NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, under existing law and assuming continued compliance by the Commonwealth with the Internal Revenue Code of 1986, as amended, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals and corporations, although interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed upon certain corporations. In the opinion of Bond Counsel, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. For federal and Massachusetts tax purposes, interest includes original issue discount. See "TAX EXEMPTION" herein.

THE COMMONWEALTH OF MASSACHUSETTS

$250,000,000
General Obligation Bonds
Consolidated Loan of 1998, Series A

The Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds will bear interest from January 1, 1998 and interest will be payable on July 1, 1998 and semiannually thereafter on January 1 and July 1, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity, as more fully described herein.

The Bonds will constitute general obligations of The Commonwealth of Massachusetts (the "Commonwealth"), and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and on expenditures for debt service, see "SECURITY FOR THE BONDS" (herein) and the Commonwealth Information Statement (referred to herein) under the headings "COMMONWEALTH REVENUES—Limitations on Tax Revenues," "COMMONWEALTH PROGRAMS AND SERVICES—Debt Service" and "COMMONWEALTH BOND AND NOTE LIABILITIES."

The Bonds are offered when, as and if issued and received by the original purchasers, and subject to the unqualified approving opinion as to legality of Brown, Rudnick, Freed & Gesmer, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Settlement of the issue is expected at DTC in New York, New York, on or about January 29, 1998.

January 22, 1998

THE COMMONWEALTH OF MASSACHUSETTS

$250,000,000
General Obligation Bonds
Consolidated Loan of 1998, Series A

Dated: January 1, 1998 **Due: January 1, as shown below**

Maturity	Amount	Interest Rate	Price or Yield
1999	$ 14,750,000	4.00%	3.64%
2000	15,380,000	4.00	3.879
2001	16,010,000*	4.00	3.90
2002	16,675,000*	4.00	3.95
2003	17,375,000*	4.00	100
2004	18,110,000*	4.00	4.10%
2005	18,900,000*	4.10	4.15
2006	19,735,000*	4.10	4.20
2007	20,625,000*	4.375	4.30
2008	21,560,000*	4.50	4.35
2009	22,550,000*	4.50	4.45
2010	23,600,000*	4.50	4.55
2011	24,730,000*	5.00	4.60

(accrued interest, if any, to be added)

* Insured by MBIA Insurance Corporation. See "Bond Insurance."

FOR NEW HAMPSHIRE RESIDENTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts or the original purchasers of the Bonds to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein or included by reference herein has been furnished by the Commonwealth and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the original purchasers of the Bonds or, as to information from other sources, the Commonwealth. The information and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth, or its agencies, authorities or political subdivisions, since the date hereof, except as expressly set forth herein.

TABLE OF CONTENTS

THE COMMONWEALTH OF MASSACHUSETTS

CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci	Acting Governor and Lieutenant Governor
William F. Galvin	Secretary of the Commonwealth
L. Scott Harshbarger	Attorney General
Joseph D. Malone	Treasurer and Receiver-General
A. Joseph DeNucci	Auditor

LEGISLATIVE OFFICERS

Thomas F. Birmingham	President of the Senate
Thomas M. Finneran	Speaker of the House

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

$250,000,000
General Obligation Bonds
Consolidated Loan of 1998, Series A

INTRODUCTION

This Official Statement (including the cover pages and Appendices A through D attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of $250,000,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 1998, Series A (the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service, see "SECURITY FOR THE BONDS" and the Commonwealth Information Statement (described below) under the headings "COMMONWEALTH REVENUES—Limitations on Tax Revenues," "COMMONWEALTH PROGRAMS AND SERVICES—Debt Service" and "COMMONWEALTH BOND AND NOTE LIABILITIES."

The Bonds are being issued to finance certain authorized capital projects of the Commonwealth. See "THE BONDS—Application of Proceeds of the Bonds."

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through D. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Specific reference is made to the Commonwealth's Information Statement dated February 13, 1997 (the "February Information Statement"), as it appears in the Official Statement dated February 20, 1997 of the Massachusetts Bay Transportation Authority with respect to its 1997 Series A Notes (the "MBTA Official Statement"). A copy of the MBTA Official Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. The information contained in the February Information Statement has been supplemented by the Commonwealth Information Statement Supplement dated January 22, 1998 (the "Supplement"), which, except for Exhibits A, B and C thereto, is attached hereto as Appendix A. The February Information Statement, as supplemented by the Supplement, contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Supplement contains certain economic information concerning the Commonwealth. Exhibits B and C to the Supplement contain the financial statements of the Commonwealth for the fiscal year ended June 30, 1997, prepared on a statutory basis and a GAAP basis, respectively. Specific reference is made to said Exhibits A, B and C, copies of which were filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission in connection with the Commonwealth Information Statement Supplement dated January 13, 1998.

Appendix B attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains a specimen of the bond insurance policy to be issued with respect to certain maturities of the Bonds. Appendix D attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by bidders with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission.

THE BONDS

General

The Bonds will be dated January 1, 1998 and will bear interest from such date payable semiannually on July 1 and January 1 of each year, commencing July 1, 1998 (each an "Interest Payment Date") until the principal amount is paid. The Bonds will mature on January 1 in the years and in the aggregate principal amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months), as set forth on the inside cover page of this Official Statement. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with one bond certificate for each maturity immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid in clearing house funds to DTC or its nominee as registered owner of the Bonds. The record date for payments on account of the Bonds will be the business day next preceding an Interest Payment Date. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption

The Bonds maturing on or prior to January 1, 2008 will not be subject to redemption prior to their stated maturity dates.

Optional Redemption. The Bonds maturing on or after January 1, 2009 will be subject to redemption prior to their stated maturity dates on or after January 1, 2008 at the option of the Commonwealth from any moneys legally available therefor, in whole or in part at any time, by lot, at the redemption prices (expressed as percentages of the principal amount thereof) plus accrued interest to the redemption date, as follows:

Redemption Dates	Redemption Prices
January 1, 2008 through December 31, 2008, inclusive	101%
January 1, 2009 through December 31, 2009, inclusive	100½
January 1, 2010 and thereafter	100

Mandatory Redemption. The Bonds are not subject to mandatory redemption.

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the Bonds not less than 30 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for the Bonds, notices of redemption will be mailed by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

On the specified redemption date, all Bonds called for redemption shall cease to bear interest, provided the Commonwealth has moneys on hand to pay such redemption in full.

Selection for Redemption. In the event that less than all of any maturity of the Bonds is to be redeemed, and so long as the book-entry-only system remains in effect for such Bonds, the particular Bonds or portion of any such Bonds of a particular maturity to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Bonds, selection for redemption of less than all of any one maturity of the Bonds will be made by the Commonwealth by lot in such manner as in its discretion it shall deem appropriate and fair. For purposes of selection by lot within a maturity, each $5,000 of principal amount of a Bond will be considered a separate Bond.

Application of Proceeds of the Bonds

The Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and bond authorizations contained in various special laws enacted by the legislature. The net proceeds of the sale of the Bonds will be applied by the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer") to the various purposes for which the issuance of bonds has been authorized pursuant to such special laws, or to the payment of bond anticipation notes previously issued for such purposes, or to reimburse the state treasury for expenditures previously made pursuant to such laws. Any accrued interest payable upon original delivery of the Bonds will be credited ratably to the funds from which debt service on the Bonds is paid and will be used to pay interest on the Bonds. Any premium received by the Commonwealth upon original delivery of the Bonds will be applied to the costs of issuance thereof and other financing costs related thereto or, without appropriation, to the payment of the principal of or sinking fund installments with respect to the Bonds.

The purposes for which the Bonds will be issued have been authorized by the legislature under various bond authorizations and are included within the current five-year capital spending plan established by the Executive Office for Administration and Finance. The plan, which is an administrative guideline and is subject to amendment at any time, sets forth capital spending allocations over the next five fiscal years and establishes annual capital spending limits. The proceeds of the Bonds are expected to be applied to reimburse the state treasury for capital expenditures made in fiscal year 1998 pursuant to the plan. See the February Information Statement under the headings "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan*" and "COMMONWEALTH BOND AND NOTE LIABILITIES—Authorized But Unissued Debt" and the Supplement under the heading "Five-Year Capital Spending Plan and Plan of Finance."

SECURITY FOR THE BONDS

The Bonds will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. It should be noted further that Section 60B of Chapter 29 of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth. These statutes are both subject to amendment or repeal by the Legislature. Currently, both actual tax revenue growth and annual general obligation debt service are below the statutory limits. See the Commonwealth Information Statement under the headings "COMMONWEALTH REVENUES - Limitations on Tax Revenues" and "COMMONWEALTH PROGRAMS AND SERVICES—Debt Service."

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

BOND INSURANCE

The underwriters of the Bonds have contracted with MBIA Insurance Corporation (the "Insurer") for the issuance of their insurance policy to secure the Bonds maturing on the specific dates as indicated on the inside cover of this Official Statement (the "Insured Bonds"). The issuance of such policy is not a condition to the issuance and delivery of the Bonds by the Commonwealth to the underwriters. The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix C for a specimen of the Insurer's policy.

The MBIA Insurance Corporation Insurance Policy

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Commonwealth of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Insured Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Insured Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Insured Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Insured Bonds resulting from the insolvency, negligence or any other act or omission of any paying agent for the Insured Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Insured Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Insured Bonds or presentment of such other proof of ownership of the Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Insured Bonds in any legal proceeding related to payment of insured amounts on the Insured Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company N.A. shall disburse to such owners payment of the insured amounts due on such Insured Bonds, less any amount held by any paying agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transaction among affiliates. Additionally, the Insurer is required to maintain contingency reserve on its liabilities in certain amounts and for certain periods of time.

On November 14, 1997, MBIA Inc. announced the signing of a definitive agreement to merge with CapMAC Holdings Inc. ("CHI"), the parent company of Capital Markets Assurance Corporation ("CapMAC"), in a stock-for-stock transaction valued at $607 million. The announcement also stated that all outstanding policies issued by CapMAC will be backed by the full financial resources of MBIA Inc., and that the agreement is subject to regulatory approvals and approval by CHI shareholders.

As of December 31, 1996, the Insurer had admitted assets of $4.4 billion (audited), total liabilities of $3.0 billion (audited), and total capital and surplus of $1.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1997, the Insurer had admitted assets of $5.1 billion (unaudited), total liabilities of $3.4 billion (unaudited), and total capital and surplus of $1.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year-end financial statements prepared in accordance with statutory accounting practices are available from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the claims paying ability of the Insurer "AAA".

Fitch IBCA, Inc. (formerly known as Fitch Investors Service, L.P.) rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Insured Bonds. The Insurer does not guarantee the market price of the Insured Bonds nor does it guarantee that the ratings on the Insured Bonds will not be revised or withdrawn.

