
Financial Statements

<i>Financial Statements</i>	1
Fiscal Note.....	3
Overview of State Spending	5
Financial Statement Explanation	9
Financial Statements	17
Fund Balance Tables.....	21



Fiscal Note

The Governor submits the House 2 budget recommendation for FY 2013 for the maintenance of the departments, boards, commissions, institutions and certain activities of the Commonwealth, for interest, sinking fund and serial bond requirements. The Governor's budget recommendation totals \$32.310 B, before including the state's annual contribution for employee pension costs. When accounting for state pension costs, total FY 2013 state spending equals \$33.862 B. The estimated spending for the current fiscal year (FY 2012) totals \$31.375 B. FY 2013 spending will be 2.98% greater in estimated spending than FY 2012.

	FY2012 \$Ms	FY2013 \$Ms	Annual Change	% Change
Section 2 Direct Appropriations:	28,791.6	29,706.3	914.7	3.18%
Section 2 Retained Revenues:	535.9	531.4	(4.5)	-0.84%
Layoffs and Position Eliminations (OS 22):	-	(30.0)	(30.0)	0.00%
Sub-total Direct Appropriations:	29,327.5	30,207.6	880.2	3.00%
Appropriated Transfers (Section 2e):	2,047.1	2,102.8	55.7	2.72%
Total FY 2013 Budget Recommendation	31,374.5	32,310.5	935.9	2.98%
FY 2013 State Pension Contribution:	1,478.0	1,552.0	74.0	5.01%
FY 2013 Spending Including Pensions:	32,852.5	33,862.5	1,009.9	3.07%



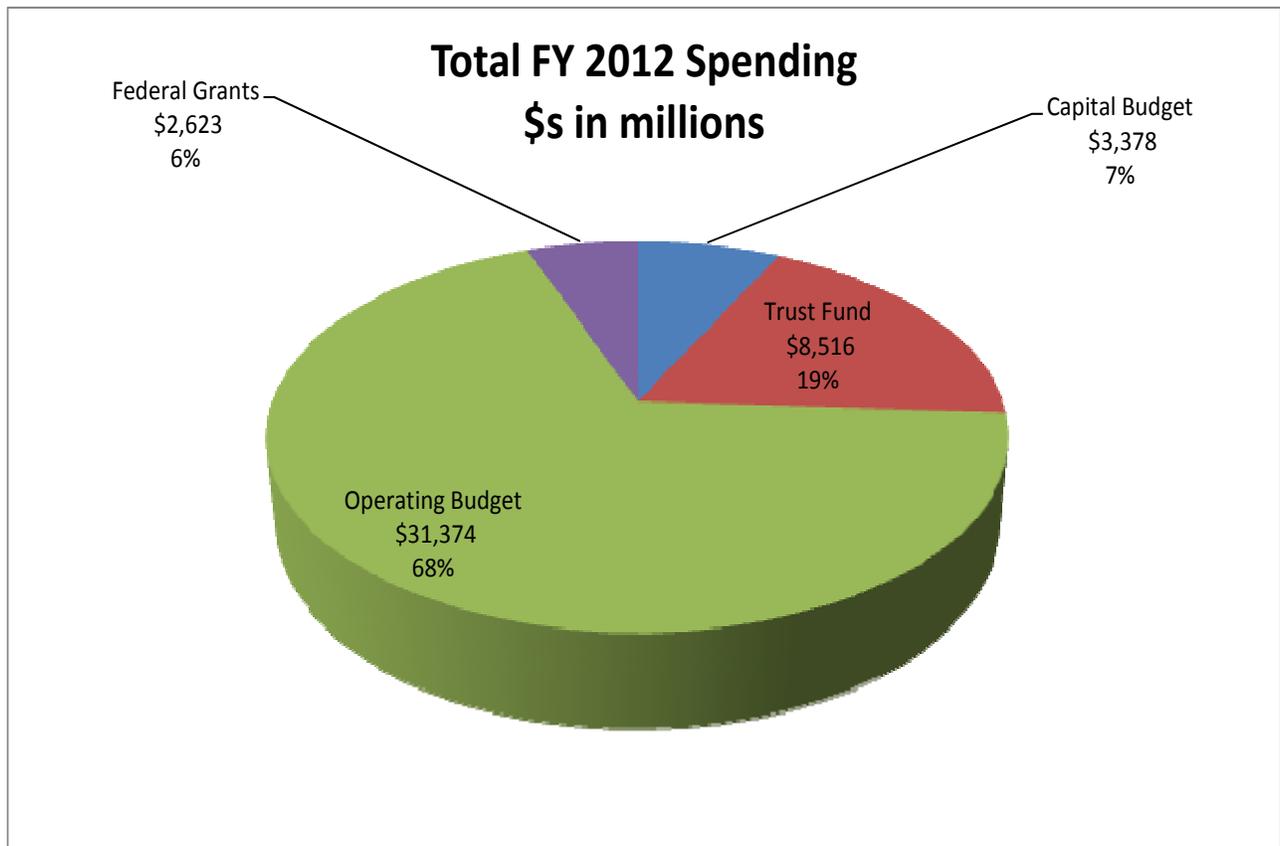
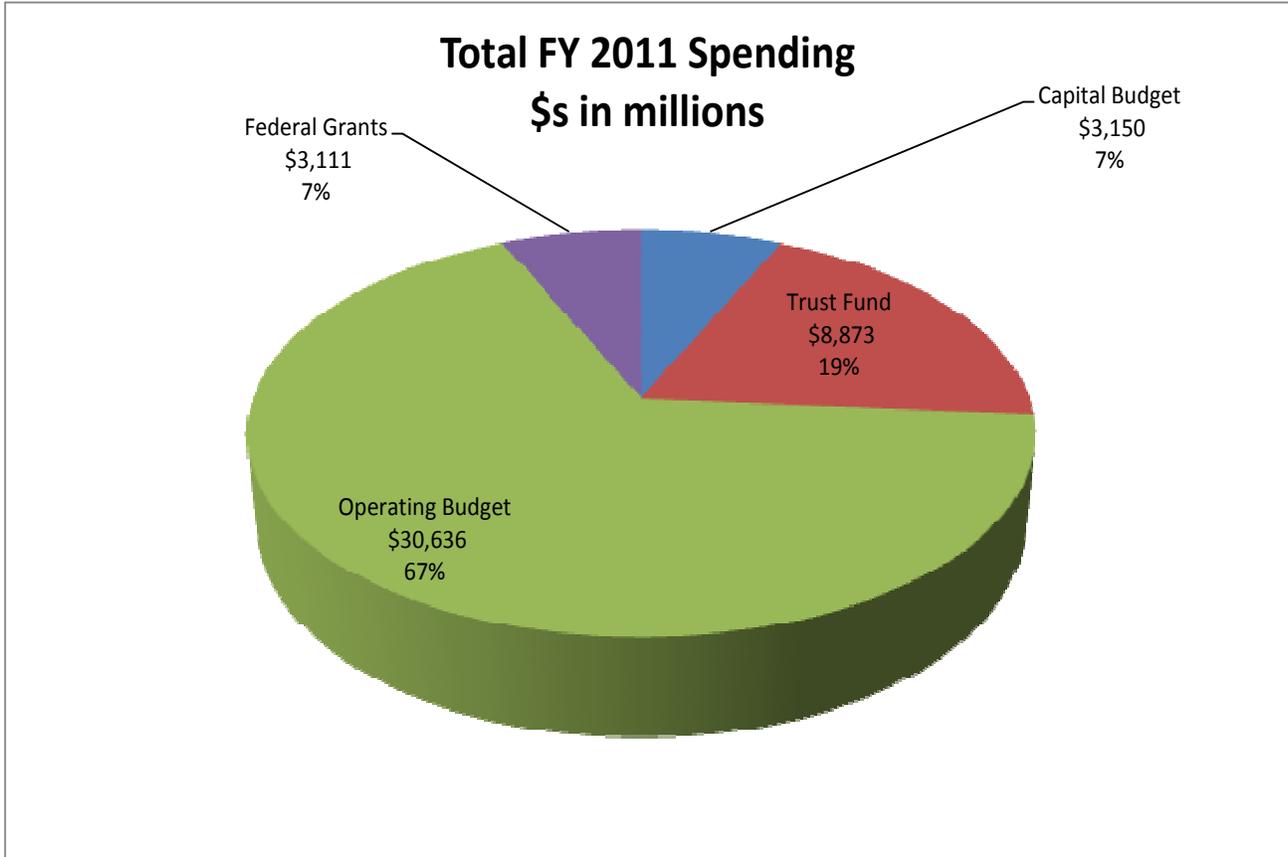
Overview of State Spending

