<u>NEW MONEY ISSUE - BOOK-ENTRY-ONLY</u>

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, interest on the Bonds will not be excluded from the gross income of the owners thereof for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE COMMONWEALTH OF MASSACHUSETTS

$450,000,000
General Obligation Bonds
Consolidated Loan of 2010, Series A
(Federally Taxable - Build America Bonds - Direct Pay to Issuer)

Dated: Date of Delivery **Due: As shown on the inside cover hereof**

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, New York, New York ("DTC"), and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds will bear interest from their date of delivery and interest will be payable on November 1, 2010 and semiannually thereafter on May 1 and November 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 (described herein) under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "LONG-TERM LIABILITIES – General Authority to Borrow; Limit on Debt Service Appropriations."

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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., 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. Siebert Brandford Shank & Co. LLC is acting as financial advisor to the Commonwealth in connection with the issuance of the Bonds. Settlement of the issue is expected at DTC in New York, New York, on or about May 12, 2010.

May 5, 2010

THE COMMONWEALTH OF MASSACHUSETTS

$450,000,000
General Obligation Bonds
Consolidated Loan of 2010, Series A
(Federally Taxable - Build America Bonds - Direct Pay to Issuer)

Dated: Date of Delivery **Due: May 1, as shown below**

Serial Bonds

Maturity	Amount	Interest Rate	Price	CUSIP Number*
2024	$ 15,000,000	4.48%	100%	57582PUP3
2025	25,000,000	4.58	100	57582PUQ1
2026	35,000,000	4.68	100	57582PUR9
2027	75,000,000	4.76	100	57582PUS7

$300,000,000 4.91% Term Bonds Due May 1, 2029 to Price 100% - CUSIP Number*: 57582PUT5

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 The CUSIP numbers listed above are being provided solely for the convenience of Bondowners only at the time of issuance of the Bonds and the Commonwealth does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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.

No action has been taken by the Commonwealth that would permit a public offering of the Bonds or possession or distribution of the Preliminary Official Statement or any other offering material in any jurisdiction outside the United States where action for that purpose is required. Accordingly, the Notice of Sale referenced herein provides that the Bonds may not be re-offered outside the United States unless arrangements are made with the Commonwealth and Siebert Brandford Shank & Co. LLC, financial advisor to the Commonwealth, prior to bidding. The successful bidder will be required to agree that it will not offer, sell or distribute any Bonds in a jurisdiction outside the United States unless such bidder has complied with all applicable laws and regulations in force in such jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Preliminary Official Statement or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any foreign jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Commonwealth shall have no responsibility therefor.

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THE COMMONWEALTH OF MASSACHUSETTS

CONSTITUTIONAL OFFICERS

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

LEGISLATIVE OFFICERS

Therese Murray	**President of the Senate**
Robert A. DeLeo	**Speaker of the House**

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

$450,000,000
General Obligation Bonds
Consolidated Loan of 2010, Series A
(Federally Taxable - Build America Bonds - Direct Pay to Issuer)

INTRODUCTION

This Official Statement (including the cover page and Appendices A through D attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of its General Obligation Bonds, Consolidated Loan of 2010, Series A (Federally Taxable – Build America Bonds – Direct Pay to Issuer) (the "Bonds"), in the aggregate principal amount of $450,000,000. 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" and "LONG-TERM LIABILITIES – General Authority to Borrow; Limit on Debt Service Appropriations."

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 March 26, 2009 (the "March Information Statement"), as it appears as Appendix A in the Official Statement dated May 20, 2009 of the Commonwealth with respect to the Commonwealth's General Obligation Bonds, Consolidated Loan of 2009, Series B, its General Obligation Bonds, Consolidated Loan of 2009, Series C and its General Obligation Bonds, Consolidated Loan of 2009, Series D (Federally Taxable) (the "May Official Statement"). The information contained in the March Information Statement has been supplemented by the Commonwealth's Information Statement Supplement dated April 29, 2010 (the "April Supplement"), and by a further supplement to the April Supplement dated May 5, 2010 (the "May Supplement"). The April Supplement and the May Supplement are attached hereto as Appendix A. Copies of the May Official Statement, the April Supplement and the May Supplement have been filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. The March Information Statement, the April Supplement and the May Supplement are referred to herein collectively as the "Information Statement." The Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Information Statement contains certain economic information concerning the Commonwealth. Exhibits B and C to the Information Statement contain the financial statements of the Commonwealth for the fiscal year ended June 30, 2009, prepared on a statutory basis and on a GAAP basis, respectively. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with EMMA. The financial statements are also available at the home page of the Comptroller of the Commonwealth located at http://www.mass.gov/osc by clicking on "Financial Reports."

Appendix B attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the successful bidders of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix D attached hereto contains the Official Notice of Sale, as amended and restated, with respect to the Bonds.

Build America Bonds

The Commonwealth intends to elect to treat the Bonds as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009 ("ARRA") and to receive a cash subsidy from the United States Treasury ("Interest Subsidy Payments") in connection therewith. As a result of such elections, interest on the Bonds will be included in the gross income of holders thereof for federal income tax purposes, and the holders will not be entitled to any federal tax credits as to Build America Bonds in connection with their holding of Bonds. Pursuant to ARRA, the Commonwealth will be entitled to receive Interest Subsidy Payments equal to 35% of the interest payable on the Bonds, provided the Commonwealth makes certain required filings in accordance with applicable federal rules pertaining to the Interest Subsidy Payments. Such Interest Subsidy Payments received by the Commonwealth are not pledged to pay the Bonds, nor are their receipt a condition of payment of any portion of the Bonds. Federal tax law imposes certain requirements for qualification of the Bonds as Build America Bonds, including that interest on such Bonds would be, but for the Commonwealth's election, excludable from gross income for federal income tax purposes. There can be no assurance that the Bonds will qualify as Build America Bonds nor as to the receipt, or timing of receipt, of Interest Subsidy Payments. The Commonwealth is obligated to make payments of the principal of and interest on the Bonds whether or not it receives Interest Subsidy Payments.

THE BONDS

General

The Bonds will mature on May 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 Bonds will be dated their date of delivery and will bear interest from such date. Interest on the Bonds will be payable semiannually on November 1 and May 1 of each year, commencing November 1, 2010, until the principal amount is paid. 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 federal funds to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption

Optional Redemption with Make-Whole Payment.

The Bonds will be subject to redemption on any date prior to their stated maturity date at the option of the Commonwealth, in whole or in part (on a pro rata basis as described below), at any time, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points,

plus accrued and unpaid interest on the Bonds being redeemed to the date fixed for redemption. For the purpose of determining the Treasury Rate, the following definitions will apply:

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (b) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Commonwealth.

"Reference Treasury Dealer" means each of not less than four firms, specified by the Commonwealth from time to time, that are primary U.S. Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Commonwealth shall substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Bond, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, at least two business days but not more than 45 calendar days preceding such redemption date.

"Remaining Scheduled Payments" means, with respect to the Bonds of each maturity to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due assuming such Bonds were not so optionally redeemed but, however, giving effect to any mandatory sinking fund installments applicable to such Bonds; provided, however, that, if such redemption date is not an interest payment date with respect to the Bonds, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Extraordinary Optional Redemption of Bonds.

The Bonds will be subject to extraordinary optional redemption prior to maturity, at the option of the Commonwealth, upon the occurrence of an Extraordinary Event (defined below), in whole or in part (on a pro rata basis as described below), at any time, at the "Extraordinary Redemption Price." The Extraordinary Redemption Price is equal to the greater of (i) 100% of the principal amount of the Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Bonds to be redeemed to the maturity date of such Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semiannual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus 100 basis points, plus accrued interest on the Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if the Commonwealth determines that a material adverse change has occurred to section 54AA or section 6431 of the Internal Revenue Code of 1986 (the “Code”) (as in effect on the date of issuance of the Bonds) or there is any guidance published by the Internal Revenue Service or the Department of the Treasury with respect to such sections of the Code or any other determination by the Internal Revenue Service or the Department of the United States Treasury, which determination is not the result of an act or omission by the Commonwealth to satisfy the requirements to receive the Interest Subsidy Payments, pursuant to which the Interest Subsidy Payments are eliminated or reduced below 35% of the amount of interest payable on the Bonds.

Mandatory Sinking Fund Redemption of Bonds.

The Bonds maturing on May 1, 2029 are subject to mandatory sinking fund redemption on a pro rata basis, as described below, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on such dates as set forth in the following table, in the principal amount specified on each such date:

$300,000,000 4.91% Term Bonds Due May 1, 2029

Year	Amount
2028	$125,000,000
2029†	175,000,000

† Stated Maturity.

In the event that any Bonds shall be redeemed at the option of the Commonwealth, an amount equal to the principal amount of the Bonds so redeemed shall be credited on a pro rata basis, as nearly as practicable, toward any remaining sinking fund installment.

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the applicable 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 such Bonds, notices of redemption will be sent by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

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

Pro Rata Redemption of the Bonds. If the Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, partial redemptions will be done in accordance with DTC procedures. It is the Commonwealth’s intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Commonwealth and the beneficial owners be made in accordance with these same proportional provisions. However, the Commonwealth can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners on such a proportional basis.

If the Bonds are not registered in book-entry-only form, any redemption of less than all of the Bonds of any maturity will be allocated among the registered owners of such Bonds as nearly as practicable in proportion to the principal amounts of the Bonds of such maturity owned by each registered owner, subject to the authorized denominations applicable to the Bonds. This will be calculated based on the formula:

(principal amount of applicable maturity to be redeemed) x (principal amount of applicable maturity owned by owner) / (principal amount of applicable maturity outstanding). The particular Bonds to be redeemed will be determined by the Commonwealth, using such method as it deems fair and appropriate.

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 specific bond authorizations enacted by the Legislature. The net proceeds of the sale of the Bonds, including any premium received by the Commonwealth upon original delivery 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 reimburse the Commonwealth's treasury for expenditures previously made pursuant to such laws, as will the investment earnings thereon. Any remaining premium received by the Commonwealth upon original delivery of the Bonds and not applied to the various purposes for which bonds have been authorized will be applied to the costs of issuance thereof.

The purposes for which the Bonds will be issued have been authorized by the Legislature under various bond authorizations. The proceeds will be used to finance or reimburse the Commonwealth for a variety of capital expenditures that are included within the current 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 and establishes annual capital spending limits. See the Commonwealth Information Statement under the heading "COMMONWEALTH CAPITAL INVESTMENT PLAN."

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 "LONG-TERM LIABILITIES – General Authority to Borrow; Limit on Debt Service Appropriations."

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.

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 her knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition. For a description of certain litigation affecting the Commonwealth, see the Commonwealth Information Statement under the heading "LEGAL MATTERS."

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, and 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commonwealth as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

The principal of and interest and premium, if any, on the Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, as registered owner of the Bonds. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a successor depository is not obtained, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner. Bond certificates are required to be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed, delivered and registered as designated by the Beneficial Owners.

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

RATINGS

The Bonds have been assigned ratings of "AA+," "Aa1" and "AA" by Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's"), 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.

COMPETITIVE SALE OF BONDS

After bidding on May 5, 2010, the Bonds were awarded by the Commonwealth to Morgan Stanley & Co. Incorporated, as purchaser. The purchaser of the Bonds has supplied the information as to the public reoffering prices of the Bonds set forth on the inside cover hereof. If all of the Bonds were resold to the public at such price, the purchaser of the Bonds has informed the Commonwealth that its total compensation is expected to be $1,516,500. The purchaser of the Bonds may change the public offering prices from time to time.

The following language has been provided by the underwriters named therein. The Commonwealth takes no responsibility as to the accuracy or completeness thereof.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, purchaser of the Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

TAX MATTERS

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not be excluded from the gross income of holders of such Bonds for federal income tax purposes. The following discussion briefly summarizes the principal U.S. federal tax consequences of the acquisition, ownership, and disposition of the Bonds for holders who acquire any Bonds in the initial offering and hold such Bonds as "capital assets." It does not discuss all aspects of U.S. federal income taxation which may apply to a particular holder, nor does it discuss U.S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities or foreign currencies, persons holding Bonds as a position in a “hedge” or “straddle,” or holders whose functional currency is not the U.S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect.

Except as otherwise explicitly noted below, this summary addresses only “U.S. Holders,” that is, individual citizens or residents of the United States, corporations or other business entities organized under the laws of the United States, any state, or the District of Columbia, estates with income subject to United States federal income tax, trusts subject to primary supervision by a United States court and for which United States persons control all substantial decisions, and certain other trusts that elect to be treated as United States persons. Except as otherwise explicitly noted in the discussion of Massachusetts taxes below, this discussion relates only to U.S. federal income taxes and not to any state, local or foreign taxes or U.S. federal taxes other than income taxes.

Interest on the Bonds that is “qualified stated interest” generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). Generally, “qualified stated interest” means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the semi-annual interest payments as set forth on the inside cover hereof.

Because the Commonwealth will elect to receive Interest Subsidy Payments, holders of the Bonds will not be entitled to any federal tax credits as to Build America Bonds in connection with their holding of Bonds. See “Introduction - Build America Bonds.”

Interest on the Bonds includes any accrued original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of a Bond over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold, provided that such excess equals or exceeds a de minimis amount (generally ¼% of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). A U. S. Holder of a Bond with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of the cash payments attributable to such income, regardless of the U. S. Holder’s regular method of tax accounting. Original issue discount accrues actuarially over the term of a Bond and results in a corresponding increase in the holder’s tax basis in such Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. A holder of a Bond may elect to amortize such premium during the term of such Bond by claiming a deduction to offset interest otherwise required to be included in income during any taxable year by the amortizable amount of such premium for the taxable year. Such amortization will result in a corresponding reduction of the holder’s tax basis in such Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the holder at the beginning of the first taxable year to which the election applies and to all taxable debt instruments acquired on or after such date and may be revoked only with the consent of the Internal Revenue Service. Holders of Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of a Bond, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Bond. Such gain or loss generally will be long-term capital gain or loss if the Bond was held for more than one year. If the U.S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U.S. Holder of Bonds whose income from such Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder. Otherwise: (i) a Non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Bonds on its own behalf generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on a Bond, as long as the Non-U.S. Holder makes an appropriate filing with a U.S. withholding agent; and (ii) a Non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Bond unless such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

Information as to interest on or proceeds from the sale or other disposition of Bonds is required to be reported by payors to the Internal Revenue Service and to recipients. In addition, backup withholding may apply unless the holder of a Bond provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U.S. federal income tax liability.

To ensure compliance with Internal Revenue Service Circular 230, prospective purchasers of Bonds are hereby informed that (i) any federal tax advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for purposes of avoiding penalties that may be imposed on the taxpayer, (ii) any such federal tax advice is written to support the promotion or marketing of the Bonds, and (iii) each purchaser of a Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor.

For Massachusetts income tax purposes, Massachusetts gross income is federal gross income generally as defined under the Internal Revenue Code of 1986, as amended on January 1, 2005 (and subject to subsequent amendments to the Code specifically adopted by the Commonwealth by legislative action, although not relevant to the Bonds), with certain modifications. As a result, in general, federally taxable interest on obligations of the Commonwealth is also taxable for purposes of the Massachusetts personal income tax. However, as described above, the Commonwealth intends to issue the Bonds as "Build America Bonds" under ARRA. Section 1531(d) of ARRA provides, in part, as follows:

"Except as otherwise provided by a State after the date of enactment of [ARRA], the interest on any build America bond (as defined in section 54AA of [the Code], as added by this section)…shall be treated for purposes of the income tax laws of such State as being exempt from Federal income tax."

To date, the Commonwealth has not taken any action with respect to the Massachusetts personal income tax status of interest on any Build America Bond and accordingly, Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Prospective purchasers of the Bonds should be aware that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon is included in the measure of certain 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.

OPINION OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., of Boston, Massachusetts, Bond Counsel to the Commonwealth. 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 Commonwealth.

CONTINUING DISCLOSURE

In order to assist the successful bidder of the Bonds 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 C 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."

FINANCIAL ADVISOR

The Commonwealth has retained Siebert Brandford Shank & Co., LLC to act as financial advisor with respect to the issuance of the Bonds.

MISCELLANEOUS

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

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, including, in particular, the current unprecedented adverse global financial market and economic conditions, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

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

The Commonwealth has prepared the prospective financial information set forth in this Official Statement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Commonwealth, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the Commonwealth identified in this Official Statement as the sources of such information, the currently expected course of action and the currently expected future budgeted revenues and expenditures of the Commonwealth. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the Commonwealth's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

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

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Colin A. MacNaught, Assistant Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, x. 226, or Karol D. Ostberg, Director of Capital 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 John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

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

By /s/ Jay Gonzalez
Jay Gonzalez
Secretary of Administration and Finance

May 5, 2010

SUPPLEMENT DATED MAY 5, 2010 TO THE COMMONWEALTH'S INFORMATION STATEMENT SUPPLEMENT DATED APRIL 29, 2010

The Commonwealth's Information Statement Supplement dated April 29, 2010 is hereby supplemented by deleting paragraphs twelve (12) through seventeen (17) under the heading "RECENT DEVELOPMENTS - Fiscal 2010" on page A-12 through A-13 and replacing it with the following:

Due to an extension of the filing deadline from April 15, 2010 to May 11, 2010 as a result of recent flooding, income tax payments with returns, income tax estimated payments, and income tax refunds have been delayed, resulting in below-benchmark performance in those revenue categories in April. At this point it is impossible to estimate reliably how much tax revenue will be affected by the extended due date. Although DOR will continue to receive returns filed from flood-affected counties through at least the May 11, 2010 deadline, the processing of those returns could run well into June.

Preliminary tax revenue collections for the first ten months of fiscal 2010, ending April 30**,** 2010, totaled approximately $14.933 billion, a decrease of $253 million, or 1.7%, compared to the same period in fiscal 2009. The following table shows the tax collections for the first ten months of fiscal 2010 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2010 that are dedicated to the Massachusetts Bay Transportation Authority and the Massachusetts School Building Authority.

Fiscal 2010 Tax Collections (in millions) (1)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion (3)	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	$ 1,250.6	$ (131.1)	(9.5) %	$ 57.6	$ 54.7	$ 1,138.4
August	1,296.5	(12.7)	(1.0)	54.4	51.7	1,190.4
September	1,765.9	(333.6)	(15.9)	79.8	47.2	1,638.9
October	1,224.9	74.8	6.5	53.8	51.1	1,120.0
November	1,288.7	32.4	2.6	50.5	48.0	1,190.2
December	1,885.9	23.4	1.3	87.4	48.2	1,750.3
January	1,845.1	54.5	3.0	61.9	58.8	1,724.4
February	1,002.7	49.0	5.1	46.0	43.7	913.0
March	1,624.9	21.6	1.3	83.9	45.3	1,495.7
April (2)	1,747.8	(31.4)	1.8	56.0	53.2	1,638.5
Total (2)	**$ 14,932.8**	**$ (253.0)**	**(1.7) %**	**$631.3**	**$ 501.8**	**$ 13,799.7**

SOURCE: Executive Office for Administration and Finance.
(1) Details may not add to Total due to rounding.
(2) Figures are preliminary.
(3) Includes adjustment of $30.2 million on the account of the first quarter, $36.7 million on the account of the second quarter, and $36.2 million on account of the third quarter related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The year-to-date tax revenue decrease of $253 million through April 30, 2010 is attributable in large part to a decrease of approximately $350 million, or 23.6%, in income tax cash estimated payments, a decrease of approximately $75 million, or 1.0%, in withholding collections, a decrease of approximately $372 million, or 30.0%, in income tax payments with returns and extensions, which are offset by a decrease of approximately $19 million, or 1.4%, in income tax cash refunds, an increase of approximately $566 million, or 17.5%, in sales tax collections, and changes in other revenues (net of refunds). The year-to-date fiscal 2010 collections through April were $261 million below the April year-to-date benchmark, based on the January 7, 2010 revised revenue estimate of the Secretary of Administration and Finance of $18.460 billion for fiscal 2010. (See the Information Statement Supplement dated April 29, 2010 under the heading "Fiscal 2010 Tax Revenue Forecasting.")

THE COMMONWEALTH OF MASSACHUSETTS

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THE

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INFORMATION STATEMENT SUPPLEMENT

Dated April 29, 2010

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CONSTITUTIONAL OFFICERS

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

LEGISLATIVE OFFICERS

Therese Murray .... **President of the Senate**
Robert A. DeLeo .... **Speaker of the House**

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

April 29, 2010

This supplement ("Supplement") to the Information Statement of The Commonwealth of Massachusetts (the "Commonwealth") dated March 26, 2009 (the "March Information Statement") is dated April 29, 2010 and contains information which updates the information contained in the March Information Statement. The March Information Statement has been filed with the Municipal Securities Rulemaking Board. This Supplement and the March 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 April 29, 2010. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the March Information Statement.

