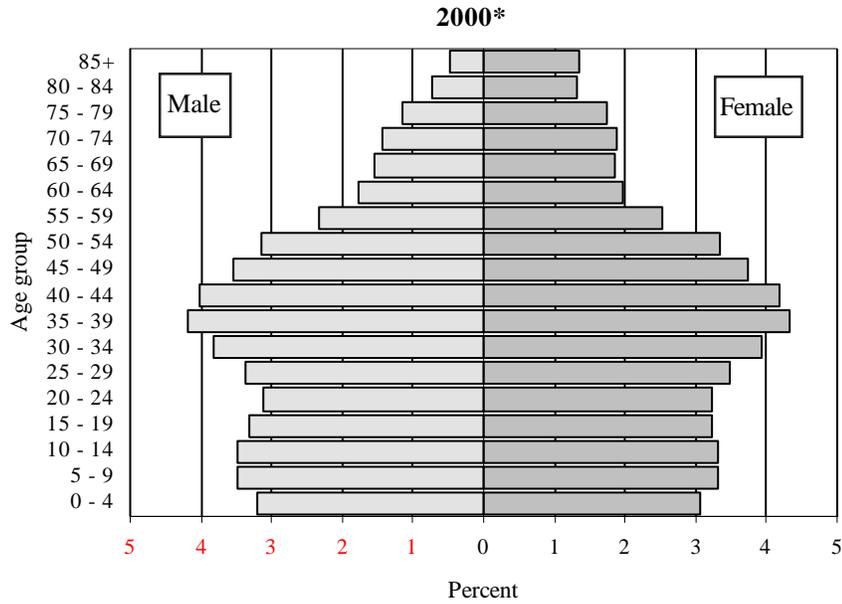
**Projected Massachusetts Population by Age Group**  
**2000-2030**



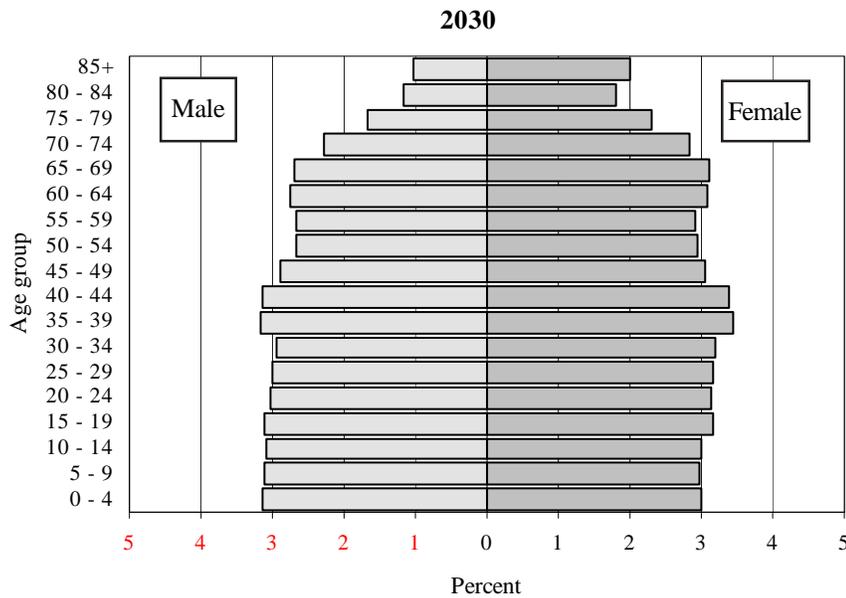
Actual Census 2000 counts as of April 1; all other figures are projections as of July 1 of the indicated year.  
Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce. More recent estimates of the 2005 population are somewhat lower.

## Population Pyramids of Massachusetts

(percent of total population)



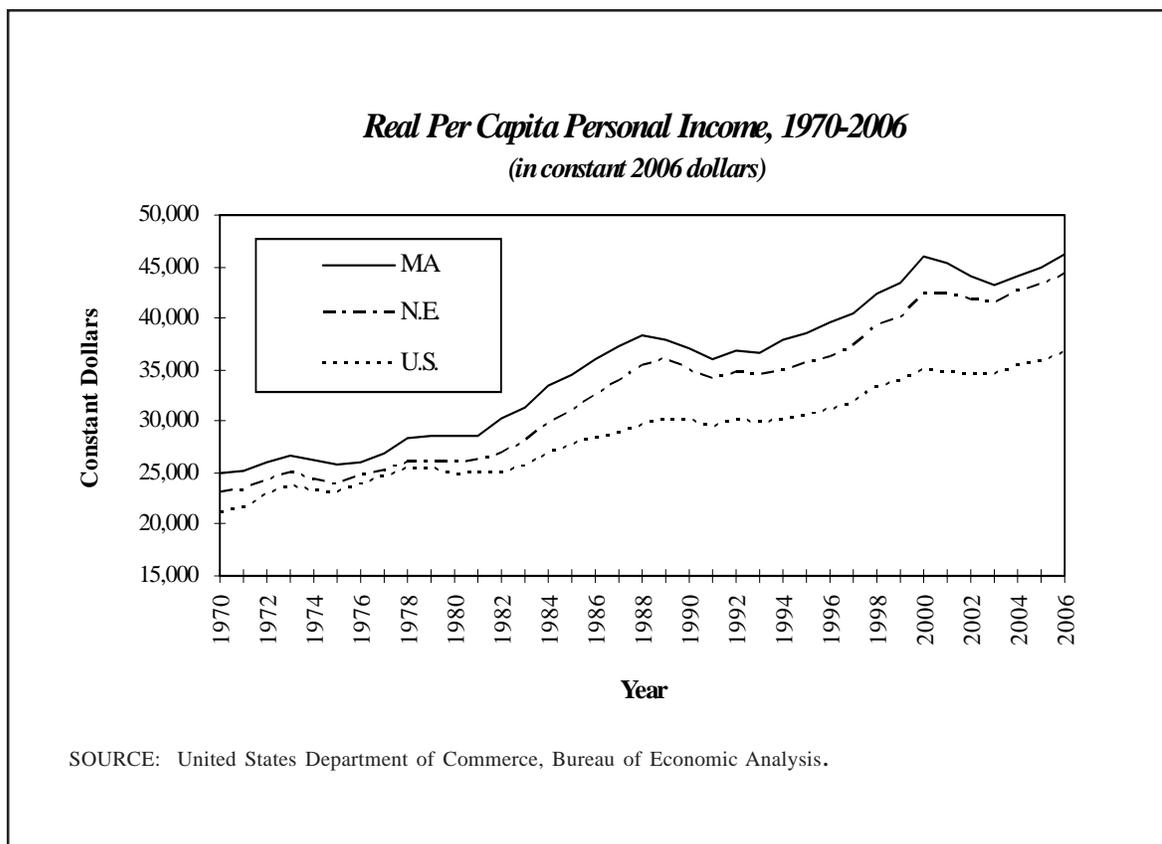
\*Note: Actual Census 2000 counts as of April 1.



SOURCE: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005  
 Internet Release Date: April 21, 2005

## PERSONAL INCOME, CONSUMER PRICES, AND POVERTY

**Personal Income.** Since at least 1929, real and nominal per capita income levels have been consistently higher in Massachusetts than in the United States. After growing at an annual rate higher than that for the United States between 1982 and 1988, real income levels in Massachusetts declined between 1989 and 1991. Real per capita income levels in Massachusetts increased faster than the national average between 1994 and 1997. In 2000 Massachusetts had its highest per capita income growth in 16 years, exceeding the national growth rate by 2.4 percentage points. From 2000 to 2003 real income in both Massachusetts and the United States declined, with a steeper decline in Massachusetts. However, real income levels in Massachusetts remained well above the national average. In 2004, 2005, and 2006, income in the state grew faster than in the nation. For the last fourteen years only the District of Columbia, Connecticut and New Jersey have had higher levels of per capita personal income. The following graph illustrates these changes in real per capita personal income in Massachusetts, New England, and the United States since 1970.



The following table compares per capita personal income in Massachusetts, New England, and the United States for the period 1970-2006.

*Per Capita Personal Income, 1970-2006*

Year	Nominal Income (in current dollars)			Real Income (in 2006 dollars)			Percent Change in Real Income		
	MA	NE	U.S.	MA	NE	U.S.	MA	NE	U.S.
1970	4,483	4,445	4,085	24,880	23,096	21,225	3.4%	3.7%	4.0%
1971	4,752	4,680	4,342	25,123	23,296	21,614	1.0%	0.9%	1.8%
1972	5,109	5,029	4,717	26,083	24,255	22,750	3.8%	4.1%	5.3%
1973	5,547	5,481	5,231	26,729	24,887	23,752	2.5%	2.6%	4.4%
1974	6,016	5,958	5,707	26,214	24,364	23,337	-1.9%	-2.1%	-1.7%
1975	6,459	6,381	6,172	25,824	23,911	23,128	-1.5%	-1.9%	-0.9%
1976	6,998	6,959	6,754	26,021	24,656	23,930	0.8%	3.1%	3.5%
1977	7,620	7,593	7,405	26,942	25,260	24,634	3.5%	2.4%	2.9%
1978	8,430	8,413	8,245	28,324	26,013	25,494	5.1%	3.0%	3.5%
1979	9,385	9,392	9,146	28,604	26,080	25,397	1.0%	0.3%	-0.4%
1980	10,602	10,629	10,114	28,636	26,005	24,745	0.1%	-0.3%	-2.6%
1981	11,798	11,846	11,246	28,672	26,272	24,942	0.1%	1.0%	0.8%
1982	12,941	12,871	11,935	30,232	26,889	24,934	5.4%	2.3%	0.0%
1983	14,009	13,829	12,618	31,317	27,991	25,540	3.6%	4.1%	2.4%
1984	15,723	15,422	13,891	33,503	29,924	26,953	7.0%	6.9%	5.5%
1985	16,910	16,546	14,758	34,485	31,001	27,651	2.9%	3.6%	2.6%
1986	18,148	17,722	15,442	36,086	32,598	28,404	4.6%	5.2%	2.7%
1987	19,575	19,119	16,240	37,294	33,929	28,820	3.3%	4.1%	1.5%
1988	21,341	20,811	17,331	38,335	35,465	29,534	2.8%	4.5%	2.5%
1989	22,342	22,083	18,520	37,963	35,903	30,110	-1.0%	1.2%	1.9%
1990	23,043	22,712	19,477	37,011	35,032	30,043	-2.5%	-2.4%	-0.2%
1991	23,432	22,969	19,892	36,053	33,998	29,444	-2.6%	-3.0%	-2.0%
1992	24,538	24,172	20,854	36,840	34,733	29,966	2.2%	2.2%	1.8%
1993	25,176	24,752	21,346	36,735	34,533	29,781	-0.3%	-0.6%	-0.6%
1994	26,303	25,687	22,172	37,884	34,943	30,161	3.1%	1.2%	1.3%
1995	27,457	26,832	23,076	38,623	35,494	30,526	2.0%	1.6%	1.2%
1996	28,933	28,194	24,175	39,528	36,226	31,062	2.3%	2.1%	1.8%
1997	30,498	29,687	25,334	40,525	37,289	31,821	2.5%	2.9%	2.4%
1998	32,524	31,677	26,883	42,260	39,178	33,249	4.3%	5.1%	4.5%
1999	34,227	33,126	27,939	43,387	40,085	33,809	2.7%	2.3%	1.7%
2000	37,753	36,116	29,843	45,875	42,282	34,938	5.7%	5.5%	3.3%
2001	38,880	37,308	30,562	45,296	42,469	34,790	-1.3%	0.4%	-0.4%
2002	38,866	37,330	30,795	44,127	41,833	34,510	-2.6%	-1.5%	-0.8%
2003	39,442	37,894	31,466	43,156	41,519	34,476	-2.2%	-0.8%	-0.1%
2004	41,457	39,976	33,072	44,148	42,664	35,295	2.3%	2.8%	2.4%
2005	43,601	41,797	34,685	44,951	43,145	35,804	1.8%	1.1%	1.4%
2006	46,255	44,252	36,629	46,255	44,252	36,629	2.9%	2.6%	2.3%

SOURCE: United States Department of Commerce, Bureau of Economic Analysis.

Notes: Estimated population as of July 1. Massachusetts real income is calculated using Boston CPI-U data.

**Annual Pay in Nominal Dollars** has grown steadily in Massachusetts over the past decade. Average annual pay is computed by dividing the total annual payroll of employees covered by Unemployment Insurance programs by the average monthly number of employees. Data are reported by employers covered under the Unemployment Insurance programs. While levels of annual pay were nearly equal in Massachusetts and the United States in 1984, average annual pay levels in Massachusetts have grown more rapidly than the national average since that time. The level of annual pay in Massachusetts in 2006 was 23 percent higher than the national average: \$52,396 compared to \$42,521 (preliminary estimates).

**Wage and Salary Disbursements.** Wage and Salary Disbursements by Place of Work is a component of personal income and measures monetary disbursements to employees. This includes compensation of corporate officers, commissions, tips, bonuses, and receipts in-kind. Although the data is recorded on a place-of-work basis, it is then adjusted to a place-of-residence basis so that the personal income of the recipients whose place of residence differs from their place of work will be correctly assigned to their state of residence. The table below details Wage and Salary Disbursements since 1990. Between 1991 and 2000, Massachusetts shares of the New England and overall US totals increased, but in the subsequent years our share of the New England total has remained essentially constant at 50% while our share of the US total has dropped back slightly from 3.1% to 2.9%.

<i>Year</i>	<i>U.S.</i>	<i>N.E.</i>	<i>MA</i>	<i>MA as a pct. of N.E.</i>
<b>1990</b>	\$ 2,743,016	\$171,448	\$83,129	48.5%
<b>1991</b>	\$ 2,811,076	\$170,333	\$82,311	48.3%
<b>1992</b>	\$ 2,972,287	\$177,810	\$86,014	48.4%
<b>1993</b>	\$ 3,076,276	\$183,236	\$89,047	48.6%
<b>1994</b>	\$ 3,227,483	\$190,661	\$93,164	48.9%
<b>1995</b>	\$ 3,415,368	\$201,946	\$99,194	49.1%
<b>1996</b>	\$ 3,615,699	\$213,667	\$105,573	49.4%
<b>1997</b>	\$ 3,874,011	\$230,032	\$113,579	49.4%
<b>1998</b>	\$ 4,179,922	\$247,851	\$123,054	49.6%
<b>1999</b>	\$ 4,463,650	\$266,554	\$134,045	50.3%
<b>2000</b>	\$ 4,825,906	\$293,889	\$150,842	51.3%
<b>2001</b>	\$ 4,939,944	\$300,698	\$153,131	50.9%
<b>2002</b>	\$ 4,976,522	\$298,534	\$150,107	50.3%
<b>2003</b>	\$ 5,107,298	\$304,756	\$151,955	49.9%
<b>2004</b>	\$ 5,388,561	\$321,473	\$160,189	49.8%
<b>2005</b>	\$ 5,661,021	\$332,679	\$165,051	49.6%
<b>2006</b>	\$ 6,014,067	\$350,244	\$174,166	49.7%

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

**Consumer Prices.** Higher income levels in Massachusetts relative to the rest of the United States are offset to some extent by the higher cost of living in Massachusetts. The following table presents consumer price trends for the Boston metropolitan area and the United States for the period between 1970 and 2006. The table shows the annual average of the Consumer Price Index for All Urban Consumers (CPI-U) and the percentage change in that average from the previous year. In 2006, the CPI-U for Boston increased by 3.1 percent over the average for 2005, while the index for the United States as a whole increased by a comparable 3.2 percent. The latest available data for July 2007 show that the CPI-U for the Boston metropolitan area grew at a rate of 0.8 percent from July 2006, compared with 2.4 percent for the U.S.