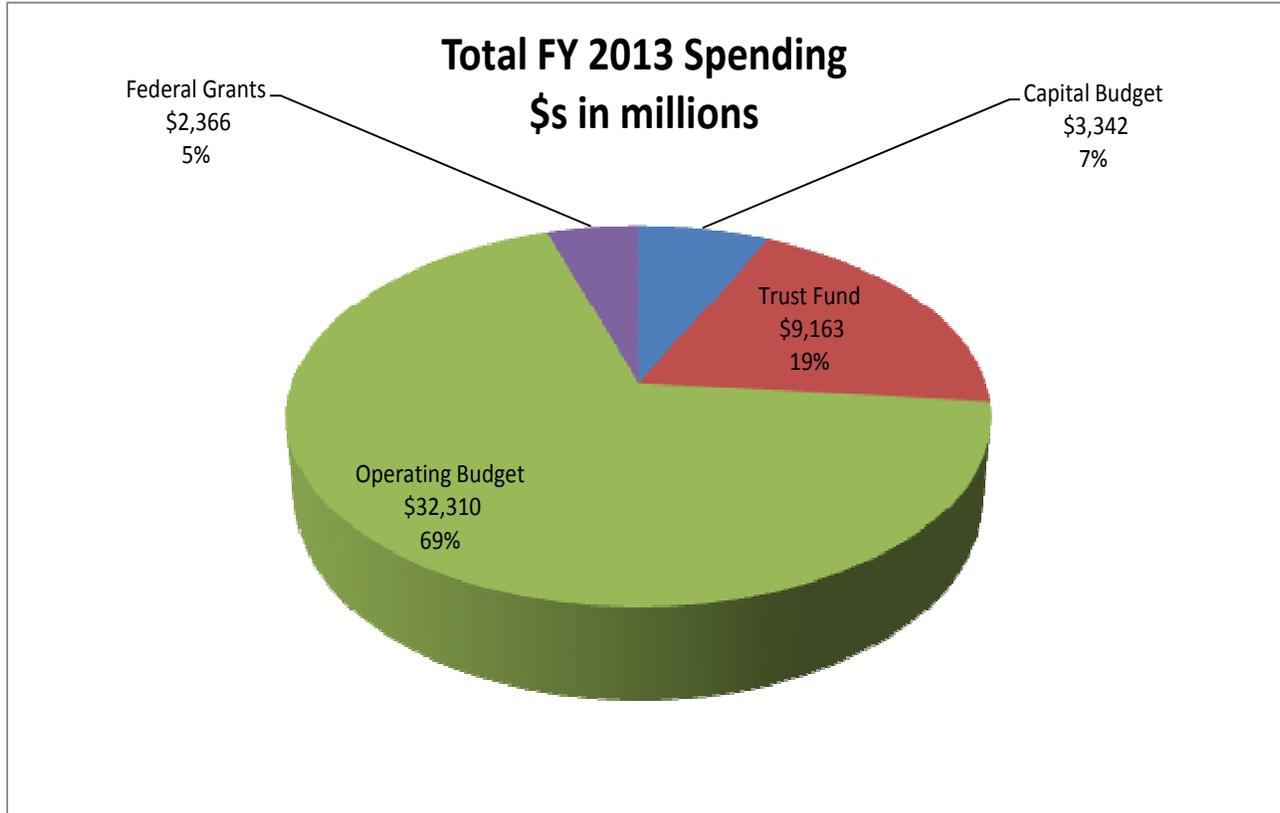
Comprehensive State Spending

When considering the Governor's recommendation for the FY 2013 budget it is important to remember that the funding levels proposed do not encompass the entire Massachusetts state spending for next year. In fact, a meaningful amount of state spending every year is done "off-budget" or through fund sources that are not subject to the annual appropriations adopted by the Legislature. The spending that is done by the state from non-operating sources falls into three general categories:

- **Federal Grants** – Annually the federal government provides billions of dollars in funding to state agencies to operate programs, whether ongoing or one-time, for a variety of purposes; housing, public health, environmental health, education and public safety. State agencies are responsible under state law for notifying the Legislature and the Executive Office for Administration and Finance (ANF) of their intent to apply for these funds, but are otherwise given flexibility in the timing and purpose of the expenditure of these funds. Most federal grants require rigorous reporting standards with which applicant state agencies must comply. The FY 2013 budget recommendation provides projected spending amounts for federal grants for each department in the Appropriation Recommendations section. Under the FY 2012 budget reform that created the Office of Commonwealth Performance, Accountability and Transparency (CPAT), oversight and central coordination of federal grant management was designated to CPAT to help maximize federal funding opportunities and link federal resources with Administration funding priorities.
- **Trust Funds** – Most state agencies have established trusts to be held on their behalf by the state treasurer into which they are directed in law or through a trust document to deposit revenues made available to the agency for dedicated purposes and restrictions. In general, any unexpended funds in state agency trust funds from one fiscal year to another remain in the appropriate funds, made available in future years for further expenditures. Projected spending amounts for trust funds are listed for each department following the state budgetary line-items in the Appropriations Recommendations section.
- **Capital Projects** – Every year the state must spend billions of dollars to support required maintenance and improvement to its transportation infrastructure, housing developments, state parks, and environmental projects and investments in higher education institutions. While this spending is authorized by the State Legislature, the appropriations are generally in effect over a five-year period in recognition that many capital projects must span multiple fiscal years, from project inception to completion. Most capital projects spending is funded through bond sales, which allow the state to finance large scale projects through borrowing and paying annual debt payments, much like a family would sign a mortgage loan for a house. Please see the Capital Budget section in this document for further discussion of capital projects spending.

The following charts show that the state operating budget makes up the largest portion of state spending in comparison to all funding sources in any given year. Yet over 30% of total state spending occurs from non-budgetary sources. In the financial statements following this discussion, only the operating budgeted fund revenues and expenditures are displayed. It is important to note that there are further resources that are annually available to the state and its agencies beyond those subject to the annual budgeting process.







Financial Statement Explanation

Financial Statement Explanation

The following financial statements for FY 2011 (prior fiscal year), 2012 (current fiscal year) and 2013 (upcoming fiscal year) seek to the answer the question: Will the state's operating budget end the year in balance?

But what does "in balance", in this instance, mean? And how do the financial statements go about determining whether the Commonwealth ends a year in balance in accordance with that definition?

The definition of statutory balance can vary significantly from that of GAAP or structural. Statutory balance is just that, a reflection of statutory conditions informed by the Legislative process. Statutory balance is outlined in state finance law (Massachusetts General Law Chapter 29).

Here is the definition of "balanced budget" according to state finance law:

"Balanced budget", a condition of state finance in which the following requirements are met:

- (i) the consolidated net surplus at the end of the fiscal year is greater than or equal to one-half of 1 per cent of state tax revenues for such fiscal year; and
- (ii) the amount transferred to the stabilization fund under subsection (a) of section 5C is greater than or equal to 1/2 of 1 per cent of state tax revenue for such fiscal year.

So what is the "consolidated net surplus"?

"Consolidated net surplus in the budgetary funds" is the sum of the undesignated balances in the budgetary funds, except funds established by section 2H and section 2I and by section 2C of chapter 131.

So what is a "budgetary fund"?

"Budgetary funds" are state funds that are subject to appropriation as provided in section six (of Chapter 29).

Budgeted operating funds are subject to appropriation of the state Legislature and receive most of the non-bond and non-federal grant revenues of the Commonwealth. Two of the budgeted operating funds account for most of the Commonwealth's spending: the General Fund and the Commonwealth Transportation Fund. Further background on each of the operating budgeted funds can be found in the "Budget Development" section of this document.

In essence, statutory balance is a measure of the fiscal condition of the Commonwealth that requires, after accounting for current year revenues and expenditures plus any designated revenues from prior years, stabilization deposit and funds carried forward, that four of the nine active budgetary funds (General Fund, Commonwealth Transportation Fund, Massachusetts Tourism Fund and the Commonwealth Health and Prevention Fund) close the fiscal year with an ending balance in those funds equal to 1% of that years tax revenue, 1/2 of that amount to be carry forward into the following fiscal year and the other 1/2 to be deposited into the Stabilization Fund. Any remaining undesignated balances after the calculation of the Consolidated Net Surplus would be deposited into the Stabilization Fund. It is important to note that not all of the budgeted operating funds are used to calculate Consolidated Net Surplus. Some of them, such as the Inland Fisheries and Game Fund and the Stabilization Fund, are excluded by law from the calculation. Therefore any remaining balances in these funds at the end of the year due not count toward whether the Commonwealth remains in balance.

As stated earlier, we are speaking in terms of "statutory balance" and that the Legislature can amend the definition of balance as it sees fit. For example, in recent years the Legislature has suspended the 1/2 of 1% deposit to the Stabilization Fund. It has also provided for the first \$10 M of any remaining surplus to be dedicated to the Massachusetts Life Sciences Center. A further review of each fiscal year's financial statement yields

greater clarity about what amendments the Legislature may have made to the definition of balance for that respective year.

Now that we have a better understanding of what the term “balance” means in this instance, let us review a number of the lines from the Financial Statement to understand how balance is arrived at after accounting for all of the various inflows, outflows and statutory conditions placed on the state budget.

There are three main components to the Financial Statement: beginning balances, current year revenue and spending, and ending balances.

Section 1. Beginning Balances

	ALL FUNDS
<u>FISCAL YEAR 2013 BEGINNING BALANCES</u>	
Undesignated Fund Balance	127.4
Stabilization Fund Balance	1,342.3
Designated for Continuing Appropriations into FY2013	0.0
Designated for Debt Service	19.2
SUBTOTAL, FISCAL YEAR 2013 BEGINNING BALANCES	1,488.8

“Undesignated Fund Balance”

This line represents the undesignated closing balances in the budgeted funds from the preceding year. This line usually is comprised with whatever the ½ of 1% carry forward turned out to be and any of the budgeted funds that are not part of the Consolidated Net Surplus calculation and are allowed to retain any year end balances that they may have. The Inland Fisheries and Game Fund is one such example.

“Stabilization Fund Balance”

This line, unsurprisingly enough, reflects the ending balance of the Stabilization Fund. The purpose of the fund was to create and maintain a reserve to which any available portion of a consolidated net surplus in the operating funds would be transferred to and from which appropriations may be made for the following purposes: “(1) to make up any difference between actual state revenues and allowable state revenues in any fiscal year in which actual revenues fall below the allowable amount and (2) to replace the state and local loss of federal funds or (3) for any event which threatens the health, safety or welfare of the people or the fiscal stability of the commonwealth or any of its political subdivisions”.

“Designated for Continuing Appropriations into FY2013”

This line includes the value of "Prior Appropriations Continued" or "PACs", which are re-appropriated unexpended and unencumbered monies from one fiscal year for the subsequent fiscal year. In essence, the Legislature appropriated money in one fiscal year that for one reason or another went unspent by the time that fiscal year closed. This money is then carried forward to be made available for expenditure in the next fiscal year.