LITIGATION

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

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will initially be issued exclusively in book-entry form, and one fully registered Bond for each maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as banks, securities brokers and dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for the Bonds in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the DTC Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations of their purchase providing details of the Bonds acquired, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds will be accomplished by entries made on the books of DTC Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all Bonds deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the DTC Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each DTC Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an omnibus proxy to the Commonwealth as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s voting rights to those DTC Participants having the Bonds credited to their accounts on the record date (identified in a listing attached to the omnibus proxy).

THE COMMONWEALTH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT OF OR THE PROVIDING OF NOTICE TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS BOND OWNER.

Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of such Bonds and will not be or be considered to be the registered owners thereof. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the holders or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds, except as otherwise expressly provided herein.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, unless a substitute depository is retained by the Commonwealth, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Commonwealth may determine that continuation of the system of book-entry transfers through DTC (or a successor depository) is not in the best interest of the Beneficial Owners. In such event, Bonds will be delivered and registered as designated by the Beneficial Owners.

The principal of and interest and premium, if any, on the Bonds will be paid to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of moneys, DTC's practice is to credit the accounts of the DTC Participants on the payable date in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe it will not receive payment on the payable date. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not DTC or the Commonwealth, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, on the Bonds to DTC is the responsibility of the Commonwealth; disbursement of such payments to DTC Participants and Indirect Participants shall be the responsibility of DTC; and disbursement of such payments to Beneficial Owners shall be the responsibility of the DTC Participants and the Indirect Participants.

The Commonwealth cannot give any assurances that DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this document.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMONWEALTH BELIEVES TO BE RELIABLE, BUT THE COMMONWEALTH TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

RATINGS

Fitch IBCA, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Service will assign their municipal bond ratings of "AAA," "Aaa" and "AAA," respectively, to the Insured Bonds with the understanding that upon delivery of such Bonds, an insurance policy insuring the payment when due of the principal of and interest on the Insured Bonds will be issued by the Insurer.

The Bonds other than the Insured Bonds have been assigned ratings by Fitch IBCA, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Service of "AA-," "A1" and "AA-," respectively.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that the interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel has not opined as to other federal tax consequences, if any, resulting from holding the Bonds.

The Code imposes certain requirements and restrictions on the use, expenditure and investment of proceeds of state and local governmental obligations, including the Bonds, and a requirement for payment to the federal government (called a "rebate") of proceeds derived from the investment thereof. Under certain circumstances, failure to comply with the Code's requirements subsequent to the issuance of the Bonds could cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of their issuance. On or before delivery of the Bonds to the original purchasers, the Commonwealth will provide covenants or certificates evidencing that it will take all lawful action necessary to comply with those provisions of the Code that, except for such compliance, would affect adversely the excludability of interest on the Bonds from gross income for federal income tax purposes. Bond Counsel's opinion with respect to the federal income tax treatment of interest on the Bonds is conditioned upon such compliance.

Prospective purchasers of the Bonds should be aware that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, or, in the case of an owner that is a financial institution, for that portion of the owner's interest expense allocated to interest on the Bonds. For insurance companies subject to the tax imposed by Section 831 of the Code, the Code reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds. In addition, interest on the Bonds could be taken into account in determining the environmental tax imposed on certain corporations by Section 59A of the Code, or the foreign branch profits tax imposed on certain corporations by Section 884 of the Code, and may be included in passive investment income subject to federal income taxation under Section 1375 of the Code applicable to certain S corporations. The Code also requires recipients of certain social security and railroad retirement benefits to take into account receipts and accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code. No assurance can be given that future legislation will not have adverse tax consequences for owners of the Bonds.

In the opinion of Bond Counsel, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

For federal and Massachusetts tax purposes, interest includes original issue discount (or "OID"). With respect to a Bond, OID is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all substantially identical Bonds were sold. Original issue discount accrues over the term of a Bond in accordance with Section 1272 of the Code. Purchasers of Bonds should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

On the date of delivery of the Bonds, the original purchasers will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix B - "Form of Bond Counsel Opinion."

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Brown, Rudnick, Freed & Gesmer of Boston, Massachusetts, Bond Counsel to the State Treasurer. The proposed form of the opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix B. Certain legal matters will also be passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the State Treasurer.

COMPETITIVE SALE OF BONDS

After competitive bidding on January 22, 1998, the Bonds were awarded to a group of underwriters led by Saloman Smith Barney. The underwriters have supplied the information as to the public offering yields or prices of the Bonds set forth on the inside cover hereof. If all of the Bonds were resold to the public at such yields or prices, the underwriters have informed the Commonwealth that they anticipate the total underwriter compensation to be $1,127,500, inclusive of $329,000 for the cost of bond insurance. The underwriters may change the public offering yields or prices from time to time.

CONTINUING DISCLOSURE

In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D attached hereto.

For information concerning the availability of certain other financial information from the Commonwealth, see the Commonwealth Information Statement under the heading "CONTINUING DISCLOSURE."

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of all general and special laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Assistant Deputy Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900, or Catherine Frazer, Director of Debt 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 Official Statement and the Bonds should be directed to Harry J. Hutton, Brown Rudnick, Freed & Gesmer, One Financial Center, Boston, Massachusetts 02111, telephone 617/856-8200.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Joseph D. Malone
Joseph D. Malone
Treasurer and Receiver-General

By /s/ Charles D. Baker
Charles D. Baker
Secretary of Administration and Finance

January 22, 1998

TRADOCS: 1072948.1 (mzw401!.doc)

APPENDIX A

THE

COMMONWEALTH

OF

MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

Dated January 22, 1998

TABLE OF CONTENTS

Information Statement Supplement Dated January 22, 1998

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

January 22, 1998

Specific reference is made to the Information Statement dated February 13, 1997 (the "February Information Statement") of The Commonwealth of Massachusetts (the "Commonwealth"), as it appears in the Official Statement dated February 20, 1997 of the Massachusetts Bay Transportation Authority with respect to its 1997 Series A Notes (the "MBTA Official Statement"). A copy of the MBTA Official Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. This supplement ("Supplement") to the February Information Statement is dated January 22, 1998 and contains information which updates the information contained in the February Information Statement. Exhibit A to this Supplement sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibits B and C to this Supplement contain the Commonwealth's fiscal 1997 combined financial statements (statutory basis) and fiscal 1997 general purpose financial statements (GAAP basis), respectively. (These financial statements are also available at the Comptroller's home page located at www.state.ma.us/osc.) This Supplement and the February 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 January 22, 1998. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the February Information Statement.

RECENT DEVELOPMENTS

Fiscal 1998

The budget for fiscal 1998 was enacted by the Legislature on June 30, 1997 and approved by Governor Weld on July 10, 1997. (Appropriations covering the first two weeks of the fiscal year were enacted and approved on June 30, 1997.) The budget was based on a consensus tax revenue forecast of $12.85 billion, as agreed by both houses of the Legislature in March. The Executive Office for Administration and Finance revised the fiscal 1998 tax forecast to $13.06 billion on July 30, 1997 and, after a review of first quarter fiscal 1998 tax receipts, to $13.20 billion on October 15, 1997. (The fiscal 1998 budget amended the state finance law to change the required date for tax revenue estimates from September 25 to October 15.) The fiscal 1998 tax revenue estimates are being reviewed by the Executive Office for Administration and Finance and the results of the review, due to be announced on January 15, 1998, are expected to reflect an increase of $100 million in tax revenues.

On July 30, 1997, Acting Governor Cellucci filed legislation that would reduce the tax rate on certain income effective January 1, 1998 for tax year 1998. The fiscal 1998 tax revenue impact was estimated at $196 million by the Executive Office for Administration and Finance. The Legislature has not yet acted on the proposal. See "State Taxes."

Year-to-date tax collections through December, 1997 total approximately $6.151 billion, approximately $341 million, or 5.9%, higher than collections in the corresponding period in fiscal 1997 and approximately $104 million higher than the midpoint of the benchmark range ($5.963 billion to $6.132 billion) contemplated by the Department of Revenue's October 15, 1997 estimates.

The fiscal 1998 budget provides for total appropriations of approximately $18.4 billion, a 3.8% increase over estimated fiscal 1997 expenditures. Governor Weld vetoed or reduced appropriations totaling $3.3 million. The budget incorporates tax cuts valued by the Department of Revenue at $61 million and provides for an accelerated pension funding schedule. See "State Taxes" and "Retirement Systems and Pension Benefits." Supplemental appropriations have been approved for fiscal 1998 in the amount of approximately $17.7 million. In addition, on November 26, 1997, Acting Governor Cellucci approved legislation transferring off-budget the $206.3 million Department of Medical Assistance reserve to indemnify certain medical facilities against losses that might result from providing uncompensated care. See "Fiscal 1997." Additional requests by Acting Governor Cellucci for approximately $3.7 million in fiscal 1998 supplemental appropriations are being considered by the House Ways and

Means Committee. Projected total fiscal 1998 expenditures are approximately $18.727 billion, including approximately $217 million reserved for contingencies and identified deficiencies.

Fiscal 1997

On October 31, 1997, the Comptroller released the Commonwealth's statutory basis financial report for fiscal 1997. The report indicated that fiscal 1997 tax collections totaled approximately $12.864 billion, an increase of approximately $815 million, or 6.8%, over fiscal 1996 and approximately $357 million higher than the most recent official estimates released by the Secretary of Administration and Finance on May 20, 1997. Total fiscal 1997 budgeted revenues amounted to approximately $18.170 billion. Total fiscal 1997 budgeted expenditures were approximately $17.949 billion. On December 11, 1997, the Comptroller released the Commonwealth's Comprehensive Annual Financial Report for fiscal 1997.

On August 29, 1997, Acting Governor Cellucci signed the final fiscal 1997 supplemental appropriation bill. The legislation provided for approximately $195.0 million in additional fiscal 1997 appropriations, of which $63.7 million were carried forward into fiscal 1998, and continued $44.6 million in prior appropriations. The legislation also provided for several one-time transfers of funds to be charged to fiscal 1997. The legislation established a Capital Investment Trust Fund to be administered by the Secretary of Administration and Finance and provided for the transfer of $229.8 million to such fund to finance certain specified expenditures for equipment purchases, deferred maintenance and repairs, technology upgrades and capital purchases and improvements. The spending authorization will expire at the end of fiscal 1999, and any unexpended balances in the fund will be transferred at that time to the Commonwealth Stabilization Fund. The legislation directed the transfer of $100 million to the Stabilization Fund (in addition to the transfer required by the general provisions of the state finance law) and the transfer of $128 million to a Caseload Increase Mitigation Fund which had been established in the fiscal 1998 budget. Moneys in the Caseload Increase Mitigation Fund are available to fund expenditures under programs administered by the Department of Transitional Assistance in the event caseloads increase beyond the level contemplated by regular budgetary appropriations or the average level of the prior fiscal year, or to accommodate changes in federal funding of such programs. The amount transferred from fiscal 1997 revenues reflects the unanticipated federal revenue increase received by the Commonwealth attributable to federal welfare reform legislation. See the February Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES—Public Assistance; *Federal Welfare Reform*." The legislation also provided for the transfer of $20.2 million to the Massachusetts Water Pollution Abatement Trust for state capitalization grants for the state revolving fund programs under the federal Clean Water Act and Safe Drinking Water Act. See "Capital Spending" and the February Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES—Water Pollution Abatement Trust."