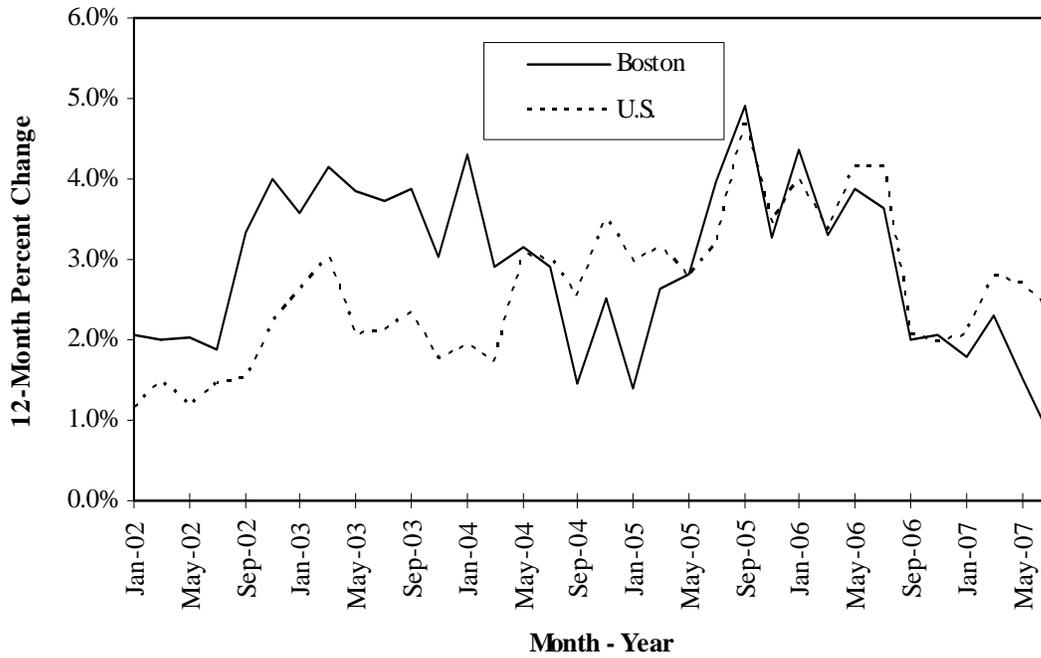
### **Consumer Price Index for All Urban Consumers (CPI-U), 1970-2006**

(not seasonally adjusted; 1982-1984 base period average=100)

<i>Year</i>	<i>Boston Metro Area</i>		<i>United States</i>	
	<i>CPI-U</i>	<i>Pct. Change</i>	<i>CPI-U</i>	<i>Pct. Change</i>
<b>1970</b>	40.2		38.8	
<b>1971</b>	42.2	5.0%	40.5	4.4%
<b>1972</b>	43.7	3.6%	41.8	3.2%
<b>1973</b>	46.3	5.9%	44.4	6.2%
<b>1974</b>	51.2	10.6%	49.3	11.0%
<b>1975</b>	55.8	9.0%	53.8	9.1%
<b>1976</b>	60.0	7.5%	56.9	5.8%
<b>1977</b>	63.1	5.2%	60.6	6.5%
<b>1978</b>	66.4	5.2%	65.2	7.6%
<b>1979</b>	73.2	10.2%	72.6	11.3%
<b>1980</b>	82.6	12.8%	82.4	13.5%
<b>1981</b>	91.8	11.1%	90.9	10.3%
<b>1982</b>	95.5	4.0%	96.5	6.2%
<b>1983</b>	99.8	4.5%	99.6	3.2%
<b>1984</b>	104.7	4.9%	103.9	4.3%
<b>1985</b>	109.4	4.5%	107.6	3.6%
<b>1986</b>	112.2	2.6%	109.6	1.9%
<b>1987</b>	117.1	4.4%	113.6	3.6%
<b>1988</b>	124.2	6.1%	118.3	4.1%
<b>1989</b>	131.3	5.7%	124.0	4.8%
<b>1990</b>	138.9	5.8%	130.7	5.4%
<b>1991</b>	145.0	4.4%	136.2	4.2%
<b>1992</b>	148.6	2.5%	140.3	3.0%
<b>1993</b>	152.9	2.9%	144.5	3.0%
<b>1994</b>	154.9	1.3%	148.2	2.6%
<b>1995</b>	158.6	2.4%	152.4	2.8%
<b>1996</b>	163.3	3.0%	156.9	3.0%
<b>1997</b>	167.9	2.8%	160.5	2.3%
<b>1998</b>	171.7	2.3%	163.0	1.6%
<b>1999</b>	176.0	2.5%	166.6	2.2%
<b>2000</b>	183.6	4.3%	172.2	3.4%
<b>2001</b>	191.5	4.3%	177.1	2.8%
<b>2002</b>	196.5	2.6%	179.9	1.6%
<b>2003</b>	203.9	3.8%	184.0	2.3%
<b>2004</b>	209.5	2.7%	188.9	2.7%
<b>2005</b>	216.4	3.3%	195.3	3.4%
<b>2006</b>	223.1	3.1%	201.6	3.2%
<b>Jul-06</b>	225.1		203.5	
<b>Jul-07</b>	226.9	0.8%	208.3	2.4%

SOURCE: United States Department of Labor, Bureau of Labor Statistics

**12-Month Percent Change in the Consumer Price Index  
for All Urban Consumers, January 2002 - July 2007**



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

**Consumer Confidence, Present Situation, and Future Expectations.** These three measures offer multiple insights into consumer attitudes. The U.S. measures are compiled from a national monthly survey of 5,000 households and are published by The Conference Board, Inc. The survey for Massachusetts is conducted in a similar manner and the results are published by the Mass Insight Corporation, based on quarterly polling of 500 adult residents of Massachusetts. The "Present Situation" index measures consumers' appraisal of business and employment conditions at the time of the survey. The "Future Expectations" index focuses on consumers' expectations six months hence regarding business and employment conditions, as well as expected family income. The overall "Consumer Confidence" index is a weighted average of the two sub-indices. Although the U.S. measures are compiled by a different source than the Massachusetts measures, according to the Federal Reserve Bank of Boston the numbers are generally comparable. The Conference Board reports that in July 2007, consumer confidence nationally reached a six year high point of 111.9, but has since declined by 12 points. The Mass Insight Corporation reports that after drawing nearly even with U.S. consumer confidence last fall, the Massachusetts index has fallen further behind, trailing the national number in July by 19 points. A score of 100 is considered neutral. The following table and chart detail the recent record of these measures.

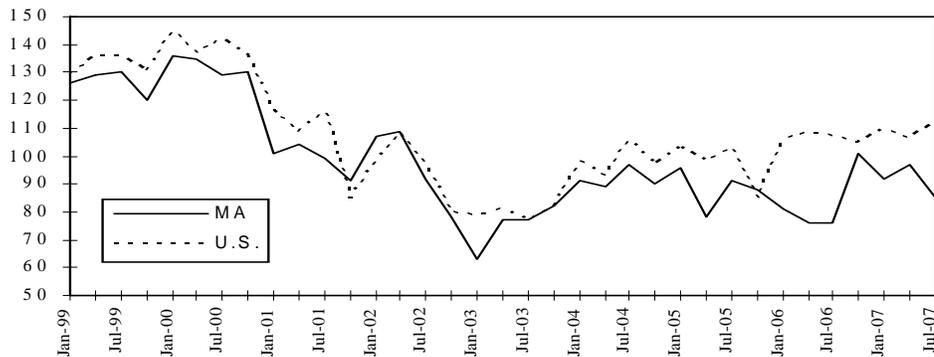
**Consumer Confidence, Present Situation, and Future Expectations for Massachusetts and the U.S.,  
January 2001 - July 2007 (1985=100)**

	Consumer Confidence		Present Situation		Future Expectations	
	MA	U.S.	MA	U.S.	MA	U.S.
Jan-01	101.0	115.7	139.0	170.4	76.0	79.3
Apr-01	104.0	109.9	124.0	156.0	91.0	79.1
Jul-01	99.0	116.3	108.0	151.3	93.0	92.9
Oct-01	91.0	85.3	94.0	107.2	90.0	70.7
Jan-02	97.8	107.0	98.1	72.0	97.6	130.0
Apr-02	109.0	108.5	84.0	106.8	125.0	109.6
Jul-02	92.0	97.4	68.0	99.4	108.0	96.1
Oct-02	78.0	79.6	48.0	77.2	97.0	81.1
Jan-03	63.0	78.8	75.3	28.0	81.1	86.0
Apr-03	77.0	81.0	31.0	75.2	108.0	84.8
Jul-03	77.0	77.0	41.0	63.0	101.0	86.3
Oct-03	82.0	81.7	36.0	67.0	112.0	91.5
Jan-04	91.0	97.7	48.0	86.1	119.0	105.3
Apr-04	89.0	93.0	53.0	90.4	113.0	94.8
Jul-04	97.0	105.7	66.0	106.4	119.0	105.3
Oct-04	90.0	92.9	64.0	94.0	108.0	92.2
Jan-05	96.0	105.1	70.0	112.1	114.0	100.4
Apr-05	78.0	97.5	63.0	113.8	88.0	86.7
Jul-05	91.0	103.6	80.0	119.3	99.0	93.2
Oct-05	88.0	85.2	80.0	107.8	95.0	70.1
Jan-06	81.0	106.8	71.0	128.8	87.0	92.1
Apr-06	76.0	109.8	77.0	136.2	76.0	92.3
Jul-06	76.0	107.0	68.0	134.2	81.0	88.9
Oct-06	101.0	105.1	86.0	125.1	111.0	91.9
Jan-07	92.0	110.2	74.0	133.9	104.0	94.4
Apr-07	97.0	106.3	89.0	133.5	102.0	88.2
Jul-07	85.0	111.9	80.0	138.3	90.0	94.4

SOURCES: The Conference Board, Inc. (for U.S. measures, seasonally adjusted);  
Mass Insight Corporation (for MA measures, not seasonally adjusted).

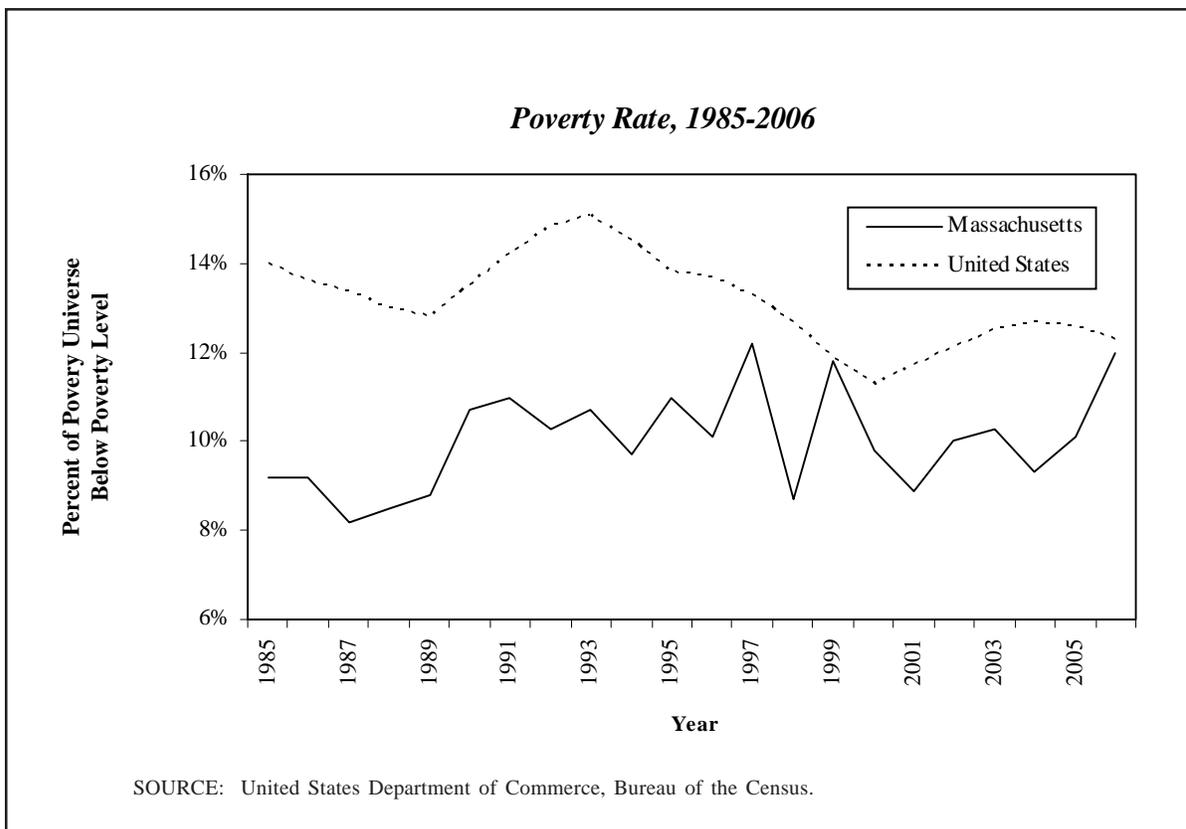
**Consumer Confidence: Massachusetts  
and the U.S., January 1999 - July 2007**

*(Massachusetts index not seasonally adjusted; 1985 = 100)*



SOURCES: The Conference Board, Inc. (for U.S. index), Mass Insight Corporation (for MA index).

**Poverty.** The Massachusetts poverty rate remains well below the national average. Since 1980, the percentage of the Massachusetts poverty universe below the poverty line has varied between 7.7 percent and 12.2 percent. During the same time, the national poverty rate varied between 11.3 percent and 15.1 percent. In 2005, the estimated poverty rate in Massachusetts increased to 10.1 percent while the poverty rate in the United States dropped slightly to 12.6 percent. These official poverty estimates are based on a sample of households and are not adjusted for regional differences in the cost of living. The following chart illustrates the lower poverty rates in Massachusetts (1985 - 2005) compared with the national average during similar periods. Poverty estimates for states are not as reliable as national estimates. One should use caution when comparing poverty rate estimates across states, or poverty rates for the same state across years, because their variability is high. In particular the estimated rates for Massachusetts are based on a sample of fewer than two thousand households, and the apparent 2005 increase is not considered large enough to be statistically significant. Not everyone has a poverty status determined; the poverty universe excludes foster children, college students in dormitories, military personnel in barracks, nursing home residents, and other groups of people in institutionalized settings.

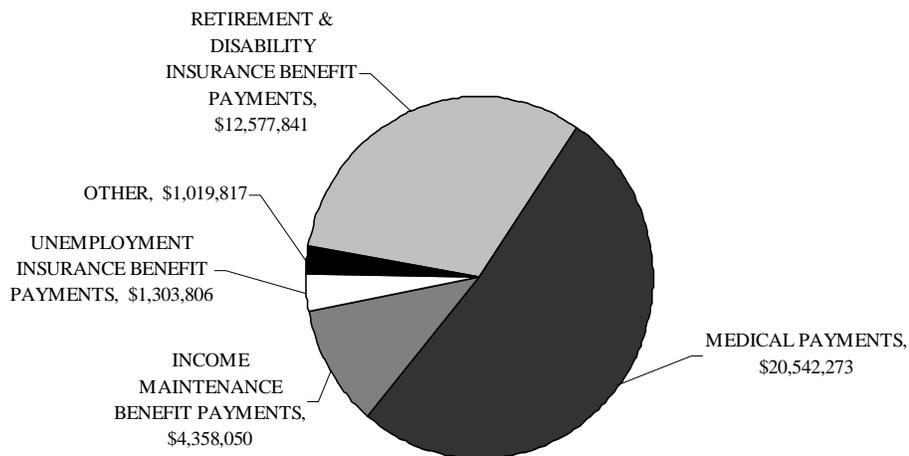


**Transfer Payments.** Transfer payment income is payment to individuals from all levels of government and from businesses, for which no current services are performed, including payments to nonprofit institutions serving individuals. These payments accounted for almost 14 percent of total personal income in Massachusetts in 2006. The chart below does not include transfer payments from business or payments to non-profit organizations. Total transfer payments to individuals in Massachusetts from governments & businesses totaled 40.1 billion dollars for 2006. Over 51 percent of government transfer payments to individuals were medical payments.

***Transfer Payments from Governments to Individuals in  
Massachusetts in 2006***

***(From Annual State Personal Income Estimates)***

*(in thousands of current dollars)*



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

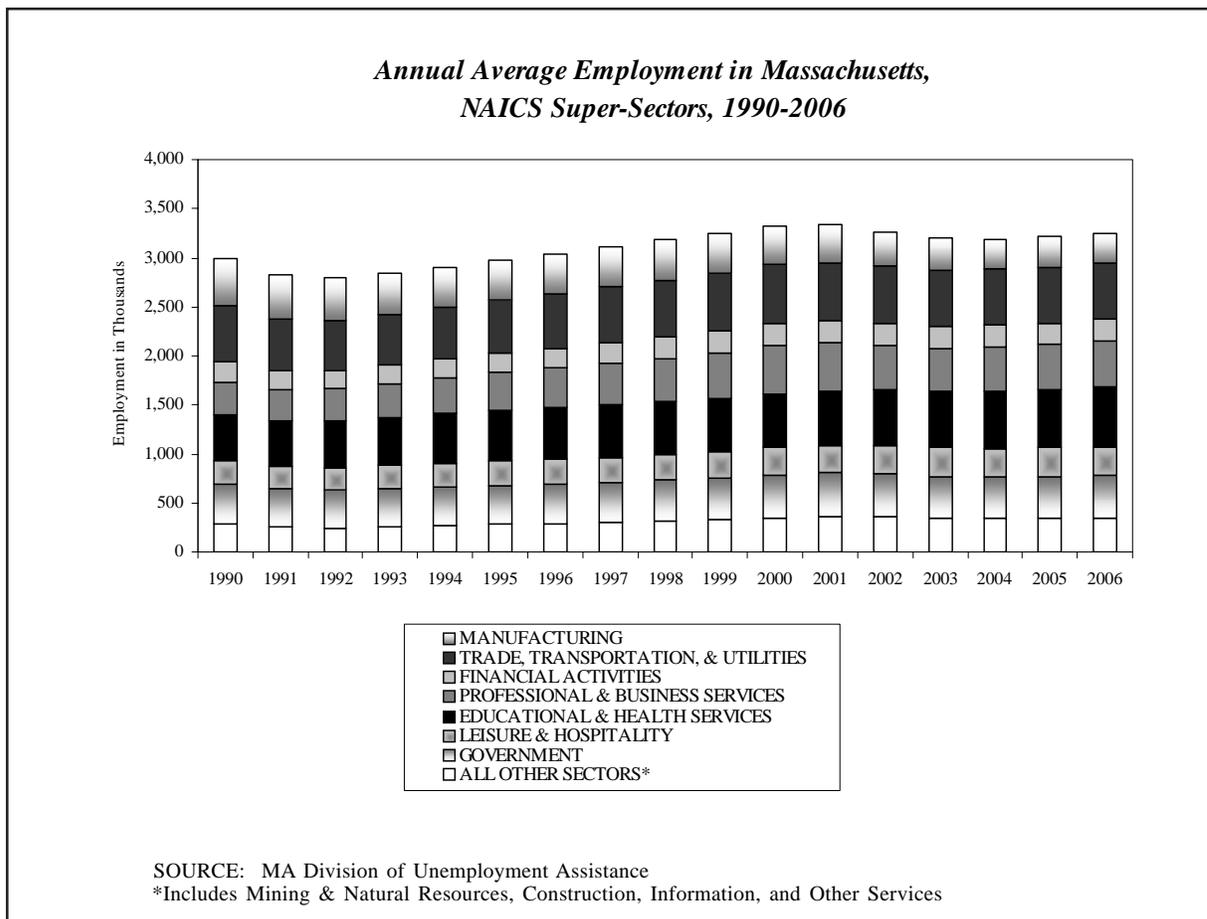
NOTE: The category "other" includes veterans' benefit payments, federal education and training assistance payments, and a small residual of miscellaneous other payments to individuals.