The March Information Statement, as supplemented hereby, includes three exhibits. Exhibit A is the Statement of Economic Information as of March 12, 2010, which sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibits B and C are, respectively, the Commonwealth's Statutory Basis Financial Report for the year ended June 30, 2009 and the Commonwealth's Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2009. The Commonwealth's independent auditor has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has said independent auditor performed any procedures relating to the official statement of which this Supplement is a part. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with the Municipal Securities Rulemaking Board. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at http://www.mass.gov/osc by clicking on "Publications and Reports" and then "Financial Reports."

RECENT DEVELOPMENTS

Fiscal 2009

On April 15, 2009, based on year-to-date fiscal 2009 tax collections through March that were $117 million below the revised fiscal 2009 tax revenue estimate for the corresponding period, the Secretary of Administration and Finance further revised the tax revenue forecast for fiscal 2009 from $19.450 billion to $19.333 billion. The tax revenue shortfall, combined with approximately $39 million in spending and non-tax revenue-related exposures, resulted in a $156 million budget gap. The Governor's plan at that time to close the budget shortfall included the use of $128 million in federal funds to be received under the American Recovery and Reinvestment Act of 2009, consisting of $90 million from the State Fiscal Stabilization Fund, $16 million from additional budget cuts and spending controls and $12 million in savings from furloughs and workforce reductions.

On May 4, 2009, after analysis of April, 2009 tax revenue collections that fell by $953 million, or 34.9%, from collections in April, 2008, and which were $456 million below the monthly benchmark based on the fiscal 2009 revised revenue forecast of $19.333 billion, pursuant to Section 5B of Chapter 29 of the General Laws, the Secretary of Administration and Finance informed the Governor, the House and Senate Committees on Ways and Means, and the Joint Committee on Revenue that the fiscal 2009 revenue estimate was being further revised to $18.436 billion, a reduction of $897 million from the April 15, 2009 tax revenue forecast of $19.333 billion. Also on May 4, 2009, pursuant to Section 9C of Chapter 29 of the General Laws, the Secretary of Administration and Finance advised the Governor of a probable deficiency of revenue of approximately $953 million with respect to the appropriations approved to date for fiscal 2009 and certain non-discretionary spending obligations that had not been budgeted. See the March Information Statement under the heading "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Overview of Operating Budget Process." The $953 million projected shortfall to cover expenses resulted from the $897 million reduction in projected state tax revenues from the revised tax revenue forecast and $56 million in projected costs not accounted for in the fiscal 2009 budget.

On May 15, 2009 the Governor approved supplemental budget legislation that authorized a $461 million withdrawal from the Stabilization Fund to help close the projected $953 million shortfall. The legislation included supplemental appropriations totaling $62 million, including $32 million for the county sheriffs' reserves and $30 million for state employee health benefits.

On June 29, 2009 the Governor approved supplemental budget legislation that contained the remaining solutions to the projected $953 million shortfall, including (i) accessing approximately $412 million in State Fiscal Stabilization Funds included in the American Recovery and Reinvestment Act, (ii) eliminating a planned $100 million deposit to the Stabilization Fund that was authorized in fiscal 2008 but had yet to be executed, (iii) a $65 million transfer from the State Convention Center Fund established for the benefit of the Massachusetts Convention Center Authority and (iv) reducing the General Fund contribution to the Health Safety Net Trust Fund by $15 million in order to meet projected deficiencies in the MassHealth program. (Even with this $15 million reduction, the Health Safety Net is projected to have a surplus in its fiscal 2009.) The legislation also included supplemental appropriations totaling $59.8 million, including $21.4 million for the MassHealth program to meet increasing service utilization costs and $11.5 million for costs associated with providing legal representation to indigent persons in criminal and civil court cases.

On July 2, 2009, the Governor filed legislation requesting supplemental appropriations totaling $64 million, including $60 million to support costs related to increased claims and utilization in the MassHealth program and $3 million to aid in the transition of transportation entities as a result of the recently enacted transportation reform bill. MassHealth paid these costs in advance of the enactment of this supplemental appropriation in order to maintain compliance with federal Medicaid prompt-pay requirements.

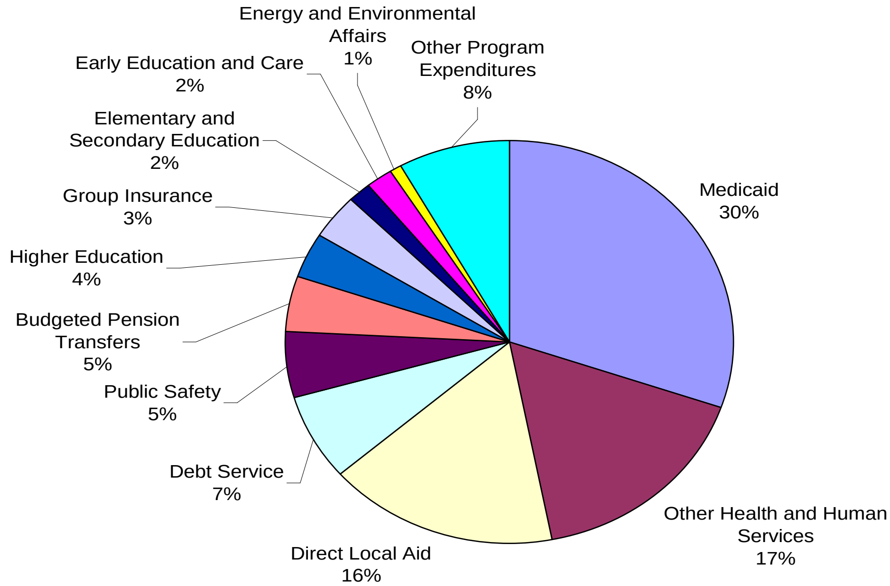
Total fiscal 2009 MassHealth program spending was $8.552 billion, which is 5.5% above fiscal 2008 spending. The fiscal 2009 Federal Medical Assistance Percentages (FMAP) for Massachusetts were 58.8% for October through March and 60.2% for April through June as a result of enhancements to federal reimbursement under the American Recovery and Reinvestment Act. As a result of these changes, in fiscal 2009 the state was able to claim an additional $869 million in federal reimbursement from spending at MassHealth, Commonwealth Care, the Health Safety Net and other health and human service programs.

On October 20, 2009, the Legislature enacted fiscal 2009 supplemental appropriations totaling $71.7 million. On October 29, 2009, the Governor approved $66.3 million of such appropriations, including $60 million to support costs related to increased claims and utilization in the MassHealth program and $5.4 million for the special election to fill the Commonwealth's vacant U. S. Senate seat.

On November 3, 2009, the Commonwealth published the fiscal 2009 statutory basis financial report, which shows a consolidated net surplus of approximately $74.7 million before a $10 million transfer for life sciences funding required by a supplemental budget passed earlier in the year.

The statutory basis financial report for fiscal 2009 was restructured due to a change in the state finance law that afforded the Comptroller some flexibility in reporting. The report was independently reviewed but not audited and concentrates on the operating results of the budgeted funds, rather than the entirety of the Commonwealth's operations. The comprehensive annual financial report for fiscal 2009, published on December 23, 2009 is audited and presents an entire view of the Commonwealth's balances and results of operations in accordance with generally accepted accounting principles.

The following graph depicts the breakdown of major categories of estimated budgeted operating spending for fiscal 2009.



Tax revenue collections for fiscal 2009 totaled $18.260 billion, a decrease of $2.620 billion, or 12.5%, compared to fiscal 2008. The following table shows the monthly tax collections in fiscal 2009 and the change from tax collections in fiscal 2008, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2009 that were dedicated to the Massachusetts Bay Transportation Authority and the Massachusetts School Building Authority.

Fiscal 2009 Tax Collections (in millions) (1)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion (2)	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	$ 1,381.6	$ 85.6	6.6%	$ 60.7	$ 54.6	$ 1,266.3
August	1,309.1	51.0	4.1	56.9	51.2	1,201.0
September	2,099.4	(108.6)	(4.9)	74.2	49.3	1,976.0
October	1,150.2	(57.3)	(4.7)	57.6	51.8	1,040.7
November	1,256.2	(59.6)	(4.5)	52.0	46.8	1,157.4
December	1,862.4	17.9	1.0	82.1	46.1	1,734.2
January	1,790.7	(409.8)	(18.6)	62.5	56.2	1,672.0
February	953.7	(189.6)	(16.6)	46.8	42.1	864.8
March	1,603.3	(312.2)	(16.3)	82.5	41.5	1,479.3
April	1,779.2	(954.6)	(34.9)	51.9	46.7	1,680.7
May	1,282.6	(209.8)	(14.1)	52.2	47.0	1,183.3
June	1,791.1	(472.5)	(20.9)	87.7	169.0	1,534.4
Total (2)	**$18,259.5**	**$(2,619.5)**	**(12.5)%**	**$ 767.1**	**$ 702.3**	**$ 16,790.2**

SOURCE: Executive Office for Administration and Finance.
(1) Details may not add to Total due to rounding.
(2) Includes adjustments of $19.4 million on account of the first quarter, $31 million on account of the second quarter, $36.4 on account of the third quarter and $32.4 on account of the fourth quarter related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The fiscal 2009 tax revenue decrease of $2.620 billion is attributable in large part to a decrease of approximately $712.5 million, or 28.6%, in personal income tax estimated payments, a decrease of approximately $147.6 million, or 1.6%, in withholding collections, a decrease of approximately $825.2 million, or 36.4%, in income tax payments made with returns and extensions, an increase of approximately $216.4 million, or 16.2%, in income tax refunds, a decrease of approximately $218 million, or 5.3%, in sales tax collections, and a decrease of approximately $449.6 million, or 17.6%, in corporate and business tax collections, which are partially offset by changes in other revenues (net of refunds). The fiscal 2009 collections were $176.5 million below the benchmark estimate for the corresponding period, based on the Secretary of Administration and Finance's revised fiscal 2009 revenue estimate of $18.436 billion announced on May 4, 2009.

Fiscal 2010

On July 30, 2009, the Legislature enacted supplemental budget legislation that included $40 million to help meet the health care needs of legal immigrants who will be dis-enrolled from their existing Commonwealth Care health insurance because they do not currently qualify for federal reimbursement (see "COMMONWEALTH EXPENDITURES - Health Care Reform" below) and $60.5 million in other program spending. On August 7, 2009, the Governor vetoed $32.2 million of this spending but approved $40 million for the health care needs of legal immigrants and $28.2 in other program spending.

On October 15, 2009, pursuant to Section 9C of Chapter 29 of the Massachusetts General Laws, the Secretary of Administration and Finance advised the Governor of a probable deficiency of state tax revenues of approximately $600 million with respect to the appropriations approved to date for fiscal 2010. On the same day, the Secretary made a downward revision to the fiscal 2010 tax revenue estimate. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting." State finance law provides the Governor 15 days after this notification to reduce allotments, to the extent lawfully permitted to do so, or submit proposals to the Legislature to raise additional revenues or to make appropriations from the Stabilization Fund to cover such deficiencies.

On October 29, 2009, the Governor filed legislation containing proposed solutions to the projected $600 million tax revenue shortfall, including $277 million in spending reductions across executive branch agencies. As part of the $277 million in executive branch cuts, the Governor has directed agencies to reduce personnel positions to achieve an additional $35 million in savings and is requiring managers within the executive branch to take up to nine furlough days through the remainder of fiscal 2010 in order to achieve additional savings. In addition, the Governor sought expanded 9C authority to make $75 million in spending reductions in non-executive branch agencies, including the Legislature, other constitutional officers, the judiciary, sheriffs and district attorneys. The Governor's plan also includes $126 million in anticipated departmental and other revenues, including, as a result of the reduced sales tax revenue forecast, $27 million of sales tax revenue that will not be transferred to the Massachusetts School Building Authority and $20 million from a tax amnesty program. The Governor's plan also assumed the use of a projected fiscal 2009 surplus of $60 million, as well as $62 million in available federal funds under the American Recovery and Reinvestment Act. The Governor's plan does not rely on the use of any of the current balance in the Commonwealth's Stabilization Fund. The legislation also includes several proposals that are designed to improve the efficiency of state government and give agencies the ability to better manage their budgets, including elimination of two paid holidays granted only to state employees working in Suffolk County, providing for shared administrative services within Secretariats and allowing limited transferability of funds between accounts.

The Legislature enacted the legislation on November 19, 2009, and the Governor approved it, with certain vetoes, on November 24, 2009. The Legislature did not take action on approximately $125 million of the $600 million in budget solutions proposed by the Governor, most significantly the Governor's proposal for expanded 9C authority to make $75 million in spending reductions in agencies not under the Governor's direct control. The Legislature also authorized the use of only $35.8 million from the fiscal 2009 surplus rather than $60 million.

On December 18, 2009 the Governor approved supplemental budget legislation that included $41.9 million in additional funding for the emergency family shelters program at the Department of Housing and Community Development. Supplemental funding was necessary due to the substantial growth in demand for shelter services.

As of January 1, 2010, tax revenue collections were running approximately $230 million over benchmark versus the revised consensus revenue estimate of $18.279 billion established on October 15, 2009. In addition, there was $76 million in departmental revenue generated by the State Treasurer's Office from the sale of abandoned property. After taking into account all of the over-benchmark tax revenue and additional departmental revenue through January, all of the budget solutions implemented to date and all of the actions taken by the Legislature, including overrides totaling approximately $24 million, the Executive Office for Administration and Finance projected sufficient funding to be available to restore some of the 9C cuts that were implemented in October and to cover the cost of certain provisions of the Governor's October budget solutions that were not acted upon by the Legislature. The largest 9C reductions to be restored were $18 million for regional school transportation and the full restoration of cuts proposed at the Department of Transitional Assistance totaling approximately $16 million.

On January 7, 2010, the Secretary of Administration and Finance further revised the fiscal 2010 revenue estimate upward by $181 million, from $18.279 to $18.460 billion based on the slightly improved year-to-date above benchmark performance relative to the $18.279 billion benchmark estimate.

Through the beginning of March, 2010, the Executive Office for Administration and Finance was tracking up to $426 million (gross) in additional funding that might be necessary to support state programs and services, mainly in areas affected by increased caseloads and utilization over the course of the economic downturn as well as other unanticipated costs, such as special elections and increased funding for snow and ice removal. The Executive Office for Administration and Finance has been taking the potential need for this additional funding into account to close the fiscal year in balance, as well as available resources to address these needs. The Governor has approved supplemental appropriations to address most of these funding needs (specifically the $235.3 million he signed into law on April 28, 2010), and the Governor expects to seek additional supplemental appropriations later in the fiscal year for the balance of the projected funding needs to the extent necessary.

In February, 2010, the Commonwealth was informed by the United States Department of Health and Human Services (USDHHS) that states' payment obligations to USDHHS for the Medicare Part D program (referred to as "clawback payments") for the period between October, 2008 through December, 2010 are less than previously anticipated due to USDHHS' determination that these costs are also subject to enhanced federal reimbursements under the American Recovery and Reinvestment Act of 2009. The Commonwealth's total savings for fiscal 2010 and fiscal 2011 combined are estimated to be $130 million, and it is currently estimated that $80 million of these savings will be realized in fiscal 2010. Under existing statutory authority, the Secretary of Administration and Finance directed the Comptroller to reduce the fiscal 2010 transfer from the Commonwealth's Stabilization Fund to the General Fund by $80 million as a result of this savings in clawback payments.

Following a regular budget review with Executive Office agencies in March, 2010 the Executive Office for Administration and Finance announced that it had identified $195 million (gross) of additional non-tax revenue and cost exposures in fiscal 2010 that were not previously anticipated. A portion of the deficiency is expected to be reimbursed by the federal government leaving a $118 million deficiency that must be closed using state resources. To address these deficiencies the Governor proposed $38 million of line item spending reductions and a transfer of $50 million in surplus funds from the Commonwealth Transportation Fund to support certain transportation spending. Such measures were signed into law as part of the supplemental budget legislation approved by the Governor on April 28, 2010. In addition the Secretary of Administration and Finance directed the Comptroller to transfer $30 million of the $80 million of clawback payments described in the paragraph above from the Stabilization Fund.

On April 28, 2010 the Governor approved supplemental budget legislation that totaled $235.3 million, including $199.9 million in additional funding for increased claims and utilization in the MassHealth program, $18.2 million for the emergency family shelters program at the Department of Housing and Community Development, $6.3 million to fund cost associated with the January special U.S. Senate election. In addition to these amounts, the Governor approved $8.8 million in supplemental funding to support union agreements with NAGE, SEIU and AFSCME that account for fiscal 2010 salary adjustments as well as reimbursements to union employees and managers who have experienced cost increases as a result of changes in health benefits. Since the collective bargaining agreements signed contribute to the overall budget balance by taking furloughs and deferring wage increases, the reimbursement will hold these employees harmless from certain health benefit increases in fiscal 2010. In addition the legislation provides for line item transfer authority for MassHealth to manage caseload and utilization changes.

Preliminary tax revenue collections for the first nine months of fiscal 2010, ending March 31, 2010, totaled approximately $13.184 billion, a decrease of $222.2 million, or 1.7%, compared to the same period in fiscal 2009. The following table shows the tax collections for the first nine months of fiscal 2010 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2010 that are dedicated to the Massachusetts Bay Transportation Authority and the Massachusetts School Building Authority.

Fiscal 2010 Tax Collections (in millions) (1)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion (3)	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	$ 1,250.6	$ (131.1)	(9.5) %	$ 57.6	$ 54.7	$ 1,138.4
August	1,296.5	(12.7)	(1.0)	54.4	51.7	1,190.4
September	1,765.9	(333.6)	(15.9)	79.8	47.2	1,638.9
October	1,224.9	74.8	6.5	53.8	51.1	1,120.0
November	1,288.7	32.4	2.6	50.5	48.0	1,190.2
December	1,885.9	23.4	1.3	87.4	48.2	1,750.2
January	1,845.1	54.5	3.0	61.9	58.8	1,724.4
February	1,002.6	49.0	5.1	46.0	43.7	912.9
March (2)	1,624.3	21.0	1.3	83.9	45.3	1,495.1
Total (2)	**$ 13,184.4**	**$ (222.2)**	**(1.7) %**	**$575.3**	**$ 448.6**	**$ 12,160.5**

SOURCE: Executive Office for Administration and Finance.
(1) Details may not add to Total due to rounding.
(2) Figures are preliminary.
(3) Includes adjustment of $30.2 million on the account of the first quarter, $36.7 million on the account of the second quarter, and $36.2 million on account of the third quarter related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The year-to-date tax revenue decrease of $222.2 million through March 31, 2010 is attributable in large part to a decrease of approximately $336 million, or 25.6%, in income tax cash estimated payments, a decrease of approximately $133 million, or 1.9%, in withholding collections, a decrease of approximately $54 million, or 14.2%, in income tax payments with returns and extensions, an increase of approximately $74 million, or 7.6%, in income tax cash refunds, and a decrease of approximately $45 million, or 2.8%, in corporate and business tax collections, which are partially offset by an, increase of approximately $461 million, or 15.8%, in sales tax collections, and changes in other revenues (net of refunds). The year-to-date fiscal 2010 collections through March were $9 million below the March year-to-date benchmark, based on the January 7, 2010 revised revenue estimate of the Secretary of Administration and Finance of $18.460 billion for fiscal 2010. See *"Fiscal 2010 Tax Revenue Forecasting*" below.

Legislation approved by the Governor on July 23, 2008 requires the Department of Revenue to submit to the Legislature semi-monthly reports of preliminary tax revenues, one on or before the third business day following the fifteenth day of each month and one on or before the third business day of the following month. On April 16, 2010, the Department of Revenue released its April, 2010 mid-month tax revenue report.

The April monthly benchmark corresponding to the fiscal 2010 tax revenue estimate of $18.460 billion projects April tax revenues of $2.000 billion, an increase of $221 million from April 2009 tax collections. The mid-month report notes that due to the recent flooding in Massachusetts, state and federal tax filing deadlines for taxpayers located in counties designated as disaster areas by the federal government have been extended from April 15, 2010 to May 11, 2010. This extension applies to 2009 income and corporate tax returns and extensions, quarterly income tax and corporate tax estimated payments, and the estate tax. The report points out that as a result of this extension, it is possible that a substantial amount of tax revenue (especially payments with income tax returns and extensions) that is usually remitted in April will be delayed until May. However, at this point it is impossible to estimate reliably how much tax revenue will be affected by the extended due date.

The mid-month report indicates that through April 15, 2010, April month-to-date tax collections totaled $597 million, up $81 million from the same period in April, 2009, which was primarily the result of growth in withholding, sales, and corporate/business taxes, and declines in income tax refunds, which offset declines in income tax payments with returns and extensions. Of the main revenue sources, month-to-date income tax withholding totaled $347 million, up $15 million from the same period last year, month-to-date income tax cash estimated payments totaled $51 million, up $4 million from the same period last year, month-to-date income tax payments with returns and extensions totaled $207 million, down $41 million from the same period last year, month-to-date income tax cash refunds totaled $162 million, down $41 million from the same period last year, and month-to-date sales and use tax totaled $64 million, up $18 million from the same period last year. Month-to-date corporate and business taxes totaled $57 million, up $43 million from the same period last year, mostly due to an increase in quarterly payments and decrease in refunds.

