

The Commonwealth of Massachusetts
Department of the State Treasurer
State House

Boston, Mass. 02133

Timothy P. Cahill
Treasurer and Receiver General

December 3, 2010

The Honorable Steven C. Panagiotakos, Chair
Senate Ways and Means Committee
State House, Room 212
Boston, MA 02133

The Honorable Charles A. Murphy, Chair
House Ways and Means Committee
State House, Room 243
Boston, MA 02133

Dear Senator Panagiotakos and Representative Murphy:

Pursuant to Massachusetts General Laws Chapter 10, Section 10, the Office of the State Treasurer and Receiver General and the Executive Office for Administration and Finance hereby submit the current cash flow forecast for fiscal year 2011.

Certain cash items, such as the balance of the Stabilization Fund as well as a number of other funds, are required to be categorized as segregated and do not contribute to the Commonwealth's "pool" of non-segregated cash balances. These segregated items are statutorily restricted for a specific purpose.

Please note that the fiscal year 2011 cash flow forecast projects monthly cash closing balances. Given the variable nature of state cash expenditures and revenues, the daily cash balances often differ greatly from the projected monthly closing balance.

Highlights of Fiscal Year 2011

Fiscal year 2011 is based upon the General Appropriation Act (GAA) signed on June 30, 2010 (including the value of all vetoes and subsequent overrides); all supplemental appropriations filed, enacted or anticipated and includes all prior appropriations continued into fiscal year 2011. Fiscal year 2011 projections are based on actual spending and revenue through October 2010, and estimates for the remainder of fiscal year 2011.

The fiscal year 2011 GAA totaled approximately \$27.570 billion, and is based upon a consensus gross tax estimate for fiscal year 2011 of \$19.078 billion. The gross tax figure includes \$1.442 billion dedicated to the Commonwealth's pension obligation, \$767.1 million in sales tax

*The use of the term "fiscal year" is generic, meaning the period from July 1, 2010 to June 30, 2011, rather than as the term is specifically defined for budget purposes. This is because for cash purposes the "fiscal year" includes "accounts payable" activity for fiscal year 2010, and excludes "accounts payable" activity for fiscal year 2011.

revenues dedicated to the MBTA, and \$653.3 million in sales tax revenues dedicated to the MSBA. In addition to the tax revenue, the budget assumed \$681.8 million in additional federal Medicaid matching funds (FMAP) and an additional draw of \$100.0 million from the Stabilization Fund.

On August 10, 2010, the President signed a \$26.0 billion state-aid package that would provide additional federal funding to the states for Medicaid and teachers' pay. This measure extends the FMAP rate originally set to expire December 31, 2010 to June 30, 2011, which is expected to provide approximately \$449.0 million in additional Medicaid reimbursement to the Commonwealth. The state-aid package is also expected to provide approximately \$204.0 million to the Commonwealth to retain or hire teachers at local school districts.

On October 15, 2010, the Governor approved supplemental budget legislation that included approximately \$419.0 million in supplemental appropriations in order to preserve program funding for safety net services and public safety functions. This additional funding was supported with \$399.0 million of the \$449.0 million in estimated additional federal revenues to be provided to the Commonwealth in fiscal year 2011 from the August 2010 extension of the FMAP rate through June 30, 2011. This leaves \$50.0 million in such revenues currently unexpended. The legislation also eliminated the planned fiscal year 2011 withdrawal of \$100.0 million from the Stabilization Fund and authorized the Secretary of Administration and Finance to forego the use of approximately \$95.0 million in additional reserves assumed from the suspension of the "statutory carry forward" in fiscal year 2011. The Secretary of Administration and Finance currently does not plan to use the \$95.0 million in reserves in fiscal year 2011.

The fiscal year 2011 budget assumes total transfers from the Lottery of \$986.8 million to fund various commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund, including Lottery administrative expenses and \$812.2 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 year 2011, the State Lottery Commission is currently projecting net operating revenues of \$986.8 million to fund the assumed transfers.