“Designated for Debt Service”

This line represents unspent balances reserved for debt service (where money must remain with the escrow agent after being transferred there during the fiscal year). Due to certain covenants in debt service trust agreements (for example gas tax bonds) the Commonwealth is required to deposit specific streams of revenue with bond trustees. At the end of each fiscal year, this revenue is held by the fiscal agent and applied to the following year’s debt service. These amounts show as reserved or designated on the Commonwealth’s financial statements, and reduce the undesignated balances.

Section 2: Current Year Revenue and Spending

<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>	
Gross Tax Revenues	21,950.0
Tax Related Revenue Initiatives	154.4
Sales Tax Dedicated to the MBTA	(786.8)
Annual State Contribution to the State Pension System	(1,552.0)
Sales Tax Dedicated to the SBA	(699.2)
Workforce Training Trust Fund Transfer	(20.2)
SubTotal: Net Tax Revenue Available for Budget	19,046.2
Federal Reimbursements	8,014.7
Departmental Revenue	3,210.6
Consolidated Transfers	1,765.4
SRBTF Portion of Tobacco Settlement Payment	(27.6)
SUBTOTAL, FISCAL YEAR 2013 REVENUES	32,009.7
TOTAL, FISCAL YEAR 2013 AVAILABLE RESOURCES	33,498.4

“Current Year Revenues and Other Sources”

This section includes budgeted revenues and other financial resources pertaining to the budgeted funds, such as inflows from tax and non tax sources, including Taxes, Federal Reimbursements, Departmental Revenue and Consolidated Transfers, that are directed by law to be accounted and reported to a fund which is subject to annual appropriation. Descriptions of each revenue category are provided below.

“Gross Tax Revenues”

On or before January 15 of each year, the Secretary is required to develop jointly with the House and Senate Committees on Ways and Means a consensus tax revenue forecast for the following fiscal year. The “Gross Tax Revenues” figure represents this consensus revenue estimate, upon which the three branches base their respective budgets on, before adjusting for statutorily required transfers to off budget trust funds (see descriptions of “Sales Tax Dedicated to the MBTA”, “Sales Tax Dedicated to the SBA” and “Annual State Contribution to State Pension System” below for further background on these transfers).

“Tax Related Revenue Initiatives”

This line reflects tax related revenue initiatives recommended by the Governor - further detailed in the “Budget Development” section of this budget document.

“Sales Tax Dedicated to the MBTA”

The amount dedicated to the Massachusetts Bay Transportation Authority is the amount raised by a 1% sales tax (not including meals), with an inflation-adjusted floor.

“Annual State Contribution to the State Pension System”

Beginning in FY 2005, state finance law has required that the consensus tax revenue forecasts be net of the amount necessary to fully fund the pension system according to the applicable funding schedule, which amount is

to be transferred without further appropriation from the General Fund to the Commonwealth's Pension Liability Fund.

“Sales Tax Dedicated to the SBA”

The amount dedicated to the School Building Authority is the amount raised by a 1% sales tax (not including meals).

“Workforce Training Trust Fund Transfer”

The FY 2012 General Appropriations Act included a reform to the funding structure of the Workforce Training Fund by funding the program through an “off-budget” trust fund. Tax revenues are now transferred into the non-budgetary trust fund and the recently established trust fund is not subject to appropriation.

“Federal Reimbursements”

Federal revenues are collected through reimbursements for the federal share of entitlement programs such as Medicaid and through block grants for programs such as Transitional Assistance to Needy Families (TANF). The amount of federal reimbursements to be received is determined by state expenditures for these programs.

“Departmental Revenue”

Departmental and other non-tax revenues are derived from licenses, tuition, fees and reimbursements and assessments for services.

“Consolidated Transfers”

Consolidated transfers reflect inflows to the General Fund from non-budgeted funds which include annual tobacco settlement proceeds received as part of the Master Settlement Agreement with tobacco companies, net revenues from the State Lottery Fund, fringe revenue to recoup the cost of various statewide benefits assessed on non-budgeted funds and revenues from the Commonwealth's Abandoned Property Division.

“SRBTF Portion of Tobacco Settlement Payment”

In FY 2013, 10% of the state's annual tobacco settlement receipts, or \$27 M, will be set aside to help prepare for this liability. This percentage will grow each year by 10 percentage points (e.g., in FY 2014, 20% of tobacco settlement payments), until 100%, or an estimated \$276 M, is dedicated annually to help offset these costs.

<u>EXPENDITURES AND USES</u>	
Sections 2 & 3 Direct Appropriations	30,207.7
Section 2E Operating Transfers	2,102.8
Contingency Reserve	0.0
Unspent Appropriations Continued to Fiscal Year 2014	0.0
TOTAL, FISCAL YEAR 2013 EXPENDITURES	32,310.5
<u>END OF FISCAL YEAR RESERVED BALANCES</u>	
Designated for Continuing Appropriations	0.0
Designated for Debt Service	19.2
FISCAL YEAR 2013 UNDESIGNATED FUND BALANCE	1,168.8
Fund Balance Deficit Elimination Transfers	0.0
UNDESIGNATED FUND BALANCE	1,168.7
Balances Reserved in Other Budgeted Funds	(1,058.2)

“Sections 2 & 3 Direct Appropriations”

This line represents all appropriations made through various appropriation vehicles – for the most part by the budget act (General Appropriations Act or GAA) and supplemental spending bills.

It also captures:

- "Prior Appropriations continued" or "PACs", a phrase used to reappropriate unexpended and unencumbered monies from one fiscal year for the subsequent fiscal year. In this row we are spending what was carried in the “Designated for Continuing Appropriations into FY 2013” row in the Beginning Balances section of the document.
- "Retained revenue", the income of state agency or other public instrumentality from its operations which by law it is allowed to expend for a particular purpose up to a specified limit without further appropriation which would otherwise be subject to direct appropriation.

“Section 2E Operating Transfers”

This line reflects a transfer of funds from a budgeted fund to non-budgeted funds. An example of this is the transfer from the General Fund to the Commonwealth Care Trust Fund. The distinction between these transfers and the SBA, MBTA and Pension transfers is that those are required by law to be netted from the Consensus Revenue estimate and are not subject to appropriation.

“Contingency Reserve”

This row captures estimates for any potential further appropriations that may be requested through supplemental budget legislation for projected funding deficiencies.

“Unspent Appropriations Continued to FY 2014”

This row reflects current year available spending that will be carried forward to be spent in the next fiscal year, in other words it represents current year PACs. PACs are reflected as a negative figure because they are reducing the current year spending total. The distinction between this row and the PACs carried in the “Direct

Appropriations” row is that the latter is spending PACs from the previous fiscal year whereas the former is PACing money to the next fiscal year.