## EMPLOYMENT

**Employment by Industry** The chart on this page shows the annual level of non-agricultural payroll employment in Massachusetts on the North American Industry Classification System (NAICS) basis for the seven largest NAICS supersectors starting with 1990, the earliest year for which NAICS data are available. The chart on the following page compares the super-sector shares for the 2005-2006 period with the corresponding shares for the 1990-1991 period. Like many industrial states, Massachusetts has seen a steady decline of its manufacturing jobs base over the last two decades, not only as a share of total employment, but in absolute numbers of jobs as well. Several NAICS service sectors and the Financial Activities sector have grown to take the place of manufacturing in driving the Massachusetts economy and now account for more than half of total payroll employment, while Government, Information, Trade, Transportation & Utilities have remained level or declined in share.

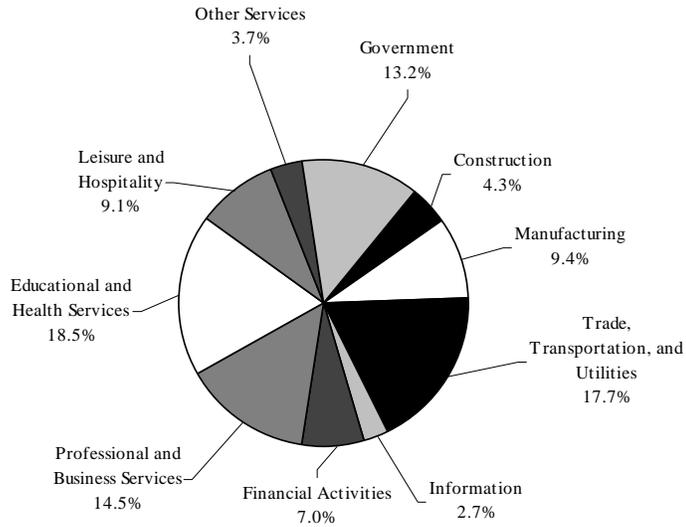
After significant declines in 2002 and 2003, total non-agricultural employment in Massachusetts declined only 0.1 percent in 2004 and increased 0.5 percent in 2005. The average level for 2006 is a healthier 1.0 percent above that of 2005, but the state still has 84 thousand (2.5%) fewer jobs than in the peak year of 2001. The comparable growth rate for the nation is 1.8 percent. In the first five months of 2007, the estimates have continued to be about one percent above the comparable 2006 figures. If this trend continues through all of 2007, the average for the year will finally equal its 2001 peak.

In 2004, manufacturing employment declined 3.5 percent from the year before; a smaller decline than the steep annual declines in the previous three years. The estimate for manufacturing for 2005 was only 2.4 percent below the 2004 level, which was better than the long-term average rate of decline since 1990 (3.0 percent per year). The average for 2006 is 2.1 percent below the comparable 2005 level, the best year for manufacturing in Massachusetts since 2000. The estimates for the first five months of 2007 are even more encouraging, averaging only one percent below the comparable 2006 figures.

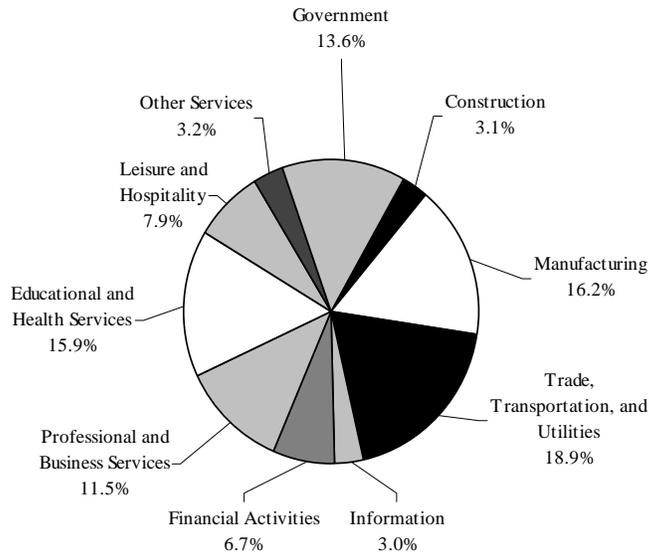


**Massachusetts Non-Farm Payroll Employment  
(NAICS Industry basis)**

**NAICS Super-Sectors: 2005-2006 Average Share**



**NAICS Super-Sectors: 1990-1991 Average Share**



SOURCE: MA Division of Unemployment Assistance.

***Largest Employers in Massachusetts.*** The following table lists the twenty-five largest private employers in Massachusetts based upon employment covered by the Unemployment Insurance system for June, 2006. The list is now the same as the lists released in 2005 except for name changes reflecting two corporate mergers.

***Twenty-five Largest Private Employers in Massachusetts in June, 2006***

*(listed alphabetically)*

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Bank Of America NA	Harvard University
Baystate Medical Center, Inc.	Home Depot U.S.A., Inc.
Beth Israel Deaconess Medical Center	Massachusetts Institute of Technology
Big Y Foods, Inc.	Raytheon Company
Boston Medical Center Corporation	S & S Credit Company, Inc.
Boston University	Shaw's Supermarkets, Inc.
Brigham & Women's Hospital, Inc.	Southcoast Hospitals Group, Inc.
The Children's Hospital Corporation	State Street Bank & Trust Company
Demoulas Super Markets, Inc.	UMass Memorial Medical Center, Inc.
E.M.C. Corporation	United Parcel Service, Inc.
Federated Retail Holdings Inc.	Verizon New England, Inc.
Friendly Ice Cream Corporation	Wal-Mart Associates, Inc.
General Hospital Corporation	

SOURCE: MA Division of Unemployment Assistance.

**Unemployment.** The economic recession of the early 1990s caused unemployment rates in Massachusetts to rise significantly above the national average, as much as 2.1 points above in 1991. Then from 1995 through the end of 2005 the unemployment rate in Massachusetts was consistently below the national average. However since January, 2006 the state rate has been generally at or above the national rate with the differences between the two reaching a peak in February, 2007. The following table compares the annual civilian labor force, the number unemployed, and the unemployment rates of Massachusetts, the New England states, and the United States from 1970 to 2006.

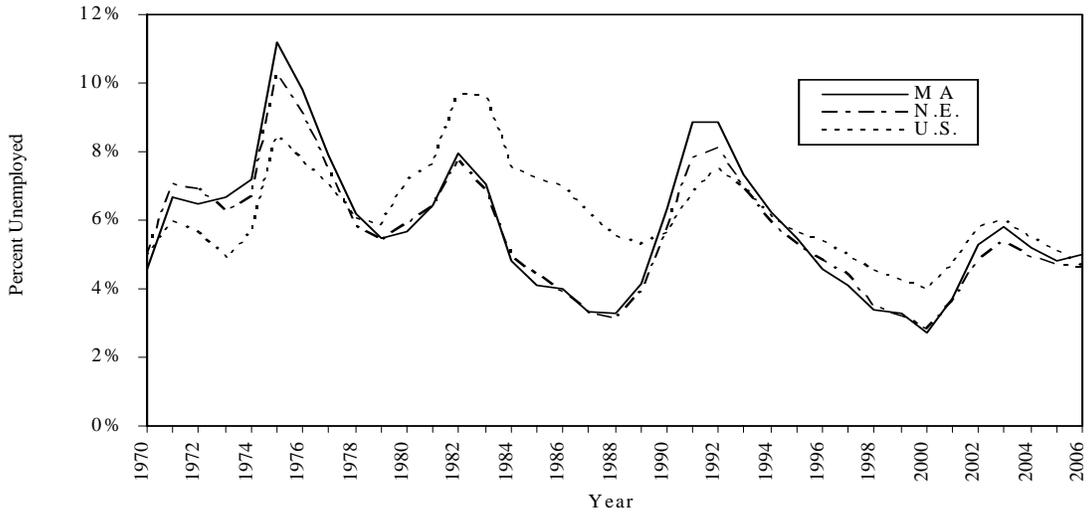
**Annual Average Civilian Labor Force and Unemployment, 1970 - 2006**

(in thousands)

Year	Civilian Labor Force			Unemployed			Unemployment Rate			MA Rate as
	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.	Pct. of U.S.
1970	2,465	5,128	82,771	113	253	4,093	4.6%	4.9%	4.9%	92.9%
1971	2,459	5,157	84,383	163	364	5,016	6.6%	7.1%	5.9%	111.8%
1972	2,487	5,260	87,035	161	363	4,882	6.5%	6.9%	5.6%	115.4%
1973	2,557	5,387	89,430	171	336	4,365	6.7%	6.2%	4.9%	136.7%
1974	2,637	5,514	91,951	190	368	5,156	7.2%	6.7%	5.6%	128.4%
1975	2,725	5,633	93,775	305	578	7,928	11.2%	10.3%	8.5%	132.2%
1976	2,726	5,714	96,158	268	521	7,406	9.8%	9.1%	7.7%	127.5%
1977	2,760	5,820	99,009	218	437	6,991	7.9%	7.5%	7.1%	112.1%
1978	2,809	5,936	102,251	173	343	6,202	6.2%	5.8%	6.1%	101.8%
1979	2,863	6,080	104,962	156	326	6,137	5.5%	5.4%	5.8%	93.4%
1980	2,886	6,154	106,940	164	365	7,637	5.7%	5.9%	7.1%	79.6%
1981	2,938	6,268	108,670	189	400	8,273	6.4%	6.4%	7.6%	84.6%
1982	2,966	6,345	110,204	236	489	10,678	8.0%	7.7%	9.7%	82.3%
1983	2,972	6,386	111,550	209	434	10,717	7.0%	6.8%	9.6%	73.2%
1984	3,032	6,540	113,544	146	318	8,539	4.8%	4.9%	7.5%	63.9%
1985	3,049	6,630	115,461	125	290	8,312	4.1%	4.4%	7.2%	56.8%
1986	3,080	6,724	117,834	123	264	8,237	4.0%	3.9%	7.0%	57.0%
1987	3,114	6,827	119,865	104	228	7,425	3.4%	3.3%	6.2%	54.1%
1988	3,156	6,907	121,669	104	215	6,701	3.3%	3.1%	5.5%	60.0%
1989	3,189	7,004	123,869	132	274	6,528	4.2%	3.9%	5.3%	78.9%
1990	3,226	7,128	125,840	204	409	7,047	6.3%	5.7%	5.6%	112.9%
1991	3,199	7,112	126,346	283	558	8,628	8.8%	7.8%	6.8%	129.4%
1992	3,181	7,105	128,105	281	573	9,613	8.8%	8.1%	7.5%	117.7%
1993	3,173	7,062	129,200	232	486	8,940	7.3%	6.9%	6.9%	105.8%
1994	3,188	7,041	131,056	199	415	7,996	6.2%	5.9%	6.1%	102.1%
1995	3,205	7,053	132,304	176	375	7,404	5.5%	5.3%	5.6%	97.9%
1996	3,231	7,118	133,943	148	340	7,236	4.6%	4.8%	5.4%	84.6%
1997	3,293	7,228	136,297	135	315	6,739	4.1%	4.4%	4.9%	82.6%
1998	3,322	7,257	137,673	113	253	6,210	3.4%	3.5%	4.5%	75.2%
1999	3,355	7,327	139,368	110	234	5,880	3.3%	3.2%	4.2%	77.4%
2000	3,366	7,348	142,583	92	204	5,692	2.7%	2.8%	4.0%	67.5%
2001	3,401	7,424	143,734	126	266	6,801	3.7%	3.6%	4.7%	78.7%
2002	3,424	7,496	144,863	181	363	8,378	5.3%	4.8%	5.8%	91.4%
2003	3,409	7,534	146,510	198	409	8,774	5.8%	5.4%	6.0%	96.7%
2004	3,381	7,511	147,401	177	368	8,149	5.2%	4.9%	5.5%	94.5%
2005	3,374	7,552	149,320	163	353	7,591	4.8%	4.7%	5.1%	94.1%
2006	3,404	7,635	151,428	170	349	7,001	5.0%	4.6%	4.6%	108.7%

SOURCE: United States Department of Labor, Bureau of Labor Statistics.

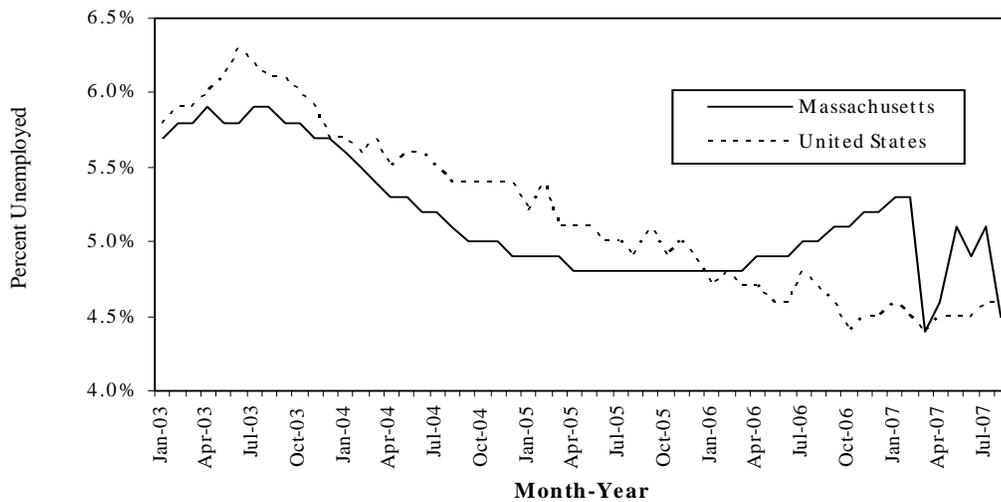
**Annual Average Unemployment Rate, 1970 -2006,  
Massachusetts, New England, and United States**



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

The unemployment rate in Massachusetts was consistently below the national average from mid-1995 to December, 2005. The two rates generally showed similar patterns of decline from their mid-2003 peaks through early 2005 when the rates became very close. The Massachusetts rate then equaled or exceeded the U.S. rate for nineteen consecutive months, with six of the last eight differences exceeding 0.5%. The August, 2007 rate of 4.5% is 0.1% below the comparable U.S. rate, seasonally adjusted. The following graph illustrates the movement of the state and national unemployment rates over the past fifty-six months.

**Monthly Unemployment Rate, January 2003-August 2007  
Massachusetts and United States  
(seasonally adjusted)**



SOURCE: MA Division of Unemployment Assistance.

**Unemployment Insurance Trust Fund.** The unemployment insurance system is a federal-state cooperative program established by the Social Security Act and the Federal Unemployment Tax Act to provide for the payment of benefits to eligible individuals when they become unemployed through no fault of their own. Benefits are paid from the Commonwealth's Unemployment Insurance Trust Fund, financed through employer contributions. The assets and liabilities of the Commonwealth Unemployment Insurance Trust Fund are not assets and liabilities of the Commonwealth. As of May 31, 2007, the Massachusetts Unemployment Trust Fund had a balance of \$1.321 billion, of which the private contributory account portion was \$1.210 billion. The Division of Unemployment Assistance's February 2007 Unemployment Insurance Trust Fund report indicates that under the current economic outlook the refinancing measures included in Chapter 142 of the Massachusetts Acts of 2003 (effective January 1, 2004), provide for employer contributions that should result in private contributory account reserves of \$2.080 billion at the end of 2011.

## ECONOMIC BASE AND PERFORMANCE

According to the Bureau of Economic Analysis, Gross Domestic Product by State (GDP) is the value added in production by the labor and property located in a state. GDP for a State is derived as the sum of the gross state product originating in all industries in a State. In concept, an industry's GDP, referred to as its "value added", is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported).

Real GDP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within that state. The estimates of real GDP and of quantity indexes with a base year of 2000 are derived by applying national implicit price deflators to the current-dollar GDP estimates for the 63 SIC industries for years 1977-1997, and for the 81 NAICS industries for years 1997 forward. Then, the chain-type index formula that is used in the national accounts is used to calculate the estimates of total real GDP and of real GDP at more aggregated industry levels.

Between 1997 and 2006 gross domestic product in Massachusetts, New England and the sum of all states GDP grew approximately 52.2, 51.9 and 59.6 percent respectively in current dollars. Between 1997 and 2006 gross domestic product in Massachusetts, New England and the sum of all states GDP grew approximately 28.9, 25.7 and 27.5 percent respectively in chained 2000 dollars. The Massachusetts economy is the largest in New England, contributing 47.2 percent to New England's total GDP, and thirteenth largest in the U.S., contributing 2.6 percent to the nation's total GDP. Massachusetts had the third highest GDP per capita in 2006, \$46,721.