The mid-month report cautions that growth in revenues received through April 15 is not necessarily indicative of what the growth for the full month will be, since most of the important activity in April occurs during the second half of the month, primarily because sales, meals, motor fuels and room tax returns are due on the 20th of each month. There may be other differences in the due dates for certain tax payments from one fiscal year to the next (for example, in the timing of refund cycles) which complicate month-to-date comparisons to the prior year.

The Legislature enacted the fiscal 2010 budget totaling $27.411 billion on June 19, 2009, and the Governor approved it on June 29, 2009, but vetoed appropriations totaling approximately $147 million. In addition to these line item vetoes, an additional $217 million was vetoed from county sheriff line items as part of a technical correction until legislation accomplishing the transfer of county sheriffs to the state was enacted. The transfer legislation was subsequently signed into law on August 6, 2009. The Governor also filed a supplemental fiscal 2010 appropriations bill on June 29, 2009 which would provide for $269.4 million in spending that was not included in the enacted fiscal 2010 budget, $217 million of which was for the sheriffs that transferred from the county to the state.

The budget as enacted by the Legislature was based on a revised fiscal 2010 tax revenue estimate of $17.989 billion. The estimate had been revised downward on May 6, 2009 by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means from the original estimate of $19.530 billion. The House version of the budget, approved on May 1, 2009, was based on the original $19.530 billion estimate. The Senate approved its version of the budget on May 21, 2009, and the differences between the two versions were reconciled by a legislative conference committee, which released its report on June 18, 2009. On June 4, 2009, while the conference committee was deliberating, the Governor filed a revised version of his fiscal 2010 budget recommendations to accommodate the lower tax revenue estimate.

The tax revenue estimates assumed in the fiscal 2010 budget provide for an allocation of $619.4 million to the Massachusetts School Building Authority, $767.1 million to the Massachusetts Bay Transportation Authority and approximately $1.377 billion to the state pension fund. The budget also includes an increase in the sales and use tax rates from 5% to 6.25%, effective August 1, 2009, which is estimated to produce an additional $759 million in fiscal 2010, of which $275 million is dedicated to transportation. See "COMMONWEALTH CAPITAL INVESTMENT PLAN" below. The budget eliminates the sales tax exemption for sales of alcohol, which is estimated to produce $78.8 million in fiscal 2010. The budget also includes a new tax on direct broadcast satellite service, which is estimated to produce $25.9 million in fiscal 2010 and authorizes the Department of Revenue to hire additional tax auditors in fiscal 2010, which is estimated to produce $26 million in fiscal 2010. The estimate of total state taxes expected to be received in fiscal 2010 resulting from changes in tax law and the new auditors is $889.7 million, including the $275 million dedicated to transportation. This new tax revenue is in addition to the $17.989 billion revised fiscal 2010 tax revenue estimate, increasing the fiscal 2010 tax revenue estimate upon which the fiscal 2010 budget was based to $18.879 billion.

The fiscal 2010 budget also includes several provisions designed to increase municipal revenues. The budget repealed the property tax exemption for telecommunication poles and wires. Effective August 1, 2009, the permitted ceiling on hotel taxes imposed by cities and towns will be raised from 4% to 6% (from 4.5% to 6.5% in Boston). Cities and towns will also be authorized to impose a local option meals tax of 0.75%.

The fiscal 2010 budget provides for funding the state's pension fund during fiscal 2009, fiscal 2010 and fiscal 2011 in accordance with the funding schedule adopted in March, 2009. See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Pension."

The fiscal 2010 budget also directs the Comptroller to transfer $372 million from the General Fund to the State Retiree Benefits Trust Fund. See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Other Post-Retirement Benefit Obligations (OPEB)." Supplemental budget legislation signed into law by the Governor on August 7, 2009 increased the health care contribution from 15% to 20% for state employees whose retirement is effective on or after February 1, 2010. It has not been determined to what extent this provision will impact the Commonwealth's current OPEB liability.

The fiscal 2010 budget increases employee contributions for all active employees enrolled with the Group Insurance Commission. Previously, employees hired before June 30, 2003 paid 15% of their premiums, while those hired after that date paid 20%. The fiscal 2010 budget increases premium contributions by 5% for all employees. Accordingly, employees hired before June 30, 2003 will pay 20% of their premiums, while those hired after that date will pay 25%. The change is expected to save the Commonwealth $45 million in fiscal 2010.

The fiscal 2010 budget provides $4.086 billion in state-funded local aid to municipalities. The budget includes state funding for chapter 70 education aid of $3.870 billion and also includes $167 million of federal State Fiscal Stabilization Funds, provided for through the American Recovery and Reinvestment Act, for Chapter 70 education aid. The $4.037 billion in state and federal funds for Chapter 70 brings all school districts to the foundation level called for by 1993 education reform legislation, and is an increase of $89 million over the fiscal 2009 amount of $3.948 billion. The fiscal 2010 budget also includes $936 million for unrestricted general government aid, which is a new category of local aid, replacing lottery aid and additional assistance. This amount is $377 million lower than the total amount funded through lottery aid and additional assistance in fiscal 2009.

Fiscal 2010 Tax Revenue Forecasting. Based on an analysis of fiscal 2010 year-to-date revenue trends and taking into account revised economic forecasts and recommendations of the Governor's Council of Economic Advisors and the Department of Revenue, as well as outside economists from the Massachusetts Taxpayers Foundation and Suffolk University's Beacon Hill Institute who testified at a specially convened joint hearing held by the Secretary of Administration and Finance and the House and Senate Committees on Ways and Means on October 8, 2009, the Secretary of Administration and Finance on October 15, 2009 revised the fiscal 2010 revenue estimate downward by $600 million, from $18.879 to $18.279 billion. The $600 million downward revision was at the high end of the revenue shortfall estimates provided by the Department of Revenue, the Governor's Council of Economic Advisors, and forecasters who testified at the joint hearing. The basis for this revenue revision is described below. Subsequently, the $18.279 billion benchmark estimate was revised upward to $18.460 billion based on the slightly improved year-to-date above benchmark performance.

While economic growth forecasts from the forecasters Moody's Economy.com, Global Insight and the New England Economic Partnership (NEEP) for the remainder of fiscal 2010 have not changed significantly since the time of the consensus forecast in May, 2009, tax collections from income tax withholding, sales tax, and corporate and business excises have been below forecast due to several factors, as described below, which affect revenue estimates for the remainder of fiscal 2010:

- Wage and salary growth for the first half of calendar year 2009 was significantly below that assumed in economic forecasts, leading to reduced withholding collections in the first quarter of fiscal 2010, and a reduced withholding forecast for the remainder of fiscal 2010. For the full fiscal 2010, the withholding forecast has been reduced by $107 million. The fiscal 2010 estimate for total income tax collections was reduced by $202 million, with the remainder of the reduction due to lower forecasts for tax revenue from non-withheld income such as interest and dividends and capital gains.

- In the first quarter of fiscal 2010, sales tax revenues were lower than would be expected given the current economic estimates and forecasts, possibly due to changes in behavior by consumers as a result of the decline in the housing and stock markets. Consequently, the sales tax estimate for the remainder of fiscal 2010 has been reduced by $189 million to account for this possible change in consumer behavior.

- Corporate and business excise taxes were below forecast in the first quarter of fiscal 2010, probably due to lower than projected corporate profits, but also due to greater use of transferable tax credits. As a result, the fiscal 2010 corporate/business excise forecast has been reduced by $181 million, with approximately $130 million the result of a lower baseline profits forecast and approximately $50 million due to greater use of transferable tax credits.

Fiscal 2011

On January 27, 2010, the Governor filed his budget recommendations for fiscal 2011 with the Legislature. The Governor's recommendations are based on the consensus tax revenue estimate for fiscal 2011 of $19.050 billion (see "Tax Revenue Forecasting" below). The Governor's recommendations call for total spending in fiscal 2011 to exceed total anticipated spending in fiscal 2010 by 3.0%, which is less than the anticipated increase in tax revenue growth of 3.2%. The projected fiscal 2011 budget shortfall is $2.75 billion which the Administration recommends solving for through budget reductions, use of federal stimulus, use of state Stabilization Funds and other revenue proposals.

The Administration has proposed budget cuts and savings and efficiencies totaling $797 million gross ($670 million net) across all agencies, including $265 million (gross) in savings at Masshealth (see Health section below). The proposal includes $29 million of budget cuts that will be offset by contributions from the Commonwealth's independent and quasi-public agencies.

The fiscal 2011 recommendation proposes a $175 million withdrawal from the State Stabilization Fund, an 87% decrease from fiscal 2009 level of $1.39 billion and a 30% decrease from the fiscal 2010 amount authorized to date of $249 million. At the end of fiscal 2011, the balance of the Stabilization Fund is expected to be approximately $450 million, depending on investment earnings.

The fiscal 2011 budget recommendation includes a total of $1.297 billion in enhanced Federal Medical Assistance Percentage (FMAP), generated throughout fiscal 2011. This total includes the amount currently projected for the first half of fiscal 2011which provides the Commonwealth with a tier 3 level of FMAP reimbursement of 61.59% or $690 million. In addition, it reflects the anticipated success in securing the expected enactment of a six-month extension of enhanced federal matching relief as part of pending federal legislation. This approach is consistent with projections included in fiscal 2010 budget recommendations while the federal recovery act was pending. The fiscal 2011 recommendation also includes $96 million in remaining federal recovery act Education Stabilization funds, which are used to fully protect higher education from budget cuts.

Part of the Governor's plan to address fiscal 2011 budgetary shortfall includes a two-part debt refinancing strategy. The first part is to refinance $200 million of fiscal 2011 amortizing principal to smooth the spike in fiscal 2011 debt service. Repayment of this refinancing would occur over the next seven years. Following this transaction, the resulting fiscal 2011 total debt service will be approximately equivalent to fiscal 2010 debt service. The second part is to refinance an additional $100 million of fiscal 2011 principal to achieve budgetary relief, if necessary.

The fiscal 2011 recommendation does not include any broad-based tax increases but does limit select tax exemptions that contribute $136 million to the budget solve. This amount includes retaining existing film and life sciences tax credits, but temporarily capping the financial benefit provided. The limit to the film tax credit at $50 million for fiscal 2011 and fiscal 2012 is expected to save $75 million. Additionally, the temporary limit of life sciences tax credits is expected to save $5 million. The recommendation also repeals sales tax exemptions for candy and soda worth $51.7 million and ends the exemption of cigars and smokeless tobacco from the cigarette excise tax rate worth $15 million enacted by the Legislature in 2008. These revenues are dedicated to health care and wellness programs through the Commonwealth Care Trust Fund and the Commonwealth Health and Prevention Fund. Lastly, the recommendation repeals the aircraft sales tax exemption, valued at $4.2 million.

The Governor's fiscal 2011 budget recommendation establishes a new mechanism for budgeting for capital gains revenues. As one element of the yearly consensus revenue process, the Governor and Legislature would agree on a maximum amount of capital gains tax revenues that would be included in the overall consensus revenue estimate. This amount would be based on projections for the fiscal year, as well as principles of prudent budgeting necessary to modulate the impact of this fluctuating revenue source, and subject to a $1 billion annual maximum. Any capital gains tax revenues in excess of $1 billion would be transferred to the Stabilization Fund, except for 5% of such excess which will be transferred to the State Retiree Benefits Trust fund to pay for unfunded retiree health insurance liability.

On April 14, 2010, the House Committee on Ways and Means released its fiscal 2011 budget, which is based upon the revised consensus tax revenue estimate for fiscal 2011 of $19.050 billion. According to the Committee, its budget provides for $27.802 billion in spending, does not rely upon a withdrawal from the Stabilization Fund but does assume $1.297 billion in enhanced Federal Medical Assistance Percentage (FMAP) which is the same amount that was assumed in the Governor's budget recommendations. The budget is expected to be deliberated on the House floor during the week of April 26, 2010

Cash Flow

The Commonwealth ended fiscal 2009 with a cash balance of $805.3 million, compared to $1.198 billion at the end of fiscal 2008. Several factors contributed to the overall decline in the cash balance for fiscal 2009 relative to fiscal 2008, including tax revenue declines (as discussed above), fiscal 2008 appropriations carried forward and authorized to be expended in fiscal 2009, and certain transfers made from the fiscal 2008 consolidated net surplus calculation. Cash balances are net of check float.

Current cash flow projections for fiscal 2010 show an overall decline in the non-segregated cash balance from $805.3 million to $563.2 million. On October 15, 2009, pursuant to Section 9C of Chapter 29 of the Massachusetts General Laws, the Secretary of Administration and Finance revised the fiscal 2010 revenue estimate downward by $600 million, from $18.879 to $18.279 billion. On November 24, 2009, the Governor signed legislation that closed the majority, but not all, of the $600 million projected tax revenue shortfall. This cash flow forecast reflects the budget solutions that were signed into law but does not include solutions that were not enacted by the Legislature. On January 7, 2010, the Secretary of Administration and Finance further revised the fiscal 2010 revenue estimate upward by $181.0 million, from $18.279 billion to $18.460 billion based on the slightly improved year-to-date above benchmark performance relative to the $18.279 billion benchmark estimate.

The Secretary of Administration and Finance has determined that the fiscal 2010 bond cap is $1.650 billion. The actual size and timing of bond issuances in fiscal 2010 will be determined by the pace of capital spending and market conditions. Bond sales are sized and timed to keep up with the projected pace of capital spending. The aggregate amount of fiscal 2010 borrowing projected for purposes of this cash flow forecast is $1.732 billion, which is expected to fund a portion of the $1.650 billion bond cap and $360 million for the Accelerated Bridge Program (ABP) projected in this cash flow forecast. The balance of the projected capital spending is expected to be funded with the $278 million of unexpended bond proceeds at the start of fiscal 2010.

On August 4, 2009, the Commonwealth sold commercial paper (as revenue anticipation notes) in the aggregate principal amount of $300 million to support the state's cash flow. On September 22, 2009, the Commonwealth issued revenue anticipation notes in the aggregate principal amount of $1.2 billion as additional support for the state's cash flow in fiscal 2010. The commercial paper issued in August was repaid with the proceeds from the September RAN issuance. The revenue anticipation notes issued in September mature as follows: $350 million on April 29, 2010, $425 million on May 27, 2010, and $425 million on June 24, 2010.

On December 8, 2009, the Commonwealth issued general obligation bonds (as Build America Bonds, a program authorized by the federal American Recovery and Reinvestment Act of 2009) in the aggregate principal amount of $956.45 million to fund various capital projects throughout the Commonwealth. Bond proceeds have been segregated from the General Fund until they are allocated to capital spending that has occurred and initially funded by the General Fund. Based on the Secretary of Administration and Finance's bond cap and schedule for the ABP, future new-money capital borrowings in fiscal 2010 will include approximately $694 million in general obligation bonds and approximately $360 million in special obligation bonds for the ABP. Commercial paper in the aggregate principal amount of $300 million (as bond anticipation notes) was issued on December 4, 2009 to facilitate the allocation and reimbursement process. The commercial paper was repaid by December 14, 2009. Commercial paper in the aggregate principal amount of $130 million (as bond anticipation notes) was issued on December 29, 2009. An additional $150 million in commercial paper (as bond anticipation notes) was issued on March 26, 2010, bringing the total amount of outstanding commercial paper bond anticipation notes to $280 million. The commercial paper is expected to remain outstanding until redemption using bond proceeds in May 2010.

The next cash flow statement is expected to be released on or about May 28, 2010.

Overview of Fiscal 2010 Non-Segregated Operating Cash Flow (in millions) (1)

(as of March 4, 2010)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb (2)	Mar (2)	Apr (2)	May (2)	June (2)	Total FY 2010 (2)
Opening Non-Segregated Operating Cash Balance	$ 805.3	$ 581.8	$ 838.0	$ 1,033.4	$ 703.7	$ 529.4	$ 890.1	$ 1,272.5	$ 1,030.0	$ 609.1	$ 1,192.2	$ 1,323.4	$ 805.3
Operating Activities:													
Budgetary Funds:													
Transfer from/(to) Stabilization Fund	0.0	199.0	0.0	0.0	0.0	41.2	0.0	(82.2)	0.0	0.0	0.0	0.0	158.0
Total Budgetary Revenue/Inflows	1,929.2	2,426.6	2,838.5	2,274.7	2,123.1	3,070.8	2,927.6	2,092.0	3,141.6	3,636.9	2,489.0	2,949.1	31,899.1
Total Budgetary Expenditures/Outflows	2,300.5	2,252.4	3,042.8	2,300.9	2,115.7	2,931.6	1,954.4	2,230.3	3,537.8	2,312.1	1,821.6	3,016.4	29,816.6
Net Budgetary Funds	(371.4)	174.2	(204.3)	(26.3)	7.4	139.1	973.2	(138.3)	(396.2)	1,324.9	667.4	(67.3)	2,082.5
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	730.3	605.9	704.6	631.2	769.1	518.7	423.5	594.8	659.6	587.8	557.0	615.5	7,398.0
Total Non Budgetary Expenditures/Outflows	813.8	779.0	1,142.4	719.8	874.6	966.2	857.7	753.3	916.4	782.4	741.0	851.7	10,198.5
Net Non Budgetary Funds	(83.6)	(173.1)	(437.8)	(88.6)	(105.5)	(447.4)	(434.2)	(158.5)	(256.8)	(194.6)	(184.0)	(236.3)	(2,800.5)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	0.5	3.2	0.7	2.2	1.6	1.5	9.7	1.0	1.0	1.0	1.0	1.0	24.3
Net Operating Activities	**$ (454.4)**	**$ 4.3**	**$(641.1)**	**$ (112.7)**	**$ (96.5)**	**$ (306.7)**	**$ 548.6**	**$ (295.8)**	**$ (652.0)**	**$ 1,131.2**	**$ 484.4**	**$ (302.8)**	**$ (693.7)**
Federal Grants:													
Total Federal Grants Revenue/Inflows	611.2	174.1	161.3	159.8	209.7	270.4	233.5	209.0	270.9	253.0	243.2	313.3	3,109.5
Total Federal Grants Expenditures/Outflows	195.2	214.6	160.0	169.1	217.1	287.3	218.0	210.5	237.5	250.1	244.7	282.1	2,686.2
Net Federal Grants	**$ 416.0**	**$ (40.5)**	**$ 1.3**	**$ (9.3)**	**$ (7.4)**	**$ (16.9)**	**$ 15.5**	**$ (1.5)**	**$ 33.3**	**$ 3.0**	**$ (1.5)**	**$ 31.3**	**$ 423.3**
Capital Funds:													
Total Capital Revenue/Inflows	70.0	238.3	172.9	40.1	105.6	798.6	3.5	225.9	168.2	351.9	304.6	328.4	2,807.9
Total Capital Expenditures/Outflows:	255.0	245.9	255.1	247.9	175.9	244.4	185.2	171.0	170.4	216.0	221.2	381.3	2,769.3
Net Capital Funds	**$ (185.0)**	**$ (7.6)**	**$ (82.2)**	**$ (207.7)**	**$ (70.3)**	**$ 554.2**	**$ (181.7)**	**$ 54.8**	**$ (2.2)**	**$ 135.9**	**$ 83.3**	**$ (52.9)**	**$ 38.6**
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	0.0	300.0	0.0	0.0	0.0	430.0	0.0	0.0	200.0	0.0	0.0	0.0	390.0
Revenue Anticipation Notes (RANS)	0.0	0.0	1,217.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,217.9
Total Cash Flow Financing Activities Inflows	0.0	300.0	1,217.9	0.0	0.0	430.0	0.0	0.0	200.0	0.0	0.0	0.0	2,147.9
Cash Flow Financing Activities Outflows:													
Commercial Paper – (Principal + Interest)	0.0	0.0	300.2	0.0	0.0	300.0	0.0	0.0	0.0	330.0	0.0	0.0	930.2
RANS – (Principal + Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	357.0	435.0	436.0	1,228.0
Total Cash Flow Financing Activities Outflows	0.0	0.0	300.2	0.0	0.0	300.0	0.0	0.0	0.0	687.0	435.0	436.0	2,158.2
Net Financing Activities	**$ 0.0**	**$ 300.0**	**$ 917.7**	**$ 0.0**	**$ (0.0)**	**$ 130.0**	**$ (0.0)**	**$ 0.0**	**$ 200.0**	**$ (687.0)**	**$ (435.0)**	**$(436.0)**	**$ (10.3)**
Ending Non-Segregated Operating Cash Balance	**$ 581.8**	**$ 838.0**	**$ 1,033.4**	**$ 703.7**	**$ 529.4**	**$ 890.1**	**$1,272.5**	**$ 1,030.0**	**$ 609.1**	**$ 1,192.2**	**$ 1,323.4**	**$ 563.2**	**$ 563.2**

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures are estimated.