Selected Financial Data - 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 1993 through 1997 and estimates for fiscal 1998 prepared by the Executive Office for Administration and Finance. The financial information presented includes all budgeted operating funds of the Commonwealth. When the status of a fund has changed during this period, prior years have been restated to conform to the fiscal 1998 budget. See the February Information Statement under the heading "FINANCIAL RESULTS."

Budgeted Operating Funds Operations -- Statutory Basis
(in millions)

	Fiscal 1993	Fiscal 1994	Fiscal 1995	Fiscal 1996	Fiscal 1997	Estimated Fiscal 1998
Beginning Fund Balances						
Reserved or Designated	$236.2	$110.4	$79.3	$128.1	$263.4	$225.1
Tax Reduction Fund	-	-	-	-	231.7 (4)	91.8
Stabilization Fund (1)	230.4	309.5	382.9	425.4	543.3	799.3
Undesignated	82.8	142.6	127.1	172.5	134.7 (5)	149.8
Total	549.4	562.5	589.3	726.0	1,173.0	1,266.0 (6)
Revenues and Other Sources						
Taxes	9,929.9	10,606.7	11,163.4	12,049.2	12,864.5	13,154.0 (7)
Federal Reimbursements (2)	2,674.1	2,901.2	2,969.7	3,039.1	3,019.6	3,365.0
Departmental and Other Revenues	1,327.1	1,187.9	1,273.1	1,208.1	1,267.9	1,270.9
Interfund Transfers from Non-budgeted Funds and Other Sources (3)	778.5	853.9	981.0	1,031.1	1,018.0	946.1
Budgeted Revenues and Other Sources	14,709.6	15,549.7	16,387.2	17,327.5	18,170.0	18,736.3
Mass Transit Assessments from Municipalities	137.4	140.4	143.9	147.6	151.5	152.1
Interfund Transfers among Budgeted Funds and Other Sources (3)	358.7	289.1	399.7	896.2	901.8	396.7
Total Revenues and Other Sources	15,205.7	15,979.2	16,930.8	18,371.3	19,223.3	19,285.1
Expenditures and Uses						
Programs and Services	12,683.6	13,416.2	14,010.3	14,650.7	15,218.8	16,360.4
Debt Service	1,139.5	1,149.4	1,230.9	1,183.6	1,275.5	1,224.2
Pensions	868.2	908.9	968.8	1,004.6	1,069.2	1,064.7
Interfund Transfers to Non-budgeted Funds and Other Uses	5.1	48.4	40.4	42.2	385.5	78.1
Budgeted Expenditures and Other Uses	14,696.4	15,522.9	16,250.5	16,881.1	17,949.0	18,727.3
Payment of Municipal Mass Transit Assessments to the MBTA and RTA's	137.4	140.4	143.9	147.6	151.5	152.1
Interfund Transfers among Budgeted Funds and Other Uses (3)	358.7	289.1	399.7	896.2	901.8	396.7
Total Expenditures and Other Uses	15,192.6	15,952.4	16,794.1	17,924.9	19,002.3	19,276.1
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	13.1	26.8	136.7	446.4	221.0	9.0
Transfer of Excess to Capital Projects Fund	--	--	--	--	--	(51.9)(8)
Net Balance	--	--	--	--	--	(42.9)
Ending Fund Balances						
Reserved or Designated	110.4	79.3	128.1	263.4	225.1	26.1
Tax Reduction Fund	--	--	--	231.7 (4)	91.8	3.5
Stabilization Fund (1)	309.5	382.9	425.4	543.3	799.3	899.6
Undesignated	142.6	127.1	172.5	134.0	277.8	294.1
Total	$562.5	$589.3	$726.0	$1,172.4	$1,394.0	$1,223.3

SOURCE: Fiscal 1993-1997, Office of the Comptroller; fiscal 1998, Executive Office for Administration and Finance.

(1) Stabilization Fund balances are not expendable without subsequent specific legislative authorization.

(2) Includes $236.3 million for fiscal 1993, $247.8 million for fiscal 1994, $231.9 million for fiscal 1995, $212.5 million for fiscal 1996, $221.0 million for fiscal 1997 and an estimated $288.5 million for fiscal 1998 in federal reimbursements resulting from claims for reimbursement of certain uncompensated care for Massachusetts hospitals. See the February Information Statement under the headings "FINANCIAL RESULTS—Fiscal Years 1992 through 1996" and "1997 FISCAL YEAR."

(3) Interfund transfers represent accounting transfers which reallocate resources among funds. Includes transfers between the Stabilization Fund and the budgeted operating funds. Transfers to the Stabilization Fund were $76.9 million, $65.4 million, $27.9 million, $177.4 million, $234.3 million in fiscal 1993, 1994, 1995, 1996 and 1997, respectively. See the February Information Statement under the headings "COMMONWEALTH REVENUES—Federal and Other Non-Tax Revenues." Of the $177.4 million transferred to the Stabilization Fund in fiscal 1996, $81.7 million was subsequently transferred to the Tax Reduction Fund. On May 5, 1997, legislation was signed by Governor Weld authorizing appropriation of the balance in the Tax Reduction Fund for the purpose of implementing a temporary personal income tax reduction for 1997. See the February Information Statement under the heading "FINANCIAL RESULTS—Fiscal Years 1992 through 1996; *1996 Fiscal Year*."

(4) Represents excess amount of $81.7 million transferred from the Stabilization Fund to the Tax Reduction Fund and a $150 million appropriation made to the Tax Reduction Fund. See the February Information Statement under the heading "FINANCIAL RESULTS—Fiscal Years 1992 through 1996; *1996 Fiscal Year*."

(5) The difference between the fiscal 1996 ending fund balance and the fiscal 1997 beginning fund balance is the result of the reclassification of the Drug Analysis Fund from a non-budgeted fund to a budgeted fund.

(6) The difference between the fiscal 1997 ending fund balance and the fiscal 1998 beginning fund balance reflects Acting Governor Cellucci's proposal, expected to be refiled with the Legislature in 1998, to transfer the $128.0 million Caseload Increase Mitigation Fund off-budget to a trust fund.

(7) Reflects the fiscal 1998 impact of (i) $19.0 million in anticipated revenues from miscellaneous fees to be collected as a result of the convention center legislation approved on November 17, 1997 (see "Capital Spending"), (ii) a reduction in tax revenue of an estimated $25.0 million as a result of the exemption of military pensions from state income tax, effective January 1, 1998, which was approved by the Acting Governor on November 6, 1997 and (iii) a change in the sales tax payment schedule ($140 million). Does not reflect the fiscal 1998 impact of Acting Governor Cellucci's proposed reduction of the tax rate on Part B personal income ($196 million). See "State Taxes."

(8) The amount of any Capital Projects Fund transfer will be determined by the Comptroller when the books are closed for fiscal 1998 on October 31, 1998. After the books are closed, such amount will be treated as an interfund transfer to non-budgeted funds and other uses.

Selected Financial Data - GAAP Basis

The following table provides financial results on a GAAP basis for fiscal years 1993 through 1997 for all budgeted operating funds of the Commonwealth.

Budgeted Operating Funds Operations - GAAP Basis
(in millions)

	Fiscal 1993	Fiscal 1994	Fiscal 1995	Fiscal 1996	Fiscal 1997
Beginning fund balances (deficits)	$(317.4)(1)	$(184.1)	$(72.0)	$287.4	$709.2
Equity transfer	0.0	0.0	91.0	0.0	0.0
Restated beginning balances (deficits)	(317.4)(1)	(184.1)	19.0	287.4	709.2
Revenues and Financing Sources					
Taxes	10,015.8	10,602.7	11,253.4	11,916.9	13,020.8
Federal Grants and Reimbursements	2,627.0	2,918.1	2,850.0	2,945.2	3,073.4
Department and Other Revenues	1,522.4	1,303.8	1,336.3	1,306.1	1,346.4
Interfund Transfers and Other Sources	1,015.7	980.3	1,077.8	1,356.4	1,405.3
Total	15,181.0	15,804.9	16,517.5	17,524.6	18,845.9
Expenditures and Financing Uses					
Programs and Services	11,636.5	12,238.8	13,017.8	13,729.6	14,581.4
Debt Service	1,139.5	1,149.2	1,163.4	1,392.9	1,275.5
Pensions	893.5	830.2	642.2	382.5	413.1
Interfund Transfers and Other Uses	1,378.2	1,474.6	1,425.7	1,597.8	2,188.8
Total	15,047.7	15,692.8	16,249.1	17,102.8	18,458.8
Excess	133.3	112.1	268.4	421.8	387.1
Ending fund balances (deficits)	$(184.1)	$(72.0)	$287.4	$709.2	$1,096.3

SOURCE: Office of the Comptroller.

(1) As restated to reflect discrete presentation of the University and College Fund. This fund balance is increased $64.2 million due to certain liabilities related to accrued salaries and fringe benefits being transferred to the University and College Fund.

Cash Flow

The Commonwealth ended fiscal 1997 with a cash balance of approximately $902.0 million, not including the Stabilization Fund ending balance of $799.0 million. The most recent cash flow projections for fiscal 1998 were released by the State Treasurer and the Secretary of Administration and Finance on December 11, 1997. See the February Information Statement under the heading "FINANCIAL RESULTS—Cash Flow." The forecast was based on the fiscal 1998 budget signed by Governor Weld on July 10, 1997, and includes the value of all fiscal 1998 supplemental budgets enacted by the Legislature. Projections are based on revenue and spending estimates prepared by the Executive Office for Administration and Finance and incorporate actual results through October, 1997 and monthly projections through June, 1998.