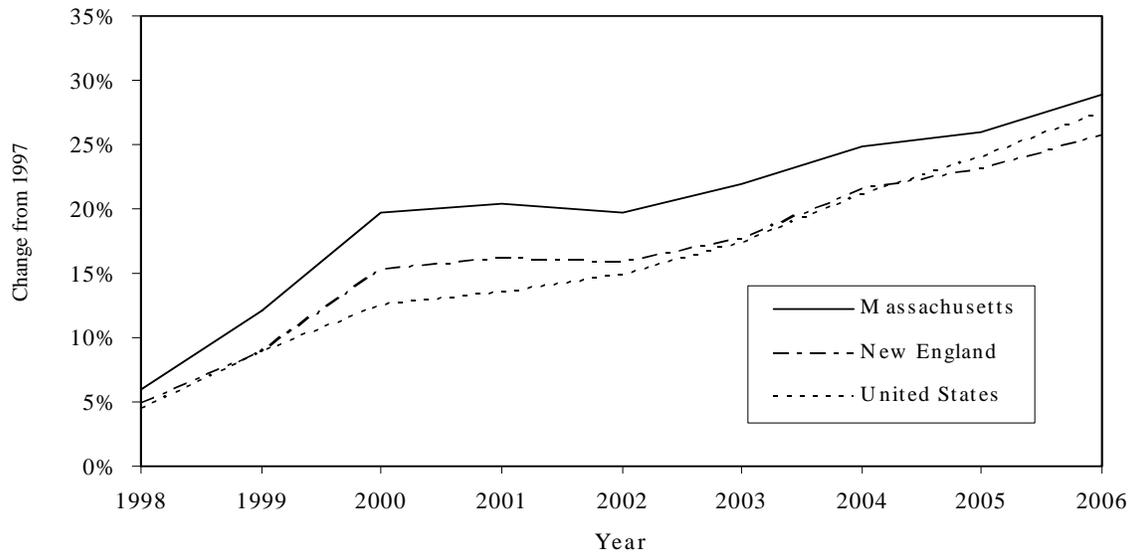
### **Gross Domestic Product - Cumulative Change, 1997-2006**

(millions of chained 2000 dollars)

Year	Massachusetts		New England		United States	
	GDP	Change from 1997	GDP	Change from 1997	GDP	Change from 1997
1997	\$227,074		\$487,671		\$8,620,955	
1998	\$240,617	6.0%	\$511,374	4.9%	\$9,004,670	4.5%
1999	\$255,189	12.0%	\$531,902	8.9%	\$9,404,251	8.9%
2000	\$274,949	19.8%	\$565,835	15.3%	\$9,749,103	12.6%
2001	\$276,634	20.4%	\$570,313	16.0%	\$9,836,576	13.5%
2002	\$274,997	19.8%	\$568,750	15.8%	\$9,981,850	14.9%
2003	\$280,881	21.9%	\$579,651	17.7%	\$10,225,679	17.4%
2004	\$289,295	24.9%	\$602,292	21.6%	\$10,608,934	21.1%
2005	\$292,225	25.9%	\$611,440	23.1%	\$10,923,951	24.1%
2006	\$300,753	28.9%	\$627,027	25.7%	\$11,291,375	27.5%

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2007  
Next release date: October 2008.

**Gross Domestic Product - Cumulative Percent Change  
1997-2006**  
(chained 2000 dollars)



Source: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2007  
Next release date: October 2008.

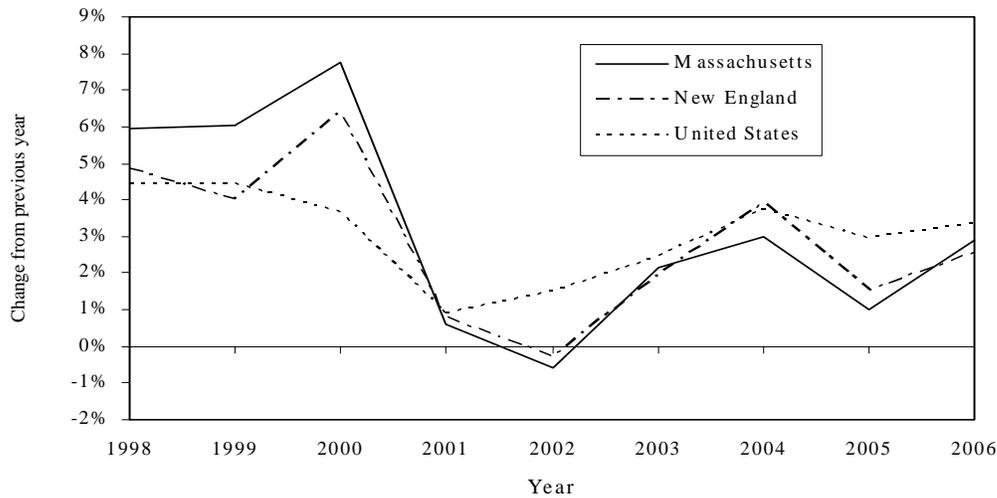
The table below indicates the Gross Domestic Product for Massachusetts, the New England states, and the United States. The United States figure is the sum of the fifty states.

**Gross Domestic Product - Annual Change, 1997-2006**  
(millions of chained 2000 dollars)

Year	Massachusetts		New England		United States	
	GDP	Annual change	GDP	Annual change	GDP	Annual change
1997	\$227,074		\$487,671		\$8,620,955	
1998	\$240,617	6.0%	\$511,374	4.9%	\$9,004,670	4.5%
1999	\$255,189	6.1%	\$531,902	4.0%	\$9,404,251	4.4%
2000	\$274,949	7.7%	\$565,835	6.4%	\$9,749,103	3.7%
2001	\$276,634	0.6%	\$570,313	0.8%	\$9,836,576	0.9%
2002	\$274,997	-0.6%	\$568,750	-0.3%	\$9,981,850	1.5%
2003	\$280,881	2.1%	\$579,651	1.9%	\$10,225,679	2.4%
2004	\$289,295	3.0%	\$602,292	3.9%	\$10,608,934	3.7%
2005	\$292,225	1.0%	\$611,440	1.5%	\$10,923,951	3.0%
2006	\$300,753	2.9%	\$627,027	2.5%	\$11,291,375	3.4%

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2007  
Next release date: October 2008.

**Gross Domestic Product - Annual Percent Change, 1997-2006**  
(chained 2000 dollars)



U.S. Department of Commerce, Bureau of Economic Analysis. Revised October 2006

The commercial base of Massachusetts is anchored by the twenty 2007 Fortune 1000 companies (ten of which are Fortune 500) headquartered in Massachusetts. Exiting the Massachusetts 2006 Fortune 1000 list were PerkinElmer (897th) and Boston Properties (990th). Global Partners, an energy company, joined the Fortune 500 (491st). When comparing the 2007 Fortune 1000 to 2006's, seventeen Massachusetts companies gained and only three lost rank. Perini, the Framingham based construction services firm and Fortune 1000 member, climbed 236 places on the list (from 884th to 648th); the largest leap for a Massachusetts company.

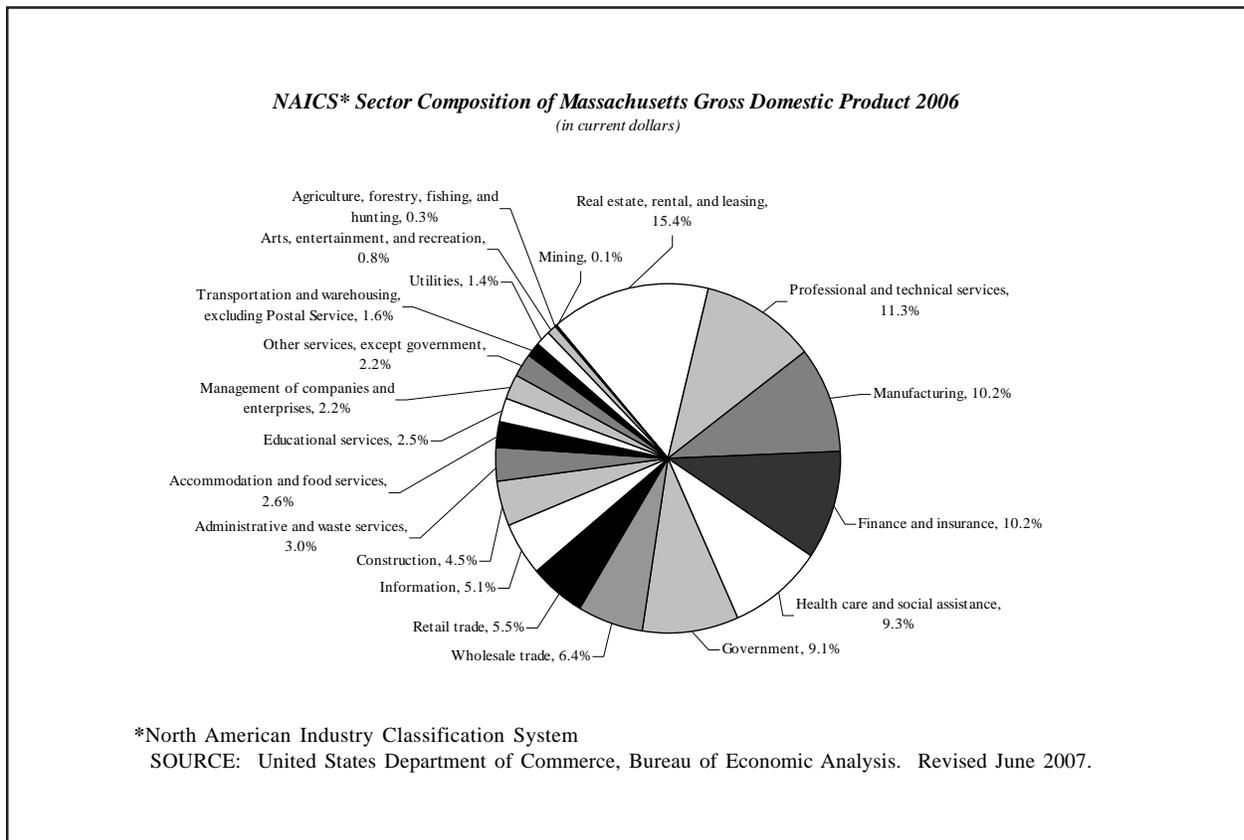
**Massachusetts Companies in the 2007 Fortune 500 and 1000 Lists**

Rank		Company	Industry	2006 revenues (millions)
2007	2006			
90	92	Mass. Mutual Life Ins. (Springfield)	Insurance: Life, Health (mutual)	\$24,863
95	102	Liberty Mutual Ins. Group (Boston)	Insurance: P & C (stock)	\$23,520
96	97	Raytheon (Waltham)	Aerospace and Defense	\$23,274
126	137	Staples (Framingham)	Specialty Retailers	\$18,161
133	138	TJX (Framingham)	Specialty Retailers	\$17,516
224	249	EMC (Hopkinton)	Computer Peripherals	\$11,155
263	307	State St. Corp. (Boston)	Commercial Banks	\$9,525
287	288	BJ's Wholesale Club (Natick)	Specialty Retailers	\$8,524
308	346	Boston Scientific (Natick)	Medical Products & Equipment	\$7,821
491		Global Partners (Waltham)	Energy	\$4,472
549	658	Thermo Fisher Scientific (Waltham)	Scientific, Photo, Control Equipment	\$3,792
569	574	NSTAR (Boston)	Utilities: Gas & Electric	\$3,578
620	643	Genzyme (Cambridge)	Pharmaceuticals	\$3,187
648	884	Perini (Framingham)	Engineering, Construction	\$3,043
698	706	Biogen Idec (Cambridge)	Pharmaceuticals	\$2,683
710	622	Hanover Insurance Group (Worcester)	Insurance: P & C (stock)	\$2,644
728	712	Analog Devices (Norwood)	Semiconductors and Other Electronic Components	\$2,573
732	772	Cabot (Boston)	Chemicals	\$2,543
780	783	Iron Mountain (Boston)	Diversified Outsourcing	\$2,350
873	837	Commerce Group (Webster)	Insurance: P & C (stock)	\$1,950

SOURCE: *Fortune*, April 30, 2007

## ECONOMIC BASE AND PERFORMANCE - SECTOR DETAIL (NAICS BASIS)

The Massachusetts economy remains diversified among several industrial and non-industrial sectors. The four largest sectors of the economy (real estate and rental and leasing, professional and technical services, manufacturing, and finance and insurance, on the 2002 NAICS basis) contributed 47.2 percent of the GDP in 2006. The following pie chart displays the latest sector contributions to the Massachusetts GDP.



**GDP subsectors.** When measured in chained 2000 dollars, the cumulative change in Massachusetts total GDP was 5.6 percent between 2001 and 2005. Between 2001 and 2005 (the latest data available for subsector data), several industries grew much faster than the state average. Industry subsectors that experienced substantial cumulative growth or reduction are listed in the following chart.

**Industry Subsectors with a Substantial Growth or Reduction**  
(chained 2000 dollars)

NAICS* Industry Subsector	Cumulative percent change 2001-2005
Motor vehicle, body, trailer, and parts manufacturing	103.4%
Computer and electronic product manufacturing	54.9%
Chemical manufacturing	22.1%
Wood product manufacturing	20.1%
Apparel manufacturing	-19.6%
Textile and textile product mills	-19.7%
Miscellaneous manufacturing	-23.1%
Primary metal manufacturing	-25.6%

\*North American Industry Classification System.  
SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2007.

**Gross Domestic Product by Industry in Massachusetts, 1999-2006**  
(millions of chained 2000 dollars)

<b>NAICS* Industry Sector</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Gross Domestic Product by State	\$255,189	\$274,949	\$276,634	\$274,997	\$280,881	\$289,295	\$292,225	\$300,753
Private industries	231,945	251,645	253,140	251,272	257,997	266,675	269,593	278,071
Agriculture, forestry, fishing, and hunting	469	540	587	668	701	744	793	807
Mining	109	124	141	139	142	145	126	112
Utilities	3,218	3,453	3,162	3,137	3,486	3,594	3,607	3,663
Construction	10,995	11,159	11,850	11,412	10,544	10,611	10,548	10,193
Manufacturing	30,126	37,204	35,011	35,376	38,071	37,103	37,761	39,957
Wholesale trade	17,749	16,173	17,819	17,214	17,959	17,769	16,851	17,901
Retail trade	13,650	14,519	15,713	15,997	16,644	16,998	17,467	17,423
Transportation and warehousing, excluding Postal Service	4,766	5,172	5,063	4,915	4,835	4,907	4,975	4,946
Information	12,083	13,017	13,710	13,676	13,936	15,429	17,238	18,357
Finance and insurance	26,693	29,915	29,890	29,781	30,529	32,482	29,900	30,432
Real estate, rental, and leasing	34,129	35,587	37,683	37,379	37,952	39,671	40,170	42,027
Professional and technical services	24,648	28,560	28,572	27,397	27,486	30,504	32,421	33,876
Management of companies and enterprises	6,870	7,506	6,152	5,673	5,778	5,846	6,160	6,041
Administrative and waste services	8,252	8,382	7,400	7,042	7,459	7,502	7,802	8,108
Educational services	5,591	5,915	5,851	5,978	6,003	6,087	6,017	5,993
Health care and social assistance	19,496	20,363	20,484	21,179	22,241	22,722	23,608	24,569
Arts, entertainment, and recreation	1,906	1,911	2,023	2,152	2,244	2,245	2,221	2,159
Accommodation and food services	6,251	6,594	6,510	6,556	6,734	6,931	6,898	6,995
Other services, except government	5,307	5,549	5,477	5,570	5,596	5,511	5,438	5,454
Government	23,272	23,304	23,493	23,710	22,960	22,791	22,830	22,966

\* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

**Cumulative Percent Change in GDP by Industry in Massachusetts, 1999-2006**  
(millions of chained 2000 dollars)

<b>NAICS* Industry Sector</b>	<b>1999 to</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Gross Domestic Product by State		7.7%	8.4%	7.8%	9.9%	12.9%	13.9%	16.8%
Private industries		8.5%	9.1%	8.3%	11.0%	14.4%	15.5%	18.6%
Agriculture, forestry, fishing, and hunting		15.1%	23.8%	37.6%	42.6%	48.7%	55.3%	57.1%
Mining		13.8%	27.5%	26.1%	28.2%	30.3%	17.2%	6.1%
Utilities		7.3%	-1.1%	-1.9%	9.2%	12.3%	12.7%	14.2%
Construction		1.5%	7.7%	4.0%	-3.6%	-3.0%	-3.6%	-6.9%
Manufacturing		23.5%	17.6%	18.6%	26.3%	23.7%	25.5%	31.3%
Wholesale trade		-8.9%	1.3%	-2.1%	2.2%	1.2%	-4.0%	2.2%
Retail trade		6.4%	14.6%	16.4%	20.4%	22.6%	25.3%	25.1%
Transportation and warehousing, excluding Postal Service		8.5%	6.4%	3.5%	1.9%	3.3%	4.7%	4.2%
Information		7.7%	13.1%	12.8%	14.7%	25.4%	37.1%	43.6%
Finance and insurance		12.1%	12.0%	11.6%	14.1%	20.5%	12.6%	14.4%
Real estate, rental, and leasing		4.3%	10.2%	9.4%	10.9%	15.4%	16.7%	21.3%
Professional and technical services		15.9%	15.9%	11.8%	12.1%	23.1%	29.4%	33.9%
Management of companies and enterprises		9.3%	-8.8%	-16.6%	-14.7%	-13.5%	-8.2%	-10.1%
Administrative and waste services		1.6%	-10.1%	-15.0%	-9.1%	-8.5%	-4.5%	-0.6%
Educational services		5.8%	4.7%	6.9%	7.3%	8.7%	7.6%	7.2%
Health care and social assistance		4.4%	5.0%	8.4%	13.4%	15.6%	19.5%	23.6%
Arts, entertainment, and recreation		0.3%	6.1%	12.5%	16.8%	16.8%	15.8%	13.0%
Accommodation and food services		5.5%	4.2%	4.9%	7.6%	10.6%	10.1%	11.5%
Other services, except government		4.6%	3.3%	5.0%	5.4%	3.9%	2.6%	2.9%
Government		0.1%	0.9%	1.9%	-1.3%	-2.0%	-1.9%	-1.3%

\* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

**Gross Domestic Product by Industry in Massachusetts, 1999-2006**  
(as a percent of total GDP chained 2000 dollars)

<b>NAICS* Industry Sector</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Gross Domestic Product by State	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private industries	90.9%	91.5%	91.5%	91.4%	91.9%	92.2%	92.3%	92.5%
Agriculture, forestry, fishing, and hunting	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%
Mining	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%
Utilities	1.3%	1.3%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%
Construction	4.3%	4.1%	4.3%	4.1%	3.8%	3.7%	3.6%	3.4%
Manufacturing	11.8%	13.5%	12.7%	12.9%	13.6%	12.8%	12.9%	13.3%
Wholesale trade	7.0%	5.9%	6.4%	6.3%	6.4%	6.1%	5.8%	6.0%
Retail trade	5.3%	5.3%	5.7%	5.8%	5.9%	5.9%	6.0%	5.8%
Transportation and warehousing, excluding Postal Service	1.9%	1.9%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%
Information	4.7%	4.7%	5.0%	5.0%	5.0%	5.3%	5.9%	6.1%
Finance and insurance	10.5%	10.9%	10.8%	10.8%	10.9%	11.2%	10.2%	10.1%
Real estate, rental, and leasing	13.4%	12.9%	13.6%	13.6%	13.5%	13.7%	13.7%	14.0%
Professional and technical services	9.7%	10.4%	10.3%	10.0%	9.8%	10.5%	11.1%	11.3%
Management of companies and enterprises	2.7%	2.7%	2.2%	2.1%	2.1%	2.0%	2.1%	2.0%
Administrative and waste services	3.2%	3.0%	2.7%	2.6%	2.7%	2.6%	2.7%	2.7%
Educational services	2.2%	2.2%	2.1%	2.2%	2.1%	2.1%	2.1%	2.0%
Health care and social assistance	7.6%	7.4%	7.4%	7.7%	7.9%	7.9%	8.1%	8.2%
Arts, entertainment, and recreation	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.7%
Accommodation and food services	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.3%
Other services, except government	2.1%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.8%
Government	9.1%	8.5%	8.5%	8.6%	8.2%	7.9%	7.8%	7.6%

\* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

**Rank of Industry Contribution to GDP in Massachusetts, 1999-2006**  
(millions of chained 2000 dollars)

<b>NAICS* Industry Sector</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Gross Domestic Product by State								
Private industries								
Agriculture, forestry, fishing, and hunting	19	19	19	19	19	19	19	19
Mining	20	20	20	20	20	20	20	20
Utilities	17	17	17	17	17	17	17	17
Construction	10	10	10	10	10	10	10	10
Manufacturing	2	1	2	2	1	2	2	2
Wholesale trade	7	7	7	7	7	7	9	8
Retail trade	8	8	8	8	8	8	7	9
Transportation and warehousing, excluding Postal Service	16	16	16	16	16	16	16	16
Information	9	9	9	9	9	9	8	7
Finance and insurance	3	3	3	3	3	3	4	4
Real estate, rental, and leasing	1	2	1	1	2	1	1	1
Professional and technical services	4	4	4	4	4	4	3	3
Management of companies and enterprises	12	12	13	14	14	14	13	13
Administrative and waste services	11	11	11	11	11	11	11	11
Educational services	14	14	14	13	13	13	14	14
Health care and social assistance	6	6	6	6	6	6	5	5
Arts, entertainment, and recreation	18	18	18	18	18	18	18	18
Accommodation and food services	13	13	12	12	12	12	12	12
Other services, except government	15	15	15	15	15	15	15	15
Government	5	5	5	5	5	5	6	6

\* North American Industry Classification System

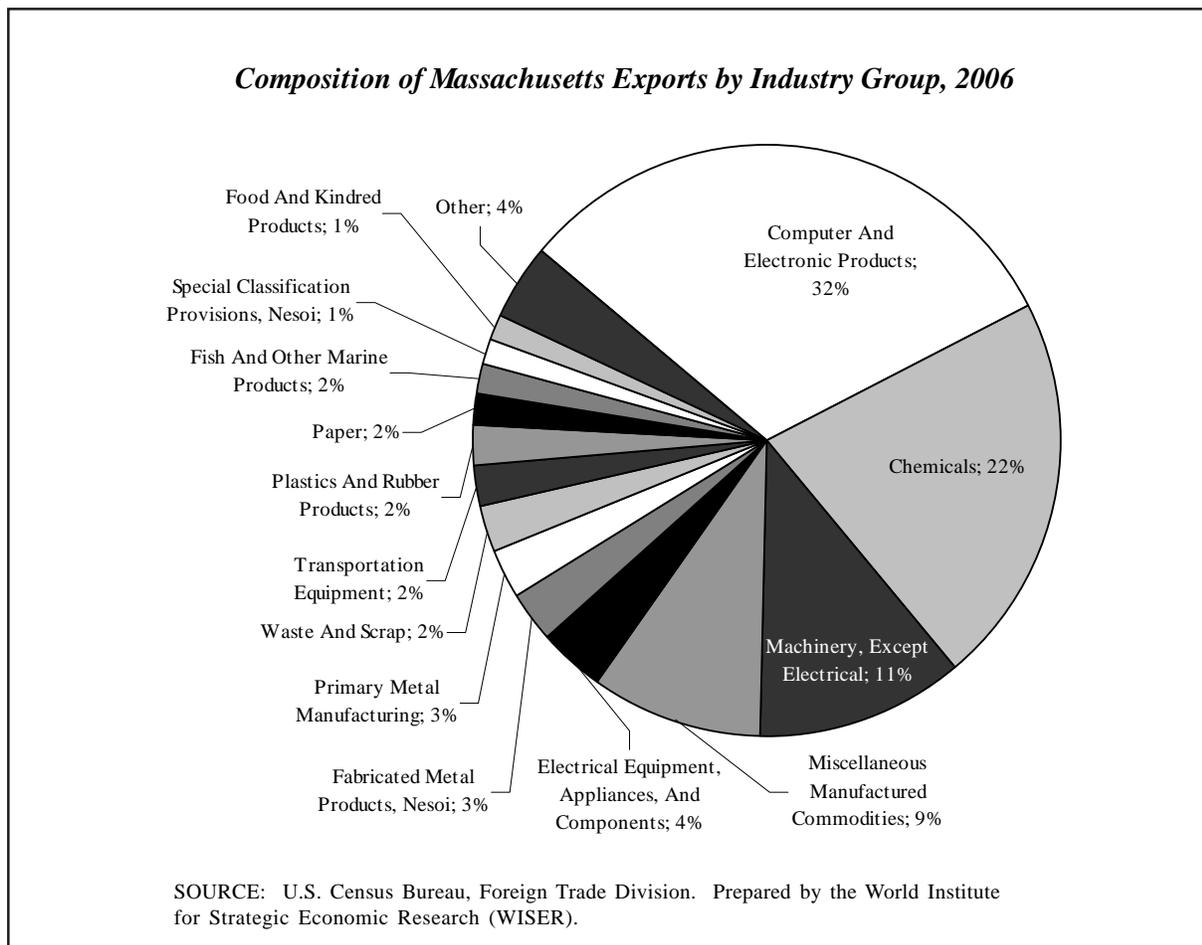
SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

**GDP Overview.** Between 1999 and 2006, the portion of the total GDP in chained 2000 dollars, from the private industry sector increased 1.6 percent and it decreased 1.5 percent in the government sector. Contributions by each industry to total GDP have remained steady for most sectors. The exceptions were professional and technical services, up 1.6 percent, manufacturing, up 1.5 percent and information, up 1.4 percent. When the 1999 to 2006 industry contributions to total annual GDP are ranked according to their dollar value, the top five have remained fairly constant. In 2006 they were real estate, rental and leasing, manufacturing, professional and technical services, finance and insurance, and health care and social assistance.

**Trade and International Trade.** Massachusetts ranked 12th in the United States, and first in New England, with \$24.05 billion in international exports in 2006. This represents a 9.1 percent increase from the previous year's exports from the Commonwealth, while national exports increased by 14.7 percent in the same period. Through July 2007, Massachusetts's exports totaled \$14.5 billion, an increase of 6.9 percent compared with exports in the first seven months of 2006. National exports were up 11.1 percent and New England, 5.7 percent during the same period. It is not possible to provide balance of trade comparisons for Massachusetts because import data are not compiled on a state-by-state basis.

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Massachusetts' three most important exports account for 65 percent of all exports as shown in the following chart, are computer and electronic products, chemical products, and non-electrical machinery. These categories reflect the adoption of the NAICS classification system, which groups computers with electronic products, rather than with machinery.



### **Value of International Shipments from Massachusetts, 1998-2006**

*(top ten industry groups ranked by value of 2006 exports, in millions)*

<b>Major Industry Group</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Computer And Electronic Products	\$7,458	\$8,056	\$10,215	\$8,122	\$7,024	\$7,688	\$7,475	\$7,004	\$7,520
Chemicals	\$1,223	\$1,357	\$1,600	\$1,534	\$2,267	\$3,216	\$4,907	\$5,284	\$5,188
Machinery, Except Electrical	\$1,694	\$1,705	\$2,545	\$2,044	\$1,786	\$1,668	\$2,456	\$2,315	\$2,736
Miscellaneous Manufactured Commodities	\$835	\$925	\$1,053	\$1,213	\$1,210	\$1,571	\$1,927	\$2,111	\$2,240
Electrical Equipment, Appliances, And Component	\$596	\$720	\$834	\$691	\$649	\$592	\$752	\$815	\$872
Fabricated Metal Products, Nesoi	\$597	\$601	\$649	\$569	\$692	\$539	\$621	\$664	\$679
Primary Metal Manufacturing	\$335	\$283	\$358	\$272	\$248	\$425	\$423	\$405	\$647
Waste And Scrap	\$104	\$75	\$106	\$146	\$183	\$190	\$322	\$328	\$597
Transportation Equipment	\$637	\$698	\$659	\$449	\$346	\$383	\$453	\$481	\$547
Plastics And Rubber Products	\$357	\$389	\$374	\$400	\$406	\$375	\$404	\$469	\$530
<b>Total Exports, Top Massachusetts Industries</b>	<b>\$13,836</b>	<b>\$14,809</b>	<b>\$18,393</b>	<b>\$15,438</b>	<b>\$14,812</b>	<b>\$16,648</b>	<b>\$19,739</b>	<b>\$19,877</b>	<b>\$21,556</b>
<b>Total Massachusetts Exports</b>	<b>\$15,878</b>	<b>\$16,805</b>	<b>\$20,514</b>	<b>\$17,490</b>	<b>\$16,708</b>	<b>\$18,663</b>	<b>\$21,837</b>	<b>\$22,043</b>	<b>\$24,047</b>
<b>Percent Change from Prior Year</b>	<b>-3.9%</b>	<b>5.8%</b>	<b>22.1%</b>	<b>-14.7%</b>	<b>-4.5%</b>	<b>11.7%</b>	<b>17.0%</b>	<b>0.9%</b>	<b>9.1%</b>

SOURCE: World Institute for Strategic Economic Research (WISER). These figures reflect the changeover in export statistics reporting to the NAICS system from the SIC system. Categories and state totals are not comparable between systems. Pre-1997 data is not available.

**Transportation and Warehousing, and Utilities.** Between 1999 and 2006, the combined real gross domestic product of the transportation and warehousing and utilities sector increased 7.8 percent when measured with year 2000 chained dollars. These combined sectors contributed 2.8 percent to the total Massachusetts Real Domestic Product in 2006; 0.4 percent less than it did in 1999.

Massachusetts's major air and seaports are managed by the Massachusetts Port Authority (Massport), an independent public authority. Massport reported fiscal 2006 operating income of \$43.8 million, up 9.8 percent from fiscal 2005, operating revenues up 8.0 percent, \$497.6 million in 2006 versus \$460.6 million in 2005 and operating costs up 7.9 percent, \$453.8 million in 2006 versus \$420.6 million in 2005.

According to Massport, as of December 31, 2006, airline service at the Airport, both scheduled and non-scheduled, was provided by 77 airlines, including six U.S. major air carrier airlines, 31 other domestic carriers, 24 non-U.S. flag ("foreign flag") carriers and 16 regional and commuter airlines ("regional airlines"). Based on total passenger volume in calendar year 2006 data, Logan Airport was the most active airport in New England and remained the 19th most active in the U.S. according to the Federal Aviation Authority. Massport reported that in 2006, Logan flights and passenger counts were down 0.7 and up 2.4 percent respectively compared to 2005. Massport also reported that as of August, year-to-date 2007, total airport flight operations were down slightly, -0.1 percent and total airport passengers were up 2.4 percent from the same period in 2006.

As of June 30, 2006, Logan was served by 11 all-cargo and small package/express carriers. According to the FAA, Logan Airport ranked 26th in the nation in total air cargo volume in calendar year 2006. In 2006, the airport handled 1.10 billion pounds of cargo, a 4.2 percent decrease from 2005. Massport reported that as of August, year-to-date 2007, the combined cargo and mail volume was down 6.9 percent from the same period in 2006. Please refer to the Aviation Activity charts on the following page.

At Massport's Port of Boston properties, 2006 total cargo throughput was 15.3 million metric tons, a 6 percent decrease from 2005. Automobile processing increased 11 percent to 12,149 units, and cruise passenger trips decreased 11 percent to 208,883. Total containerized cargo increased 7 percent to 1.6 million short tons. Massport reported that between September 2006 and August 2007, total containerized cargo was up 10.2 percent, 7.8 less automobiles were processed and 13.4 less cruise passengers used their facilities compared to the same period the previous year. The Army Corps of Engineers reported Massachusetts total waterborne cargo shipped or received in 2005, decreased 9.4 percent to 28.8 million short tons, from 2004. Waterborne cargo in New England and the U.S. decreased 1.9 and 1.0 percent respectively. Please refer to the Waterborne Tonnage by State charts on the following page.

### *Aviation Activity for Massachusetts Primary Airports*

<i>Passenger Boardings</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
General Edward Lawrence Logan International	13,613,507	11,739,553	11,077,238	11,087,799	12,758,020	13,214,923	13,544,552
Nantucket Memorial	296,451	272,460	253,422	229,300	243,313	252,757	255,504
Barnstable Municipal-Boardman/Polando Field	205,906	197,106	180,807	158,360	167,522	177,761	185,528
Worcester Regional	52,916	79,653	37,298	2,234	1,274	2,086	14,823
Laurence G Hanscom Field	82,204	71,381	40,419	19,375	17,049	13,887	14,560
Martha's Vineyard	71,150	65,374	59,500	53,011	49,480	48,977	45,881
New Bedford Regional	22,882	21,786	21,667	21,097	19,686	17,960	15,211
Provincetown Municipal	15,694	12,986	10,533	11,801	11,424	10,236	11,375
<b>Total</b>	<b>14,360,710</b>	<b>12,460,299</b>	<b>11,680,884</b>	<b>11,582,977</b>	<b>13,267,768</b>	<b>13,738,537</b>	<b>14,087,434</b>

<i>Cargo - Gross Landed Weight (lbs.)</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
General Edward Lawrence Logan International	1,405,482,600	1,301,842,100	1,272,185,900	1,199,383,800	1,172,103,700	1,148,881,400	1,100,485,850

### *Change in Aviation Activity at Massachusetts Primary Airports*

<i>Passenger Boardings</i>	<i>2000-2001</i>	<i>2001-2002</i>	<i>2002-2003</i>	<i>2003-2004</i>	<i>2004-2005</i>	<i>2005-2006</i>
General Edward Lawrence Logan International	-13.8%	-5.6%	0.1%	15.1%	3.6%	2.5%
Nantucket Memorial	-8.1%	-7.0%	-9.5%	6.1%	3.9%	1.1%
Barnstable Municipal-Boardman/Polando Field	-4.3%	-8.3%	-12.4%	5.8%	6.1%	4.4%
Worcester Regional	50.5%	-53.2%	-94.0%	-43.0%	59.8%	628.0%
Laurence G Hanscom Field	-13.2%	-43.4%	-52.1%	-12.0%	-18.5%	4.8%
Martha's Vineyard	-8.1%	-9.0%	-10.9%	-6.7%	-1.0%	-6.3%
New Bedford Regional	-4.8%	-0.5%	-2.6%	-6.7%	-8.8%	-15.3%
Provincetown Municipal	-17.3%	-18.9%	12.0%	-3.2%	-10.4%	11.1%
<b>Total</b>	<b>-13.2%</b>	<b>-6.3%</b>	<b>-0.8%</b>	<b>14.5%</b>	<b>3.5%</b>	<b>2.5%</b>

<i>Cargo</i>	<i>2000-2001</i>	<i>2001-2002</i>	<i>2002-2003</i>	<i>2003-2004</i>	<i>2004-2005</i>	<i>2005-2006</i>
General Edward Lawrence Logan International	-7.4%	-2.3%	-5.7%	-2.3%	-2.0%	-4.2%

SOURCE: Federal Aviation Administration Oct 2007.

### *Waterborne Tonnage by State (In Units of 1000 Tons)*

<i>State</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
U.S. total	2,424,596	2,386,558	2,340,292	2,394,199	2,551,939	2,527,622
Maine	31,769	30,586	29,140	31,698	32,447	32,353
Massachusetts	26,973	26,446	26,117	30,655	31,787	28,812
Connecticut	18,959	18,267	17,610	18,579	20,075	19,617
Rhode Island	9,089	9,170	8,437	9,417	9,764	10,972
New Hampshire	4,462	4,447	4,108	4,971	4,795	5,254
Vermont	0	0	0	0	0	0
New England	91,252	88,916	85,412	95,320	98,868	97,008

### *Waterborne Tonnage by State - Percent Change from Previous Year*

<i>State</i>	<i>2000-2001</i>	<i>2001-2002</i>	<i>2002-2003</i>	<i>2003-2004</i>	<i>2004-2005</i>
U.S. total	-1.6%	-1.9%	2.3%	6.6%	-1.0%
Maine	-3.7%	-4.7%	8.8%	2.4%	-0.3%
Massachusetts	-2.0%	-1.2%	17.4%	3.7%	-9.4%
Connecticut	-3.6%	-3.6%	5.5%	8.1%	-2.3%
Rhode Island	0.9%	-8.0%	11.6%	3.7%	12.4%
New Hampshire	-0.3%	-7.6%	21.0%	-3.5%	9.6%
Vermont	-	-	-	-	-
New England	-2.6%	-3.9%	11.6%	3.7%	-1.9%

SOURCE: Army Corps of Engineers, Waterborne Commerce Statistics Center (WCSC).