COMMONWEALTH REVENUES

Statutory Basis Distribution of Budgetary Revenues

The following table sets forth the Commonwealth's revenues in its budgeted operating funds for fiscal 2005 through fiscal 2009, and projected revenues for fiscal 2010.

Commonwealth Revenues - Budgeted Operating Funds (in millions)(1)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Projected Fiscal 2010(7)
Article I. Tax Revenues:						
Alcoholic Beverages	$68.6	$68.9	$71.0	$71.2	$71.9	$71.4
Banks	198.9	349.9	340.9	547.8	242.6	218.1
Cigarettes	423.6	435.3	438.1	436.9	456.8	478.5
Corporations	1,062.7	1,390.7	1,587.6	1,512.2	1,548.6	1,500.6
Deeds	220.3	210.1	194.1	153.9	105.5	102.9
Income	9,690.3	10,483.4	11,399.6	12,483.8	10,583.7	10,241.4
Inheritance and Estate	255.1	196.3	249.6	254.0	259.7	207.2
Insurance(2)	423.4	448.5	418.6	417.7	356.7	331.2
Motor Fuel	685.5	671.8	676.1	672.2	654.0	657.8
Public Utilities	71.1	118.5	178.3	120.2	(1.7)	27.9
Room Occupancy	97.8	105.8	111.1	119.2	109.5	99.3
Sales:						
Regular	2,746.6	2,864.7	2,927.7	2,952.2	2,799.7	3,226.4
Meals	555.6	584.1	608.7	632.9	629.6	742.3
Motor Vehicles	584.2	555.5	531.1	501.6	439.3	532.0
Sub-Total–Sales	3,886.4	4,004.3	4,067.5	4,086.7	3,868.6	4,500.7
Miscellaneous(3)	3.9	4.0	3.8	3.1	3.3	23.0
Total Tax Revenues	17,087.9	18,487.4	19,736.3	20,879.2	18,259.5	18,460.0
MBTA Transfer	(704.8)	(712.6)	(734.0)	(756.0)	(767.1)	(767.1)
MSBA Transfer	(395.7)	(488.7)	(557.4)	(634.7)	(702.3)	(590.9)
Total Budgeted Operating Tax Revenues	15,987.4	17,286.2	18,444.9	19,488.5	16,790.0	17,102.0
Non-Tax Revenues:						
Federal Reimbursements (4)	4,697.0	5,210.1	6,167.6	6,429.5	8,250.9	8,598.0
Departmental and Other Revenues(5)	1,948.9	2,094.3	2,218.4	2,355.9	2,326.2	2,887.9
Inter-fund Transfers from Non - Budgeted Funds and Other Sources (6)	1,740.1	1,714.9	1,785.0	2,039.3	1.850.3	1,939.8
Budgeted Non-Tax Revenues and Other Sources	8,386.0	9,019.3	10,171.0	10,824.7	12,427.4	13,425.7
Budgeted Revenues and Revenues from Other Sources	$24,373.4	$26,305.5	$28,615.9	$30,313.2	$29,217.4	$30,527.7

SOURCES: Fiscal 2005-2009, Office of the Comptroller; fiscal 2010, Executive Office for Administration and Finance.

(1) Totals may not add due to rounding. Table does not reflect inter-fund transfers among budgeted funds and other sources that have no effect on ending balances. Excludes certain miscellaneous taxes expended outside the budget process.

(2) Includes unemployment insurance surcharges.

(3) Includes miscellaneous receipts from departments, comprising boxing receipts, beano receipts remittable to the Commonwealth, receipts from raffle and bazaar fees and, starting in fiscal 2010, satellite tax revenues.

(4) Federal reimbursements include increases in Medicaid matching funds (Federal Medical Assistance Percentage) for fiscal 2009 and fiscal 2010.

(5) Excludes intergovernmental revenues.

(6) Inter-fund transfers from non-budgeted funds and other sources include profits from the State Lottery, tobacco settlement funds and abandoned property proceeds, as well as other transfers.

(7) Figures do not include proposed solutions to the $195 million (gross) of additional non-tax revenue and cost exposures identified by the Executive Office for Administration and Finance in March, 2010, as part of its regular budget review. (See "RECENT DEVELOPMENTS – Fiscal 2010" above)

State Taxes

The fiscal 2010 budget includes several provisions "decoupling" Commonwealth tax law from certain federal tax law changes made by the American Recovery and Reinvestment Act of 2009 (ARRA) and, in one instance, from the impact of an interpretation by the federal Internal Revenue Service that was effectively repealed (but only prospectively) by ARRA. The purpose of the decoupling provisions is to prevent revenue losses to the Commonwealth. The federal provisions at issue are ones that affect the scope of income or deductions of businesses under the federal Internal Revenue Code (IRC) and, in the absence of decoupling, would also apply for purposes of Commonwealth taxation. The specific federal provisions from which the Commonwealth legislation decouples include: (a) deferral of the recognition of certain cancellation of indebtedness income under the IRC; (b) suspension of IRC rules that would otherwise disallow or defer deductions for original issue discount claimed by issuers of debt obligations; and (c) relief from certain limitations on the use of losses after changes of ownership of a business under (i) IRS Notice 2008-83 (for periods prior to its effective repeal by ARRA) and (ii) new IRC Section 382(n) as added by ARRA.

In addition, the Commonwealth legislation specifically adopts a new federal exclusion from gross income of certain individuals. ARRA provides a subsidy of 65% of the cost of the Consolidated Omnibus Budget Reconciliation Act (or "COBRA," which gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances) continuation premiums for up to nine months for certain involuntarily terminated employees and for their families. This subsidy also applies to health care continuation coverage if required by states for small employers. ARRA provides for an exclusion from federal gross income of the COBRA subsidy. Because Commonwealth personal income tax law generally adopts IRC rules defining the scope of gross income as of January 1, 2005, it was necessary to adopt a specific Commonwealth exclusion to prevent this 2009 federal subsidy from being included in the Commonwealth taxable income of affected employees.

Sales and Use Tax. Effective August 1, 2009, the sales and use tax rate was increased from 5% to 6.25%, which was expected to produce an additional $759 million in fiscal 2010 and $900 million annually thereafter. Given the weak economy and the decline in the fiscal 2010 baseline sales tax revenue forecast, the Department of Revenue currently estimates that the sales tax increase will result in additional fiscal 2010 revenues of approximately $705 million. Also effective August 1, 2009 was the elimination of the sales tax exemption on alcohol sales, which was expected to generate $78.8 million in fiscal 2010 and approximately $95 million annually thereafter. Revenue collections for the first five months after the alcoholic beverages sales tax exemption was eliminated indicate that fiscal 2010 collections will be approximately $93 million. Beginning in fiscal 2011, a portion of the Commonwealth's receipts from the sales tax (other than taxes required to be credited to the Convention Center Fund) is dedicated to the Massachusetts Transportation Trust Fund. The amount dedicated is the amount raised by a portion of the sales tax equal to a 0.385% sales tax, with a floor of $275 million per fiscal year. On June 29, 2009, the Governor filed legislation providing that such sales tax receipts be dedicated to the Commonwealth Transportation Fund rather than directly to the Massachusetts Transportation Trust Fund. The fiscal 2010 budget directs the Comptroller to transfer $275 million from the General Fund to the Commonwealth Transportation Fund. See "COMMONWEALTH CAPITAL INVESTMENT PLAN - Transportation Reform Legislation" below and the March Information Statement under the heading "COMMONWEALTH REVENUES - State Taxes; *Sales and Use Tax*."

On September 2, 2009, the Attorney General certified an initiative petition to remove the sales tax on alcoholic beverages and alcohol, where the sale of such beverages and alcohol or their importation into the state is already subject to a separate excise tax under state law. The Attorney General also certified a petition to reduce the sales and use tax rates from their current level of 6.25% to 3%. Each petition would take effect as of January 1, 2011. The petition to reduce the sales and use tax rate provides that if the reduced rate would not produce enough revenues to satisfy any lawful pledge of sales and use tax revenues in connection with any bond, note or other contractual obligation, then the rate would instead be reduced to the lowest level allowed by law. Proponents of each certified petition collected the signatures of 66,593 registered voters by December 2, 2009 and such petitions have been filed with the Legislature. If the Legislature fails to enact an initiative petition by May 5, 2010, its proponents must collect another 11,099 signatures from registered voters by early July, 2010, to place the initiative on the November, 2010 ballot. See the March Information Statement under the heading "THE GOVERNMENT - Initiative Petitions."

FAS 109 Deduction: For tax years beginning on or after January 1, 2009, the Commonwealth adopted a combined reporting regime for purposes of calculating the corporate excise of corporations that are engaged with affiliated corporations in a unitary business. In addition, legislation was enacted providing for a new tax deduction designed to limit the impact of combined reporting in the Commonwealth on certain publicly traded corporations' financial statements. The deduction is generally referred to as the "FAS 109" deduction, in reference to the Statement of Financial Accounting Standards (FAS) No. 109, Accounting for Income Taxes. The Department of Revenue (DOR) issued a report on "FAS 109" deductions on September 23, 2009. The report was based on the projected FAS 109 deduction amounts the companies provided to DOR. Then DOR used this information and calculated aggregate potential tax benefit.

The DOR report indicated that the companies filing for the FAS deductions stated that their FAS 109 deductions would be about $178.1 billion, which would result in corporate tax savings of $535 million at the applicable tax rates in the years in which the deductions will be claimed. Corporations are required to claim deductions over a seven-year period starting in tax year 2012. These deductions are expected to result in corporate tax savings (and corresponding Commonwealth corporate tax revenue reductions) of $76 million to $79 million annually for tax years 2012 through 2018, inclusive.

Federal and Other Non-Tax Revenue

Lottery Revenues. The Lottery Commission's operating revenues for fiscal 2009 were $959 million. This includes a $1 million spending reduction in operating expenses, a $2 million spending reduction in administrative expenses and an additional $700,000 spending reversion by the Lottery. The result was a shortfall of $43.7 million against the assumed $1.003 billion budget to fund various commitments appropriated by the Legislature from the State Lottery Fund and Arts Lottery Fund, including Lottery administrative expenses, and $811 million in appropriations for local aid to cities and towns, with the balance, if any, to be transferred to the General Fund for the general activities of the Commonwealth. A transfer of $43.7 million from the General Fund to the Lottery Fund will be necessary in order to eliminate the fund deficit. The fiscal 2009 supplemental appropriation bill approved by the Governor on October 29, 2009 authorized the Comptroller to transfer up to $46 million from the General Fund to the State Lottery Fund to cure the deficiency. See the March Information Statement under the heading "COMMONWEALTH REVENUES - Federal and Other Non-Tax Revenue; *Lottery Revenues*."

The fiscal 2010 budget assumes total net transfers from the Lottery of $937.5 million to fund various commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund, including Lottery administrative expenses and $758.8 million in appropriations for local aid to cities and towns, with the balance, if any to be transferred to the General Fund for the general activities of the Commonwealth. For fiscal 2010, the State Lottery Commission is currently projecting net operating revenues of approximately $987.0 million, which would result in an expected surplus of approximately $49.5 million against the assumed $937.5 million at the end of fiscal 2010.

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COMMONWEALTH EXPENDITURES

The following table identifies certain major spending categories of the Commonwealth and sets forth the budgeted expenditures for each fiscal year within each category.

Commonwealth Expenditures—Budgeted Operating Funds (in millions)(1)

Expenditure Category	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Projected Fiscal 2010(8)
Direct Local Aid(2)	$4,224.1	$4,430.0	$4,805.2	$5,040.5	$4,723.6(7)	$4,837.4
Medicaid(3)	5,977.2	6,852.5	7,550.4	8,246.3	8,679.2	9,273.4
Other Health and Human Services	4,226.0	4,433.6	4,625.3	4,796.5	4,828.3	4,658.0
Group Insurance	846.4	963.7	1,022.3	852.5	973.1	1,067.9
Dept. of Elementary and Secondary Education	476.7	408.6	459.0	485.8	495.9	425.5
Higher Education	915.0	987.8	1,115.7	1,084.4	1,035.5	843.0
Dept. of Early Education and Care	348.8	387.1	507.1	549.9	560.3	515.2
Public Safety(4)	1,206.5	1,288.0	1,399.2	1,544.4	1,514.3	1,485.3
Energy and Environmental Affairs	181.1	202.0	238.5	227.1	215.9	199.1
Debt Service	1,738.8	1,826.7	2,234.4	1,990.1	2,011.7	2,064.1
Budgeted Pension Transfers	1,216.9	1,274.7	1,335.2	1,398.6	1,314.4	1,376.6
Other Program Expenditures	1,927.2	2,138.7	2,364.9	2,414.1	2,350.9	2,098.7
Sub Total - Programs and Services before transfers to Non-budgeted funds	$23,284.7	$25,193.4	$27,657.2	$28,630.2	$28,703.1	$28,844.2
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund(5)	-	-	722.1	1,045.9	987.6	631.7
State Retiree Benefit Trust Fund	-	-	-	354.7	352.0	372.0
Medical Assistance Trust Fund(6)	-	70.0	364.0	376.7	374.0	559.5
Other	494.4	321.2	179.6	400.9	189.9	512.5
Sub Total	$494.4	$391.2	$1,265.7	$2,178.2	$1,903.5	$2,075.7
Budgeted Expenditures and Other Uses	$23,779.1	$25,584.6	$28,922.9	$30,808.4	$30,606.6	$30,919.9
Adjusted Budgeted Expenditures and Other Uses	$23,779.1	$25,584.6	$28,922.9	$30,808.4	$30,606.6	$30,919.9

SOURCES: Fiscal 2005-2009 Office of the State Comptroller; fiscal 2010 and off-budget adjustments, Executive Office for Administration and Finance.

(1) Totals may not add due to rounding. Table does not reflect inter-fund transfers among budgeted funds and other sources that have no effect on ending balances. Excludes certain miscellaneous taxes expended outside the budget process.

(2) Restated fiscal 2005 to fiscal 2007 Direct Local Aid differ from Direct Local Aid expenditures reported in the fiscal 2005 to fiscal 2007 statutory basis financial reports.

(3) Excludes off-budget Medicaid spending in fiscal 2005, 2006 and 2007 estimated at $292 million, $292 million and $290 million, respectively. Fiscal 2005 through 2009 include program administration.

(4) Public Safety comprises expenditures for the Executive Office of Public Safety and Security, plus the Commonwealth's expenditures for sheriffs. Prior fiscal years have been restated to identify public safety spending.

(5) Commonwealth Care Trust Fund transfers are based on projected program spending offset in part by revenues dedicated to the Trust Fund, including certain cigarette tax revenue dedicated to the Trust Fund beginning in fiscal 2009.
(6) Medical Assistance Trust Fund transfers are shown according to date of payment, rather than date of service or authorization year.
(7) Approximately $412 million in State Fiscal Stabilization Funds from the American Recovery and Reinvestment Act of 2009 were part of the Chapter 70 education funding in fiscal 2009.
(8) Figures do not include proposed solutions to the $195 million (gross) of additional non-tax revenue and cost exposures identified by the Executive Office for Administration and Finance in March, 2010, as part of its regular budget review. (See "RECENT DEVELOPMENTS – Fiscal 2010" above)

Medicaid

See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Medicaid."

The fiscal 2010 budget approved by the Governor includes $8.972 billion for MassHealth (an 8.0% increase over fiscal 2009 estimated spending). The fiscal 2010 MassHealth budget has spending exposures (*i.e.*, anticipated spending is greater than budgeted amounts) related to utilization, enrollment and claims processing. Estimates suggest that the exposure is $432 million (the Governor has requested $200 million to date in supplemental funding and anticipates requesting an additional $232 million in supplemental funding, see "Recent Developments – Fiscal 2010" above). MassHealth is also working on quantifying potential additional exposures in the Children's Behavioral Health Initiative related to compliance with the remedial plan ordered in *Rosie D. et al v. The Governor*. See "Legal Matters" below. In fiscal 2010, the state will be eligible for a FMAP of 61.59% throughout the year. This is expected to generate a total of $1.34 billion in enhanced federal matching funds (*i.e.*, over and above reimbursement that would be received at a 50% federal match) based on the projected spending levels for all programs qualifying for federal Medicaid matching funds.

The Governor's fiscal 2011 budget recommendations include $9.84 billion for MassHealth which is 6.15% above fiscal 2010 estimated spending of $9.27 billion. The fiscal 2011 budget fully maintains eligibility for Commonwealth residents and funds projected enrollment growth of 3%.

The MassHealth budget assumes a variety of savings and revenue initiatives. The savings include exercising discipline on rates, introducing new program integrity measures, restructuring the adult dental program, and increasing co-payments for generic drugs from $2 to $3 (excluding certain drugs used to manage and treat long-term chronic medical conditions). Revenue initiatives at MassHealth include restructuring payments for prescription drug coverage in managed care plans to achieve higher rebate revenues and expanding the Health Safety Net payer surcharge to managed care organizations serving MassHealth and Commonwealth Care members to provide additional funding for MassHealth and Commonwealth Care.

(in millions)

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009 (1)	Fiscal 2010 (2)
Budgeted Medicaid program expenses (3)	$6,756.4	$7,412.5	$8,102.5	$8,552.0	$9,273.0
Budgeted Medicaid administrative expenses (4)	127.6	133.8	132.4	143.7	91.1
Off-Budget Medicaid expenses (5) (6)	332.5	288.5	-	-	-
Total expenditures	7,216.5	7,834.8	8,234.9	8,695.7	9,364.1
Annual percentage growth in total expenditures	12.4%	8.6%	5.1%	5.6%	7.7%
Enrollment	1,042,344.9	1,094,844.7	1,139,284.0	1,177,922.0	1,220,144.0
Annual percentage growth in enrollment	5.5%	5.0%	4.1%	3.4%	3.6%
Per-enrollee expenditures	$6,481.9	$6,770.4	$7,111.9	$7,260.2	$7,599.9
Annual percentage growth in per - enrollee expenditures	9.0%	4.5%	5.0%	2.1%	4.7%

SOURCE: The Executive Office for Administration and Finance
(1) Reflects the fiscal 2009 budget after emergency 9C spending reductions. Incorporates additional spending proposed by the Governor in supplemental appropriations legislation filed on July 2, 2009.

(2) Reflects the fiscal 2010 estimated spending which includes the final budget after vetoes and supplemental funding that occurred in August. It also includes an additional $432 million in spending that is expected in the MassHealth program. $200 million has been requested by the Governor in a recent supplemental appropriations bill.
(3) All fiscal years reflect spending through June 30.
(4) The Executive Office of Health and Human Services and Medicaid administrative budget for fiscal 2010 was reduced due to the shifting of information technology resources to a new account.
(5) Beginning in fiscal 2006, Medicare "buy in" payments (reimbursing the federal government for Medicare health insurance expenses for eligible low-income Medicare recipients) are reflected in budgeted Medicaid program expenses.
(6) Off-budget spending does not include increases in hospital and physician rates mandated by health care reform legislation. Such costs were paid from the Commonwealth Care Trust Fund from fiscal 2007 through fiscal 2009. See "Health Care Reform - Commonwealth Care Trust Fund and Health Safety Net Trust Fund" below.

Health Care Reform

See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Health Care Reform."

Commonwealth Care. The fiscal 2010 budget currently includes $723 million for Commonwealth Care. The fiscal 2010 budgeted amount for Commonwealth Care is lower than fiscal 2009 program spending for two reasons: (i) as proposed by the Legislature and enacted into law, Commonwealth Care coverage previously provided to "aliens with special status" (about 31,000 legal immigrants who do not qualify for federal reimbursement) was terminated as of September 1, 2009; and (ii) budgeted amounts reflect new savings initiatives designed to control Commonwealth Care costs while maintaining the integrity of the program. See "LEGAL MATTERS - *Finch, et al. v. Health Insurance Connector Authority, et al.*" below. In addition to the $723 million already allocated for Commonwealth Care, on August 7, 2009, the Governor approved legislation providing an additional $40 million to continue state-subsidized health coverage for these aliens with special status through June 30, 2010. On August 31, 2009, the Governor and the Connector Authority announced plans to contract with a health plan to offer this continuing coverage beginning as early as October 1, 2009 – under a new "Commonwealth Care Bridge" program. On October 1, 2009, eligible aliens with special status began to be enrolled in the health plan selected to offer this continuing coverage through Commonwealth Care Bridge.