The Commonwealth's five-year capital investment plan, which is reviewed annually, calls for fiscal year 2011 bond issuance of approximately \$2.3 billion. This amount includes \$1.625 billion in bond cap and \$675.0 million of borrowing for the Accelerated Bridge Program (which includes \$300.0 million of borrowing for the program carried over from prior fiscal years, as well as \$375.0 million in borrowing for fiscal year 2011). \$200.0 million of prior years spending against the Accelerated Bridge Program bond authorization was temporarily financed with the issuance of bond anticipation notes issued in July 2010. Such notes will be retired with a portion of the proceeds of Accelerated Bridge Program long-term bonds expected to be issued in December 2010. In terms of the general obligation bond cap financing needs, \$358.0 million in bonds were issued in August 2010 and an additional \$350.0 million were issued in November 2010. In terms of cash flow borrowings, \$1.2 billion in Revenue Anticipation Notes (RANs) were issued in August 2010. The RANs represent the cash flow borrowing needs projected for fiscal year 2011 to maintain adequate cash balances and liquidity. Like the RANs issued for fiscal year 2010, the RANs issued for fiscal year 2011 will be repaid in April, May and June 2011.

The Honorable Steven C. Panagiotakos, Chair
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Page 3 of 3

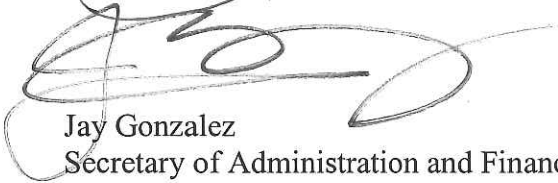
The fiscal year 2011 projection shows an overall increase in the non-segregated cash balance from \$844.3 million to \$1,090.9 million.

Treasury, Administration and Finance, and Comptroller staffs continue to meet regularly to monitor the status of the Commonwealth's cash position. Please feel free to contact our respective staffs if you require additional information.