**Construction and Housing.** In 2006, construction activity contributed 3.4 percent to the total Massachusetts Gross Domestic Product (GDP) when measured in 2000 chained dollars. The construction sector contributed 4.3 percent to state GDP in 1999. Overall loss between 1999 and 2006 was 6.9 percent in real dollars.

### *Housing Permits Authorized, 1969-2006*

<i>Year</i>	<i>Massachusetts</i>		<i>New England</i>		<i>United States</i>	
	<i>Total Permits</i>	<i>Percent Change</i>	<i>Total Permits</i>	<i>Percent Change</i>	<i>Total Permits</i>	<i>Percent Change</i>
<b>1969</b>	33,572		70,539		1,330,161	
<b>1970</b>	38,330	14.2%	74,068	5.0%	1,354,746	1.8%
<b>1975</b>	17,697	-27.5%	41,645	-21.0%	934,511	-12.4%
<b>1980</b>	16,055	-20.4%	40,195	-25.1%	1,171,763	-23.6%
<b>1981</b>	15,599	-2.8%	38,067	-5.3%	985,600	-15.9%
<b>1982</b>	15,958	2.3%	39,470	3.7%	1,000,500	1.5%
<b>1983</b>	22,950	43.8%	57,567	45.9%	1,605,221	60.4%
<b>1984</b>	28,471	24.1%	72,356	25.7%	1,689,667	5.3%
<b>1985</b>	39,360	38.2%	96,832	33.8%	1,732,335	2.5%
<b>1986</b>	43,877	11.5%	108,272	11.8%	1,771,832	2.3%
<b>1987</b>	40,018	-8.8%	101,222	-6.5%	1,542,499	-12.9%
<b>1988</b>	31,766	-20.6%	82,123	-18.9%	1,450,583	-6.0%
<b>1989</b>	21,634	-31.9%	53,543	-34.8%	1,345,084	-7.3%
<b>1990</b>	15,276	-29.4%	36,811	-31.2%	1,125,583	-16.3%
<b>1991</b>	12,624	-17.4%	31,111	-15.5%	953,834	-15.3%
<b>1992</b>	16,346	29.5%	36,876	18.5%	1,105,083	15.9%
<b>1993</b>	17,715	8.4%	39,225	6.4%	1,210,000	9.5%
<b>1994</b>	18,302	3.3%	40,459	3.1%	1,366,916	13.0%
<b>1995</b>	15,946	-12.9%	37,357	-7.7%	1,335,835	-2.3%
<b>1996</b>	17,360	8.9%	40,425	8.2%	1,419,083	6.2%
<b>1997</b>	17,554	1.1%	42,047	4.0%	1,442,251	1.6%
<b>1998</b>	18,958	8.0%	47,342	12.6%	1,619,500	12.3%
<b>1999</b>	18,967	0.0%	47,632	0.6%	1,663,533	2.7%
<b>2000</b>	18,000	-5.1%	45,335	-4.8%	1,592,267	-4.3%
<b>2001</b>	17,034	-5.4%	44,594	-1.6%	1,636,676	2.8%
<b>2002</b>	17,465	2.5%	49,031	9.9%	1,747,678	6.8%
<b>2003</b>	20,257	16.0%	52,395	6.9%	1,889,214	8.1%
<b>2004</b>	22,477	11.0%	57,858	10.4%	2,070,077	9.6%
<b>2005</b>	24,549	9.2%	58,742	1.5%	2,155,316	4.1%
<b>2006</b>	19,580	-20.2%	46,782	-20.4%	1,838,903	-14.7%

SOURCES: Federal Reserve Bank of Boston; United States Department of Commerce.

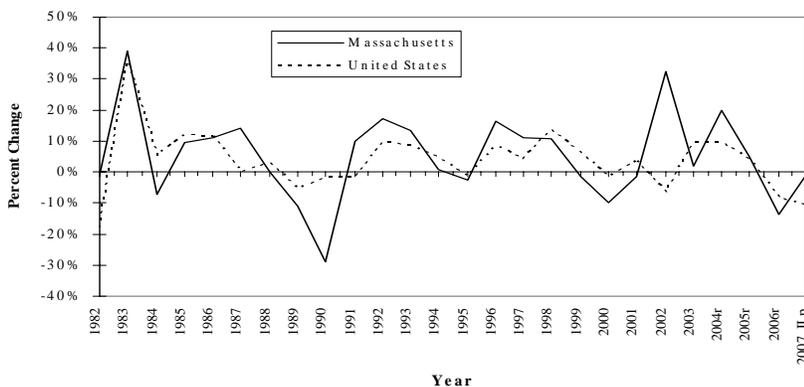
**Home Sales.** Sales of existing single-family homes for the Boston metropolitan area and the United States are presented in the following chart and graph. Seasonally adjusted rates are used in reporting quarterly data to factor out seasonal variations in resale activity.

**Existing Home Sales, 1981-2007 2nd Quarter**  
*(Quarterly rates are seasonally adjusted, rates in thousands)*

Year	Massachusetts		United States	
	Sales	% Change	Sales	% Change
1981	43.0		2,575.0	
1982	42.6	-0.8%	2,117.5	-17.8%
1983	59.2	39.0%	2,875.0	35.8%
1984	54.9	-7.3%	3,027.5	5.3%
1985	60.2	9.7%	3,382.5	11.7%
1986	67.0	11.3%	3,772.5	11.5%
1987	76.4	14.1%	3,767.5	-0.1%
1988	76.6	0.2%	3,882.5	3.1%
1989	68.2	-10.9%	3,672.0	-5.4%
1990	48.6	-28.8%	3,603.5	-1.9%
1991	53.4	10.0%	3,533.3	-1.9%
1992	62.5	17.0%	3,889.5	10.1%
1993	70.9	13.4%	4,220.3	8.5%
1994	71.4	0.7%	4,409.8	4.5%
1995	69.6	-2.6%	4,342.3	-1.5%
1996	81.2	16.6%	4,705.3	8.4%
1997	90.1	11.0%	4,908.8	4.3%
1998	99.9	10.8%	5,585.3	13.8%
1999	98.5	-1.3%	5,922.8	6.0%
2000	88.7	-10.0%	5,831.8	-1.5%
2001	87.5	-1.4%	6,026.3	3.3%
2002	115.9	32.5%	5,631.0	-6.6%
2003	118.3	2.1%	6,175.0	9.7%
2004r	141.7	19.8%	6,778.0	9.8%
2005r	148.6	4.9%	7,076.0	4.4%
2006r	128.1	-13.8%	6,478.0	-8.5%
2007. II p	133.6	-0.9% *	5,913.0	-10.8% *

SOURCES: National Association of Realtors. Federal Reserve Bank of Boston.  
 p= preliminary, \*=change from previous year's quarter, r=revised

**Percentage Change in Existing Home Sales**  
*(Massachusetts and the United States 1981-2007)*



SOURCES: National Association of Realtors. Federal Reserve Bank of Boston. r=revised.

**Median Home Prices.** Median sales price of existing single-family homes for the Boston metropolitan area and the United States are presented in the following chart and graph.

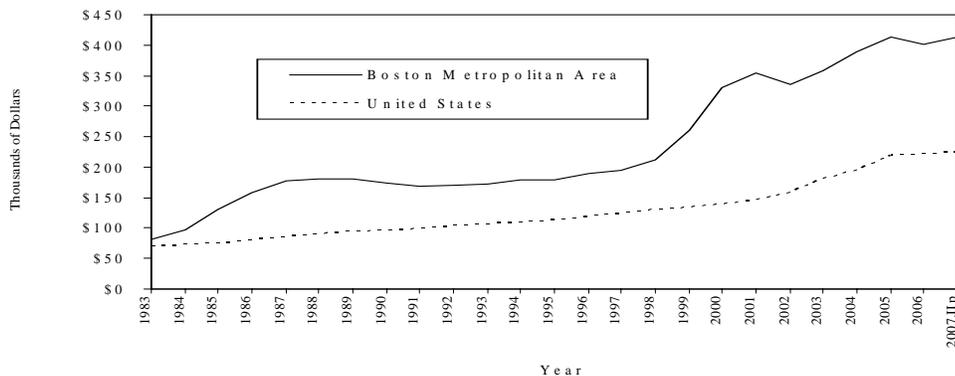
**Median Sales Price for Existing Single-Family Homes - 1983 to 2007 2nd Quarter**

*(Quarterly price not seasonally adjusted, price in thousands)*

Year	Boston Metropolitan Area	United States	Boston Prices as a Percent of the U.S.	Boston Annual Percent Change
1983	\$82	\$70	118.1%	
1984	\$98	\$72	135.4%	19.1%
1985	\$131	\$75	173.7%	33.5%
1986	\$158	\$80	197.3%	20.9%
1987	\$177	\$86	205.7%	11.6%
1988	\$181	\$90	201.9%	2.4%
1989	\$182	\$93	195.0%	0.4%
1990	\$174	\$95	182.6%	-4.2%
1991	\$169	\$99	169.5%	-3.0%
1992	\$171	\$104	164.6%	1.2%
1993	\$171	\$107	160.9%	0.5%
1994	\$179	\$109	164.7%	4.4%
1995	\$179	\$113	158.6%	-0.2%
1996	\$189	\$119	158.7%	5.7%
1997	\$195	\$124	157.1%	3.0%
1998	\$212	\$130	162.9%	8.9%
1999	\$261	\$133	196.2%	23.1%
2000	\$330	\$138	238.3%	26.4%
2001	\$355	\$146	242.4%	7.6%
2002	\$335	\$158	212.1%	-5.5%
2003	\$359	\$180	198.9%	6.9%
2004	\$390	\$195	199.6%	8.7%
2005	\$413	\$219	188.7%	6.0%
2006	\$402	\$222	181.3%	-2.7%
2007.II p	\$413	\$224	184.7%	-1.9%*

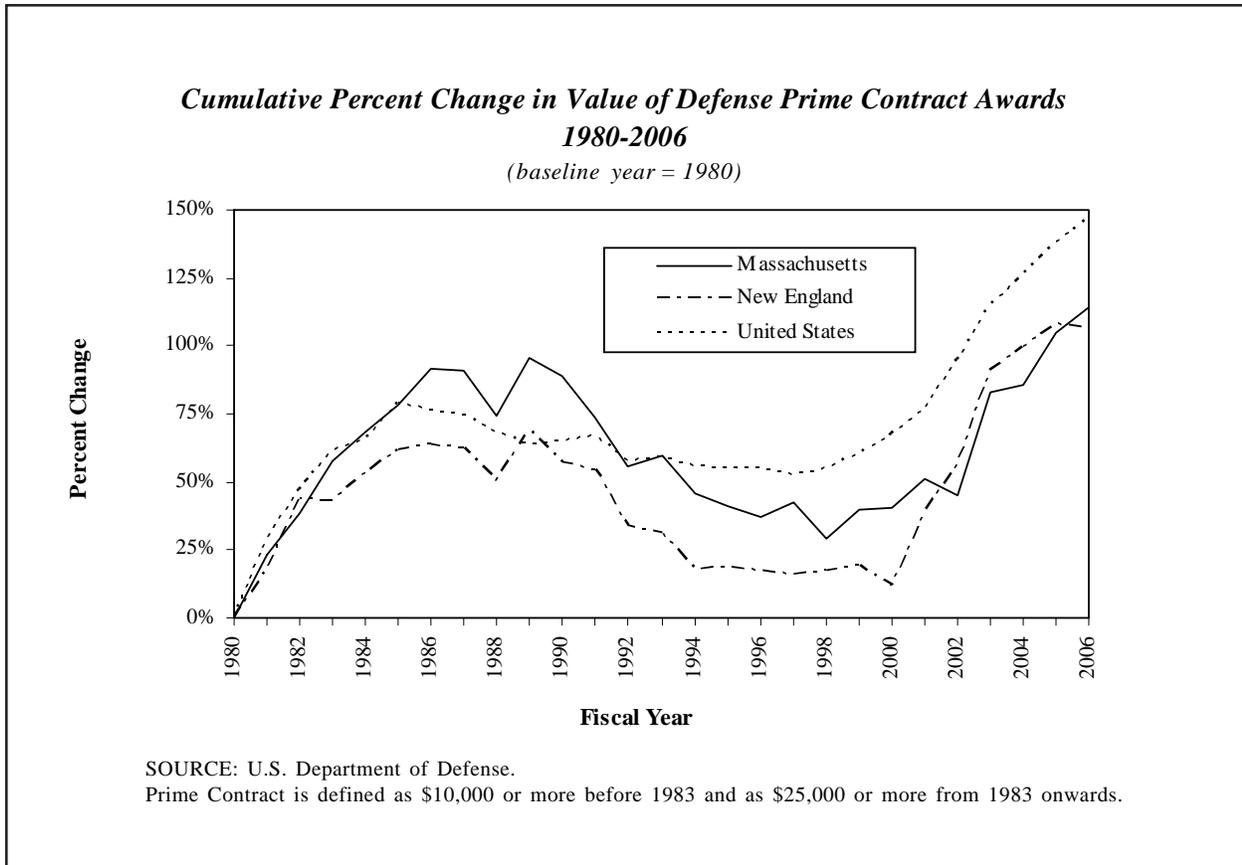
SOURCES: National Association of Realtors. Federal Reserve Bank of Boston.  
p= preliminary, \*=change from previous year's quarter, r=revised

**Median Sales Price, Existing Single-Family Homes (U.S. and Boston Metro, 1983-2006)**



SOURCES: Federal Reserve Bank of Boston; National Association of Realtors. p=preliminary  
Note: Boston-Cambridge-Quincy, MA-NH - Data from New Hampshire not available for 2004-2005.

**Defense Industry.** Massachusetts contract awards have increased every year since 1988 with the exception of 2002. The value of military prime contracts awarded to Massachusetts companies peaked in FY 2006 at \$9.1 billion and troughed in 1998 at \$4.3 billion. U.S. Navy contracts to Massachusetts companies increased by over a billion dollars in FY 2006. The chart below illustrates the yearly changes in the value of Massachusetts military prime contracts from 1980 to 2006.



From the early 1980 to 1993, the Commonwealth's share of total prime contract awards in the U.S. remained around 5 percent. In 2002, the Commonwealth's share of the national total reached its lowest point in over two decades, 3.1 percent, and has increased slightly to 3.5 percent in 2005. While Massachusetts' contract total has increased significantly in the past four years, its share of the U.S. total was only 3.5% in 2006. Massachusetts is the eighth largest recipient in defense spending.

The importance of the defense industry to the Massachusetts economy is reflected in table on the following page, which shows the value of Department of Defense prime contract awards between 1980 and 2006.

**Net Value of Department of Defense Prime Contract Awards Since 1980-2006**

(in millions)

<i>Fiscal Year</i>	<i>MA</i>	<i>N.E.</i>	<i>U.S.</i>	<i>Massachusetts' Share (as a Percent)</i>	
				<i>of New England</i>	<i>of U.S.</i>
<b>1980*</b>	\$3,743	\$8,775	\$68,070	42.7%	5.5%
<b>1981*</b>	4,605	10,372	87,761	44.4%	5.2%
<b>1982*</b>	5,317	13,037	103,858	40.8%	5.1%
<b>1983</b>	6,328	12,967	118,744	48.8%	5.3%
<b>1984</b>	7,029	14,249	123,995	49.3%	5.7%
<b>1985</b>	7,714	15,487	140,096	49.8%	5.5%
<b>1986</b>	8,735	15,748	136,026	55.5%	6.4%
<b>1987</b>	8,685	15,606	133,262	55.7%	6.5%
<b>1988</b>	7,212	13,673	125,767	52.7%	5.7%
<b>1989</b>	8,757	16,268	119,917	53.8%	7.3%
<b>1990</b>	8,166	14,271	121,254	57.2%	6.7%
<b>1991</b>	6,933	13,889	124,119	49.9%	5.6%
<b>1992</b>	5,686	11,033	112,285	51.5%	5.1%
<b>1993</b>	5,936	10,779	114,145	55.1%	5.2%
<b>1994</b>	5,106	9,329	110,316	54.7%	4.6%
<b>1995</b>	4,846	9,375	109,005	51.7%	4.4%
<b>1996</b>	4,675	9,237	109,408	50.6%	4.3%
<b>1997</b>	4,910	9,152	106,561	53.6%	4.6%
<b>1998</b>	4,245	9,284	109,386	45.7%	3.9%
<b>1999</b>	4,715	9,456	114,875	49.9%	4.1%
<b>2000</b>	4,737	8,745	123,295	54.2%	3.8%
<b>2001</b>	5,248	11,094	135,225	47.3%	3.9%
<b>2002</b>	4,929	13,029	158,737	37.8%	3.1%
<b>2003</b>	6,800	17,544	191,221	38.8%	3.6%
<b>2004</b>	6,961	19,062	212,740	36.5%	3.3%
<b>2005</b>	8,333	20,699	236,986	40.3%	3.5%
<b>2006</b>	9,077	20,243	257,456	44.8%	3.5%