“Designated for Continuing Appropriations”

You may recall that the current year spending number does not count PACs as being spent; instead it counts PACs as a reduction in total available and therefore a reduction in total spending. However, showing PACs as unspent would increase the Undesignated Fund Balance in a misleading way since the extra balance created by the negative PAC entry is not undesignated and cannot be calculated as part of the Consolidated Net Surplus. The PACs must be considered spent or reserve for the calculation of surplus. This row accomplishes this by adding the PAC number back in so that we can have an accurate representation of “undesignated fund balances” that will ultimately be calculated as part of the Consolidated Net Surplus.

“Fund Balance Deficit Elimination Transfers”

Prior to calculating the Consolidated Net Surplus, the state Comptroller is under law required to eliminate deficits in any of the budgeted funds by transferring positive balances, proportionally, in any other budgeted funds that contribute to the Consolidated Net Surplus:

(c) all transfers specified in this section shall be made from the undesignated fund balances in the budgetary funds proportionally from those undesignated fund balances, but no such transfer shall cause a deficit in any of those funds; provided, however, that prior to certifying the consolidated net surplus in accordance with this section, the comptroller shall, to the extent possible, eliminate deficits in any fund contributing to the surplus by transferring positive fund balances from any other fund contributing to the surplus.

“Balances Reserved in Other Budgeted Funds”

As mentioned earlier, state finance law excludes balances in certain budgeted funds from being used as part of the calculation of the Consolidated Net Surplus. This line eliminates those balances from the calculation as well as eliminating any funds that were reserved for future use, e.g., PACs.

Section 3. Ending Balances

CONSOLIDATED NET SURPLUS	110.5
STATUTORY CARRY FORWARD TO FY2014	110.4
STATUTORY TRANSFER TO STABILIZATION FUND	0.0
REMAINING SURPLUS DEPOSITED IN STABILIZATION FUND	0.1
<u>FISCAL YEAR 2013 ENDING BALANCES</u>	
Undesignated Fund Balance	131.5
Stabilization Fund Balance	1,037.2
Designated for Continuing Appropriations into FY2014	0.0
Designated for Debt Service	19.2
TOTALS, FISCAL YEAR 2013 ENDING BALANCES	1,168.7

“Statutory Carry Forward to FY 2014”

This is where the first measure of the Consolidated Net Surplus is calculated:

“(a) an amount equal to 1/2 of 1 per cent of the total revenue from taxes in the preceding fiscal year shall be available to be used as revenue for the current fiscal year...”

“Statutory Transfer to Stabilization Fund”

This where the second measure of the Consolidated Net Surplus is calculated:

“...and 1/2 of 1 per cent of the total revenue from taxes in the preceding fiscal year shall be transferred to the Stabilization Fund.”

“Remaining Surplus Deposited In Stabilization Fund”

Any remaining funds available after the calculation of the Consolidated Net Surplus would be deposited into the Stabilization Fund.

“(b) any remaining amount of such consolidated net surplus after amounts made available in clause (a) shall be transferred to the Stabilization Fund;”

Of course the Legislature could put further restrictions on how the surplus is allocated. For example the Governor’s FY 2013 budget recommendation includes an outside section that would transfer the first \$15 M in any surplus to the Massachusetts Life Sciences Center. Such a condition was also put in place in the FY 2012 GAA.

“Undesignated Fund Balance” & “Stabilization Fund Balance” & “Designated for Continuing Appropriations in FY 2014” & “Designated for Debt Service”

The definitions of these four rows are identical to their counterparts in the “Beginning Balances” section, albeit with different figures due to the current year activity that took place.



Financial Statements

FISCAL YEAR 2011

FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	WORKFORCE TRAINING	COMM. TRNSP FUND	MASS TOURISM	ABUSE FUND	STABIL. FUND	OTHER FUNDS
FISCAL YEAR 2011 BEGINNING BALANCES								
Undesignated Fund Balance	111.3	54.6	11.2	0.0	28.2	0.0	0.0	17.3
Stabilization Fund Balance	669.8	0.0	0.0	0.0	0.0	0.0	669.8	0.0
Designated for Continuing Appropriations into FY2011	111.1	102.0	5.0	0.0	0.0	0.0	0.0	4.1
Designated for Debt Service	10.8	0.0	0.0	10.8	0.0	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2011 BEGINNING BALANCES	903.1	156.7	16.2	10.8	28.2	0.0	669.8	21.4
CURRENT YEAR REVENUES AND OTHER SOURCES								
Gross Tax Revenues	20,516.7	19,449.9	20.4	962.1	38.6	43.1	1.6	0.9
Sales Tax Dedicated to the MBTA	(767.1)	(767.1)	0.0	0.0	0.0	0.0	0.0	0.0
Annual State Contribution to State Pension System	(1,441.8)	(1,441.8)	0.0	0.0	0.0	0.0	0.0	0.0
Sales Tax Dedicated to the SBA	(654.6)	(654.6)	0.0	0.0	0.0	0.0	0.0	0.0
SubTotal: Net Tax Revenue Available for Budget	17,653.2	16,586.4	20.4	962.1	38.6	43.1	1.6	0.9
Federal Reimbursements	9,299.5	9,295.3	0.0	0.0	0.0	0.0	0.0	4.2
Departmental Revenue	2,911.6	2,396.2	0.0	499.2	0.0	0.0	9.0	7.2
Consolidated Transfers	1,779.1	1,497.1	(3.8)	(32.9)	(28.1)	(1.5)	350.0	(1.7)
SUBTOTAL, FISCAL YEAR 2011 REVENUES	31,643.4	29,775.0	16.6	1,428.4	10.5	41.6	360.7	10.6
TOTAL, FISCAL YEAR 2011 AVAILABLE RESOURCES	32,546.5	29,931.7	32.8	1,439.2	38.7	41.6	1,030.5	32.0
TOTAL, FISCAL YEAR 2011 EXPENDITURES	30,636.0	29,138.8	19.3	1,359.5	2.0	106.3	0.0	10.1
END OF FISCAL YEAR RESERVED BALANCES								
Designated for Continuing Appropriations	380.8	367.0	9.7	0.0	0.0	0.0	0.0	4.1
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0	0.0
FISCAL YEAR 2011 UNDESIGNATED FUND BALANCE	1,510.4	425.9	3.8	60.5	36.7	(64.7)	1,030.5	17.8
Fund Balance Deficit Elimination Transfers	0.0	(52.3)	(0.5)	(7.4)	(4.5)	64.7	0.0	(0.0)
UNDESIGNATED FUND BALANCE	1,510.4	373.6	3.4	53.1	32.2	0.0	1,030.5	17.8
Balances Reserved in Other Budgeted Funds	(1,048.2)	0.0	0.0	0.0	0.0	0.0	(1,030.5)	(17.8)
CONSOLIDATED NET SURPLUS	462.2	373.6	3.4	53.1	32.2	0.0	0.0	0.0
STATUTORY CARRY FORWARD TO FY2012	103.9							
STATUTORY TRANSFER TO STABILIZATION FUND	103.9							
STATUTORY TRANSFER TO LIFE SCIENCES FUND	10.0							
REMAINING SUPLUS DEPOSITED IN STABILIZATION FUND	244.7							
FISCAL YEAR 2011 ENDING BALANCES								
Undesignated Fund Balance	121.6	83.9	0.8	11.9	7.2	0.0	0.0	17.8
Stabilization Fund Balance	1,379.1	0.0	0.0	0.0	0.0	0.0	1,379.1	0.0
Designated for Continuing Appropriations into FY2012	380.8	367.0	9.7	0.0	0.0	0.0	0.0	4.1
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0	0.0
TOTALS, FISCAL YEAR 2011 ENDING BALANCES	1,900.8	450.9	10.5	31.2	7.2		1,379.1	21.9