Sincerely,



Timothy P. Cahill
Treasurer and Receiver General



Jay Gonzalez
Secretary of Administration and Finance

Enclosures

(millions)	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Total FY 2011
	Act	Act	Act	Act	Est	Est	Est	Est	Est	Est	Est	Est	
OPERATING NON-SEGREGATED OPERATING CASH BALANCE:	\$644.3	\$1,062.2	\$1,862.1	\$1,715.3	\$1,522.1	\$1,149.7	\$1,124.2	\$1,572.0	\$1,273.4	\$744.8	\$978.2	\$1,310.6	\$844.3
OPERATING ACTIVITIES:													
Budgetary Funds:													
Tax Revenue	\$1,457.4	\$1,428.3	\$2,088.5	\$1,551.3	\$1,399.5	\$1,792.6	\$2,043.4	\$1,381.9	\$1,947.3	\$2,012.1	\$1,845.1	\$2,153.9	\$21,111.4
Federal Reimbursements	\$945.9	\$768.3	\$685.5	\$645.9	\$659.1	\$755.9	\$677.4	\$569.5	\$952.5	\$673.8	\$789.5	\$838.8	\$8,962.0
Other Budgetary Revenue	\$196.5	\$161.0	\$172.6	\$271.0	\$209.0	\$305.1	\$285.0	\$260.3	\$250.7	\$303.8	\$655.7	\$307.5	\$3,288.3
Transfer from/to Stabilization Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Budgetary Revenue/Inflows	\$2,599.8	\$2,357.6	\$2,956.6	\$2,468.2	\$2,267.6	\$2,853.6	\$3,005.8	\$2,211.7	\$3,150.5	\$2,969.7	\$3,200.3	\$3,300.2	\$33,361.7
Local Aid	\$0.2	\$0.3	\$1,169.0	\$0.0	\$43.8	\$1,187.9	\$40.5	\$24.7	\$1,160.8	\$22.4	\$44.4	\$1,069.5	\$4,763.5
Tax Refunds	\$49.9	\$39.4	\$53.5	\$116.8	\$28.0	\$101.6	\$159.4	\$354.0	\$321.5	\$308.4	\$149.6	\$66.1	\$1,748.3
Debt Service for General Obligation (incl CAVT)	\$88.7	\$262.8	\$104.8	\$33.0	\$262.7	\$133.5	\$187.2	\$215.5	\$98.6	\$29.7	\$122.7	\$52.9	\$1,592.0
Debt Service for Special Obligations	\$17.2	\$0.0	\$0.0	\$0.0	\$0.0	\$10.8	\$17.2	\$0.0	\$0.0	\$0.0	\$0.0	\$48.1	\$93.4
Debt Service for GAINS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$15.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$12.5	\$28.0
Other Budgetary Expenditures	\$2,111.9	\$1,852.5	\$1,652.2	\$1,933.3	\$2,357.2	\$1,887.3	\$2,038.3	\$1,839.9	\$1,892.5	\$2,001.9	\$1,999.9	\$1,660.4	\$23,247.4
Total Budgetary Expenditures/Outflows	\$2,267.9	\$2,155.0	\$2,979.6	\$2,083.1	\$2,765.3	\$3,263.1	\$2,442.7	\$2,434.1	\$3,473.3	\$2,362.3	\$2,316.6	\$2,929.6	\$31,472.6
Net Budgetary Funds	\$332.0	\$202.6	(\$122.9)	\$385.1	(\$497.7)	(\$409.5)	\$563.2	(\$222.4)	(\$322.8)	\$627.4	\$883.7	\$370.5	\$1,889.1
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Lottery Revenue	\$114.4	\$191.9	\$111.0	\$93.0	\$130.0	\$155.0	\$120.0	\$135.0	\$145.0	\$140.0	\$130.0	\$155.0	\$1,620.3
Pension Receipts (PRIM and Annuity Receipts)	\$162.7	\$179.5	\$193.4	\$201.4	\$187.7	\$232.2	\$154.8	\$145.0	\$141.0	\$145.0	\$145.0	\$164.0	\$2,051.9
Transfer in for Non Pooled Fund Payments	(\$82.4)	\$30.4	\$120.7	\$6.7	\$176.5	\$226.5	\$311.5	\$272.2	\$250.7	\$305.1	\$254.7	\$247.5	\$2,140.1
Non Budgetary Tax Receipts	(\$33.5)	\$36.7	\$26.2	\$25.0	\$35.5	\$26.4	\$34.6	\$26.9	\$73.9	\$36.7	\$41.0	\$37.3	\$366.6
Other Non Budgetary Revenue	\$244.3	\$268.3	\$234.7	\$269.9	\$300.0	\$110.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0	\$2,024.8
Total Non Budgetary Revenue/Inflows	\$425.5	\$707.3	\$666.0	\$659.0	\$829.7	\$750.1	\$720.9	\$679.1	\$710.6	\$726.8	\$670.8	\$703.9	\$8,202.8
Lottery Payments	\$46.1	\$59.8	\$75.1	\$49.4	\$70.8	\$58.7	\$50.0	\$51.7	\$60.2	\$50.5	\$50.0	\$51.0	\$673.4
MBTA Sales Tax	\$56.9	\$72.2	\$55.3	\$51.9	\$84.0	\$50.4	\$50.8	\$62.5	\$64.5	\$68.5	\$68.5	\$67.6	\$767.1
MBTA Assessments	\$0.0	\$0.0	\$37.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$147.5
MSBA Payments	\$53.1	\$60.3	\$55.3	\$51.9	\$58.0	\$57.0	\$50.0	\$62.8	\$61.9	\$48.0	\$48.0	\$47.0	\$653.3
Pension Payments	\$294.6	\$301.6	\$304.7	\$308.2	\$284.3	\$307.8	\$286.8	\$287.3	\$286.3	\$287.3	\$287.3	\$286.3	\$3,532.7
Non Pooled Fund Payments	\$393.4	\$388.6	\$236.4	\$446.7	\$176.5	\$272.2	\$311.5	\$272.2	\$250.7	\$305.1	\$254.7	\$247.5	\$3,509.8