Fiscal 1998 is projected to end with a cash balance of $335.1 million, without regard to any fiscal 1998 activity that may occur after June 30, 1998. Such balance does not include the balance in the Stabilization Fund ($799.0 million at June 30, 1997) or interest earnings thereon expected during fiscal 1998; it does reflect the required Stabilization Fund transfer related to fiscal 1997 of $234.0 million during fiscal 1998. The cash flow statement notes that general obligation bonds were issued for capital projects in August, 1997 in the amount of $250 million and projects that an additional $600 million of general obligation bonds will be issued for such purposes during the remainder of the fiscal year. The statement also notes that $105 million of special obligation bonds were issued in October, 1997. Neither the issuance of transit notes nor commercial paper for operating purposes is forecast.

The cash flow statement notes that the Massachusetts Turnpike Authority and the Massachusetts Port Authority are required to make payments to the Commonwealth in connection with the Central Artery/Ted Williams Tunnel project and forecasts that the Commonwealth will receive $400 million in the aggregate during fiscal 1998 from such authorities or from the issuance of Commonwealth notes in anticipation of payments from such authorities. (The statement also notes that the Commonwealth has the statutory authority to issue bonds to pay any such notes.) The statement further forecasts, in connection with the Central Artery/Ted Williams Tunnel project, that the Commonwealth will issue $350 million of notes in anticipation of future federal highway grants, noting that federal funding for such purposes has been extended on an interim basis through March 31, 1998, and that successor federal funding legislation is expected to be enacted during 1998. Certain of the foregoing assumptions relating to the Central Artery/Ted Williams Tunnel project have been modified since the date of the cash flow statement. See "Capital Spending" and "Five-Year Capital Spending Plan and Plan of Finance."

The ending balances reported for fiscal 1997 and projected for fiscal 1998 are likely to differ from the ending balances for the Commonwealth's budgeted operating funds for those years because of timing differences and the effect of non-budget items.

The next cash flow statement for the Commonwealth is due to be released on February 25, 1998.

State Taxes

In his fiscal 1998 budget recommendations, Governor Weld proposed personal and business tax reductions with an estimated aggregate fiscal 1998 cost of $82 million. See the February Information Statement under the heading "1998 FISCAL YEAR." The Senate version of the fiscal 1998 budget included four different tax cuts with an aggregate fiscal 1998 cost estimated by the Senate Ways and Means Committee at approximately $82 million, including a reduction in the tax rate on "unearned" income for low- and moderate-income seniors, establishment of an earned income tax credit, an increase in the child dependent deduction and a 50% deduction for higher education student loan interest payments. The fiscal 1998 budget approved by Governor Weld on July 10, 1997 contains three tax cuts with an aggregate fiscal 1998 cost estimated by the Department of Revenue to be $60.9 million — an increase in the child dependent deduction from $600 to $1,200 for children up to age 12 ($15.3 million), a tax credit of up to $6,000 over four years for septic tank improvements ($17 million) and an earned income tax credit amounting to 10% of the federal credit ($28.6 million). The Taxation Committee is also considering a variety of additional tax reduction measures, including those proposed by Governor Weld in his budget recommendations and those approved by the Senate in its budget which were not included in the final budget.

On July 30, 1997, Acting Governor Cellucci filed legislation that would reduce the tax rate on "Part B" personal income (so-called "earned" income) from the current level of 5.95% to 5% over three calendar years. The rate would be reduced to 5.6% effective January 1, 1998, 5.3% effective January 1, 1999 and 5% effective January 1, 2000. See the February Information Statement under the heading "COMMONWEALTH REVENUES—State Taxes; *Income Tax*." The Executive Office for Administration and Finance estimates that the static revenue impact of these changes would be a reduction in personal income tax collections of approximately $196 million in fiscal 1998, $587 million in fiscal 1999, $985 million in fiscal 2000 and $1.229 billion in fiscal 2001, at which time the rate reduction would be fully implemented. On August 14, 1997 the bill filed by the Governor was referred to the Legislature's Committee on Taxation, which voted on October 14, 1997 to hold it for further study.

Two initiative petitions that would reduce income tax rates were certified by the Attorney General on September 3, 1997 and filed with the State Secretary in November, 1997, to be placed before the 1998 session of the Legislature. One petition would set the rate for Part B personal income at 5.6% for tax year 1999, 5.3% for tax year 2000 and 5% for tax year 2001 and thereafter, unless the Legislature set a lower rate for any of those years. The other petition would change the income tax rate on interest and dividend income (currently 12%) to whatever rate applies to Part B income, starting in tax year 2000. On December 31, 1997, a petition was filed with the Ballot Law Commission challenging the validity of the signatures on the initiative petitions. The Commission is expected to rule by January 23, 1998 whether the initiative petitions are valid. Under the state constitution, if the Legislature does not enact a particular initiative petition by May 6, 1998, the sponsors may have the petition placed on the 1998 general election ballot by collecting an additional 10,821 signatures. See the February Information Statement under the heading "THE GOVERNMENT—Initiative Petitions."

On October 20, 1997, Acting Governor Cellucci announced that the Department of Revenue will issue regulations changing the payment schedules for approximately 15,000 sales, meals and room occupancy taxpayers that pay over $25,000 in tax per year. Under the new simplified rules, beginning January 1, 1998, these taxpayers will be required to file a tax return and make a tax payment on the 20th of each month for taxable sales made during the preceding month. Under the old rules, affected taxpayers were required to forward tax payments on the 27th of each month for taxable sales made from the 23rd of the preceding month to the 22nd of the current month, as well as file a quarterly tax return. While these new regulations will not affect the amount of tax owed, the Department of Revenue estimates that the Commonwealth will realize a reduction in fiscal 1998 revenues of $120 million to $160 million, which was not incorporated into the October 15, 1997 revisions. This reduction will be a one-time event.

Non-Tax Revenues

As enacted by the Legislature, the transportation bond legislation described below under "Capital Spending" contained a provision that would restore registration, license and permit fees credited to the Highway Fund to the rates in effect on January 1, 1996 if federal aid to the Central Artery/Ted Williams Tunnel project falls below $550 million in any fiscal year during the next six years. See the February Information Statement under the heading "COMMONWEALTH REVENUES—Federal and Other Non-Tax Revenues." Governor Weld vetoed this provision; under the state constitution, his veto can be overridden by a two-thirds vote of each house of the Legislature.

On May 1, 1997, the Legislature's Committee on Government Regulations voted to send the September, 1995 tribal-state compact between the Wampanoag Tribe of Gay Head and the Commonwealth to the floor of the House of Representatives with a recommendation that it not be approved. On May 5, 1997, the House accepted the committee's adverse report, thereby killing the legislation for the current legislative session.

Operating Fund Structure

Legislation approved by Governor Weld on May 12, 1997 incorporated his earlier proposal to raise the statutory ceiling on the Stabilization Fund and to authorize the current balances in the Tax Reduction Fund (attributable to the fiscal 1996 surplus) to be used for personal income tax reductions for the 1997 tax year. See the February Information Statement under the headings "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Operating Fund Structure; *Stabilization Fund*" and "FINANCIAL RESULTS—Fiscal Years 1992 through 1996; *1996 Fiscal Year*." The legislation also amended the General Laws to provide that up to 40% of any fiscal year-end surplus may, prior to any transfer to the Stabilization Fund, be held in a separate account to be used for capital expenditures, if there is a negative balance in the state's capital funds. The Comptroller has determined that the amount of the transfer to the Stabilization Fund for fiscal 1997 will be $134.3 million, and that $89.5million will be applied to capital expenditures. These transfers are in addition to the $100 million transferred to the Stabilization Fund as directed by the Legislature in the final supplemental appropriation bill for fiscal 1997. See "Fiscal 1997."

Financial Reports

The legislation approved by Acting Governor Cellucci on August 29, 1997 containing final supplemental appropriations for fiscal 1997 amended the state finance law to eliminate the provisions relating to a preliminary financial report (due September 15 under prior law) and to provide for the annual statutory basis financial report to be published by the Comptroller by October 31, rather than by the second Wednesday in January. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Fiscal Control, Accounting and Reporting Practices of Comptroller; *Financial Reports*."

The Government

On July 28, 1997, Governor Weld announced that he would resign the next day, and on July 29, 1997, he submitted his formal resignation. Under the state constitution, Lieutenant Governor Cellucci will serve as Acting Governor until the current gubernatorial term expires in January, 1999.

On July 11, 1997, Governor Weld approved legislation abolishing Middlesex County government immediately and providing for the abolition of county government in Hampden and Worcester Counties on July 1, 1998 (or sooner, if such county defaults on a bond or note). See the February Information Statement under the heading "THE GOVERNMENT—Local Government." The legislation contains appropriations of approximately $24.6 million, to be charged to fiscal 1997, to provide for payments to vendors of Middlesex County Hospital and for debt service on bonds and notes issued by Middlesex County that were overdue or about to be due on the effective date of the legislation. On July 17, 1997, the Commonwealth paid all outstanding Middlesex County debt obligations that were due or overdue. Under the legislation, all functions, duties and responsibilities of the affected counties are transferred to the Commonwealth. As of the date of abolition of an affected county's government, all valid liabilities and debts of such county which are in force immediately before such date become obligations of the Commonwealth, and all assets and revenues of such county become assets and revenues of the Commonwealth. The Secretary of Administration and Finance is directed to establish an amortization schedule to recover the Commonwealth's costs from the cities and towns within each such county over a period not to exceed 25 years. Governor Weld vetoed provisions in the legislation that would have placed responsibility for county retirees on cities and towns rather than the Commonwealth, and indicated that he would file legislation providing for state assumption of such pension costs. On July 15, 1997, the House of Representatives overrode Governor Weld's veto of such provisions. Governor Weld also vetoed provisions that would have created county charter commissions in certain counties, indicating that he still favors legislation setting a date certain for the abolition of all county government and a mechanism by which cities and towns that wish to do so may establish alternative regional entities. The legislation approved by Governor Weld establishes a task force on the valuation of county assets and liabilities that is charged with compiling an inventory and providing for the valuation of all property of all counties in the Commonwealth for the purposes of considering the abolition of county government and the transfer of its functions, assets and liabilities to the Commonwealth. The eleven-member task force, which would consist of eight members of the Legislature, the Secretary of Administration and Finance, the Inspector General and the State Auditor, would be required to file a report by February 1, 1998. On July 17, 1997, Governor Weld filed legislation that would abolish all county governments by July 1, 1999 and that would require the state employees' retirement system to absorb the pension costs associated with county retirees. On July 21, 1997, the legislation was referred to the Legislature's Committee on Counties, which conducted a hearing on the bill on July 30, 1997.

Capital Spending

On March 20, 1997, Governor Weld approved legislation to establish a Metropolitan Highway System, in substantially the form in which he had filed it on January 6, 1997. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan.*" A provision in the legislation added by the Legislature mandates a new "asset assessment study" to determine, within one year, whether the Massachusetts Port Authority can afford to contribute as much as $300 million toward the cost of the Central Artery/Ted Williams Tunnel project, rather than the $200 million contribution proposed by Governor Weld and contemplated by the legislation. The study is to be conducted by the Executive Office for Administration and Finance, the State Auditor, the Division of Capital Planning and Operations and the Port Authority.