The Connector Authority continues to monitor cost and enrollment trends for Commonwealth Care for fiscal 2010 and will revise estimates based on updated information. Current spending estimates range from $723 million to $743 million, reflecting different potential enrollment scenarios for the program. The cost estimates discussed above represent projections of gross funding needs for Commonwealth Care (net of enrollee contributions) and do not account for federal reimbursement under the Commonwealth's Medicaid waiver.

The Administration's fiscal 2011 budget preserves current eligibility for Commonwealth Care and provides $838 million to fund additional enrollment in fiscal 2011 (funding over 20,000 additional members in the program from current enrollment levels). The budget does not assume any increases in Commonwealth Care enrollee premiums. The budget assumes that Plan Type 1 co-payments would increase by $1 for generic drugs, consistent with MassHealth changes (with no co-payment increases for Plans Type 2 and 3) and that dental coverage for Plan Type 1 members would be restructured in the same manner as MassHealth dental benefits. The Administration's fiscal 2011 budget also includes $75 million for the Commonwealth Care Bridge program. This program will continue to be run by the Secretary of Administration and Finance, the Secretary of Health and Human Services and the Executive Director of the Connector.

Health Safety Net/Health Safety Net Trust Fund. The fiscal 2010 budget includes $390 million in dedicated resources for the Health Safety Net, including $320 million from hospital and insurer assessments and $70 million from supplemental payments made by other sources. The Governor's budget also anticipates retaining an additional $30 million in accumulated Health Safety Net fiscal 2008 and fiscal 2009 surpluses within the Health Safety Net Trust Fund to help address fiscal 2010 demand. In light of these resources, while there is significant uncertainty around Health Safety Net program demand for fiscal 2010 given the downturn in the economy and lags in data, demand is currently projected to exceed these revenues by $25 million to $50 million. In the event that demand exceeds available revenues, the shortfall is expected to be allocated among hospitals based on rules already established in regulation.

The Governor's fiscal 2011 budget includes $420 million in dedicated resources for the Health Safety Net, including $320 million from hospital and insurer assessments, $70 million from supplemental payments made by other sources and a $30 million contribution from the General Fund.

The Division of Health Care Finance and Policy continues to monitor Health Safety Net service volume and costs, to update evolving trends relating to Trust Fund care demand. Projections will likely change as more data emerges regarding demand on the Health Safety Net.

Commonwealth Care Trust Fund and Health Safety Net Trust Fund. The following chart reflects updated estimates of spending and revenues associated with the Commonwealth Care Trust Fund and the Health Safety Net Trust Fund.

Commonwealth Care Trust Fund (in millions)

Spending Categories (1)	Fiscal 2008	Fiscal 2009	Fiscal 2010
Commonwealth Care (2)	$ 629.8	$ 804.6	$ 723.0
Commonwealth Care Bridge (3)			40.0
Section 122 Supplemental Payments (4)	180.0	160.0	-
Provider Rates (5)	165.0	218.2	-
Total Spending	**$ 974.8**	**$ 1,182.8**	**$ 763.0**
Dedicated Revenue to the CCTF			
Rolling Surplus (6)	$ (28.3)	$ (20.0)	$ -
Cigarette Tax Revenue (7)	-	(130.0)	(105.0)
Other Tobacco Products (8)			
Individual Tax Penalties	(9.7)	(14.0)	(12.3)
Fair Share Assessment (9)	(5.4)	(12.5)	(9.5)
One-Time Hospital Assessment (10)	-	(15.0)	(5.0)
Prior-Years Health Safety Net Surplus (11)	-	(49.5)	-
FY 08 CCTF Surplus	-	(1.9)	-
Total General Fund Contribution to CCTF excluding HSNTF contributions (12)	(995.4)	(939.9)	(631.2)
Total Revenue	**$ 1,038.8**	**$ 1,182.8**	**$ 763.0**

Health Safety Net Trust Fund (in millions)

Spending Categories (13)	Fiscal 2008(14)	Fiscal 2009(15)	Fiscal 2010(16)
Health Safety Net	$ 415.6	$ 419.5	$ 420.0
One-Time Payment to DSH Hospital	-	64.0	-
Total Spending	$ 415.6	$ 483.5	$ 420.0
Dedicated Revenue to HSNTF			
Provider and Insurer Assessments	(320.0)	(320.0)	(320.0)
Offset	(60.0)	(70.0)	(70.0)
General Fund Contribution (for HSN)	(49.6)	(48.0)	(30.0)
Dedicated Funding for One-Time Payment to DSH Hospital	-	(64.0)	-
Residual UCP Funds	(24.0)	-	-
Total Revenue	**$ (453.6)**	**$ (502.0)**	**$ (420.0)**
Spending Less Revenue in HSNTF	**$ (38.0)**	**$ (18.0)**	-
Total General Fund Contribution to CCTF including HSNTF	**$ (1,045.0)**	**$ (987.9)**	**$ (631.2)**

SOURCE: Executive Office for Administration and Finance. Fiscal 2008 and fiscal 2009 amounts reflect actual spending and revenues. Fiscal 2010 amounts reflect budgeted spending and revenue estimates.

1) Overall spending is gross and therefore does not include federal reimbursements.
2) Reflects only the General Fund-supported portion of the Commonwealth Care program and does not reflect spending that is supported by enrollee contributions. Fiscal 2009 costs reflect estimates prior to finalization of risk-sharing with managed care organizations. Fiscal 2010 estimates reflect budgeted amounts. See "COMMONWEALTH EXPENDITURES - Health Care Reform, Commonwealth Care."

3) On August 7, 2009 the Governor approved legislation providing $40 million for health care coverage for aliens with special status (legal immigrants who do not qualify for federal reimbursement) who were by law dis-enrolled from their previous Commonwealth Care coverage as of September 1, 2009. This coverage has been provided through the newly created Commonwealth Care Bridge program.
4) Section 122 supplemental payments are based on date of service (not date of payment). This reflects supplemental payments made to certain hospitals as specified in section 122 of the health care reform legislation.
5) Provider rates are based on date of service (not date of payment). This reflects hospital and physician rate increases as specified in section 128 of the health care reform legislation. These provider rates were moved on-budget (as part of the MassHealth budget) for fiscal 2010.
6) In fiscal 2008, this category reflects surplus funds that were transferred to the Commonwealth Care Trust Fund during fiscal 2007 that were not spent. In fiscal 2009, this category reflects funds that were held aside relating to hospital pay-for-performance incentives specified in the health care reform legislation.
7) Starting in fiscal 2009, the state raised cigarette taxes by $1 per pack and dedicated the increased revenues to the Commonwealth Care Trust Fund.
8) The fiscal 2009 increase in cigarette taxes omitted cigars and smoking and smokeless tobacco. The Governor's fiscal 2011 budget proposal includes language to end this exemption.
9) Fair Share revenue is net of administrative funding to run the program at the Division of Unemployment Assistance.
10) A one-time hospital assessment of $20 million was included in legislation enacted in August, 2008 to raise revenues to support health care spending. The Commonwealth Care Trust Fund received $15 million in fiscal 2009 due to the fact that the assessment is paid on a hospital fiscal year ending September 30 (not the state fiscal year ending June 30). The Commonwealth Care Trust Fund received the remaining $5 million in fiscal 2010.
11) Reflects prior-year Health Safety Net surpluses that by statute revert to the Commonwealth Care Trust Fund.
12) For fiscal 2008, the $995.4 million contribution from the General Fund to the Commonwealth Care Trust Fund (excluding Health Safety Net Trust Fund contributions) is a combination of (i) $931.4 million to support Commonwealth Care, Section 122 supplemental payments and provider rates; and (ii) $64 million for a one-time payment to a DSH hospital (that was transferred into the Commonwealth Care Trust Fund in fiscal 2008 and subsequently transferred to the Health Safety Net Trust Fund in fiscal 2009).
13) Health Safety Net spending is based on a hospital fiscal year ending September 30.
14) The $38 million fiscal 2008 Health Safety Net surplus is part of the $49.5 million in Prior-Years Health Safety Net surplus that reverted to the Commonwealth Care Trust Fund in fiscal 2009. See footnote 11. As much as $11.5 million in additional surplus from unneeded claims reserve funds is expected to be certified in the coming months.
15) In fiscal 2009, the $18.55 million potential Health Safety Net surplus listed above is based on a current spending assumption of $419.5 million and funding of $320 million in provider and insurer assessments, $70 million in offsets from the Medical Assistance Trust Fund and $48 million in General Fund contributions ($63 million originally appropriated reduced by $15 million redirected to meet MassHealth funding needs.) The fiscal 2009 surplus could be lower or higher based upon final remediation of claims. Also, in fiscal 2009, the Health Safety Net Trust Fund received $64 million from the Commonwealth Care Trust Fund to make a one-time payment to a DSH hospital.
16) Health Safety Net payments for fiscal 2010 are based on $390 million in dedicated revenues for the program plus approximately $30 million in surplus Health Safety Net funds from fiscal 2009 and fiscal 2009 that the Governor intends to retain within the Health Safety Net Trust Fund to address current demand. Demand is currently projected to exceed these revenues by $20-$50 million. In the event that demand exceeds available revenues, the shortfall is allocated among hospitals based on rules already established in regulation.

Pension

See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Pension."

Valuation of Pension Obligation. On September 21, 2009, the Public Employee Retirement Administration Commission released its actuarial valuation of the total pension obligation as of January 1, 2009. The unfunded actuarial accrued liability as of that date for the total obligation was approximately $22.080 billion, including approximately $6.730 billion for the State Employees' Retirement System, $13.620 billion for the Massachusetts Teachers' Retirement System, $1.410 billion for Boston Teachers and $325 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2009 to be approximately $59.140 billion (comprised of $23.720 billion for state employees, $32.540 billion for state teachers, $2.550 billion for Boston Teachers and $325 million for cost-of-living increases reimbursable to local systems). Total assets were valued at approximately $37.060 billion based on a five-year average valuation method, which equaled 110% of the January 1, 2009 total asset market value. The valuation method was the same as the method used in the 2008 valuation.

The following table shows the valuation of accrued liabilities and assets from 2005 through 2009:

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Pension Fund Valuation and Unfunded Accrued Liabilities (in millions)

			Unfunded Accrued Liabilities	
Valuation Date	Total Actuarial Accrued Liability	Actuarial Value of Assets(1)	Unfunded Actuarial Liability(2)	Market Value of Unfunded Liability
January 1, 2005	$48,358	$34,939	$13,419	$12,861
January 1, 2006	50,865	36,377	14,488	11,844
January 1, 2007	53,761	40,412	13,349	8,859
January 1, 2008	56,637	44,532	12,105	7,402
January 1, 2009	59,142	37,058	22,084	25,453

SOURCE: Public Employee Retirement Administration Commission.
(1) Based on five-year average smoothing methodology.
(2) Based on actuarial valuation.

The most recently adopted funding schedule is based on the January 1, 2008 actuarial results and reflects the recently extended funding schedule deadline of 2025.

On November 9, 2009, in his testimony to the Joint Committee on Public Service, the Secretary of the Executive Office for Administration and Finance noted the impact to the state and local pension funding schedules from the recent losses in state and local pension fund assets and the resulting increase in the annual pension payments that would be required to fully fund the state and local systems on the existing funding schedules. The Secretary pointed out that this poses a significant challenge given the current fiscal constraints but underscored the importance of being thoughtful and deliberate in developing proposals to address this challenge responsibly.

The Governor's fiscal 2011 budget proposal maintains the January 1, 2008 pension schedule by recommending a transfer of $1.442 billion, an increase of $65 million over fiscal 2010. The Commonwealth revises its funding schedule every three years. Recognizing the impact that the loss of assets will have on the pension fund and future funding schedules, the Governor has instructed the Secretary of Administration and Finance to form a task force to begin developing strategies and recommendations for a new triennial schedule to be adopted for fiscal 2012.

On January 27, 2010, the Governor filed legislation proposing pension reforms in addition to those adopted by the passage of pension reform legislation in June, 2009. The additional reforms include eliminating abuses, improving fairness and updating the system to reflect changes in work patterns. Such reforms are expected by the Governor to generate an estimated savings of over $2 billion over 30 years.

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SELECTED FINANCIAL DATA

Statutory Basis

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

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

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Projected Fiscal 2010(4)
Beginning Fund Balances						
Reserved or Designated	$ 664.6	$ 355.6	$ 947.2	$ 351.3	$ 171.5	$ 68.8
Bay State Competitiveness Investment Fund	-	-	-	100.0	-	-
Transitional Escrow Fund	-	304.8	-	-	-	-
Stabilization Fund	1,137.3	1,728.4	2,154.7	2,335.0	2,119.2	841.3
Undesignated	90.9	98.4	106.2	114.7	115.1	106.4
Total	**1,892.8**	**2,487.2**	**3,208.1**	**2,901.0**	**2,405.8**	**1,016.5**
Revenues and Other Sources						
Tax Revenues	15,987.4	17,286.2	18,444.9	19,488.5	16,790.0	17,102.0
Federal Reimbursements	4,697.0	5,210.1	6,167.6	6,429.5	8,250.9	8,598.0
Departmental and Other Revenues	1,948.9	2,094.3	2,218.4	2,355.9	2,326.2	2,887.9
Inter-fund Transfers from Non-budgeted Funds and Other Sources (2)	1,740.2	1,714.9	1785.0	2,039.3	1,850.3	1,939.8
Budgeted Revenues and Other Sources	24,373.4	26,305.5	28,615.9	30,313.2	29,217.4	30,527.7
Inter-fund Transfers	2,231.3	1,358.1	552.9	2,226.3	1,963.8	833.2
Total Budgeted Revenues and Other Sources	**26,604.7**	**27,663.6**	**29,168.8**	**32,539.5**	**31,181.2**	**31,360.9**
Expenditures and Uses						
Programs and Services	23,284.7	25,193.4	27,657.2	28,630.2	28,703.1	28,844.2
Inter-fund Transfers to Non-budgeted Funds and Other Uses	494.4	391.2	1,265.7	2,178.2	1,903.5	2,075.7
Budgeted Expenditures and Other Uses	23,779.1	25,584.6	28,922.9	30,808.4	30,606.6	30,919.9
Inter-fund Transfers	2,231.2	1,358.1	553.0	2,226.3	1,963.8	833.2
Total Budgeted Expenditures and Other Uses	**26,010.3**	**26,942.7**	**29,475.9**	**33,034.7**	**32,570.4**	**31,753.1**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	594.4	720.9	(307.1)	(495.2)	(1,389.2)	(392.2)
Ending Fund Balances						
Reserved or Designated (3)	355.6	947.2	351.3	171.5	68.8	16.6
Bay State Competitiveness Investment Fund	-	-	100.0	-	-	-
Transitional Escrow Fund	304.8	-	-	-	-	-
Stabilization Fund	1,728.4	2,154.7	2,335.0	2,119.2	841.3	686.6
Undesignated	98.4	106.2	114.7	115.1	106.4	108.6
Total	**$ 2,487.2**	**$ 3,208.1**	**$ 2,901.0**	**$ 2,405.8**	**$ 1,016.6**	**$ 811.8**

SOURCES: Fiscal 2005-2009, Office of the Comptroller; fiscal 2010, Executive Office for Administration and Finance.
(1) Totals may not add due to rounding.

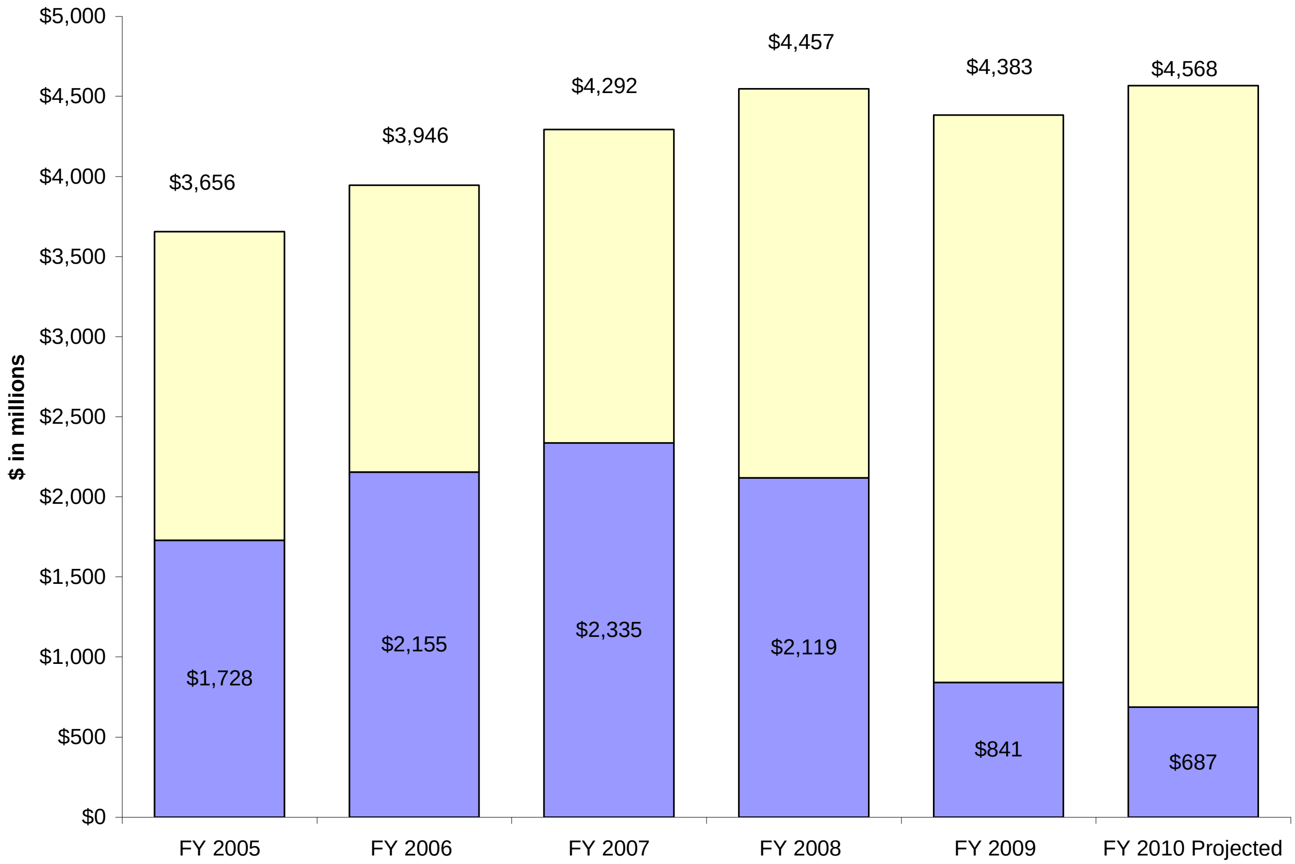
(2) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, transfer of tobacco settlement funds to allow their expenditure, abandoned property proceeds as well as other inter-fund transfers.
(3) Consists largely of appropriations from previous years, authorized to be expended in current years.
(4) Figures do not include proposed solutions to the $195 million (gross) of additional non-tax revenue and cost exposures identified by the Executive Office for Administration and Finance in March, 2010, as part of its regular budget review. (See "RECENT DEVELOPMENTS – Fiscal 2010" above)

Stabilization Fund

The fiscal 2010 budget authorizes the transfer of $199 million from the Stabilization Fund to the General Fund and the transfer of all fiscal 2010 interest earnings. The Executive Office for Administration and Finance currently anticipates utilizing $149 million of the $199 million authorization. The budget also suspends the statutorily required deposit for fiscal 2010. Supplemental budget legislation signed into law on November 24, 2009 authorized an additional transfer of $35.8 million from the Stabilization Fund to the General Fund. The Governor's budget recommendations for fiscal 2011 propose to suspend the statutorily required deposit and transfer $146 million from the Stabilization Fund to the General Fund.

Stabilization Fund Balance Compared to Allowable Stabilization Fund Balance

(in millions) (1)



SOURCES: Fiscal 2005-2009, Office of the Comptroller; fiscal 2010, Executive Office for Administration and Finance.

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LONG-TERM LIABILITIES

Interest Rate Swaps

The following table describes the interest rate swap agreements that the Commonwealth has entered into in connection with certain of its outstanding bond issues as of June 30, 2009.