FY2013 Governor's Budget Recommendation

FISCAL YEAR 2012

FINANCIAL STATEMENT

Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	WORKFORCE TRAINING	COMM. TRNSP FUND	MASS TOURISM	STABIL. FUND	OTHER FUNDS
<u>FISCAL YEAR 2012 BEGINNING BALANCES</u>							
Undesignated Fund Balance	121.6	83.9	0.8	11.9	7.2	0.0	17.8
Stabilization Fund Balance	1,379.1	0.0	0.0	0.0	0.0	1,379.1	0.0
Designated for Continuing Appropriations into FY2012	380.8	367.0	9.7	0.0	0.0	0.0	4.1
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2012 BEGINNING BALANCES	1,900.8	450.9	10.5	31.1	7.2	1,379.1	21.9
<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>							
Gross Tax Revenues	21,010.1	19,986.1	19.6	963.2	40.3	0.0	0.9
Sales Tax Dedicated to the MBTA	(779.1)	(779.1)	0.0	0.0	0.0	0.0	0.0
Annual State Contribution to the State Pension System	(1,478.0)	(1,478.0)	0.0	0.0	0.0	0.0	0.0
Sales Tax Dedicated to the SBA	(664.3)	(664.3)	0.0	0.0	0.0	0.0	0.0
Workforce Training Trust Fund Transfer	(19.6)	0.0	(19.6)	0.0	0.0	0.0	0.0
SubTotal: Net Tax Revenue Available for Budget	18,069.1	17,064.7	0.0	963.2	40.3	0.0	0.9
Federal Reimbursements	7,823.6	7,818.1	0.0	0.0	0.0	0.0	5.5
Departmental Revenue	3,129.4	2,596.4	0.0	516.5	0.0	9.1	7.4
Consolidated Transfers	1,940.8	1,988.7	0.0	0.0	(0.3)	(46.2)	(1.5)
SUBTOTAL, FISCAL YEAR 2012 REVENUES	30,963.0	29,467.9	0.0	1,479.7	40.0	(37.1)	12.4
TOTAL, FISCAL YEAR 2012 AVAILABLE RESOURCES	32,863.7	29,918.8	10.5	1,510.8	47.3	1,342.0	34.3
<u>EXPENDITURES AND USES</u>							
Sections 2 & 3 Direct Appropriations	29,566.2	28,518.6	9.7	1,017.9	8.1	0.0	11.9
Section 2E Operating Transfers	1,505.7	1,142.8	0.0	362.9	0.0	0.0	0.0
Contingency Reserve	303.0	302.0	0.0	1.0	0.0	0.0	0.0
Unspent Appropriations Continued to Fiscal Year 2013	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL, FISCAL YEAR 2012 EXPENDITURES	31,374.9	29,963.4	9.7	1,381.8	8.1	0.0	11.9
<u>END OF FISCAL YEAR RESERVED BALANCES</u>							
Designated for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0
FISCAL YEAR 2012 UNDESIGNATED FUND BALANCE	1,469.6	(44.6)	0.8	109.8	39.2	1,342.0	22.4
Fund Balance Deficit Elimination Transfers	0.0	44.6	(0.2)	(32.7)	(11.7)	0.0	0.0
UNDESIGNATED FUND BALANCE	1,469.6	0.0	0.6	77.1	27.5	1,342.0	22.4
Balances Reserved in Other Budgeted Funds	(1,364.4)	0.0	0.0	0.0	0.0	1,342.0	22.4
CONSOLIDATED NET SURPLUS	105.2	0.0	0.6	77.1	27.5	0.0	0.0
STATUTORY CARRY FORWARD TO FY2013	105.0						
STATUTORY TRANSFER TO STABILIZATION FUND	0.0						
REMAINING SURPLUS DEPOSITED IN STABILIZATION FUND	0.3						
<u>FISCAL YEAR 2012 ENDING BALANCES</u>							
Undesignated Fund Balance	127.4	0.0	0.5	77.1	27.4	0.0	22.4
Stabilization Fund Balance	1,342.2	0.0	0.0	0.0	0.0	1,342.2	0.0
Designated for Continuing Appropriations into FY2013	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0
TOTALS, FISCAL YEAR 2012 ENDING BALANCES	1,488.8	0.0	0.5	96.3	27.4	1,342.2	22.4

FISCAL YEAR 2013
FINANCIAL STATEMENT
 Budgeted Funds (in millions)