Additional state spending authorization for the Central Artery/Ted Williams Tunnel project and other transportation projects is contained in transportation bond legislation approved by Governor Weld on May 16, 1997. The legislation authorizes $1.545 billion in spending on federally assisted projects (approximately $1.040 billion for the Central Artery/Ted Williams Tunnel project and $504.7 million for other projects), to be funded by $345 million in state bonds and $1.2 billion in federal grants. The legislation authorizes an additional $1.159 billion in future spending for the Central Artery/Ted Williams Tunnel project, to be funded in part by $358.8 million in state bonds. In anticipation of future federal grants, the Commonwealth is authorized to issue up to $1 billion of grant anticipation notes, including up to $100 million for capitalized interest, with up to $900 million of state bonds authorized to pay such notes to the extent federal grants are unavailable to pay the notes, which must mature by June 30, 2007. No more than $450 million of such notes may be issued until the Intermodal Surface Transportation Efficiency Act of 1991 has been reauthorized or successor legislation has been enacted by the United States Congress, and no more than $450 million of such notes may be issued if federal funding in fiscal 1999 falls below $550 million. No more than $900 million of such notes may be issued as general obligations of the Commonwealth or be otherwise payable from general revenues of the Commonwealth. Finally, the legislation authorizes approximately $1.066 billion in additional transportation-related capital expenditures, to be funded by state bonds. The legislation stipulates that the Massachusetts Turnpike Authority must pay the Commonwealth $700 million by December 31, 1998 to help defray costs of the Central Artery/Ted Williams Tunnel project or any other component of the Metropolitan Highway System, such amount to be in addition to the $100 million already paid. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan.*"

The transportation bond legislation approved by Governor Weld on May 16, 1997 also eliminated the ceiling on Commonwealth bond anticipation notes that may be issued as commercial paper. See the February Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES—General Obligation Debt; *Commonwealth General Obligation Notes.*"

On November 17, 1997, the Legislature enacted convention center legislation over Acting Governor Cellucci's veto. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan.*" The legislation authorizes $676.9 million of Commonwealth special obligation bonds to be issued for the purposes of a new convention center in Boston ($609.4 million), the Springfield Civic Center ($48.5 million) and the Worcester convention center ($19 million). The bonds will be payable from a 2.75% additional hotel tax in Boston, Cambridge, Springfield and Worcester, sales tax receipts from establishments near the new Boston facility that first opened on or after July 1, 1997, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, the entire hotel tax collected at hotels located near the new Boston facility and all sales tax and hotel tax receipts at new hotels in Boston and Cambridge first opened on or after July 1, 1997. The legislation requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance the 2.75% additional hotel tax in Boston is to be increased (though the overall hotel tax in Boston cannot exceed 14%). Site acquisition costs for the Boston convention center are to be shared by the Commonwealth and the city of Boston. The legislation authorizes the issuance of seven-year general obligation bond anticipation notes for the purpose of financing the state's share of such costs, which is capped at $72.2 million. The legislation also authorizes $85 million of Commonwealth general obligation bonds for other civic, convention and exhibition halls in the state.

On June 20, 1997, Governor Weld approved legislation authorizing $120 million of Commonwealth general obligation bonds and $80 million of Massachusetts Government Land Bank bonds supported by Commonwealth contract assistance for the development of the former Fort Devens army base. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan.*"

The conference committee report on the courthouse bond legislation was released on May 13, 1997, and the legislation was enacted by the Legislature on that date. The bill would authorize $685.3 million of capital spending, to be funded by Commonwealth general obligation bonds, for courthouses owned and to be owned by the Commonwealth. On May 16, 1997 Governor Weld returned the bill to the Legislature with amendments that would eliminate the requirement that all bids associated with the courthouse improvements be awarded only to union contractors. The Legislature has not yet acted on the proposed amendments.

On May 27, 1997 the Committee on Housing and Urban Development approved legislation that would authorize $375 million in Commonwealth general obligation bonds to finance the renovation of existing public housing units and other low-income housing creation and improvement projects. The legislation is now pending before the House Committee on Long-Term Debt and Capital Expenditures.

On June 9, 1997, Governor Weld filed legislation that would authorize $73 million of Commonwealth general obligation bonds to finance capitalization grants to the Massachusetts Water Pollution Abatement Trust, of which $31 million would provide matching funds for the state revolving fund program under the federal Clean Water Act and $42 million would provide matching funds for a new state revolving fund program under the federal Safe Drinking Water Act. See the February Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES—Water Pollution Abatement Trust." The legislation is being considered by the Legislature's Natural Resources Committee. On September 11, 1997, the House Committee on Long-Term Debt and Capital Expenditures approved an amended version of similar legislation that would authorize $29.4 million of Commonwealth general obligation bonds to finance state capitalization grants for the Safe Drinking Water Act program. On November 12, 1997, the House approved legislation that would create a new state revolving fund program under the federal Safe Drinking Water Act, and which would authorize $52.8 million of Commonwealth general obligation bonds to finance capitalization grants to the Massachusetts Water Pollution Abatement Trust, of which $23.4 million would provide matching funds for the state revolving fund program under the federal Clean Water Act and $29.4 million would provide matching funds for a new state revolving fund program under the federal Safe Drinking Water Act. The legislation is now being considered by the Senate Ways and Means Committee.

On June 11, 1997, Governor Weld filed legislation that would authorize $10 million of Commonwealth general obligation bonds to finance design costs related to planned renovations to the Saltonstall Building, a 30-year-old state office building. Under the legislation, the renovations themselves would be financed by the issuance by the Massachusetts Industrial Finance Agency of up to $100 million of lease revenue bonds; the Commonwealth would convey the building to the Agency and lease it back under a financing structure similar to that used for the Massachusetts Information Technology Center. See the February Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES—Indirect Obligations; *City of Chelsea Commonwealth Lease Revenue Bonds*." The legislation was referred to the Legislature's Committee on State Administration, which filed a report on August 28, 1997 recommending that the committee be authorized to study the proposal further and report its findings to the Legislature by December 30, 1998.

On September 25, 1997, Acting Governor Cellucci filed legislation that would authorize the town of Foxboro to issue up to $20 million of special obligation bonds to acquire the land surrounding Foxboro Stadium and up to an additional $30 million of special obligation bonds to improve the public infrastructure on such land. The Commonwealth would be obligated to provide contract assistance to the town to pay the debt service on such bonds. The stadium owner would be required to invest a like amount in stadium improvements. The land acquired by the town would be leased to an affiliate of the stadium owner without compensation for up to 99 years. Under the terms of the lease, the lessee would be solely responsible for the planning, design, acquisition, construction, installation, maintenance and operation of the infrastructure improvements. The lessee, the stadium owner or another appropriate person would be required to maintain the stadium for the purpose of conducting therein the business of a National Football League team unless it exercised its option to purchase the improved land or the lease had expired. On November 17, 1997, the House approved a revised version of the Governor's bill. Under the House bill, the Commonwealth would be obligated to provide contract assistance sufficient to defray the debt service costs associated with up to $52 million in bonds issued by the town of Foxboro for infrastructure improvements on the stadium site and adjacent areas, but such assistance would be offset by revenues pledged by the stadium lessee or by the town, including a mandatory "administrative fee" to be charged on all parking spaces licensed by the town within a three-mile radius of the stadium. Any shortfall in annually projected revenues from the parking fee would be offset by a deduction from local aid otherwise due from the Commonwealth to the town. The bill is now being considered by the Senate.

On October 2, 1997, Acting Governor Cellucci filed bond legislation that would authorize the Massachusetts Bay Transportation Authority to issue an additional $230.7 million of bonds to be backed by 90% Commonwealth contract assistance. The bill would also authorize the MBTA to issue bonds payable solely from its own revenues. The bill would also authorize and direct the Executive Office for Administration and Finance, on behalf of the Commonwealth, to enter into a contract with the Massachusetts Turnpike Authority no later than June 30, 1999 pursuant to which the Commonwealth would agree to provide annual amounts to the Turnpike Authority to cover the cost of operating and maintaining the Central Artery and the Central Artery North Area, as certified by the Turnpike Authority, but not less than $2 million on account of fiscal 2000, not less than $5 million on account of each fiscal year thereafter prior to the transfer of the final segment of the Central Artery and the Central Artery North Area to the Authority and not less than $25 million for each of the 40 fiscal years after such transfer. The bill would also amend the transportation bond legislation approved by Governor Weld on May 16, 1997 to authorize an additional $500 million of Commonwealth notes in anticipation of payments from the

Massachusetts Port Authority and the Turnpike Authority, bringing the total of such notes to $1.5 billion. The new $500 million of notes would not be subject to the $450 million cap relating to renewal of the Intermodal Surface Transportation Efficiency Act of 1991. The bill is now being considered by the Legislature's Committee on Transportation.

Five-Year Capital Spending Plan and Plan of Finance

The following table sets forth current estimates of capital spending of the Commonwealth, including the Massachusetts Bay Transportation Authority ("MBTA"), as well as the projected sources of funding for such capital spending, including federal aid, for fiscal years 1998 through 2002. Capital spending for fiscal years 1998 through 2002 to be financed from Commonwealth debt is forecast at $5.050 billion, which is significantly below legislatively authorized capital spending levels. Capital spending for fiscal years 1998 through 2002 to be financed from MBTA bonds is forecast at $1.403 billion.

The five-year capital plan, which has been developed by the Executive Office for Administration and Finance and reflects its views, assumes that the projected receipt of payments from third-party agencies, such as the Massachusetts Port Authority and the Massachusetts Turnpike Authority, or from the issuance of notes in anticipation of such payments, will be $1.355 billion. The five-year capital plan contemplates that the projected level of Commonwealth capital spending will leverage additional federal transportation aid of approximately $4.111 billion for this period and also projects the issuance of $1.5 billion in grant anticipation notes in anticipation of future federal aid to be received during fiscal years 2003 to 2007 and beyond. The latter assumption will require a legislative increase in the authorization for grant anticipation notes. See "Capital Spending." Federal aid is uncertain until the enactment of successor legislation to the Intermodal Surface Transportation Efficiency Act of 1991, which expired on September 30, 1997 and was extended on an interim basis until March 31, 1998. The reauthorization of federal aid being considered by Congress is expected to run through the year 2002 or 2003. Federal funds for the complete repayment of the grant anticipation notes contemplated by the five-year plan would have to be authorized by subsequently enacted successor legislation.