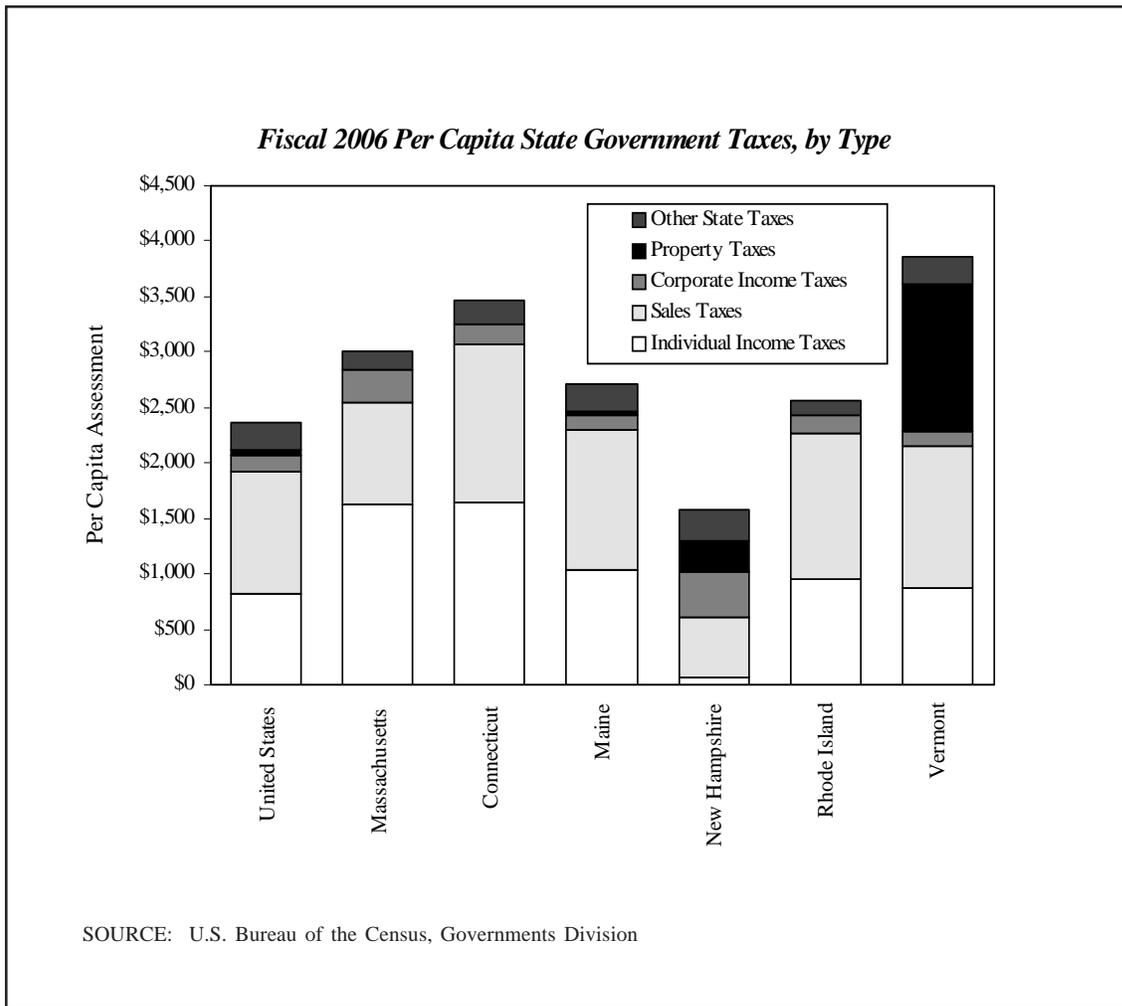
SOURCE: United States Department of Defense. \*Prime Contract is defined as \$10,000 and above for these years; beginning in 1983 it is defined as \$25,000 and above.

**Travel and Tourism.** The travel and tourism industry represents an important component of the overall Massachusetts economy. In 2005, the arts, entertainment, recreation and accommodations industries contributed 1.6 percent to Massachusetts total GDP. The Massachusetts Office of Travel and Tourism reported an annual increase of 4.8 percent in museum and attraction attendance in 2006. June 2007 year-to-date attendance, 5,227,108, is 0.9 percent more than the same period in 2006.

The Massachusetts Office of Travel and Tourism estimates that 23.3 million domestic travelers traveled to or within the Commonwealth in 2006, an increase of 3.3 percent from 2005. Additionally, 4.0 million international travelers visited Massachusetts in 2006, a decrease of 4.4 percent from 2005.

**State Taxes.** Per capita state taxes in Massachusetts are significantly higher, 27.7 percent, than the national average. In fiscal year 2006, the total per capita state tax bill in the United States was \$2,359. Citizens of the Commonwealth however, paid \$3,013 on average, the ninth highest (seventh last year) in the nation and an increase of 7.0 percent from the previous year's \$2,815. In New England, citizens in Connecticut and Vermont paid more per capita, and all New England states except New Hampshire (48th), ranked in the top fifth for per capita state tax collections.

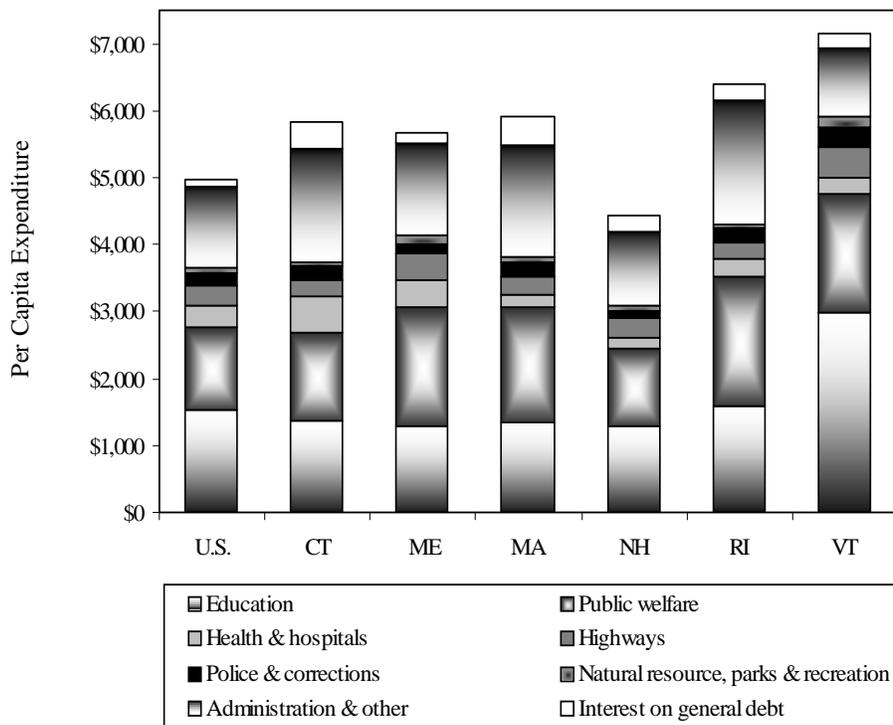
In fiscal year 2006, over half (54.1 percent) of the state taxes in Massachusetts came from the state income tax. Per capita individual income taxes in Massachusetts were \$1,629, up 7.5 percent from \$1,514 in fiscal year 2005. Also increasing in fiscal year 2006 were sales receipts, 2.1 percent and corporate net income, 38.7 percent. Other taxes (licenses, death and gift, and documentary and stock transfer) decreased 8.4 percent in Massachusetts on a per capita basis. Across the New England states, there is wide variation in both total per capita state taxes and in the breakdown of those taxes, as illustrated in the following chart.



**State Government Spending in Massachusetts.** The following chart depicts fiscal 2005 per capita state general expenditures by category for the six New England states and the U.S. average state expenditure. Massachusetts ranked 9th in the nation in per capita expenditures, \$5,911 in 2005 while it ranked 7th and spent more, \$5,994 in 2004. This represents a 1.4 percent decrease in per capita expenditures from 2004 to 2005.

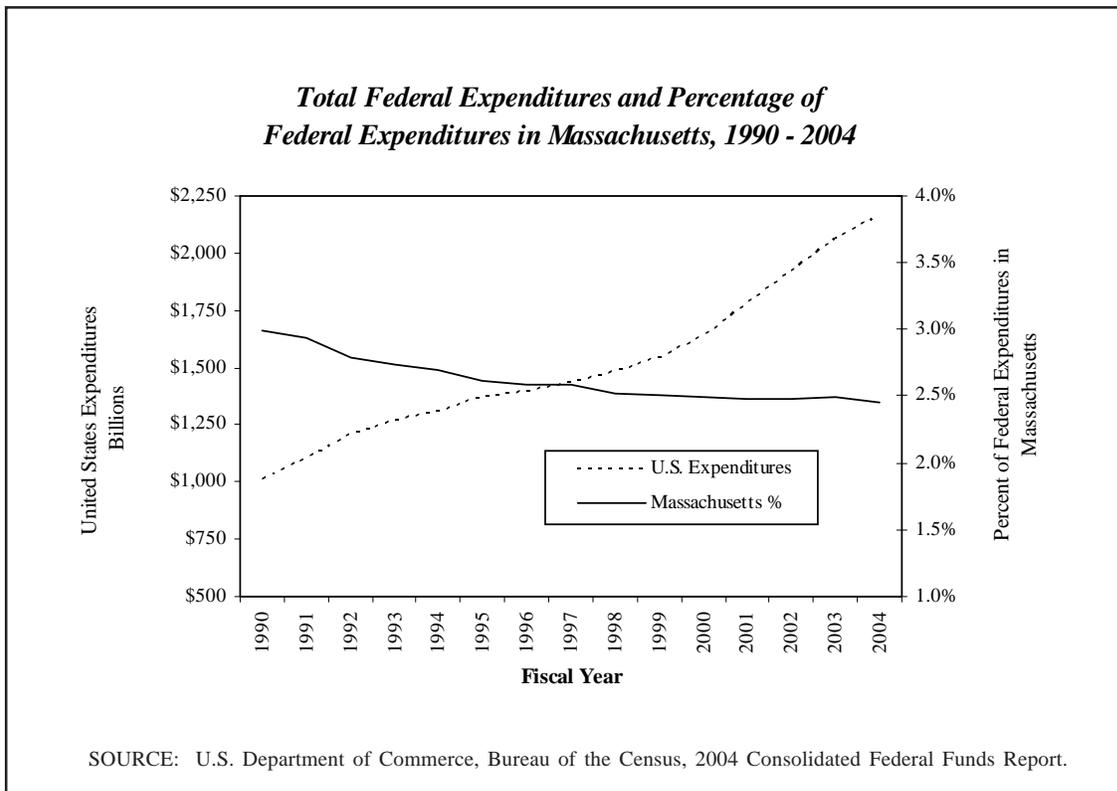
Massachusetts spent more state funds per capita on debt service, \$435 and parks, \$33 in 2005 than any of its New England neighbors. Massachusetts also spent 13.8 percent more on education, 41.4 percent less on highways and 15.6 percent less on natural resource, parks & recreation in 2005 than 2004.

*Fiscal 2005 Per Capita State Government General Expenditures, by Type*



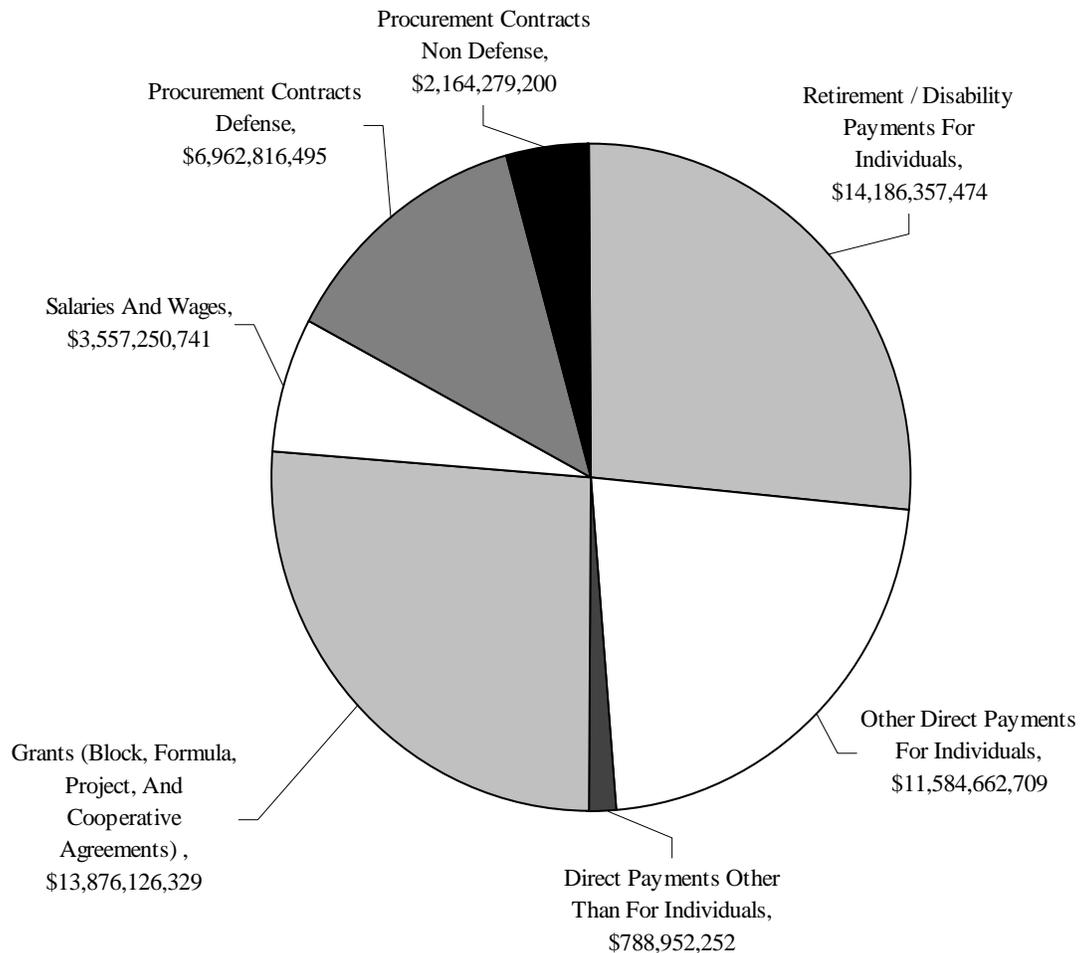
SOURCE: U.S. Census Bureau, Governments Division

**Federal Government Spending in Massachusetts.** Federal government spending contributes significantly to the Massachusetts economy. In fiscal 2004, Massachusetts ranked twelfth among states in per capita distribution of federal funds, with total spending of \$8,279 per person, excluding loans and insurance. Massachusetts' share of total federal spending declined steadily between 1990 and 1999, and has stabilized in the range of 2.46 percent to 2.52 percent between 1998 and 2004. The following chart shows total federal expenditures and the percentage of federal expenditures in Massachusetts. Federal spending includes grants to state and local governments, direct payments to individuals, wage and salary employment, and procurement contracts, and includes only those expenditures that can be associated with individual states and territories.



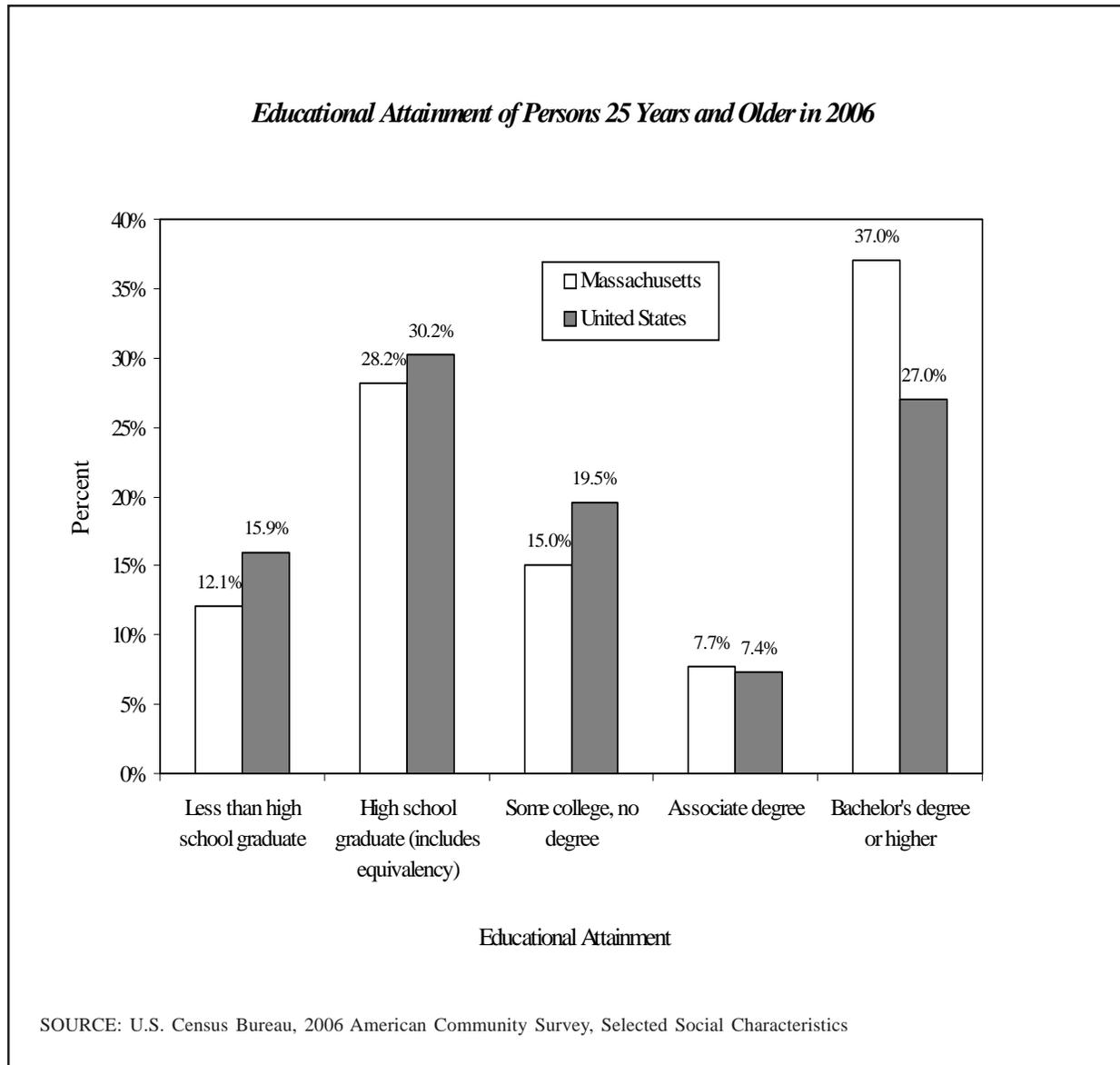
Over half of FY 2004 federal spending in Massachusetts was composed of health care and social programs like Medicare, Medicaid, Social Security, unemployment benefits and Section 8 Housing Vouchers. Massachusetts was above the national average in per capita federal grants to state and local governments, receiving \$2,163 per capita compared to a national average of \$1,545. Per capita federal spending on salaries and wages in 2004 was lower in Massachusetts than in the rest of the nation, \$554 compared to a national average of \$750, but Massachusetts was above the national average in per capita direct federal payments to individuals (\$4,139 compared to a national average of \$3,839). Massachusetts ranked 9th among states in per capita procurement contract awards, \$1,422 compared to a national average of \$1,089 in 2004. The following chart shows the composition of direct federal spending within Massachusetts in fiscal 2004, excluding loans and insurance.