Swap Structure	Associated Bond Issue	Outstanding Notional Amount (in thousands)	Bond Floating Rate	Swap Fixed Rate Paid (Range)	Swap Variable Rate Received	Effective Date	Termination Date	Counterparty
	General Obligation Bonds:							
Floating-to-fixed	Series 1997B	$162,768	VRDB	4.659%	Cost of Funds	8/12/1997	8/1/2015	Goldman Sachs Matsui Marine Derivative Products Co., LP
Floating-to-fixed	Series 1997B	108,512	VRDB	4.659%	Cost of Funds	8/12/1997	8/1/2015	Ambac Financial Services, LP*
Floating-to-fixed	Series 1998A (refunding)	295,986	LIBOR	4.174%	LIBOR	11/17/2008	9/1/2016	Deutsche Bank AG
	Consolidated Loan of 2006, Series A							
	Central Artery Loan of 2000, Series A							
	Central Artery Loan of 2000, Series B							
Floating-to-fixed	Series 1998A	197,324	VRDB	4.174%	Cost of Funds	9/17/1998	9/1/2016	Citi Swapco, Inc.
Floating-to-fixed	Series 2001B & C	496,225	VRDB	4.150%	Cost of Funds	2/20/2001	1/1/2021	Morgan Stanley Derivative Products Inc.
Floating-to-fixed	Series 2003B	87,455	CPI	4.500%	Cost of Funds/CPI	3/12/2003	12/1/2014	Goldman Sachs Matsui Marine Derivative Products Co., LP
Floating-to-fixed	Series 2003B	10,000	CPI	4.500%	Cost of Funds/CPI	10/8/2008	12/1/2013	Deutsche Bank AG
Floating-to-fixed	Series 2005A	540,725	SIFMA	3.048 - 4.004%	SIFMA	3/15/2005	2/1/2028	Citi
Floating-to-fixed	Series 2006C	100,000	CPI	3.730 - 3.850%	Cost of Funds/CPI	1/1/2007	11/1/2020	Citi
Floating-to-fixed	Consolidated Loan of 2007, Series A	400,000	LIBOR	4.420%	LIBOR	10/8/2008	5/1/2037	Barclays Bank, PLC
Floating-to-fixed	Series 2007A (refunding)	31,665	LIBOR	3.936%	Cost of Funds/LIBOR	10/8/2008	11/1/2020	Deutsche Bank AG

* The Commonwealth plans to terminate this swap and replace it with a new swap with a more highly rated counterparty. The Commonwealth does not expect to be required to make a termination payment to Ambac.

Swap Structure	Associated Bond Issue	Outstanding Notional Amount (in thousands)	Bond Floating Rate	Swap Fixed Rate Paid (Range)	Swap Variable Rate Received	Effective Date	Termination Date	Counterparty
Floating-to-fixed	Series 2007A (refunding)	414,130	LIBOR	3.936 - 4.083%	Cost of Funds/LIBOR	10/8/2008	11/1/2025	Bank of New York Mellon
Floating-to-fixed	Central Artery Loan of 2000, Series A	109,125	SIFMA	3.942%	SIFMA	8/16/2007	8/1/2018	Merrill Lynch Capital Services, Inc.
Floating-to-fixed	Central Artery of 2000, Series A	54,525	SIFMA	3.942%	SIFMA	8/16/2007	8/1/2018	Bear Stearns Financial Products
Floating-to-fixed	Consolidated Loan of 2006, Series B	294,000	LIBOR	4.515%	LIBOR	4/2/2009	6/15/2033	Barclays Bank, PLC
	Consolidated Loan of 2000, Series D							
Subtotal		**3,020,470**						
Special Obligation Dedicated Tax Revenue Bonds (CPI Based Swaps):	*Special Obligation Dedicated Tax Revenue Bonds (CPI Based Swaps):*							
Floating-to-fixed	Series 2004	28,863	CPI	4.450 - 5.250%	Cost of Funds/CPI	6/29/2004	1/1/2018	Goldman Sachs Capital Markets, LP
Floating-to-fixed	Series 2004	28,863	CPI	4.450 - 5.250%	Cost of Funds/CPI	6/29/2004	1/1/2018	J.P. Morgan Chase Bank
Floating-to-fixed	Series 2004	28,863	CPI	4.450 - 5.250%	Cost of Funds/CPI	6/29/2004	1/1/2018	J. P. Morgan Chase Bank
Floating-to-fixed	Series 2005A	96,490	CPI	4.771 - 5.060%	Cost of Funds/CPI	1/12/2005	6/1/2022	Merrill Lynch Capital Services, Inc.
Subtotal		183,079						
Total		**$3,485,519**						

Debt Service Requirements

The following table sets forth, as of December 31, 2009, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable-rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate swap agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. For other variable-rate bonds, the schedule assumes a 5% interest rate.

Debt Service Requirements on Commonwealth Bonds as of December 31, 2009 through Maturity (in thousands) (1)

	General Obligation Bonds As of December 31, 2009 through Maturity						Federal Highway Grant Anticipation Notes (2) As of December 31, 2009 through Maturity			Special Obligation Revenue Bonds As of December 31, 2009 through Maturity		
Period Ending	**Principal**	**Compounded Interest**	**Gross Interest**	**Build America Bonds Subsidies**	**Net Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**
6/30/2010	$ 351,023	-	$ 402,818	-	$ 402,818	$ 753,841	$ 73,145	$ 25,841	$ 98,986	$ 35,530	$ 28,943	$ 64,473
6/30/2011	1,063,932	$ 7,768	813,009	$ (19,320)	793,689	1,865,389	151,290	44,957	196,247	37,240	56,178	93,418
6/30/2012	968,628	8,266	754,859	(18,159)	736,699	1,713,593	159,365	36,880	196,245	39,135	54,290	93,425
6/30/2013	1,041,529	9,413	704,861	(18,159)	686,702	1,737,644	194,580	28,933	223,513	41,150	52,258	93,408
6/30/2014	932,292	7,735	656,445	(18,159)	638,286	1,578,313	239,065	16,727	255,792	37,170	50,020	87,190
6/30/2015	928,103	7,686	611,585	(18,159)	593,426	1,529,215	247,070	5,641	252,711	59,065	48,117	107,182
6/30/2016	979,764	6,083	568,321	(18,159)	550,161	1,536,009				60,975	44,918	105,893
6/30/2017	871,080	4,533	524,806	(18,159)	506,646	1,382,259				64,675	41,617	106,292
6/30/2018	735,930	3,588	485,361	(18,159)	467,201	1,206,719				46,350	38,425	84,775
6/30/2019	732,162	21,077	448,090	(18,159)	429,931	1,183,169				48,775	36,121	84,896
6/30/2020	813,864	2,236	411,111	(18,159)	392,951	1,209,052				49,020	33,499	82,519
6/30/2021	1,002,329	1,806	366,731	(18,159)	348,572	1,352,706				51,515	31,064	82,579
6/30/2022	798,077	1,625	322,199	(18,159)	304,039	1,103,741				54,355	28,292	82,647
6/30/2023	740,289	1,422	283,763	(18,159)	265,603	1,007,314				36,960	25,428	62,388
6/30/2024	665,332	1,115	249,181	(18,159)	231,022	897,469				28,990	23,443	52,433
6/30/2025	608,680	873	218,721	(18,159)	200,562	810,115				30,625	21,848	52,473
6/30/2026	471,168	708	191,904	(18,159)	173,745	645,621				32,360	20,164	52,524
6/30/2027	465,191	522	169,250	(18,159)	151,091	616,804				34,190	18,384	52,574
6/30/2028	275,969	345	150,691	(18,159)	132,531	408,846				36,125	16,504	52,629
6/30/2029	360,171	139	135,192	(18,159)	117,033	477,343				38,170	14,517	52,687
6/30/2030	519,376	79	117,588	(18,159)	99,429	618,885				40,330	12,418	52,748
6/30/2031	301,135		91,233	(14,445)	76,787	377,922				42,610	10,199	52,809
6/30/2032	216,715		81,076	(14,445)	66,631	283,346				45,020	7,856	52,876
6/30/2033	187,300		69,908	(12,440)	57,468	244,768				47,565	5,380	52,945
6/30/2034	188,585		60,460	(11,068)	49,392	237,977				50,250	2,764	53,014
6/30/2035	196,755		50,745	(9,647)	41,098	237,853						
6/30/2036	205,130		40,643	(8,177)	32,466	237,596						
6/30/2037	214,730		30,106	(6,654)	23,452	238,182						
6/30/2038	194,135		19,102	(5,077)	14,025	208,160						
6/30/2039	123,805		10,940	(3,445)	7,495	131,300						
6/30/2040	91,905		4,596	(1,609)	2,988	94,893						
TOTAL	**$17,245,085**	**$ 87,020**	**$ 9,045,297**	**$ (451,356)**	**$ 8,593,942**	**$ 25,926,047**	**$ 1,064,515**	**$ 158,979**	**$ 1,223,494**	**$1,088,150**	**$722,646**	**$1,810,796**

SOURCE: Office of the Comptroller.

(1) Totals may not add up due to rounding.

(2) Includes a series of crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.

General Obligation Contract Assistance Liabilities

Massachusetts Turnpike Authority. The fiscal 2010 budget included a provision authorizing a contract between the Secretary of Administration and Finance, acting on behalf of the Commonwealth, with the concurrence of the Secretary of Transportation and Public Works, and the Turnpike Authority providing for the Commonwealth to make payments to the Turnpike Authority or the Massachusetts Department of Transportation (MassDOT), as appropriate, in the amount of $100 million in each fiscal year for the purpose of defraying costs, including debt service on bonds issued by the Turnpike Authority or MassDOT to finance or refinance improvements to the Metropolitan Highway System. See "COMMONWEALTH CAPITAL INVESTMENT PLAN - Transportation Reform Legislation." The contract, which pledges the full faith and credit of the Commonwealth to such payments, was executed on June 30, 2009. The term of the contract extends until fiscal 2039, the last fiscal year in which Metropolitan Highway System bonds issued before July 1, 2009 are scheduled to mature. Payments under the new contract are in addition to the payments required by the contract for financial assistance dated as of February 19, 1999 between the Turnpike Authority and the Commonwealth. See the March Information Statement under the heading "LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities; *Massachusetts Turnpike Authority*."

Contingent Liabilities

Massachusetts Turnpike Authority. On June 24, 2009, Standard & Poor's downgraded Ambac's insurer financial strength rating below the threshold at which UBS AG (UBS) asserted it was entitled to provide a notice of potential termination of its swap agreements with the Authority. UBS provided notice on June 24, 2009 of an asserted termination event. Under the swap agreements, upon valid notice of a termination event, the Turnpike Authority had 30 days (until July 24, 2009) either to provide alternate credit support that was acceptable to UBS, provide collateral essentially equal to the fair value of the swaps or obtain an "A" rating or better on all of the Turnpike Authority's underlying Metropolitan Highway System (MHS) bonds. Prior to the 30-day deadline, the Turnpike Authority obtained sufficiently high ratings on its underlying subordinated MHS bonds to cure the asserted termination events with respect to four of the five UBS swaps. The deadline for curing the asserted termination event with respect to the remaining UBS swap was extended several times by mutual agreement, and on October 20, 2009, the Turnpike Authority reached agreement with UBS that one of the ratings currently assigned to the underlying senior MHS bonds was sufficient to cure the asserted termination event. Legislation authorizing a Commonwealth guaranty of the Turnpike's swap obligations expired November 1, 2009. No guaranty was ultimately required to cure the termination event. See the March Information Statement under the heading "LONG-TERM LIABILITIES - Contingent Liabilities; *Massachusetts Turnpike Authority*."

COMMONWEALTH CAPITAL INVESTMENT PLAN

Capital Investment Plan

The Executive Office for Administration and Finance annually updates its five-year capital investment plan, including its debt affordability analysis. The five-year plan coordinates capital expenditures by state agencies and authorities that are funded primarily by Commonwealth debt, third-party payments and federal reimbursements. Beginning in fiscal 2009 and expected through fiscal 2012, capital funds are also provided pursuant to the American Recovery and Reinvestment Act of 2009.

The Executive Office for Administration and Finance sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the "bond cap," is to keep Commonwealth debt within affordable levels.

On October 7, 2009, the Governor released a five-year capital investment plan for fiscal 2010 through fiscal 2014, totaling nearly $17 billion. With the release of the five-year capital investment plan, the Governor announced that the bond cap will be $1.5 billion for fiscal 2010, plus $150 million in unused bond cap from fiscal 2009 which has been carried forward to support spending in fiscal 2010. The bond cap for fiscal 2011 is projected to be $1.625 billion, and is projected to increase by $125 million in each subsequent fiscal year through fiscal 2014.

The bond cap determination is based on the debt affordability policy described in the updated debt affordability analysis. Under this policy, the Executive Office for Administration and Finance will set the annual borrowing limit at a level designed to keep debt service within 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations and budgetary contract assistant payment obligations on certain capital lease financings. In addition, while the accelerated bridge program will be funded outside of the bond cap, the related debt service costs of the program have been fully accounted for under the debt affordability policy in setting the bond cap at the designated levels. However, when a project financed with debt payable by the Commonwealth directly or indirectly generates new state revenue that is applied to the payment of such debt, the Executive Office for Administration and Finance will exclude the debt, the related debt service payment obligations and the new revenue used to pay such obligations from the debt affordability analysis. For example, bonds issued by MassDevelopment and payable by the Commonwealth pursuant to the I-Cubed program or for the parkway at the former South Weymouth naval base are expected to be excluded from the bond cap, as the Commonwealth's payment liability with respect to such bonds is expected to be covered by the new state tax revenues generated from the private development supported by the infrastructure improvements financed by the bonds.

For purpose of the debt affordability analysis, budgeted revenue includes all Commonwealth taxes and other revenues available to pay Commonwealth operating expenses, including debt service, pensions and other budgetary obligations. It does not include off-budget revenues dedicated to the Massachusetts Bay Transportation Authority, the Massachusetts School Building Authority and the Massachusetts Convention Center Authority. The fiscal 2010 estimate was based on the fiscal 2010 budget as originally approved and does not take into account the subsequent downward revision of the fiscal 2010 revenue estimate by the Secretary of Administration and Finance on October 15, 2009. For purposes of projecting budgeted revenue in future fiscal years, the compound annual growth rate in budgeted revenues from fiscal years 2000 through 2010 of 2.66% was applied to fiscal 2011 revenues and to each year thereafter. This is consistent with the debt affordability policy, which states that projected increases to budgeted revenues will be the lesser of 3% or the actual compound annual growth rate over the last ten fiscal years.

In addition to keeping debt service within 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap for the regular capital program to not more than $125 million. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels. As noted above, the bond cap is expected to grow by $125 million from fiscal 2010 through fiscal 2014.

The Executive Office for Administration and Finance will revisit the debt capacity and affordability analysis periodically, and at least every year, to revise estimates for future years by taking into account fluctuations in interest rates, budgeted revenues and other changes affecting the Commonwealth's debt capacity. In addition, the Executive Office for Administration and Finance will annually assess the appropriateness of the methodology and constraints for establishing the bond cap.

The following table shows the annual bond cap, the resulting estimated total annual debt service payment obligations and the estimated debt service as a percentage of estimated budgeted revenues, all as presented in the debt affordability analysis published on October 7, 2009.

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Bond Cap
(in thousands - may not add due to rounding)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Bond Cap[1]	$ 1,650,000	$ 1,625,000	$ 1,750,000	$ 1,875,000	$ 2,000,000
Total Debt Service Obligations	2,215,272	2,215,317	2,390,578	2,391,257	2,494,262
Estimated Budgeted Revenue	29,370,942	30,298,677	31,104,291	31,931,577	32,781,022
Debt Service as % of Budgeted Revenues	7.54%	7.31%	7.69%	7.49%	7.61%

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

(1) Includes $150 million of fiscal 2009 unused bond cap that has been carried forward to fiscal 2010.

Reflecting changed economic conditions, the total bond cap projected in the fiscal 2010 through fiscal 2014 five-year plan is $1.1 billion less than the total bond cap projected in the first five-year plan published by the Executive Office for Administration and Finance in July, 2007.

In the past, the Commonwealth aggregated its capital expenditures into seven major categories based primarily on the agencies responsible for spending and carrying out capital projects: economic development, environment, housing, information technology, infrastructure and facilities, public safety, and transportation. The following table sets forth historical capital spending in fiscal 2005 through fiscal 2009 according to these categories:

Commonwealth Historical Capital Spending
(in millions - may not add due to rounding)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Information technology	$ 61	$ 88	$ 53	$ 65	$ 97
Infrastructure	262	283	271	186	333
Environment	122	142	153	188	246
Housing	122	129	140	172	252
Public safety	18	19	18	19	21
Transportation	1,300	1,189	1,120	1,109	1388
Convention centers	54	12	2	-	-
Other	39	30	29	43	96
School building assistance	565	435	-	-	-
Total Uses	$2,543	$2,327	$1,786	$1,782	$2,432

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

For fiscal 2008 through fiscal 2014, the Executive Office for Administration and Finance re-characterized capital spending into 13 categories based on spending purpose, rather than spending agency: community investments, corrections, courts, economic development, energy and environment, health and human services, higher education, housing, information technology, maintenance, public safety, state office buildings and facilities, and transportation. This presentation of capital investment categories results in certain expenditures appearing in categories that are different from those in which they had been categorized in the historical capital spending table above. For example, Chapter 90 local aid for municipal transportation projects appears in the community investment category, rather than the transportation category, because these funds are invested in municipally-owned assets. Similarly, expenditures for Department of Conservation and Recreation roads and bridges appear in the transportation category, rather than the energy and environment category.

The capital investment plan for fiscal 2010 through fiscal 2014 is designed to allocate resources strategically to invest in the Commonwealth's public facilities and programs and represents the Governor's vision for public infrastructure. The following tables show the allocation of bond cap spending by major investment category and the allocation of total capital spending from all sources of funding by major investment category for fiscal 2010 through fiscal 2014.

Capital Investment Plan - Total Bond Cap
(in millions - may not add due to rounding)

Investment Category:	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	5-Year Total	% of 5-Year Total
Community Investment	$235	$223	$241	$259	$244	$1,203	14%
Corrections	21	21	32	60	95	229	3
Courts	112	69	30	53	109	373	5
Economic Development	87	82	94	107	117	487	5
Energy/Environment	107	103	98	106	109	523	6
Health/Human Services	92	84	80	45	67	368	4
Higher Education	84	124	152	232	235	827	9
Housing	168	168	168	171	173	848	10
Information Technology	75	73	82	86	86	402	5
Public Safety	13	8	15	28	39	103	1
State Buildings	73	92	105	70	61	400	4
Transportation	583	578	653	659	665	3138	35
Total	$1,650	$1,625	$1,750	$1,875	$2,000	$8,900	100%

Capital Investment Plan - All Sources of Funding
(in millions - may not add due to rounding)

Investment Category:	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	5-Year Total	% of 5-Year Total
Community Investment	$294	$280	$283	$295	$281	$1,433	8%
Corrections	26	22	32	60	95	236	1
Courts	112	76	39	62	118	406	2
Economic Development	107	122	168	177	192	767	4
Energy/Environment	121	116	99	106	109	551	3
Health/Human Services	93	89	84	45	67	378	2
Higher Education	99	169	200	234	235	937	5
Housing	297	268	212	173	173	1,124	7
Information Technology	78	76	82	86	86	494	3
Public Safety	39	20	19	28	39	145	1
State Buildings	85	104	105	70	61	425	2
Transportation	1,687	2,133	2,231	2,240	1,855	10,146	60
Total	$3,039	$3,475	$3,554	$3,577	$3,311	$17,042	100%

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

The different sources of funding for the capital program, as reflected in the table above, include:

- Bond cap – Commonwealth borrowing to support the regular capital program;
- Federal – federal reimbursements for capital expenditures, primarily for transportation projects;
- Third-party – contributions made by third parties to capital projects being carried out by the Commonwealth and Commonwealth contributions to the Central Artery/Ted Williams Tunnel project from annual operating revenues;
- Project-Financed Bonds – self-supporting bonds payable by the Commonwealth from a project-related stream of revenue;
- Accelerated Bridge – Commonwealth gas tax bonds or federal grant anticipation notes issued to fund the accelerated bridge program; and
- American Recovery and Reinvestment Act of 2009 (ARRA) – funds provided by the federal stimulus bill directly to the Commonwealth for targeted capital investments.

The following table shows the sources of capital funds for fiscal 2009 and the estimated sources of funds for the next five fiscal years:

Capital Investment Plan: Sources of Funds
(in millions - may not add due to rounding)

Fiscal Year	Bond Cap	Federal Reimbursements	Third Party	Project Financed	Accelerated Bridge Program	ARRA	Total
2009	$1,577.0	$633.1	$119.6	$ 16.2	$ 81.6	$ 4.9	$2,432.3
2010	1,650.0	717.3	57.5	37.5	357.3	219.1	3,038.7
2011	1,625.0	821.9	88.8	141.1	525.5	272.7	3,475.1
2012	1,750.0	703.0	80.9	179.0	688.7	152.2	3,553.8
2013	1,875.0	698.1	26.2	212.8	668.4	96.0	3,576.6
2014	2,000.0	715.5	24.2	214.0	357.1	0	3,310.8

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

Transportation Reform Legislation

On June 18, 2009, the Legislature enacted, and on June 26, 2009 the Governor approved, legislation designed to reform the Commonwealth's transportation system. The legislation created a new entity called the Massachusetts Department of Transportation (MassDOT), governed by a five-member board appointed by the Governor. The Governor has appointed a Secretary of MassDOT, who serves as the new authority's chief executive officer. MassDOT has an office of planning and programming and four divisions - one for highways, one for mass transit, one for aeronautics and one for the Registry of Motor Vehicles - which share administrative functions such as human resources, financial management, information technology and planning. Each division is headed by an administrator appointed by the Secretary of MassDOT. The board of MassDOT was authorized to begin exercising its powers on November 1, 2009.