The five-year plan assumes the receipt by the Commonwealth of annual federal highway apportionments of $550 million. The Commonwealth's average annual apportionment under the Intermodal Surface Transportation Efficiency Act of 1991 has been approximately $829 million. Under President Clinton's renewal proposal, which was filed on March 12, 1997, the Commonwealth would receive annual apportionments of approximately $580.0 million. Under legislation that was released by the leadership of the Senate Committee on Environment and Public Works on September 11, 1997, the Commonwealth's annual apportionment would be approximately $392.1 million. That bill was approved by the committee with amendments on September 17, 1997, but it was not acted upon by the full Senate prior to its adjournment in November, 1997. Renewal legislation released by the leadership of the House Committee on Transportation and Infrastructure on September 4, 1997 would provide the Commonwealth with average annual apportionments of approximately $518.5 million. That legislation was marked up by the committee on September 24, 1997 (with an amendment increasing the amount of the Massachusetts average annual apportionment to approximately $551.7 million) but was not acted on by the full House prior to its adjournment in November, 1997.

The five-year plan assumes that by the completion of the Central Artery/Ted Williams Tunnel project in 2005, the project will have required expenditures totaling $11.6 billion, and that insurance reimbursements and proceeds from real estate disposition related to the project will be received after project completion. The conference committee report dated October 7, 1997 filed by the Congressional conferees in connection with the federal fiscal 1998 transportation appropriations bill contains an expression of the conferees' concern that the cost estimate for the project has increased to approximately $11 billion. The conferees also express their concern that support of the project not adversely impact transportation investments throughout the Commonwealth and that the project be completed consistent with its current budget. The report notes that the currently approved finance plan commits the state to support a $400 million annual highway program for the remainder of the state and stipulates that the conferees feel that it is essential that the finance plan continue to commit the state to that support. The report urges the state to constrain project costs and notes that should cost estimates to complete the project exceed the current $11 billion estimate "there may be no other choice in the future but to cap the federal financial participation in the program and/or limit the percentage of federal-aid funds that may be allocated to the project from the state's overall federal-aid apportionment."

The Executive Office for Administration and Finance regularly reviews its five-year capital spending plan to account for changes in the expected timing and amount of the Commonwealth's capital expenditures. Except with respect to fiscal 1998 (see note 6), the table assumes that all Commonwealth bonds related to a particular year's expenditures will be issued in the same year. In practice, Commonwealth capital expenditures usually occur prior to the issuance of the related bonds. Accordingly, it is customary for some Commonwealth bonds to be issued in a subsequent fiscal year to finance capital expenditures made in the prior fiscal year. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS – Overview of Capital Spending Process and Controls."

Summary of Five-Year Capital Spending Plan and Plan of Finance
(in millions)

	1998	1999	2000	2001	2002	Total
Uses of Funds						
Information Technology	$ 56	$ 48	$ 29	$ 29	$ 29	$ 191
Infrastructure(1)	237	214	202	202	202	1,057
Environment(2)	93	119	105	105	105	527
Wastewater Treatment	8	4	35	35	35	117
Housing	67	67	71	71	71	347
Transportation						
Commonwealth Expenditures	458	488	513	513	513	2,485
Third Party-Supported/Other(3)	341	609	301	100	4	1,355
Grant Anticipation Notes(4)	348	428	554	170	0	1,500
MBTA	311	187	294	358	253	1,403
Federal Highway/MBTA Aid(5)	1,196	870	734	750	561	4,111
Transportation Subtotal	2,654	2,582	2,396	1,891	1,331	10,854
Public Safety	15	9	9	9	9	51
Economic Development	66	51	36	36	36	225
Total	$3,196	$3,094	$2,883	$2,378	$1,818	$13,369
Sources of Funds						
Federal Aid(5)	$1,196	$870	$734	$750	$561	$4,111
Commonwealth Debt(6)	1,050	1,000	1,000	1,000	1,000	5,050
Third Party-Supported/Other(3)	341	609	301	100	4	1,355
Grant Anticipation Notes(4)	348	428	554	170	0	1,500
MBTA Bonds	311	187	294	358	253	1,403
Total	$3,246	$3,094	$2,883	$2,378	$1,818	$13,369

SOURCE: Executive Office for Administration and Finance.

(1) Includes hospital consolidation, prison, courts and higher education construction and miscellaneous other projects.

(2) Includes open space acquisition.

(3) The Massachusetts Turnpike Authority and the Massachusetts Port Authority are obligated by statute to make payments to the Commonwealth of $700 million and $200 million, respectively, for use in meeting transportation-related obligations. An additional $400 million payment from the Turnpike Authority will be made subject to receipt of $25 million annually for certain operating costs associated with the Central Artery. As described below, an additional $100 million payment from the Turnpike Authority is now anticipated during calendar year 1999 pursuant to projected operating efficiencies and additional non-toll revenues. An additional $100 million payment from the Port Authority may be required subject to additional study of the Port Authority's capacity to make such payment. Based on current project cost estimates consistent with the "Central Artery/Tunnel Finance Plan" dated September, 1997 prepared by the Massachusetts Highway Department. The Commonwealth, subject to legislative approval, expects to issue bond anticipation notes in advance of the receipt of certain payments from the Turnpike Authority and the Port Authority to meet project costs during the peak construction years of the Central Artery/Ted Williams Tunnel project.

(4) The five-year plan contemplates the issuance of grant anticipation notes to finance a portion of the cash requirements of the Central Artery/Ted Williams Tunnel project. The Legislature has already authorized the issuance of up to $1 billion in grant anticipation notes, with no more than $450 million to be issued prior to Congressional enactment of successor legislation to the federal Intermodal Surface Transportation Efficiency Act of 1991, which expired on September 30, 1997. The issuance of up to $1.5 billion would require legislative authorization. The Cellucci administration has filed bond legislation that would provide such authorization

(5) Figures are estimates provided by the Massachusetts Highway Department, Central Artery Project, and are based upon annual federal highway apportionments of $550 million. Actual amounts will depend upon the enactment of successor legislation to the Intermodal Surface Transportation Efficiency Act of 1991.

(6) Includes general obligation bonds and special obligation bonds. Fiscal 1998 sources include $50 million for fiscal 1997 expenditures.

In determining the appropriate levels of financing contained in the five-year plan, the Executive Office for Administration and Finance has considered the cash flow needs required to fund the Central Artery/Ted Williams Tunnel project through completion. The table below provides cash flow projections that are consistent with the five-year plan and extend to fiscal 2005, when the project will be completed. In addition to projecting levels of federal funds and Commonwealth funds of $3.025 billion and $949 million, respectively, the plan of finance contemplates receipt by the Commonwealth of an aggregate of $1.4 billion from the Massachusetts Port Authority and the Massachusetts Turnpike Authority, not including the first $100 million to be received from the Massachusetts Turnpike Authority on June 25, 1998, as described below, which will be used to finance permanently fiscal 1997 project expenditures of such amount, bringing total third-party receipts to be received in fiscal 1998 and beyond to $1.5 billion. On July 25, 1997 the Port Authority and the Executive Office for Administration and Finance entered into a memorandum of understanding providing for the payment of the Port Authority's $200 million contribution according to the following schedule: $12,115,000 in fiscal 1998, $30,735,000 in fiscal 1999, $52,236,000 in fiscal 2000 and $104,914,000 in fiscal 2003. Any additional contribution to be made by the Port Authority would be made in fiscal 2004 or later. On September 12, 1997 the Turnpike Authority and the Executive Office for Administration and Finance entered into a memorandum of understanding providing that $100 million of the Turnpike Authority's $700 million obligation will be paid on June 25, 1998 and the balance on December 31, 1998 and that an additional $400 million will be paid by December 31, 2002, subject to the terms of the memorandum of understanding. Payment of this latter amount is subject to (i) the Commonwealth's being obligated to provide $25 million annually to the Authority to compensate it for undertaking the operation and maintenance of the Central Artery, (ii) the Authority's being able to issue $400 million of bonds under the tests for additional bonds contained in its trust agreement and (iii) continued adherence by the Massachusetts Highway Department with a project management agreement previously entered into between the Turnpike Authority and the Commonwealth on July 1, 1997, as it may be amended. The $25 million payment must constitute a binding general obligation of the Commonwealth and be for a term of at least 40 years. Also, the memorandum of understanding recites that it relies on assumptions and findings set forth in the December, 1996 feasibility study, and that the performance of the agreement may not be possible if actual facts and circumstances differ from those assumed in the feasibility study. The Commonwealth agrees in the memorandum of understanding, subject to the terms and conditions of the transportation bond legislation approved on May 16, 1997, to issue not less than $900 million of grant anticipation notes and, subject to the necessary legislative authorization, to issue up to $675 million in additional grant anticipation notes, as described below. Subsequent discussions between the Secretary of Administration and Finance and the Chairman of the Turnpike Authority have resulted in the anticipation of an additional $100 million payment from the Turnpike Authority to be made during calendar year 1999. This additional payment is expected pursuant to projected operating efficiencies and additional non-toll revenues.

An initiative petition certified by the Attorney General on September 3, 1997 and filed with the State Secretary in November, 1997 would prohibit the Turnpike Authority, the Port Authority and any other entity in the Commonwealth, beginning August 15, 1999, from collecting tolls with respect to the use of the Metropolitan Highway System, the Massachusetts Turnpike and the Tobin Bridge. Any such prohibition could be expected to have a materially adverse effect on the ability of the Turnpike Authority or the Port Authority to make the payments described above. The petition provides for a study of the financial implications of the prohibition, which would be submitted to the Legislature by March 31, 1999, in order to determine if compensation would need to be paid for the petition to operate in a constitutional manner. On December 18, 1997 a lawsuit was filed against the Attorney General and the State Secretary challenging the validity of the Attorney General's certification of the petition. See "State Taxes" and the February Information Statement under the heading "THE GOVERNMENT—Initiative Petitions."

Central Artery Project Cash Flow Projections
(in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	Total
Central Artery Uses:	$1,576,212	$1,680,533	$1,522,023	$ 951,830	$480,292	$341,787	$263,735	$58,172	$6,874,584
Central Artery Sources:									
Federal (1)	779,554	512,644	442,116	482,311	326,178	249,471	202,807	30,261	3,025,342
Commonwealth (2)	108,000	131,000	225,000	200,000	150,000	65,300	50,000	20,000	949,300
Subtotal	887,554	643,644	667,116	682,311	476,178	314,771	252,807	50,261	3,974,642
Remaining Funding Requirement	688,658	1,036,889	854,907	269,519	4,114	27,016	10,928	7,911	
Third Party Contribution (3)	45,031	608,889	87,000	54,080	0	505,000	50,000	50,000	1,400,000
Cash Funding Subtotal	932,585	1,252,533	754,116	736,391	476,178	819,771	302,807	100,261	5,374,642
Cash Need	643,627	428,000	767,907	215,439	4,114	(477,984)	(39,072)	(42,089)	
GANS (4)	348,000	428,000	554,000	170,000	0	0	0	0	1,500,000
BANS (5)	295,627	0	213,907	45,439	4,114	0	0	0	559,087

SOURCE: Executive Office for Administration and Finance.