Other Non Budgetary Expenditures	\$91.9	\$78.6	\$203.8	\$91.1	\$78.8	\$208.6	\$96.5	\$78.1	\$221.8	\$96.0	\$89.0	\$157.6	\$1,491.9
Total Non Budgetary Expenditures/Outflows	\$931.0	\$976.2	\$988.1	\$999.1	\$752.4	\$946.1	\$845.6	\$814.6	\$981.9	\$855.4	\$797.5	\$903.5	\$10,775.8
Net Non Budgetary Funds	(\$505.5)	(\$268.9)	(\$322.1)	(\$340.1)	(\$77.3)	(\$195.9)	(\$124.7)	(\$135.5)	(\$271.4)	(\$128.6)	(\$126.8)	(\$199.7)	(\$2,572.1)
Undesignated Revenue/Inflows and Expenditures/Outflows:													
Investment Earnings	\$0.4	\$1.5	\$1.6	\$1.9	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$13.5
Other Funds/3rd Party	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Undesignated Revenue/Inflows and Expenditures/Outflows	\$0.4	\$1.5	\$1.6	\$1.9	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$13.5
NET OPERATING ACTIVITIES	(\$177.2)	(\$94.7)	(\$303.4)	(\$19.1)	(\$419.4)	(\$604.4)	\$439.4	(\$357.0)	(\$593.2)	\$499.7	\$757.9	\$171.9	(\$668.3)
FEDERAL GRANTS:													
Total Federal Grants Revenue/Inflows	\$277.5	\$184.3	\$278.9	\$180.7	\$225.0	\$278.0	\$255.0	\$221.0	\$221.0	\$235.0	\$225.0	\$275.0	\$2,866.4
Total Federal Grants Expenditures/Outflows	\$230.2	\$332.8	\$188.1	\$195.7	\$224.5	\$277.3	\$253.5	\$222.5	\$225.2	\$228.9	\$222.0	\$280.0	\$2,860.8
NET FEDERAL GRANTS	\$47.3	(\$148.5)	\$90.8	(\$15.0)	\$0.5	\$0.7	\$1.5	(\$1.5)	(\$4.2)	\$6.1	\$3.0	(\$5.0)	(\$14.4)
CAPITAL FUNDS:													
Capital Revenue/Inflows:													
Capital Inflow from Federal Reimbursements	\$84.0	\$0.6	\$98.9	\$37.7	\$182.1	\$75.8	\$75.9	\$50.1	\$43.7	\$36.6	\$39.6	\$39.6	\$764.7
Capital Inflow from Financing Activities:													
Capital Inflow to General Fund from Segregated GO Bond Proceeds	\$336.1	\$0.0	\$194.1	\$42.3	\$93.0	\$969.0	\$171.0	\$26.0	\$201.0	\$201.0	\$201.0	\$301.0	\$2,887.2
Total Capital Revenue/Inflows	\$420.1	\$0.6	\$293.0	\$80.0	\$275.1	\$1,044.8	\$246.9	\$76.1	\$244.7	\$237.6	\$240.6	\$340.6	\$3,652.2
Total Capital Expenditures/Outflows:													
Revenue Anticipation Notes (RANS)	\$254.3	\$227.5	\$217.1	\$239.0	\$228.6	\$266.6	\$240.1	\$166.2	\$175.9	\$160.1	\$244.0	\$302.2	\$2,721.6
Other Capital Expenditures/Outflows	\$167.8	(\$226.9)	\$75.9	(\$159.0)	\$46.5	\$78.2	\$6.8	\$59.9	\$68.8	\$77.5	(\$3.4)	\$38.4	\$930.6
NET CAPITAL FUNDS	\$252.3	(\$226.3)	\$175.1	(\$78.0)	\$128.6	\$772.2	\$180.1	\$10.9	\$66.9	\$77.5	(\$3.4)	\$39.2	\$2,921.6
FINANCING ACTIVITIES:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	\$200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$200.0
Revenue Anticipation Notes (RANS)	\$0.0	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
Total Cash Flow Financing Activities Inflows	\$200.0	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,400.0
Cash Flow Financing Activities Outflows:													
Commercial Paper - (Principal + Interest)	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$200.1
RANS - (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$350.0	\$425.0	\$425.0	\$1,200.0
Total Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$200.0	\$0.0	\$0.0	\$0.0	\$350.0	\$425.0	\$425.0	\$1,400.1
NET FINANCING ACTIVITIES	\$200.0	\$1,200.0	(\$0.1)	(\$0.0)	\$0.0	(\$200.0)	\$0.0	\$0.0	\$0.0	(\$350.0)	(\$425.0)	(\$425.0)	(\$0.1)
ENDING NON-SEGREGATED OPERATING CASH BALANCE:	\$1,082.2	\$1,852.1	\$1,715.3	\$1,522.1	\$1,149.7	\$1,124.2	\$1,572.0	\$1,273.4	\$744.8	\$978.2	\$1,310.6	\$1,090.9	\$1,090.9
SEGREGATED BOND FUNDS:													
Segregated Bond Funds (Closing Balance)	\$323.5	\$0.0	\$0.0	\$449.1	\$170.1	\$427.0	\$256.0	\$380.0	\$179.0	\$278.0	\$394.0	\$93.0	\$93.0
General Obligation and Accelerated Bridge Program Bonds	\$0.0	\$356.5	\$5.0	\$0.0	\$364.0	\$675.0	\$0.0	\$300.0	\$0.0	\$300.0	\$317.0	\$0.0	\$2,317.5