The transportation reform legislation provided for the dissolution of the Massachusetts Turnpike Authority and the transfer of its assets, liabilities, obligations and debt to MassDOT, which has a separate legal existence from the Commonwealth. MassDOT assumed the rights, powers and duties of the Turnpike Authority effective November 1, 2009. The legislation maintained the separate existence of the Massachusetts Bay Transportation Authority, but its governing board was abolished and has been replaced by a new five-member board appointed by the Governor. The Massachusetts Port Authority remains an independent authority, but pursuant to the legislation the Tobin Memorial Bridge, a tolled bridge previously owned and operated by the Port Authority, was transferred to MassDOT on January 1, 2010.

All regional transit authorities in the Commonwealth are mandated to shift to a forward-funded budgeting system no later than fiscal 2012. The Secretary of Administration and Finance is to develop a plan for accomplishing this conversion and to seek the necessary appropriations.

The legislation established a Massachusetts Transportation Trust Fund within MassDOT, into which all bridge, tunnel and highway tolls, as well as transit fares under certain circumstances, are deposited. Moneys in the Central Artery and Statewide Road and Bridge Infrastructure Fund may be transferred to the Massachusetts Transportation Trust Fund. The Trust Fund is to be used for operations, maintenance and capital costs related to the transportation assets under MassDOT's jurisdiction, including MBTA assets and assets of the Turnpike Authority transferred pursuant to the legislation, as well as debt service on outstanding Turnpike Authority debt. MassDOT is authorized to issue special obligation debt secured by moneys in the Trust Fund to refinance Turnpike Authority debt issued before July 1, 2009. MassDOT debt will not be debt of the Commonwealth.

The legislation contemplates that the Legislature will continue to make capital appropriations for transportation improvements and that such appropriations will continue to be funded through the issuance by the State Treasurer of Commonwealth debt. Currently outstanding capital spending authorizations are to be made available to MassDOT by the Secretary of Administration and Finance.

The legislation also established a Commonwealth Transportation Fund as a budgetary fund of the Commonwealth for transportation-related purposes, to receive essentially the same revenues that are now deposited in the Highway Fund, including gasoline tax receipts and registry fee revenues. Legislation approved by the Governor on July 20, 2009 provides that the Commonwealth Transportation Fund will also receive the sales tax receipts dedicated to transportation purposes (see "COMMONWEALTH REVENUES - State Taxes; *Sales and Use Tax*" above), with a guaranteed annual payment of $275 million. The guaranteed amount of $275 million includes $100 million earmarked for costs including debt service on Turnpike Authority debt, $160 million earmarked for the MBTA and $15 million earmarked for the regional transit authorities. Moneys currently in the Deferred Maintenance Trust Fund are also being transferred to the Commonwealth Transportation Fund. Moneys in the Commonwealth Transportation Fund will be used to pay Commonwealth debt service and contract assistance obligations for transportation-related investments, with the excess in each fiscal year to be available for appropriation to the Massachusetts Transportation Trust Fund for use by MassDOT.

LEGAL MATTERS

Matters described in the March Information Statement under the heading "LEGAL MATTERS" are updated as follows:

The Arborway Committee v. Executive Office of Transportation, et al., Appeals Court. On May 26, 2009, the Superior Court granted summary judgment to the state defendants on statute of limitations grounds, dismissing all claims against the Commonwealth. On July 7, 2009, the Superior Court ordered the entry of a separate and final judgment on those claims. The plaintiffs have appealed, and their brief was filed in the Massachusetts Appeals Court on February 12, 2010; the defendants-appellees' brief is due on May 14, 2010.

Hutchinson et al v. Patrick et al, United States District Court, Western Division. In May, 2009, plaintiffs moved for an award of attorneys' fees and costs, requesting almost $800,000. In February, 2010, the court allowed plaintiffs' motion and awarded the fees and costs requested. The Commonwealth has appealed and filed a brief in the United States Court of Appeals for the First Circuit arguing that plaintiffs are not "prevailing parties" under the relevant federal law entitled to an award of fees or costs.

Ricci v. Okin. The United States Supreme Court denied the petition of the Fernald class members for a writ of certiorari, and so the decision of the U. S. Court of Appeals for the First Circuit, favorable to the Commonwealth, stands.

Rolland v. Patrick, United States District Court, Western Division. This is a class action by mentally retarded nursing home patients seeking community placements and services that resulted in a settlement agreement. In July, 2001, the District Court found that the Commonwealth had breached portions of the agreement and was in violation of certain legal requirements related to the provision of "active treatment" to class members. The United States Court of Appeals for the First Circuit affirmed the District Court's order in January, 2003. In April, 2007, the District Court found that, despite a "tremendous amount of work," and substantial improvement in the provision of services, the Commonwealth has not yet ensured that all class members receive active treatment. A court monitor was appointed to evaluate whether each class member is receiving active treatment. The parties have now reached a new settlement agreement under which 640 community placements would be created; placement of a class member in the community would take the place of any further obligation to provide "active treatment" to that individual. After a hearing on May 22, 2008, the court found that the agreement is fair, reasonable and adequate, and approved it in a written decision issued June 16, 2008. A group of class members challenged the court-approved settlement agreement on appeal to the United States Court of Appeals for the First Circuit. In mid-January, 2010, the United States Court of Appeals for the First Circuit affirmed the District Court's order approving the fairness, reasonableness and adequacy of the new settlement agreement.

Disability Law Center, Inc. v. Massachusetts Department of Correction, et al., United States District Court. On July 31, 2009, the state defendant filed, under seal, a superseding draft settlement agreement that contemplates appropriate services to inmates with serious mental illness while taking account of the Commonwealth's current budgetary constraints. The Disability Law Center (DLC) rejected the state defendant's settlement offer, as proposed. Thereafter, in early November, 2009, the parties filed separate status reports with the Court reporting a cessation of their settlement discussions and, consequently, the need for a trial date. A scheduling order dated February 10, 2010 provides that any amended pleadings must be filed by early May, 2010, and all discovery is to be completed by mid-March, 2011. The Court has set a trial date of June 6, 2011. While the DLC requests only injunctive relief, the Department of Correction has conducted a preliminary funding analysis, which estimates that approximately $135 million of additional funding would be required over the next five fiscal years relating to program costs and staffing associated with the implementation of provisions of the original draft settlement agreement. This estimate does not include approximately $8 million in bond funding for information technology infrastructure and related upgrades.

Harper et al. v. Massachusetts Department of Transitional Assistance, United States District Court. This lawsuit was filed by four individuals seeking to represent a class of indigent disabled individuals who apply for or receive subsistence-level cash and/or food stamp benefits from the Massachusetts Department of Transitional Assistance ("DTA"). Plaintiffs allege that the way DTA administers its programs has the effect of preventing persons with disabilities from having equal access to DTA's benefits and services, and therefore violates the Americans with Disabilities Act and the Rehabilitation Act of 1973. Plaintiffs seek systemic changes to the DTA's policies and procedures as well as to information and telephone systems. DTA has answered the complaint, and the parties are conducting discovery. After the assigned magistrate judge recommended class certification, DTA filed objections with the District Court judge, who has had the matter under advisement since mid-March, 2010. Although the existence and scope of liability are contested by DTA, the cost of implementing the changes demanded by the plaintiffs could cost millions of dollars.

Demoranville v. Commonwealth, Supreme Judicial Court. Following dismissal of the case by the Superior Court in January, 2009, the Supreme Judicial Court granted direct appellate review of that decision. Oral argument took place on February 11, 2010.

TJX Companies v. Commissioner of Revenue ("TJX I"), Appeals Court. In *TJX I*, the taxpayer challenged certain assessed corporate excise taxes and the Commissioner's application of the sham transaction doctrine to various deductions claimed by TJX on account of purported royalty and interest payments to related, out-of-state corporations. According to the statement of agreed facts submitted to the Appellate Tax Board in *TJX I*, the direct amount in dispute, exclusive of interest, was approximately $9.8 million. The Board decided *TJX I* in favor of the Commissioner, and the taxpayer appealed. The Appeals Court largely affirmed the decision of the Appellate Tax Board in an unpublished decision dated April 3, 2009. Subsequently, the Supreme Judicial Court denied TJX Companies' application for further appellate review.

TJX Companies v. Commissioner of Revenue ("TJX II"), Appellate Tax Board. In *TJX II*, the taxpayer is challenging a tax liability of approximately $18 million (including interest) at the Appellate Tax Board arising from the Commissioner's disallowance of deductions for various royalty payments and interest taken in connection with transactions between several subsidiaries of the taxpayer. The Board had stayed *TJX II* pending the outcome of *TJX I*, although the facts and circumstances of each are slightly different. While the issues are similar, the Appeals Court's decision in *TJX I* will not necessarily control the ultimate decision in *TJX II*.

Capital One Bank v. Commissioner of Revenue. The United States Supreme Court denied Capital One Bank's petition for a writ of certiorari on June 22, 2009, and so the decision of the Supreme Judicial Court, favorable to the Commonwealth, stands.

Geoffrey, Inc. v. Commissioner of Revenue. The United States Supreme Court denied Geoffrey, Inc's petition for a writ of certiorari on June 22, 2009, and so the decision of the Supreme Judicial Court, favorable to the Commonwealth, stands.

Central Artery/Ted Williams Tunnel Cost Recovery Program Litigation, Suffolk Superior Court. In the November, 2006 civil action involving the collapse of the ceiling in the I-90 Connector Tunnel, the Commonwealth has reached settlement agreements with or agreed to dismiss each of the remaining defendants. Under those agreements, the Commonwealth has recovered or expects to recover an additional $43.2 million. Of that amount, $26 million is in credits against claims by contractors against the Commonwealth; the remaining $17.2 million is in settlement payments. Under the settlement agreements, those payments are to be made to the Central Artery and Statewide Road and Bridge Infrastructure Fund (now part of the Commonwealth Transportation Fund). The settlement documents have been signed and filed with the court, and the litigation is concluded. Once payments called for under the settlement agreements are made, the Commonwealth will have recovered a total of approximately $78.4 million in damages specifically for the ceiling collapse.

Grand River Enterprises Six Nations, Ltd. v. William Pryor, et al., United States District Court, New York. Except for resolution of outstanding discovery disputes, discovery is complete. Summary judgment briefs were filed in September, 2009. Due to the parties' requests for extensions of time for responses and reply briefs, argument will not occur until late April, 2010.

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The federal Health Care Financing Administration (now CMS) asserted in June, 2000 that the portion of the Medicaid program funded by the Commonwealth's Health Safety Net Trust Fund (formerly the Uncompensated Care Pool) might violate federal regulations regarding permissible taxes on health care providers. Since 1993, MassHealth has sought federal waivers for the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor, the Health Safety Net Trust Fund. The Commonwealth believes that the assessments are within the federal law pertaining to health care-related taxes. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. New federal regulations on health care-related taxes were, in large part, subject to a moratorium on implementation through June 30, 2009, which CMS has extended until June 30, 2010. By the end of pool fiscal 2010, the Commonwealth will have collected an estimated $4.836 billion in acute hospital assessments since 1990 and an estimated $1.717 billion in surcharge payments since 1998. Clarification of the law surrounding permissible provider taxes is a national issue involving a number of states.

In re: Audit by the U. S. Department of Health and Human Services Office of the Inspector General (UMMHC hospital supplemental payments). The OIG audited MassHealth supplemental payments made to the UMass Memorial Health Care hospitals in 2004 and 2005. In its final report, the OIG identified an overpayment of $5.75 million in Federal Financial Participation (FFP) and made a recommendation that the Commonwealth work with CMS to determine the appropriateness of an additional $2.8 million in FFP. EOHHS sent its response to the final report on February 2, 2010.

Boston Harbor Clean-Up. The cost of initial construction of water treatment facilities required under the federal district court's order has now amounted to approximately $4.5 billion through December, 2009. Going forward, the Massachusetts Water Resources Authority anticipates spending an additional $230 million on remaining construction work on Combined Sewer Overflow projects. These figures do not include routine ongoing costs, such as maintenance expenses and capital spending for plant and system upgrades, retrofits, and replacements.

Shwachman v. Commonwealth, Worcester Superior Court. This eminent domain case, involving the taking of property necessary for construction of a new Worcester County courthouse, settled in early October, 2009 for $500,000.

Rosie D., et al. v. The Governor, United States District Court, Western Division. Although in 2009 the Commonwealth paid the plaintiffs' attorneys approximately $7.1 million in court-approved fees, plaintiffs are entitled to submit additional petitions for recovery of attorneys' fees incurred post-judgment (*e.g.*, for monitoring activity), through the end of the remedial plan implementation period (July, 2012). Plaintiffs' counsel has submitted a letter requesting payment of approximately $1.48 million in attorneys' fees for monitoring the implementation of the judgment during the period from January 1, 2007, through June 30, 2009. Defendants' counsel has prepared, but not yet served, a response.

Commonwealth of Massachusetts v. Philip Morris, Inc., et al. (2006 Non-Participating Manufacturer ("NPM") Adjustment proceeding). Philip Morris paid its entire April 2009 annual Tobacco Master Settlement Agreement ("MSA") payment, but (as anticipated) R.J. Reynolds Tobacco Co. and Lorillard Tobacco Co. withheld their portion of the NPM Adjustment, which reduced the initial 2009 payout to Massachusetts by approximately $22 million. The parties are still selecting arbitrators to hear the diligent enforcement claims, with a panel not likely to be seated before June, 2010.

The following matters were not described in the March Information Statement:

Commonwealth v. Johnson et al, United States District Court. The Attorney General filed this action seeking judicial review of the decision by the federal Centers for Medicare and Medicaid Services (CMS) to deny approximately $86 million FFP for targeted case management (TCM) services provided by the Department of Children and Families (formerly the Department of Social Services). On March 24, 2010, the District Court entered judgment for the United States. The Commonwealth has not yet decided whether to appeal. (See description of CMS' initial disallowance action under *In re: Disallowance by the U.S. Department of Health and Human Services Centers of Medicaid and Medicaid Services (Targeted Case Management)* in the March Information Statement.)

Boston Medical Center Corp. and Boston Medical Center Health Plan, Inc. v. Secretary of the Executive Office of Health and Human Services, Suffolk Superior Court. On July 15, 2009, the plaintiffs filed suit alleging that they are owed at least $127.6 million in additional payments by the Commonwealth for fiscal 2009. The plaintiffs allege that the Commonwealth was obligated under Commonwealth law to set aside higher Medicaid reimbursement rates for services provided to Medicaid clients by the Boston Medical Center hospital and managed care organization entities. The defendant filed its Answer denying all of plaintiffs' claims on September 11, 2009. Around October 21, 2009, the court granted plaintiffs' motion to file an Amended Complaint. Defendant filed its Amended Answer on October 27, 2009.

Kristy Didonato, et al. v. Department of Transitional Assistance, et al. (*Didonato I* and *Didonato II*), Massachusetts Housing Court–Western Division. These are consolidated class actions challenging DTA's practices and procedures relating to emergency shelter placements and, more specifically, its practices and procedures relating to the placement of families in shelters that are located more than 20 miles from their home communities. In October, 2006, the Housing Court allowed the plaintiffs' motion for partial summary judgment on the systemic notice and hearing claims in *Didonato I* and *II*. Following the court's decision, DTA worked with plaintiffs' counsel to implement the court's partial summary judgment decision and also initiated settlement discussions to resolve the remaining claims in the consolidated complaints. Recently, plaintiffs' counsel moved to expand plaintiffs' requested relief to include a demand that DTA adopt a policy requiring that motel placements be used to avoid placing families with school-age children in shelters that are more than 20 miles from their home communities. On July 1, 2009, the emergency shelter program was transferred from DTA to another state agency, the Department of Housing and Community Development. The defendants will be serving a formal opposition to the motion to expand the case on or about April 30, 2010. If the court agrees to expand the *Didonato* cases to include this claim relating to the use of motels, and ultimately finds that the Commonwealth must facilitate a motel placement before placing a family with school-age children in a shelter more than 20 miles from their home community, the program costs related to implementing such a requirement potentially could exceed $20 million.

Feeney, et al. v. Dell, Inc. v. Commissioner of Revenue, Middlesex Superior Court. The plaintiffs, a putative class of Massachusetts consumers who purchased Dell computers between 1995 and 2006, brought suit against Dell seeking a declaration that Dell wrongfully collected (and remitted to the Commissioner) sales tax upon service contracts that were purchased at the same time consumers purchased personal computers from Dell. (The computers themselves were not subject to sales tax because Dell, at that time, had no physical presence in Massachusetts.) The Supreme Judicial Court ruled that Dell could not be liable under Chapter 93A (and therefore be forced to pay treble damages) for collecting taxes that it believed, in good faith, were due; the Court, however, let the declaratory action go forward. Dell has now filed a third-party complaint against the Commissioner, seeking a declaration that the taxes were wrongfully collected and should be paid back. The Commissioner has moved to dismiss the third-party action, on the ground that Dell must first exhaust its administrative remedies. (Dell's request for an abatement was denied by the Commissioner; Dell is expected to file, but has not yet filed, an application for abatement with the Appellate Tax Board.) If successful on all of its claims, Dell argues that it is entitled to an abatement of approximately $25 million in previously paid tax (including interest that has accrued since dates of payment). At this time, neither the Commissioner nor the Attorney General ventures any opinion as to Dell's likelihood of recovery.

Local 589, Amalgamated Transit Union, et al. v. Commonwealth of Massachusetts, et al., Suffolk Superior Court. In a class action complaint filed in September, 2009, ten separate union organizations and numerous MBTA employees and retirees challenge various provisions in the recently enacted transportation reform legislation that alter the requirements for employee pension eligibility, transfer the MBTA employees' and retirees' health insurance coverage to Group Insurance Commission plans, increase the percentage of health insurance premiums to be paid by MBTA employees and retirees, and foreclose collective bargaining of group insurance coverage. These changes are in each instance prospective, do not apply to the pension and health insurance provisions in currently existing collective bargaining agreements, and when ultimately implemented are anticipated to result in projected annual savings of $30 million to $40 million associated with the transition of the MBTA employee/retiree benefits to state-controlled insurance plans. Plaintiffs claim that the changes effected by the statute violate federal labor protective agreements, unconstitutionally impair union and other contracts, and effect an unconstitutional taking of property. On December 24, 2009, the Superior Court denied the plaintiffs' request for a preliminary injunction regarding the first round of health insurance transfers, which then took place on January 1, 2010. Both the Commonwealth and the MBTA have filed answers, and the case is now in the discovery phase. Given that the Commonwealth intends to oppose the plaintiffs' newly served motion for summary judgment before mid-May, there is a significant likelihood that the Superior Court will hear the dispositive motion before the next round of health insurance transfers, which will occur on July 1, 2010.

OPEIU, Local 6 and the Massachusetts Trial Court, American Arbitration Association. The union representing the Trial Court's clerical and professional employees has taken two grievances to arbitration concerning the non-payment of negotiated wage increases for the second and third years of a collective bargaining agreement effective from July 1, 2007 to June 30, 2010. At an arbitration commenced in October, 2009, the union argued that because the Legislature funded the negotiated 3% wage increases for the first year of that agreement, the Trial Court is bound to pay the negotiated wage increases for the second and third years of the agreement as well. The union values these wages increases at about $30.8 million. The Trial Court reports that the Legislature has not fully funded the wage increases, the Senate specifically rejected funding for the fiscal 2010 increases, and the collective bargaining agreement specifies that economic items are not effective until the appropriations necessary to fully fund such items are enacted. The Trial Court has additional arguments as to why the claimed increases are not owing, including that an arbitrator has no authority to order the Trial Court to expend funds for which there has been no appropriation. It is anticipated that any adverse ruling by an arbitrator will be appealed under the state statute governing collective bargaining agreements providing for arbitration.

Holyoke Medical Center, Inc., et al. v. Secretary of the Executive Office of Health & Human Services, Suffolk Superior Court. Six community hospitals which mainly serve patients covered by public insurance plans claim that they are owed an additional $115.9 million, plus interest, by the Commonwealth's Medicaid program. Plaintiffs claim that the Medicaid reimbursement rates established by Executive Office of Health and Human Services were too low. The lawsuit was filed on December 1, 2009, and the defendants served a motion to dismiss in mid-March, 2010. In mid-April, 2010 plaintiffs served a motion to consolidate the Holyoke and Boston Medical Center actions (see BMC case description above) and stay their response to defendant's motion to dismiss; the defendant has opposed the motion for a stay, but informed the court that if some part of both cases survives defendant's dispositive motions then consolidation would be appropriate.