	ALL FUNDS	GENERAL FUND	WORKFORCE TRAINING	COMML TRNSP FUND	MASS TOURISM	HEALTH & PREVENTION	STABIL. FUND	OTHER FUNDS
<u>FISCAL YEAR 2013 BEGINNING BALANCES</u>								
Undesignated Fund Balance	127.4	0.0	0.5	77.0	27.4	0.0	0.0	22.4
Stabilization Fund Balance	1,342.2	0.0	0.0	0.0	0.0	0.0	1,342.2	0.0
Designated for Continuing Appropriations into FY2013	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2013 BEGINNING BALANCES	1,488.8	0.0	0.5	96.2	27.4	0.0	1,342.2	22.4
<u>CURRENT YEAR REVENUES AND OTHER SOURCES</u>								
Gross Tax Revenues	21,950.0	20,885.9	20.2	998.3	44.7	0.0	0.0	0.9
Tax Related Revenue Initiatives	154.4	86.6	0.0	3.8	2.5	61.5	0.0	0.0
Sales Tax Dedicated to the MBTA	(786.8)	(786.8)	0.0	0.0	0.0	0.0	0.0	0.0
Annual State Contribution to the State Pension System	(1,552.0)	(1,552.0)	0.0	0.0	0.0	0.0	0.0	0.0
Sales Tax Dedicated to the SBA	(699.2)	(689.4)	0.0	0.0	0.0	(9.8)	0.0	0.0
Workforce Training Trust Fund Transfer	(20.2)	0.0	(20.2)	0.0	0.0	0.0	0.0	0.0
SubTotal: Net Tax Revenue Available for Budget	19,046.2	17,944.3	0.0	1,002.1	47.2	51.7	0.0	0.9
Federal Reimbursements	8,014.7	8,009.2	0.0	0.0	0.0	0.0	0.0	5.5
Departmental Revenue	3,210.6	2,665.7	0.0	528.4	0.0	0.0	9.1	7.4
Consolidated Transfers	1,765.4	2,083.2	0.0	0.0	(0.4)	(1.5)	(314.1)	(1.8)
SRBTF Portion of Tobacco Settlement Payment	(27.6)	(27.6)	0.0	0.0	0.0	0.0	0.0	0.0
SUBTOTAL, FISCAL YEAR 2013 REVENUES	32,009.7	30,675.2	0.0	1,530.5	46.8	50.2	(305.0)	12.0
TOTAL, FISCAL YEAR 2013 AVAILABLE RESOURCES	33,498.4	30,675.2	0.5	1,626.7	74.2	50.2	1,037.2	34.4
<u>EXPENDITURES AND USES</u>								
Sections 2 & 3 Direct Appropriations	30,207.7	28,976.0	0.0	1,158.5	9.0	50.9	0.0	13.3
Section 2E Operating Transfers	2,102.8	1,754.6	0.0	348.2	0.0	0.0	0.0	0.0
Contingency Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unspent Appropriations Continued to Fiscal Year 2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL, FISCAL YEAR 2013 EXPENDITURES	32,310.5	30,730.6	0.0	1,506.7	9.0	50.9	0.0	13.3
<u>END OF FISCAL YEAR RESERVED BALANCES</u>								
Designated for Continuing Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0	0.0
FISCAL YEAR 2013 UNDESIGNATED FUND BALANCE	1,168.8	(55.4)	0.5	100.7	65.3	(0.7)	1,037.2	21.1
Fund Balance Deficit Elimination Transfers	0.0	55.4	(0.2)	(33.9)	(22.0)	0.7	0.0	0.0
UNDESIGNATED FUND BALANCE	1,168.7	0.0	0.3	66.8	43.3	0.0	1,037.2	21.1
Balances Reserved in Other Budgeted Funds	(1,058.2)	0.0	0.0	0.0	0.0	0.0	1,037.2	21.0
CONSOLIDATED NET SURPLUS	110.5	0.0	0.3	66.8	43.3	0.0	0.0	0.0
STATUTORY CARRY FORWARD TO FY2014	110.4							
STATUTORY TRANSFER TO STABILIZATION FUND	0.0							
REMAINING SURPLUS DEPOSITED IN STABILIZATION FUND	0.1							
<u>FISCAL YEAR 2013 ENDING BALANCES</u>								
Undesignated Fund Balance	131.5	0.0	0.3	66.8	43.3	0.0	0.0	21.1
Stabilization Fund Balance	1,037.2	0.0	0.0	0.0	0.0	0.0	1,037.2	0.0
Designated for Continuing Appropriations into FY2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Designated for Debt Service	19.2	0.0	0.0	19.2	0.0	0.0	0.0	0.0
TOTALS, FISCAL YEAR 2013 ENDING BALANCES	1,168.7	0.0	0.3	66.8	43.3	0.0	1,037.2	21.1



Fund Balance Tables

All Funds Balances (in millions)

This table consolidates all the budgeted funds which are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions. Major budgeted funds include the General, Stabilization, Massachusetts Tourism, Commonwealth Transportation, and Commonwealth Health and Prevention funds.

	FY11	FY12	FY13
Beginning Fund Balances	903.1	1,900.8	1,488.8
Taxes	17,653.2	18,069.1	19,046.2
Federal Revenues	9,299.5	7,823.6	8,014.7
Departmental Revenues			
- Operating Transfers In	1,219.4	34.7	28.7
- Fees	1,010.1	1,046.0	1,057.4
- Reimbursement for Services	706.2	737.6	846.3
- Special Assessments	443.4	458.8	451.7
- Federal Reimbursement	178.8	233.1	236.9
- Fringe Benefit Recovery Cost	177.0	0.0	95.0
- Revenue Collections by Courts	116.3	101.1	99.6
- Licenses and Permits	111.2	117.0	116.5
- Pensions - Other	55.2	42.5	41.6
- Unclaimed Deposits	35.7	36.3	58.6
- Rents	34.8	35.5	32.3
- Fines and Penalties	34.2	66.3	46.2
- Revenue Maximization	31.7	25.0	25.0
- Interest Income	14.9	19.2	23.0
- Sale of Goods	12.0	12.9	11.1
- Deeds County Correction	0.2	0.2	0.3
- Federal Grant	0.0	35.0	0.0
- Other Sources	0.0	2.2	3.5
- Miscellaneous	(1,269.5)	128.3	38.5
Consolidated Transfers	1,779.1	1,938.5	1,764.2
Total Revenues	31,643.4	30,962.9	32,037.4
Transfers from Other Funds	0.0	0.1	(27.7)
Total Available	32,546.5	32,863.7	33,498.4
Local Aid	4,784.7	4,929.9	5,016.3
Medicaid	10,237.3	10,432.6	10,950.9
Debt Service	1,937.9	2,257.0	2,435.5
Judiciary	776.0	760.6	630.9
Independents	3,295.5	936.3	857.8
Administration & Finance	1,534.4	2,737.5	2,848.9
Energy & Environmental Affairs	185.0	194.1	206.9
Health & Human Services	4,622.3	5,346.1	5,443.5
Transportation	0.0	363.9	348.2
Housing & Economic Development	365.4	393.2	431.3
Labor & Workforce Development	55.7	57.2	39.9

Education	1,873.4	1,947.9	1,969.5
Public Safety	910.6	954.1	1,069.7
Legislature	57.9	63.9	61.2
Total Expenditures	30,636.0	31,374.4	32,310.4
Transfers to Other Funds	9.7	0.5	19.3
Ending Fund Balances	1,900.8	1,488.8	1,168.7

General Fund Balances (in millions)

The General Fund is the Commonwealth's primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, Constitutional offices, Judiciary, institutions of higher education and independent commissions are paid for from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes, and the full amount of most other governmental taxes.