December 3, 2010

**CASH AND INVESTMENTS
AS OF JULY 31, 2009**

Cash	\$ 302.960
Investments	<u>506.741</u>
Total	\$ 809.701
Less float (actual)	<u>(227.902)</u>
	<u>\$ 581.799</u>
Segregated bond funds	\$ 304.604
Non-segregated cash	<u>581.799</u>
Total	<u>\$ 886.403</u>

**CASH AND INVESTMENTS
AS OF OCTOBER 31, 2009**

Cash	\$ 570.053
Investments	<u>443.738</u>
Total	\$1,013.791
Less float (actual)	<u>(310.443)</u>
	<u>\$ 703.348</u>
Segregated bond funds	\$ 0.000
Non-segregated cash	<u>703.348</u>
Total	<u>\$ 703.348</u>

**CASH AND INVESTMENTS
AS OF JANUARY 31, 2010**

Cash	\$ 524.849
Investments	<u>984.675</u>
Total	\$1,509.524
Less float (actual)	<u>(237.869)</u>
	<u>\$1,271.655</u>
Segregated bond funds	\$ 333.591
Non-segregated cash	<u>1,271.655</u>
Total	<u>\$1,605.246</u>

December 3, 2010

**CASH AND INVESTMENTS
AS OF APRIL 30, 2010**

Cash	\$ 361.895
Investments	<u>1,164.420</u>
Total	\$1,526.315
Less float (actual)	<u>(201.119)</u>
	<u>\$1,325.196</u>
Segregated bond funds	\$ 26.652
Non-segregated cash	<u>1,325.196</u>
Total	<u>\$1,351.848</u>

**CASH AND INVESTMENTS
AS OF JULY 31, 2010**

Cash	\$ 255.431
Investments	<u>1,005.218</u>
Total	\$1,260.649
Less float (actual)	<u>(178.500)</u>
	<u>\$1,082.149</u>
Segregated bond funds	\$ 323.500
Non-segregated cash	<u>1,082.149</u>
Total	<u>\$1,405.649</u>

**CASH AND INVESTMENTS
AS OF OCTOBER 31, 2010**

Cash	\$ 328.918
Investments	<u>1,454.218</u>
Total	\$1,783.136
Less float (actual)	<u>(260.987)</u>
	<u>\$1,522.149</u>
Segregated bond funds	\$ 449.091
Non-segregated cash	<u>1,522.149</u>
Total	<u>\$1,971.240</u>