(1) Assumes a $550 million annual apportionment from the Federal Highway Administration. Amounts reflect the utilization of prior fiscal year federal authorizations actually expended in subsequent fiscal years. The amount of annual apportionment not used for current project costs are expected to be available to repay grant anticipation notes and to fund the statewide road and bridge program.
(2) General obligation bond-supported expenditures within the state transportation capital spending cap.
(3) Cash contributions expected from the Massachusetts Turnpike Authority and the Massachusetts Port Authority. Amounts are identified to the year in which they are applied to expenditures, regardless of when they are received. Except for $100 million expected to be received in fiscal 1998 and applied to reimbursement of fiscal 1997 expenditures (and, accordingly, not included on the table), contributions are applied to current-year or subsequent-year expenditures.
(4) Notes issued in anticipation of future federal grants to be received from the Federal Highway Administration.
(5) Notes issued in anticipation of future third-party contributions to be received from the Massachusetts Turnpike Authority and the Massachusetts Port Authority. Legislation authorizing the issuance of such notes has been filed by Acting Governor Celluci, and is currently pending before the Legislature's Joint Committee on Transportation.

Retirement Systems and Pension Benefits

The fiscal 1998 budget approved by Governor Weld on July 10, 1997 provides for an accelerated pension funding schedule designed to eliminate the Commonwealth's unfunded liability by 2018 rather than 2028. Fiscal 1998 appropriations amount to approximately $1.046 billion, rather than Governor Weld's recommendation of approximately $952.8 million, and the budget calls for a slightly more conservative investment return assumption (8.25% rather than 8.5%).

On June 6, 1997, Governor Weld approved legislation that provides, subject to legislative approval, for annual increases in cost-of-living allowances (equal to the lesser of 3% or the previous year's percentage increase in the United States Consumer Price Index) for members of the state employees' and teachers' retirement systems, to be funded by the investment income of the systems. The funding schedule for the state systems assumes that such annual increases will be approved. Local retirement systems that have established pension funding schedules may opt in to the requirement as well, with the costs and actuarial liabilities attributable to the cost-of-living allowances required to be reflected in such systems' funding schedules. See the February Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES—Retirement Systems and Pension Benefits."

Update of Existing Litigation

With respect to *United States v. Metropolitan District Commission* (U.S. District Court C.A. No. 85-0489-MA) (*See also Conservation Law Foundation v. Metropolitan District Commission* (U.S. District Court C.A. No. 83-1614-MA)), the Massachusetts Water Resources Authority ("MWRA"), successor in liability to the Metropolitan District Commission ("MDC"), 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 federal requirements. During fiscal 1997, the MWRA completed the mining of the 9.5-mile outfall tunnel, completed the draft combined sewer outflow (CSO) plan and began design of several CSO projects, completed construction of the first battery of secondary treatment and began construction of the third and final battery of secondary treatment. The MWRA currently projects that the total cost of construction of the wastewater facilities required under the court's order, not including CSO costs, will be approximately $3.142 billion in current dollars, with approximately $601 million to be spent after June 30, 1997. With CSO costs, the MWRA anticipates spending approximately $901 million after that date. Under the Clean Water Act, the Commonwealth may be liable for any cost of complying with any judgment in these or any other Clean Water Act cases to the extent the MWRA or a municipality is prevented by state law from raising revenues necessary to comply with such a judgment.

In December, 1997, the U.S. Environmental Protection Agency ("EPA") notified the MWRA and the MDC that it had requested the U.S. Department of Justice to bring an enforcement action against the MWRA and the MDC for violations of the federal Safe Drinking Water Act due to the MWRA's alleged failure to construct a water filtration plant for water drawn from the Wachusett Reservoir. EPA has proposed a sixty-day period for settlement negotiations before the action is filed.

In *First National Bank of Boston v. Commissioner of Revenue* (Appellate Tax Board No. F232249), the bank's claim has increased to $98 million.

In *State Street Bank and Trust Company v. Commissioner of Revenue* (Appellate Tax Board Nos. F215497, F232152, F233019 and F233948), the bank's claim has increased to $82 million.

In *Perini Corporation v. Commissioner of Revenue* (Supreme Judicial Court No. 6657), the Department of Revenue is continuing to analyze the final fiscal impact of the ruling; to date, it has paid approximately $13 million in abatements in accordance with the judgment.

In *Spaulding Rehabilitation Hospital Corporation v. Massachusetts Highway Department et al.* (Suffolk Superior Court. No. 95-4360C), the Spaulding Rehabilitation Hospital filed an action to enforce an agreement to acquire its property by eminent domain in connection with the Central Artery/Ted Williams Tunnel project. If the hospital is successful, it could recover the fair market value of its property in addition to its relocation costs with respect to its personal property. It is estimated that the Commonwealth's potential liability is approximately $50 million. The hospital has signed interrogatories indicating that it believes that the property is worth more than $60 million. The case has been tried and is currently under advisement in Superior Court.

In *The McCourt Co., Inc. v. Commonwealth of Massachusetts* (Suffolk Superior Court No. 94-2032), the Commonwealth faced an additional potential liability of approximately $75 million to $135 million connection with a taking by the Massachusetts Highway Department related to the relocation of Northern Avenue in South Boston. On May 30, 1997, the Commonwealth paid approximately $58 million in full settlement of the pending claims.

Both *Commonwealth of Massachusetts v. Ruggles Center Joint Venture et al.* (Suffolk Superior Court No. 47-1764-A and *Ruggles Center, LLC v. Beacon Construction Corp. et al.* (Suffolk Superior Court No. 96-0637-E) involve an indoor air quality dispute regarding the former headquarters of the Registry of Motor Vehicles at Ruggles Center in Boston. In 1997, the Commonwealth commenced suit against the former building owners, Ruggles Center Joint Venture (RCJV), as well as the general contractor, the architect, the mechanical engineer and the manufacturer of the fireproofing, to recover losses associated with the indoor air quality (IAQ) problems, including the costs of relocating the agency and workers' compensation payments paid to employees. RCJV has filed a counterclaim against the Commonwealth alleging breach of lease, breach of the covenant of good faith and fair dealing and negligence. RCJV claims that it fulfilled all of its obligations under the lease and its amendment and that the Commonwealth wrongfully terminated these agreements, and that the Commonwealth's negligence, or that of its contractors, caused the IAQ problems. RCJV seeks to recover the costs associated with its efforts to remedy the IAQ problems, additional rent payments under the lease, and the value of RCJV's equity in the project had the lease not been terminated. In the second and related case, the building owner has sued the general contractor to recover on the performance bond. Many second, third and fourth parties have been impleaded. The Registry of Motor Vehicles and the Division of Capital Planning and Operations have been named as fourth-party defendants by the manufacturer of the fireproofing, United States Mineral Products Co., Inc., which has asserted a claim for indemnification. Potential liability to the Commonwealth in each case is approximately $25 million.

DiBiase v. Commissioner of Insurance (Suffolk Superior Court No. 96-4241-A) is a putative class action suit in which the plaintiffs seek to invalidate most of Chapter 178A of the Massachusetts General Laws, which is the savings bank life insurance statute. The suit alleges that the statute's conversion of the former savings bank life insurance system established by former Chapter 178 of the Massachusetts General Laws deprived policyholders under the old system of more than $60 million in "surplus" and $11 million in the former General Insurance Guaranty Fund, the proceeds of both of which assertedly belonged to them. The defendants have moved to dismiss on statute of limitations grounds, and the plaintiffs have cross-moved for partial summary judgment on a claim of alleged procedural due process violations. On October 16, 1997, the Court dismissed the case on statute-of-limitations grounds. The plaintiff's appeal period expires on February 17, 1998.

Boston Wharf Co. v. Commonwealth of Massachusetts (Suffolk Superior Court No. 96-0028) is an eminent domain case concerning a parcel on A Street in South Boston which is being used for a tunnel in the Central Artery/Ted Williams Tunnel project. The plaintiffs are claiming $32 million.

Massachusetts Port Authority, Bird Island Ltd. Partnership and Hilton Hotels v. Commonwealth of Massachusetts (Suffolk Superior Court Nos. 96-4803-C, 94-6966, 94-2830-E, 94-2831-F, 94-5745-B, 94-5744-A and 96-6789-E) are eminent domain cases concerning a land acquisition in East Boston for the Central Artery/Ted Williams Tunnel project. The Commonwealth faces a potential liability of approximately $35.7 million.

Thomas Rich et al. v. Commonwealth of Massachusetts (Norfolk Superior Court No. 94-2319) is an eminent domain case concerning property in the city of Quincy. The Commonwealth faces a potential liability of $30 million. The cost of remediation of contaminated soil will also be an issue.

P&P Realty Co., Inc., et al. v. Department of Public Works (Suffolk Superior Court No. 92-2081) is an eminent domain case concerning two parcels at Summer Street and Trilling Way in South Boston. The Commonwealth's potential liability is $22 million.

COMMONWEALTH BOND AND NOTE LIABILITIES

The following table sets forth the Commonwealth bond and note liabilities outstanding as of January 1, 1998.

Commonwealth Bond and Note Liabilities
January 1, 1998
(in thousands)

	Long-Term(1)	Short-Term
COMMONWEALTH DEBT		
General Obligation Debt	$ 9,594,788(2)	0
Special Obligation Debt	628,575	0
Subtotal Commonwealth Debt	10,223,363	0
COMMONWEALTH-SUPPORTED DEBT		
Massachusetts Bay Transportation Authority	3,278,345 (3)	$325,000 (4)
Massachusetts Convention Center Authority	116,259	0
Massachusetts Government Land Bank	88,305	0
Boston Metropolitan District	38,992	0
Steamship Authority	36,769	0
Regional transit authorities	0	70,605
Subtotal Supported Debt	3,558,760	395,605
COMMONWEALTH-GUARANTEED DEBT		
Massachusetts Turnpike Authority	0	55,905
Higher education building authorities	235,839	0
Subtotal Guaranteed Debt	235,839	55,905
TOTAL COMMONWEALTH BOND AND NOTE LIABILITIES	$14,017,962	$451,510

SOURCE: Office of the State Treasurer, Office of the Comptroller and respective authorities and agencies.