***Composition of Direct Federal Spending in Massachusetts by Program  
Fiscal 2004***

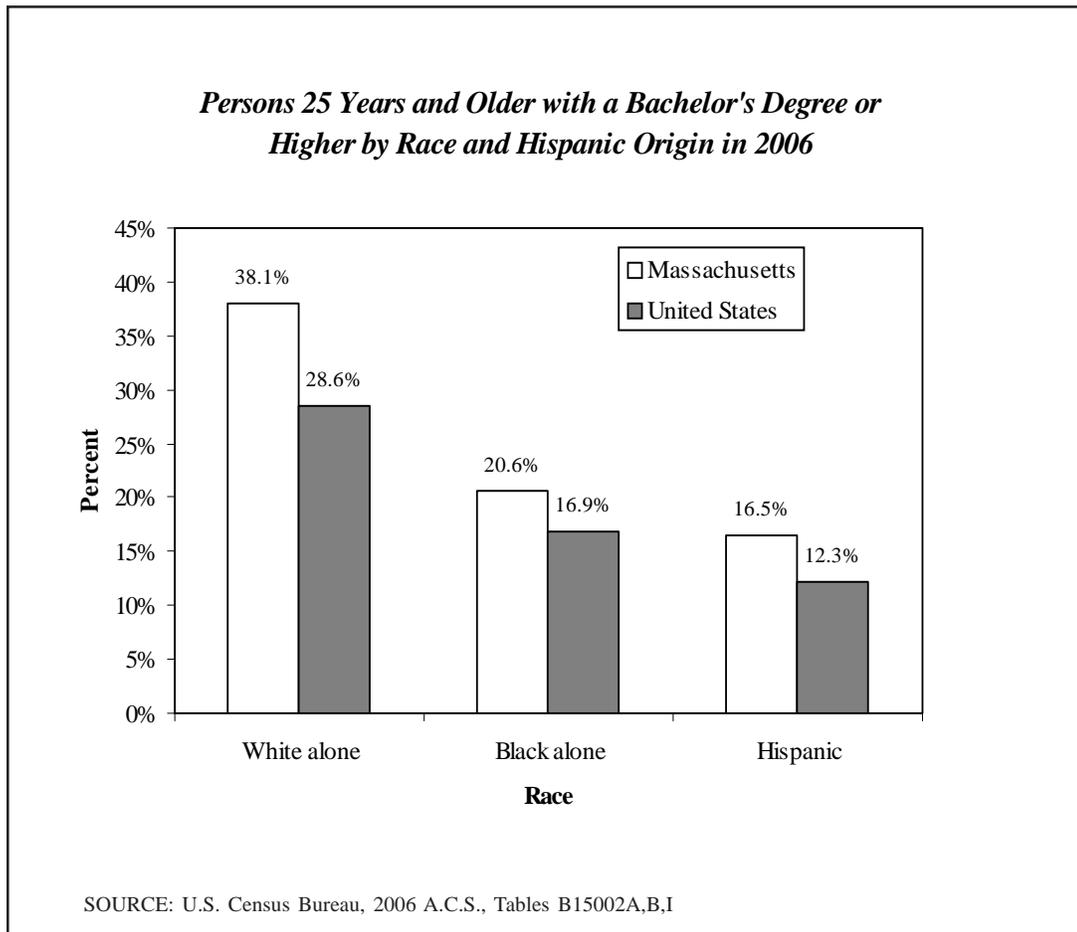


SOURCE: U.S. Census Bureau, Consolidated Federal Funds Report: FY 2004

**Human Resources.** The availability of a skilled and well-educated population is an important resource for the Commonwealth. The level of education reached by the population of Massachusetts compares favorably with the level in the United States as a whole. In 2006, the Census's American Community Survey (ACS) reported that Massachusetts had a smaller proportion of persons who had not completed high school (12.1 percent) than the national average (15.9 percent) and a much higher proportion of persons with a bachelor's degree or more (37.0 percent) than the nation (27.0 percent).



While Massachusetts' black and Hispanic population achieved college degrees at roughly half the rate of the white population, they fared much better than the national average.



**Higher Education Data.** Massachusetts has a higher minority enrollment in institutions of higher education than New England. However, the percentage of enrollment of blacks, Hispanics, and Asians in higher education in Massachusetts is below the national average. These percentages, which do not include military academy enrollment, are seen in the chart below.

**Higher Education Enrollment by Race and Hispanic Origin in 2006**

	White alone	Black alone	Asian alone	Indian/Alaskan Native alone	Other race	Hispanic or Latino
Massachusetts	77.4%	7.8%	8.6%	0.3%	5.8%	6.8%
New England	80.6%	7.5%	6.3%	0.3%	5.2%	6.3%
United States	71.0%	13.8%	7.0%	0.7%	7.4%	11.7%

SOURCE: U.S. Census Bureau, 2006 A.C.S., Tables B14001 A-I.

Massachusetts is an internationally recognized center for higher education, with 443,316 students in undergraduate, professional and graduate private and public programs in the 2005/2006 school year, according to the New England Board of Higher Education. According to Institute of International Education, 28,007 foreign students were enrolled in Massachusetts colleges and universities in the 2005/2006 school year. This was a 0.1 percent decrease from the previous year but Massachusetts was ranked 4th among states for foreign student enrollment.

The Massachusetts public higher education system is composed of universities, state colleges, and community colleges with a combined enrollment of 187,913 students in 2005, 43.4 percent of whom attended part-time. In addition, Massachusetts has a system of private higher education that accounted for 57.6 percent of total enrollment in Massachusetts in 2005. More than a fifth of the students attending private institutions were enrolled on a part-time basis. The strength of both public and private colleges and universities as centers for research and education contributes to the high quality of the Massachusetts work force and plays a key role in attracting and retaining business and industry within the state.

The higher education system in Massachusetts is particularly strong in post-graduate, scientific, and technical education, with 1,632 science and engineering doctorates awarded in 2005, 4th in the nation. Massachusetts conferred a total of 2,676 doctorates in 2005. Massachusetts was also ranked 2nd in the U.S. in science and engineering postdoctorates in doctorate granting institutions in 2005, with 6,502.

The pre-eminence of higher education in Massachusetts contributes not only to the quality of its work force, but also to its stature in the nation and the world as a center for basic scientific research and for academic and entrepreneurial research and development. Doctorate-granting institutions in Massachusetts received 4.5 percent (\$2.1 billion) of total national academic expenditures on R&D in fiscal 2005. Massachusetts ranked sixth in the nation behind California, New York, Texas, Maryland and Pennsylvania.

The diversity of federal funding sources reflects the variety of research and development work performed at Massachusetts educational institutions. Of the \$1.4 billion in total fiscal 2004 federal outlays for science and engineering research to universities and colleges in Massachusetts, 64.1 percent was from the Department of Health and Human Services, 16.8 percent was from the National Science Foundation, 8.3 percent from the Department of Defense, 6.3 percent was from the Department of Energy, and 2.8 percent was from the National Aeronautics and Space Administration. Massachusetts ranked 4th in the nation in 2004 in total federal outlays, \$5.3 billion, for research and development.

Given the quality of the Commonwealth's research and development sector, it is not surprising that Massachusetts fares better than the national average in homes with computer and internet access. According to Census's October 2003 Current Population Survey, 64.2 percent of Massachusetts households had access to a computer, compared to 61.8 percent nationally and 58.1 percent of its households were connected to the internet while the national average was 54.7 percent.

***Primary and Secondary Education Data.*** Although spending on education is not necessarily an indicator of results, Massachusetts has spent from 12 to 29 percent more per pupil on primary and secondary education than the national average since at least 1981. During the 2004-2005 school year, Massachusetts increased per student expenditures to \$11,267; 29 percent higher than the national average. The table on the following page shows expenditures per pupil for Massachusetts and the United States since fiscal 1981.

***Per Pupil Expenditure in Public Elementary and Secondary Schools  
1981-2005***

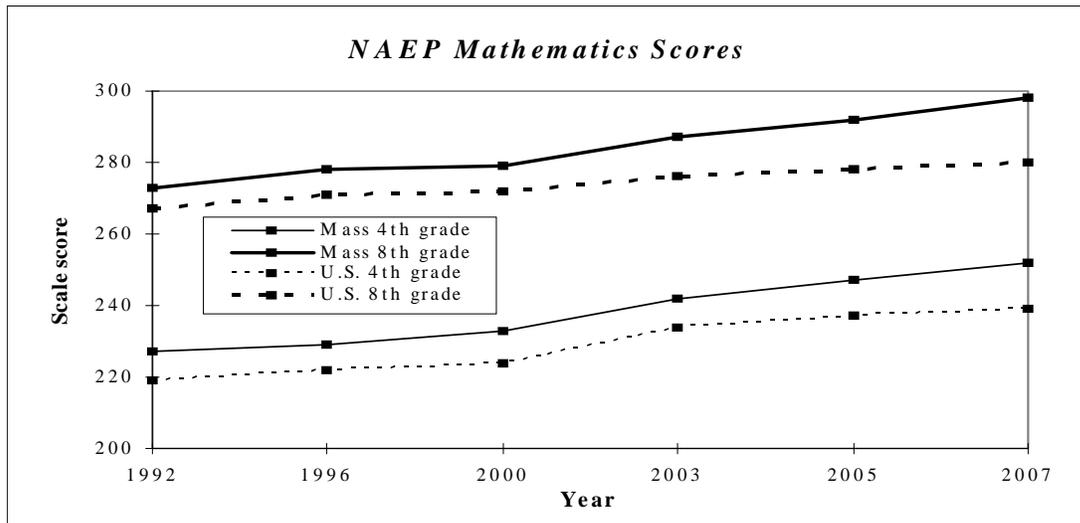
*(in current, unadjusted dollars)*

<i>Fiscal Year</i>	<i>Massachusetts</i>	<i>United States</i>	<i>Ratio (MA/U.S.)</i>
<b>1981</b>	\$2,735	\$2,307	1.19
<b>1982</b>	2,823	2,525	1.12
<b>1983</b>	3,072	2,736	1.12
<b>1984</b>	3,298	2,940	1.12
<b>1985</b>	3,653	3,222	1.13
<b>1986</b>	4,031	3,479	1.16
<b>1987</b>	4,491	3,682	1.22
<b>1988</b>	4,965	3,927	1.26
<b>1989</b>	5,485	4,307	1.27
<b>1990</b>	5,766	4,643	1.24
<b>1991</b>	5,881	4,902	1.20
<b>1992</b>	5,952	5,023	1.18
<b>1993</b>	6,141	5,160	1.19
<b>1994</b>	6,423	5,327	1.21
<b>1995</b>	6,783	5,529	1.23
<b>1996</b>	7,033	5,689	1.24
<b>1997</b>	7,331	5,923	1.24
<b>1998</b>	7,651	6,137	1.25
<b>1999</b>	8,106	6,458	1.26
<b>2000</b>	8,444	6,836	1.24
<b>2001</b>	9,038	7,284	1.24
<b>2002</b>	9,856	7,701	1.28
<b>2003</b>	10,223	8,019	1.27
<b>2004</b>	10,693	8,287	1.29
<b>2005</b>	11,267	8,701	1.29

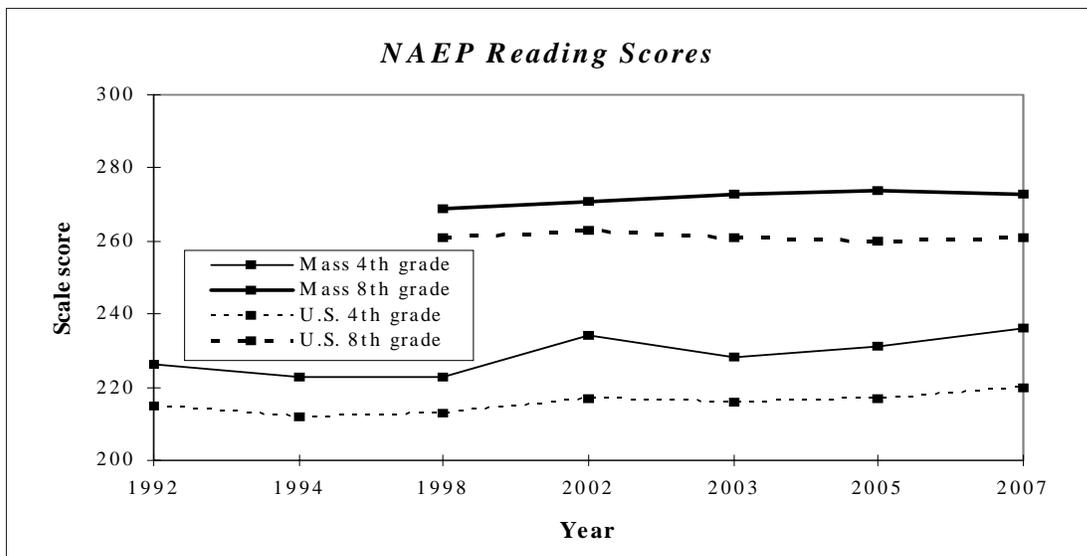
SOURCE: U.S. Census Bureau, <http://www.census.gov/govs/www/school.html>

The National Assessment of Educational Progress (NAEP), also known as "the Nation's Report Card," is the only nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since 1969, assessments have been conducted periodically in reading, mathematics, science, writing, U.S. history, civics, geography, and the arts. Under the current structure, the Commissioner of Education Statistics, who heads the National Center for Education Statistics in the U.S. Department of Education, is responsible by law for carrying out the NAEP project.

Since 1990, NAEP assessments have also been conducted to give results for participating states. Those that choose to participate receive assessment results that report on the performance of students in that state. In its content, the state assessment is identical to the assessment conducted nationally. However, because the national NAEP samples were not, and are not currently designed to support the reporting of accurate and representative state-level results, separate representative samples of students are selected for each participating jurisdiction/state. The graphs on the following page compare the data available for Massachusetts to the nation.



SOURCE: National Center for Education Statistics



SOURCE: National Center for Education Statistics

# Sources List

Listed below are the the web sites of the original data sources used to compile this section (Exhibit A) of the Economic Due Diligence report. The sites are listed in section title order.

## **Population Characteristics**

**United States Department of Commerce, Bureau of the Census**

<http://www.census.gov>

## **Personal Income, Consumer Prices, and Poverty**

**U.S. Department of Commerce, Bureau of Economic Analysis**

<http://www.bea.gov/regional/index.htm>

**United States Department of Labor, Bureau of Labor Statistics**

<http://www.bls.gov>

**The Conference Board, Inc.**

<http://www.conference-board.org>

**Mass Insight Corporation**

<http://www.massinsight.com/index.asp>

**U.S. Department of Commerce, Bureau of the Census**

<http://www.census.gov>

## **Employment**

**MA Division of Unemployment Assistance**

<http://www.detma.org>

**United States Department of Labor, Bureau of Labor Statistics**

<http://www.bls.gov>

## **Economic Base and Performance**

**U.S. Department of Commerce, Bureau of Economic Analysis**

<http://www.bea.gov/regional/index.htm>

**Fortune Magazine**

<http://www.fortune.com/fortune/>

## **Economic Base and Performance - Sector Detail (NAICS Basis)**

**U.S. Department of Commerce, Bureau of Economic Analysis**

<http://www.bea.gov/regional/index.htm>

**U.S. Census Bureau, Foreign Trade Division. Prepared by the World Institute for Strategic Economic Research (WISER)**

<http://www.wisertrade.org>

**Massport**

<http://www.massport.com>

**Airports Council International**

<http://www.aci.aero>

**Federal Aviation Administration**

[http://www.faa.gov/airports\\_airtraffic/airports/planning\\_capacity/passenger\\_allcargo\\_stats/](http://www.faa.gov/airports_airtraffic/airports/planning_capacity/passenger_allcargo_stats/)

**Army Corps of Engineers**

<http://www.iwr.usace.army.mil.ndc/>

**Federal Reserve Bank of Boston**

<http://www.bos.frb.org>

**United States Department of Commerce**

<http://www.census.gov>

**National Association of Realtors; Federal Reserve Bank of Boston**

<http://www.bos.frb.org/economic/needi/needidata.htm>

**U.S. Department of Defense**

<http://web1.whs.osd.mil/peidhome/geostats/geostat.htm>

**Massachusetts Office of Travel and Tourism**

<http://www.massvacation.com>

**U.S. Census Bureau, Governments Division**

<http://www.census.gov/govs/www/statetax.html>

<http://www.census.gov/govs/www/state.html>

**U.S. Department of Commerce, Bureau of the Census, 2003 Consolidated Federal Funds Report**

<http://www.census.gov/govs/www/cffr.html>

## **Human Resources and Infrastructure**

**U.S. Census Bureau, 2003 A.C.S. PCT35A-I**

<http://www.census.gov/acs/www/>

**New England Board of Higher Education**

<http://www.nebhe.org.connection.html>

**National Science Foundation**

<http://www.nsf.gov/statistics>

**United States Department of Education, National Center for Education Statistics**

<http://nces.ed.gov>

**Institute of International Education**

<http://www.iese.org>