DIRECTV, Inc. v. Commonwealth of Massachusetts Department of Revenue, Suffolk Superior Court. In a lawsuit filed in early 2010, DIRECTV claims that the excise on the sale of direct broadcast satellite services to subscribers or customers in the Commonwealth (enacted by Mass. St. 2009, c. 27, sec. 61 and 150) violates the Commerce Clause of the United States Constitution and the equal protection clauses of the United States and Massachusetts Constitution. Although the suit is only in its incipient stage, the potential refund of taxes collected under the statute may exceed $10 million for each tax year. In mid-March, 2010, the Commonwealth served a motion to dismiss the complaint for failure to exhaust administrative remedies.

Howe v. Town of North Andover, et al., United States District Court. A lawsuit was filed in late January, 2010, naming twenty Massachusetts State Police officers or employees and three Essex Sheriff officers or employees as defendants. The lawsuit arises out of a death at a sobriety checkpoint allegedly organized and/or staffed by the Massachusetts State Police, Essex Sheriff's Department and the North Andover Police Department. The lawsuit alleges wrongful death, civil rights violations, negligence and other claims. At this time no determination has been made as to the merits of the claims against the defendants.

Mass. Community College Council, Inc. et al. v. Board of Higher Ed. et al., Suffolk County Superior Court. A group of individual plaintiffs and the employee organizations to which they belong brought this action for declaratory and mandamus relief, challenging the Commonwealth's criteria for eligibility to enroll in Group Insurance Commission health insurance coverage under G.L. c. 32A and for the payment of a pro-rata contribution for non-eligible employees who obtain health insurance coverage through the Health Insurance Connector Authority. The case is in the earliest stages of litigation; the complaint was filed in late November, 2009, and the state defendants' answered on February 12, 2010 denying the plaintiffs are entitled to any of the relief they demand. While the case is not a class action, if the plaintiffs prevail, it is expected that the Commonwealth would likely make similarly situated persons eligible for coverage or contribution. It is not possible, at this time, to accurately estimate the costs that would be incurred if the plaintiffs prevail.

Sandra Murphy, et al. v. Massachusetts Turnpike Authority, Middlesex Superior Court. Plaintiffs filed suit against the Turnpike Authority on behalf of a purported "class" consisting of all toll payers within the Metropolitan Highway System ("MHS"). The plaintiffs claim that the use of toll money collected on some parts of the MHS to fund operations, maintenance and tax debt service for other parts of the MHS (specifically, the Central Artery) is an unconstitutional tax and seek an injunction and damages. The plaintiffs filed a motion seeking a preliminary injunction prohibiting the Turnpike Authority from spending any MHS tolls on the "non-tolled segments" of the MHS for the duration of the case. The Superior Court denied that motion. The Turnpike Authority filed a Motion to Dismiss, seeking to dismiss all counts of the Third Amended Complaint. A hearing on the Turnpike Authority's motion was held on October 15, 2009. The Court took the motion under advisement and has not yet rendered its decision. In the event the motion were denied and the plaintiffs ultimately prevailed, the extent of the impact on the treasury of the Commonwealth cannot now be accurately estimated.

Finch, et al. v. Health Insurance Connector Authority, et al. SJC for Suffolk County. This lawsuit, filed directly in the Supreme Judicial Court single justice session, challenges, under the state and federal Equal Protection Clauses, a statute enacted in August 2009 that excludes from the Commonwealth Care program, run by the Connector Authority, those individuals who are alien residents with special status (AWSS). Many members of the AWSS population are otherwise eligible for subsidized insurance through the Commonwealth Care program. Because the Commonwealth does not receive federal Medicaid funds for these individuals (unlike other members of Commonwealth Care), the Legislature effectively reduced the Connector Authority's budget by excluding this group of members. The Commonwealth then established a less expensive program to cover much of the AWSS population with health insurance. The lawsuit does not ask for retroactive relief, but seeks to have the individuals reinstated to the Commonwealth Care program. If plaintiffs succeed on their claims, the Commonwealth could incur as much as $80-$100 million in additional costs for covering special status immigrants through Commonwealth Care in fiscal 2011. This is a conservative estimate based on projected average program costs and will be refined as updated cost and enrollment information for special status immigrants becomes available.

Carol Surprenant v. Massachusetts Turnpike Authority and Massachusetts Port Authority. United States District Court for the District of Massachusetts. Plaintiff sued the Massachusetts Turnpike Authority (MTA) and the Massachusetts Port Authority (MassPort) on behalf of a purported "class" consisting of all toll-payers at the Tobin Memorial Bridge and the Sumner and Ted Williams Tunnels who use E-Z Pass or Fast Lane transponders but do not qualify for the so-called "Resident Discount Programs." The plaintiff claims that the "Resident Discount Programs" are unconstitutional. The MTA and MassPort filed a motion to dismiss the complaint. On March 4, 2010, the court allowed, in part, their motion to dismiss under the federal Privileges and Immunities Clause and denied it, in part, as to the claim under the federal Commerce Clause. The Court authorized a 90 day period for discovery, followed by supplemental briefing. On April 5, 2010, plaintiff filed her first amended complaint, adding the Massachusetts Department of Transportation as a defendant.

Connor B., ex rel. Vigurs, et al. v. Patrick, et al., United States District Court, Western Division. This is a proposed class action in which plaintiffs allege that the Commonwealth's foster care system violates foster children's constitutional and statutory rights to be protected from harm while in state custody; to not be deprived unnecessarily of child-parent and sibling relationships; to safe, stable foster care placements and timely adoption planning and recruitment; to payments to foster care providers that cover the actual costs of providing food, clothing, shelter, and other essential items; and to adequate educational, mental health, medical, and dental services. Plaintiffs further allege that children are abused and neglected while in the Commonwealth's foster care system at a rate higher than the national average; that children in foster care are moved from one placement to another with unusual frequency; that many children never achieve permanency in their placements; and that hundreds of children "age out" of foster care inadequately prepared to live independently as adults. Plaintiffs claim that the system's alleged failures are attributable to an insufficient number of social workers, all carrying excessive caseloads; a dearth of appropriate foster care placements and ancillary services; and insufficient supports (including financial reimbursement) to foster care providers. Defendants have yet to respond to the suit, filed on April 15, 2010, but if plaintiffs succeed in achieving all of the declaratory and injunctive relief they seek, the Commonwealth could be required to expend millions of dollars in increased foster care reimbursement payments, personnel costs, and services.

MISCELLANEOUS

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

The March Information Statement and this Supplement contain certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

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

Neither the Commonwealth's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

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

CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Comprehensive Annual Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report becomes available by October 31 of the following fiscal year and the Comprehensive Annual Financial Report becomes available in January of the following fiscal year. Copies of such reports and other financial reports of the Comptroller referenced in this document may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller's web site located at http://www.mass.gov/osc by clicking on "Financial Reports/Audits."

On behalf of the Commonwealth, the State Treasurer will provide to the Municipal Securities Rulemaking Board (MSRB), no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in Rule 15c2-12 of the federal Securities and Exchange Commission, together with audited financial statements of the Commonwealth for such fiscal year. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to the general obligation debt of the Commonwealth and has not failed in the last seven years to comply with its continuing disclosure undertakings with respect to its special obligation debt and federal grant anticipation notes. However, the annual filings relating to the fiscal year ended June 30, 2001 for the Commonwealth's special obligation debt and for the Commonwealth's federal highway grant anticipation notes were filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the MSRB.

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

AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding the March Information Statement or this Supplement or requests for additional information concerning the Commonwealth should be directed to Colin MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Karol Ostberg, Director of Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to the March Information Statement or this Supplement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

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

By *_/s/ Jay Gonzalez_*
Jay Gonzalez
Secretary of Administration and Finance

April 29, 2010

Upon delivery of the Bonds described below, Bond Counsel proposes to deliver an opinion in substantially the following form:

MINTZ LEVIN

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

[Date of Closing]

Honorable Timothy P. Cahill
Treasurer and Receiver-General
State House, Room 227
Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of $450,000,000 General Obligation Bonds, Consolidated Loan of 2010, Series A (Federally Taxable - Build America Bonds - Direct Pay to Issuer), dated the date of delivery (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

(a) The Bonds are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. 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.

(b) Under existing law, interest on the Bonds will not be excluded from the gross income of holders of such Bonds for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Investors are urged to obtain independent tax advice regarding the Bonds based upon their particular circumstances. The tax advice in this paragraph is not intended or written to be used, and cannot be used for purposes of avoiding taxpayer penalties and such federal tax advice was written to support the promotion or marketing of the Bonds.

(c) 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 regarding any other

Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

The Commonwealth of Massachusetts

$450,000,000
General Obligation Bonds
Consolidated Loan of 2010, Series A
(Federally Taxable - Build America Bonds - Direct Pay to Issuer)

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 the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), no later than 270 days after the end of each fiscal year of the Commonwealth, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth’s failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth’s Information Statement dated March 26, 2009 (the “Information Statement”), as it appears as Appendix A in the Official Statement dated May 20, 2009 of the Commonwealth with respect to its $378,440,000 General Obligation Bonds, Consolidated Loan of 2009, Series B, its $250,000,000 General Obligation Bonds, Consolidated Loan of 2009, Series C and its $71,430,000 General Obligation Bonds, Consolidated Loan of 2009, Series D (Taxable), which Official Statement has been filed with EMMA, 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	“SELECTED FINANCIAL DATA - Statutory Basis”
2.	Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	“SELECTED FINANCIAL DATA - GAAP Basis”
3.	Summary presentation 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 - Statutory Basis Distribution of Budgetary Revenues”
4.	So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES - Limitations on Tax Revenues”

	Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
5.	Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	"COMMONWEALTH EXPENDITURES"
6.	Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"COMMONWEALTH EXPENDITURES - Pension"
7.	If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"STATE WORKFORCE"
8.	Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL INVESTMENT PLAN - Capital Investment Plan"
9.	Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	"LONG-TERM LIABILITIES - General Authority to Borrow - Commonwealth Debt and General Obligation Contract Assistance Liabilities"
10.	Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"LONG-TERM LIABILITIES - Debt Service Requirements"
11.	Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	"LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities"
12.	Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	"LONG-TERM LIABILITIES - Budgetary Contractual Assistance Liabilities"
13.	Five-year summary presentation of authorized but unissued general obligation debt	"LONG-TERM LIABILITIES - Authorized But Unissued Debt"
14.	So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"LONG-TERM LIABILITIES - General Authority to Borrow"
15.	Summary presentation of the then-current, Commonwealth interest rate swap agreements	"LONG-TERM LIABILITIES - Interest Rate Swaps"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to EMMA. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the 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 and shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Bonds to provide in a timely manner to EMMA 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

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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.

required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing a state information depository or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

Amended and Restated

OFFICIAL NOTICE OF SALE

$450,000,000
THE COMMONWEALTH OF MASSACHUSETTS
GENERAL OBLIGATION BONDS
CONSOLIDATED LOAN OF 2010, SERIES A
(Federally Taxable – Build America Bonds – Direct Pay to Issuer)

April 29, 2010

NOTICE IS HEREBY GIVEN that electronic bids will be received by Timothy P. Cahill, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of General Obligation Bonds, Consolidated Loan of 2010, Series A (Federally Taxable – Build America Bonds – Direct Pay to Issuer) (the "Bonds"), of The Commonwealth of Massachusetts (the "Commonwealth") to be sold in an aggregate principal amount of $450,000,000.[*] Bids for the purchase of the Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Bonds will constitute 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. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and on expenditures for debt service and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 11:00 a.m. (Boston time) on May 5, 2010 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Postponement." If no legal bid or bids are received for the Bonds on May 5, 2010, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Bonds. The Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on November 1 and May 1 in each year until maturity, beginning November 1, 2010. The Bonds shall mature or come due through mandatory sinking fund redemptions (subject to adjustment as described herein) on May 1 of each year, as shown below:

May 1	Preliminary Principal Amount*
2024	$ 15,000,000
2025	25,000,000
2026	35,000,000
2027	75,000,000
2028	125,000,000
2029	175,000,000

The Bonds will be issued as serial bonds, as term bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see “Bidding Parameters” below).

The Bonds will be issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of $5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants**.** The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.

Optional Redemption with Make-Whole Payment.

The Bonds will be subject to redemption on any date prior to their stated maturity date at the option of the Commonwealth, in whole or in part (on a pro rata basis as described below), at any time, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points,

plus accrued and unpaid interest on the Bonds being redeemed to the date fixed for redemption.

* Preliminary, subject to adjustment as provided herein.

For the purpose of determining the Treasury Rate, the following definitions will apply:

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (b) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Commonwealth.

"Reference Treasury Dealer" means each of not less than four firms, specified by the Commonwealth from time to time, that are primary U.S. Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Commonwealth shall substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Bond, the average, as determined by the Designated Investment Banker, of the bid and ask prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, at least two business days but not more than 45 calendar days preceding such redemption date.

"Remaining Scheduled Payments" means, with respect to the Bonds of each maturity to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due assuming such Bonds were not so optionally redeemed but, however, giving effect to any mandatory sinking fund installments applicable to such Bonds; provided, however, that, if such redemption date is not an interest payment date with respect to the Bonds, the amount of the next succeeding scheduled interest payment thereon will be deemed to be reduced by the amount of interest accrued thereon to such redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Extraordinary Optional Redemption of Bonds.

The Bonds will be subject to extraordinary optional redemption prior to maturity, at the option of the Commonwealth, upon the occurrence of an Extraordinary Event (defined below), in whole or in part (on a pro rata basis as described below), at any time, at the "Extraordinary Redemption Price." The Extraordinary Redemption Price is equal to the greater of (i) 100% of the principal amount of the Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Bonds to be redeemed to the maturity date of such Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semiannual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate plus 100 basis points, plus accrued interest on the Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the Commonwealth determines that a material adverse change has occurred to Section 54AA or Section 6431 of the Internal Revenue Code of 1986 (the "Code"), as in effect on the date of issuance of the Bonds, or there is any guidance published by the Internal Revenue Service or the Department of the Treasury with respect to such sections of the Code or any other determination by the Internal Revenue Service or the Department of the United States Treasury, which determination is not the result of an act or omission by the Commonwealth to satisfy the requirements to receive the interest subsidy payments applicable to Build America Bonds, pursuant to which the interest subsidy payments are eliminated or reduced below 35% of the amount of interest payable on the Bonds.

Adjustments to Principal Amounts of the Bonds. The preliminary aggregate principal amount of the Bonds of $450,000,000 and the preliminary principal amount of each annual maturity of the Bonds as set forth in this Notice of Sale may be revised before the receipt of electronic bids for their purchase. The preliminary principal amounts of the Bonds may be increased or decreased. All Bonds will mature on May 1, and the final maturity will be no later than May 1, 2029, but particular maturities may be eliminated from the sale. Any revisions to the preliminary principal amounts or maturities of the Bonds made prior to the receipt of electronic bids will be published on TM3 not later than 9:30 a.m. (Boston time) on the bid day. If revised principal amounts and/or maturities are published, bidders shall submit bids on the revised principal amounts and/or maturities, and the revised principal amounts and/or maturities will be used to compare bids and select a successful bidder. If no revisions are made, bidders shall submit bids on the original, preliminary principal amounts and maturities.

Bidding Parameters. Bids must be for all of the Bonds offered and must offer to pay an aggregate price for all maturities of not less than 99% of the aggregate principal amount of the Bonds.

Bids may provide for all the Bonds to be issued as serial bonds only, or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds. The Bonds will be issued as serial bonds, as term bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder. Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on May 1 of the first year in which maturities have been combined to form such term bond and continuing on May 1 in each year thereafter until the stated maturity date of such term bond.

Bids must state a single fixed interest rate for the Bonds of each maturity. The rate of interest stated for any given maturity shall be in a multiple of one-thousandth of one percent per annum. In addition, the bidder is to set forth the reoffering yield or price of the Bonds of each maturity. No Bond of a maturity that is to be issued as a serial bond may have a reoffering price that exceeds the par amount of such Bond by more than one-fourth of one percent (0.25%) multiplied by the number of whole years to the maturity date of such Bond. Similarly, no Bond of a maturity that is to be issued as a term bond may have a reoffering price that exceeds the par amount of such Bond by more than one-fourth of one percent (0.25%) multiplied by the weighted average maturity of such term bond.

No action has been taken by the Commonwealth that would permit a public offering of the Bonds or possession or distribution of the Preliminary Official Statement or any other offering material in any jurisdiction outside the United States where action for that purpose is required. Accordingly, the Bonds may not be re-offered outside the United States unless arrangements are made with the Commonwealth and Siebert Brandford Shank & Co., LLC (financial advisor to the Commonwealth for this transaction) no later than 5:00 p.m. (Boston time) on the second business day preceding the bid date. Furthermore, the successful bidder, by virtue of having submitted its bid to purchase the Bonds, will be deemed to have agreed that it will not offer, sell or distribute any Bonds in a jurisdiction outside the United States unless such underwriter has complied with all applicable laws and regulations in force in such jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes the Preliminary Official Statement or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any foreign jurisdiction to which it is subject or in which it makes such purchases, offers or sales and the Commonwealth shall have no current or future responsibility therefor.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the

Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's financial advisor, Siebert Brandford Shank & Co., LLC by facsimile at (646) 576-9684.

Electronic bids must be submitted for the purchase of the Bonds (all or none) via Parity by 11:00 a.m. (Boston time) on Wednesday, May 5, 2010. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 11:00 a.m. (Boston time), on Wednesday, May 5, 2010. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Good Faith Deposit. Upon notification from the Commonwealth, the successful bidder shall wire transfer to the State Treasurer an amount equal to 1% of the aggregate principal amount of the Bonds (the "Good Faith Deposit"), in immediately available funds, no later than 1:00 p.m. (Boston time) on the bid date. In the event that the State Treasurer has not received such funds by the time stated, the State Treasurer may revoke his acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Bonds. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Commonwealth.

Basis of Award. The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC will be determined after subtracting thirty-five percent (35%) of each interest payment (reflecting the federal subsidy payment that the Commonwealth will elect to receive as a result of the Bonds being qualified as "Build America Bonds"). The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Bonds, will cause the sum of such discounted semi-annual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Bonds (May 12, 2010).

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated April 29, 2010 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form ("the Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.buymassbonds.com.

The Commonwealth will make available to the successful bidder in a timely manner a reasonable number of copies of the Final Official Statement, for delivery (at the expense of the successful bidder or bidders) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. At the time of settlement of the Bonds, the successful bidder shall furnish to the Commonwealth a certificate acceptable to Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, to the effect that (i) all of the Bonds of each maturity thereof have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at a price not higher than or a yield not lower than those shown for each maturity on the inside cover page of the Final Official Statement and (ii) based on the records of and information available to the successful bidder at least 10% of each maturity of the Bonds was sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the respective initial offering price or yield for such maturity shown on the inside cover page of the Final Official Statement. In the event that the successful bidder cannot provide the certification in (ii), above, as to a particular maturity, such bidder shall instead certify that it was its reasonable expectation as of the sale date that at least 10% of the Bonds of such maturity would be sold at such price or yield, together with a statement as to why such expectation was not satisfied.

Continuing Disclosure. 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 C of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth's issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Bonds.

Settlement. The Bonds will be delivered on May 12, 2010, in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the Bonds by 10:00 a.m. (Boston time) on May 12, 2010 in immediately available funds in Boston.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Bonds are issued, or affecting the validity of the Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to his office of any official signing the Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading "Book-Entry-Only System" and in any Appendix other than Appendix A, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished to the successful bidder. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "The Bonds," "Security for the Bonds" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Bonds and applicable Massachusetts law, presents a fair summary of such provisions, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Bonds (except for the initial offering prices or yields of the Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and the Final Official Statement under the headings "Book-Entry-Only System," "Ratings" and "Competitive Sale of Bonds - Bonds" and in any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of the date of the Preliminary Official Statement, or, as it may have been supplemented as of the date of sale of the Bonds, as of said date of sale or as of the date of settlement of the Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for with respect to the Bonds, but the Commonwealth will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Bonds shall be the responsibility of and shall be paid for by the successful bidder.

Right to Modify or Amend Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Bonds will be communicated by posting on TM3 not later than 9:30 a.m. (Boston time) on the day on which bids may be submitted, and bidders shall bid upon the Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Postponement. The Commonwealth reserves the right to postpone the date and time established for the receipt of bids. Any such postponement will be announced by posting on TM3 no later than 9:30 a.m. (Boston time) on the announced bid date. If any date and time fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and time of sale and except for any changes announced by posting on TM3 at the time the sale date and time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Bonds is contained in the Preliminary Official Statement dated April 29, 2010, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.buymassbonds.com. Additional information may be obtained from Colin A. MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver General (617) 367-3900, ext. 226).

The Commonwealth of Massachusetts

Timothy P. Cahill
Treasurer and Receiver-General