(1) Long-term debt includes discount and costs of issuance. Does not include long-term capital lease obligations. See the February Information Statement under the headings "COMMONWEALTH BOND AND NOTE LIABILITIES—Indirect Obligations; *Plymouth County Certificates of Participation*" and "OTHER COMMONWEALTH LIABILITIES—Long-Term Capital Leases and Certificates of Participation."

(2) Includes interest on Commonwealth general obligation capital appreciation bonds to be accrued from January 1, 1998 through their maturity in the amount of $282.4 million. On January 22, 1998, the Commonwealth sold $250 million of bonds, which are expected to settle on January 29, 1998.

(3) Includes bonds and refunding bonds, excluding such bonds that have been refunded. Does not include certificates of participation and other long-term lease obligations. The MBTA expects to sell $____ million of bonds on January 29, 1998.

(4) Includes $165 million of notes due February 27, 1998 and $160 million of notes due September 4, 1998. In addition, as of January 22, 1998, the MBTA has outstanding $__million of commercial paper issued as bond anticipation notes. See the February Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES—Commonwealth Supported Debt; *MBTA*."

OTHER COMMONWEALTH LIABILITIES

Unemployment Compensation Trust Fund

As of December 31, 1997 the private contributory sector of the Massachusetts Unemployment Trust Fund had a surplus of $1.356 billion. The January, 1998 quarterly report of the Division of Employment and Training (DET) indicates that the contributions provided by current law should result in a private contributory balance of $1.649 billion in the Unemployment Compensation Trust Fund by December, 1998. According to DET's January, 1998 report, reserves are expected to be $2.318 billion by the end of 2002. See the February Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES—Unemployment Compensation Trust Fund."

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Supplement or the February Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Assistant Deputy Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900, or Catherine Frazer, Director of Debt 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 Supplement or the February Information Statement should be directed to John R. Regier or Navjeet K. Bal, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone 617/542-6000.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Joseph D. Malone
Joseph D. Malone
Treasurer and Receiver-General

By /s/ Charles D. Baker
Charles D. Baker
Secretary of Administration and Finance

January 22, 1998

TRADOCS: 1073000.2 (mzxk02!.doc)

[THIS PAGE INTENTIONALLY LEFT BLANK]

BROWN
RUDNICK
FREED &
GESMER

APPENDIX B

[CLOSING DATE]

The Honorable Joseph D. Malone
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House - Room 227
Boston, Massachusetts 02133

RE: The Commonwealth of Massachusetts $250,000,000 General Obligation Bonds, Consolidated Loan of 1998, Series A, dated January 1, 1998, as described below (the "Bonds")

Dear Treasurer Malone:

We have served as bond counsel to the Commonwealth of Massachusetts in connection with the issuance of the Bonds. In that capacity, we have examined a record of proceedings relating to the Bonds. We have also examined such provisions of applicable law and such other documents as we have deemed necessary in order to render this opinion.

The Bonds mature and bear interest and are subject to optional redemption at such times, in such amounts, at such prices and upon such terms and conditions as are set forth in the Bonds.

The Bonds are being issued by means of a book entry system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"), and are not available for distribution to the public, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. We have examined one of the executed Bonds.

In rendering our opinion, we have relied upon certain covenants of the Commonwealth and upon certifications and representations of fact made by certain officials of the Commonwealth.

We express no opinion as to laws other than the laws of the Commonwealth and the United States of America.

Based upon the foregoing, we are of the opinion that, under existing law:

A Partnership of
Professional Corporations

ONE FINANCIAL CENTER
BOSTON, MASSACHUSETTS 02111
617-856-8200
FAX: 617-856-8201

Hartford / Providence

a) The Bonds have been duly authorized by the Commonwealth, and the form of the Bond which we have examined and the form of its execution are regular and proper.

b) The Bonds are legal and valid general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. It should further be noted that Chapter 29, Section 60B, of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth.

c) Interest on the Bonds (including any original issue discount properly allocable to a holder thereof) is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Commonwealth comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure by the Commonwealth to comply with such requirements subsequent to the issuance of the Bonds may cause interest on the Bonds to become subject to federal income taxation retroactive to the date of their issuance. The Commonwealth has provided covenants or certificates stating that it will take all lawful action necessary to comply with these requirements. We express no opinion with respect to other federal tax consequences arising with respect to the Bonds.

d) Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion with respect to the other Massachusetts tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights hereafter enacted to the extent constitutionally applicable and that enforcement of such rights may also be subject to general principles of equity, regardless of whether applied in proceedings in equity or at law.

Very truly yours,

BROWN, RUDNICK, FREED & GESMER

[THIS PAGE INTENTIONALLY LEFT BLANK]

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this day of

COUNTERSIGNED:

MBIA Insurance Corporation

____
Resident Licensed Agent

____
President

SPECIMEN

____
City, State

Attest: __________________________
Assistant Secretary

STD-RCS-6
4/95

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

Commonwealth of Massachusetts

General Obligation Bonds
Consolidated Loan of 1998, Series A

Continuing Disclosure Undertaking

[to be included in bond form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide to each nationally recognized municipal securities information repository (each, a "NRMSIR") within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to the state information depository for the Commonwealth, if any (the "SID"), within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and the SID when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated February 13, 1997 (the "Information Statement"), as it appears in the Official Statement dated February 20, 1997 of the Massachusetts Bay Transportation Authority with respect to its 1997 Series A Notes, and substantially in the same level of detail as is found in the referenced section of the Information Statement:

	Financial Information and Operating Data Category	**Reference to Information Statement for Level of Detail**
1.	Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	"FINANCIAL RESULTS - Selected Financial Data - Statutory Basis"
2.	Summary presentation on GAAP and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year	"FINANCIAL RESULTS - Selected Financial Data - GAAP Basis"
3.	Discussion of selected key results for budgeted operating funds for prior fiscal years	"FINANCIAL RESULTS" (see discussion of prior fiscal years)
4.	Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH REVENUES - Distribution of Revenues"
5.	So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES - Limitations on Tax Revenues"
6.	Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	"COMMONWEALTH PROGRAMS AND SERVICES"

Financial Information and Operating Data Category		Reference to Information Statement for Level of Detail
7.	So long as Commonwealth statutes impose a limit on appropriations for debt service, information as to compliance therewith for the prior fiscal year and an estimate for the current fiscal year	"COMMONWEALTH PROGRAMS AND SERVICES - Debt Service"
8.	If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"COMMONWEALTH PROGRAMS AND SERVICES - State Workforce"
9.	Statement of Commonwealth bond and note liabilities as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Outstanding Bond and Note Liabilities"
10.	Five-year comparative presentation of long term Commonwealth debt and selected Commonwealth-supported debt as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Long Term Bond Liabilities"
11.	Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Requirements on Commonwealth Bonds"
12.	So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Statutory Debt Limit on Direct Bonds"
13.	Five-year summary presentation of authorized but unissued general obligation debt and actual capital project expenditures	"COMMONWEALTH BOND AND NOTE LIABILITIES - Authorized But Unissued Debt"
14.	Annual fiscal year debt service contract assistance requirements for Commonwealth-supported debt, beginning with the current fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Contract Assistance Requirements on Commonwealth-Supported Debt"
15.	Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"OTHER COMMONWEALTH LIABILITIES - Retirement Systems and Pension Benefits"
16.	Summary presentation of operating lease commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - Long Term Operating Leases"
17.	Summary presentation of long-term capital lease and certificate-of-participation commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - Long Term Capital Leases and Certificates of Participation"
18.	Summary presentation of school building assistance program commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - School Building Assistance"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the Municipal Securities Rulemaking Board ("MSRB"). The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Bonds to provide in a timely manner to the MSRB and to the SID notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule), if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties 1/;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) modifications to the rights of security holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities 2/ and

(xi) rating changes.

Nothing herein shall preclude the Commonwealth from disseminating any information in addition to that required hereunder. If the Commonwealth disseminates any such additional information, nothing herein shall obligate the Commonwealth to update such information or include it in any future materials disseminated.

To the extent permitted by law, the foregoing provisions of this Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with such undertakings and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of such undertakings shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of this Bond relating to such undertakings may be amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

1/Not applicable to the Bonds, since there is no debt service reserve fund securing the Bonds.

2/Not applicable to the Bonds, since there is no property securing repayment of the Bonds that could be released, substituted or sold.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

MSRB **FORM G-36(OS) – FOR OFFICIAL STATEMENTS**

SECTION I – MATERIALS SUBMITTED

85171

A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):

1. ☐ A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: 1-28-98 (b) DATE SENT TO MSRB: 1-29-98

2. ☐ AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)

(a) DATE RECEIVED FROM ISSUER: ______ (b) DATE SENT TO MSRB: ______

B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and wrap, even if physically attached), PLEASE CHECK HERE: ☒

C. IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original Form G-36(OS)): ☐

SECTION II – IDENTIFICATION OF ISSUE(S)

Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here: ☐

A. NAME OF ISSUER: State of Massachusetts STATE: Ma
DESCRIPTION OF ISSUE: General Obligation Bonds, Consolidated Loan of 1998, Series A DATED DATE: 01-01-98

B. NAME OF ISSUER: ______ STATE: ______
DESCRIPTION OF ISSUE: ______ DATED DATE: ______

C. NAME OF ISSUER: ______ STATE: ______
DESCRIPTION OF ISSUE: ______ DATED DATE: ______

SECTION III – TRANSACTION INFORMATION

A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: 1-1-11

B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): 1-22-98

C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): 1-29-98

D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE: ☐
A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advance refunded.

SECTION IV – UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to compute any rule A-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice if a rule A-13 assessment is due on the offering.

A. MANAGING UNDERWRITER: Smith Barney Inc. SEC REG. NUMBER: 8-08177

B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: $ 250,000,000.

C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): $ 250,000,000.

D. CHECK ALL THAT APPLY:

1. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

2. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

3. ☐ This offering is exempt from SEC rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

CONTINUED ON OTHER SIDE

MSRB rule G-36 requires [illegible] number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
1/1/99	575827PC8	1/1/08	575827PM6		
00	PD6	09	PN4		
01	PE4	10	PP9		
02	PF1	11	PQ7		
03	PG9				
04	PH7				
05	PJ3				
06	PK0				
07	PL8				

B. IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9", CHECK HERE AND LIST THEM BELOW: ☐
(Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: ____________________

State the reason why such securities have not been assigned a "CUSIP-9": ____________________

C. IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT, PLEASE CHECK HERE: ☐

State the reason why such securities are ineligible for CUSIP number assignment: ____________________

SECTION VI – MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.

ON BEHALF OF THE MANAGING UNDERWRITER IDENTIFIED IN SE

SI

NA

ing underwriter)