	FY11	FY12	FY13
Beginning Fund Balances	156.7	450.9	0.0
Taxes	16,586.4	17,064.7	17,944.3
Federal Revenues	9,295.3	7,818.1	8,009.2
Departmental Revenues			
- Reimbursement for Services	706.2	737.6	846.3
- Fees	522.9	542.1	541.5
- Special Assessments	430.0	445.1	438.2
- Federal Reimbursement	178.8	233.1	236.9
- Fringe Benefit Recovery Cost	177.0	0.0	95.0
- Revenue Collections by Courts	116.1	101.1	99.4
- Licenses and Permits	105.7	111.5	111.0
- Pensions - Other	55.2	42.5	41.6
- Unclaimed Deposits	35.7	36.3	58.6
- Rents	34.4	35.4	32.3
- Fines and Penalties	34.1	66.1	46.1
- Operating Transfers In	32.0	34.7	28.7
- Revenue Maximization	31.7	25.0	25.0
- Sale of Goods	11.7	12.5	10.7
- Interest Income	5.8	10.1	13.9
- Deeds County Correction	0.2	0.2	0.3
- Federal Grant	0.0	35.0	0.0
- Other Sources	0.0	2.2	3.5
- Miscellaneous	(81.3)	128.1	38.4
Consolidated Transfers	1,497.1	1,986.4	2,081.9
Total Revenues	29,775.0	29,467.8	30,702.8
Transfers from Other Funds	0.0	0.1	(27.6)
Total Available	29,931.7	29,918.8	30,675.2
Local Aid	4,784.7	4,929.9	5,016.3
Medicaid	10,237.3	10,432.6	10,950.9
Debt Service	945.1	1,239.2	1,416.1
Judiciary	776.0	760.6	630.9
Independents	2,981.8	936.3	857.8
Administration & Finance	1,481.3	2,737.5	2,848.9
Energy & Environmental Affairs	175.0	182.1	193.7
Health & Human Services	4,523.0	5,346.1	5,392.6
Housing & Economic Development	363.4	385.0	422.3
Labor & Workforce Development	36.4	47.5	39.9
Education	1,873.4	1,947.9	1,969.5
Public Safety	903.6	954.1	930.6
Legislature	57.9	63.9	61.2
Total Expenditures	29,138.8	29,962.8	30,730.6
Transfers to Other Funds	342.0	(44.0)	(55.4)

	FY11	FY12	FY13
Ending Fund Balances	450.9	0.0	0.0

Workforce Training Fund Balances (in millions)

The Workforce Training Fund, authorized in section 2RR of Chapter 29 of the General Laws and administered by the Executive Office of Labor and Workforce Development, provides employers with matching grants of up to \$250,000 or more to help train new and incumbent workers. It was established in July 1998, and financed entirely by Massachusetts employers. In fiscal year 2011 the Fund was financed by an employer surcharge of .075% on employees' wages, paid concurrently with payments into the Unemployment Insurance Trust Fund. Annual state revenues from employer contributions total approximately \$19 million, and state appropriations for training grants are continually rolled forward into future fiscal years to provide for multiple-year grant awards. House 1 includes a reform to the funding structure of the Workforce Training Fund by funding the program through an "off-budget" trust fund. This change will be responsive to private employers concerns that annual WTF contributions have been diverted in the past from job training initiatives and used for broader budget purposes.

	FY11	FY12	FY13
Beginning Fund Balances	16.2	10.5	0.5
Taxes	20.4	0.0	0.0
Consolidated Transfers	(3.8)	0.0	0.0
Total Revenues	16.6	0.0	0.0
Total Available	32.8	10.5	0.5
Labor & Workforce Development	19.3	9.7	0.0
Total Expenditures	19.3	9.7	0.0
Transfers to Other Funds	3.0	0.3	0.2
Ending Fund Balances	10.5	0.5	0.3

Commonwealth Transportation Fund Balances (in millions)

The Commonwealth Transportation Fund accounts for road and highway use revenues, including the gas tax, registry fees and 0.385% of the sales tax. The fund is used to pay debt service associated with highway maintenance and construction projects and provides funding for the operation of the independent Massachusetts Department of Transportation (MassDOT). Established as part of the historic transportation reforms implemented in fiscal year 2010, the fund replaces the former Highway Fund as the principal source of transportation related revenues and expenditures for the Commonwealth.

	FY11	FY12	FY13
Beginning Fund Balances	10.8	31.1	96.2
Taxes	962.1	963.2	1,002.1
Departmental Revenues			
- Fees	485.1	501.8	513.8
- Special Assessments	13.4	13.7	13.5
- Licenses and Permits	0.3	0.3	0.3
- Sale of Goods	0.3	0.4	0.4
- Revenue Collections by Courts	0.2	0.0	0.2
- Fines and Penalties	0.0	0.1	0.1
- Miscellaneous	0.0	0.1	0.1
Consolidated Transfers	(32.9)	0.0	0.0
Total Revenues	1,428.4	1,479.7	1,530.5
Total Available	1,439.2	1,510.8	1,626.7
Debt Service	992.8	1,017.9	1,019.4
Independents	313.6	0.0	0.0
Administration & Finance	53.1	0.0	0.0
Transportation	0.0	363.9	348.2
Public Safety	0.0	0.0	139.1
Total Expenditures	1,359.5	1,381.8	1,506.7
Transfers to Other Funds	48.5	32.7	53.2
Ending Fund Balances	31.2	96.3	66.

Tourism Fund Balances (in millions)

The Massachusetts Tourism Fund, authorized in section 35J of Chapter 10 of the MGL, is funded with 35 percent of the State's annual revenues received from the hotel occupancy tax authorized in section 3 of Chapter 64G. The Fund's use is proscribed in Chapter 10, which includes a formula that assigns various funding levels for tourism promotion programs and activities, including the Massachusetts Office of Travel and Tourism, regional tourism promotion agencies, the Massachusetts Office of International Trade and Investment, and the Cultural Facilities Fund. While funding for the purposes prescribed in the section are being made in this budget, the specific requirements of the fund have been suspended through an outside section for the last several years.

	FY11	FY12	FY13
Beginning Fund Balances	28.2	7.2	27.4
Taxes	38.6	40.3	47.2
Consolidated Transfers	(28.1)	(0.3)	(0.4)
Total Revenues	10.5	40.0	46.8
Transfers from Other Funds	0.0	0.0	(0.1)
Total Available	38.7	47.3	74.2
Housing & Economic Development	2.0	8.1	9.0
Total Expenditures	2.0	8.1	9.0
Transfers to Other Funds	29.5	11.7	21.9
Ending Fund Balances	7.2	27.4	43.3

Commonwealth Health and Prevention Fund (in millions)

The Commonwealth Health and Prevention Fund, established in House 2, will collect revenues generated from the elimination of the existing sales tax exemptions on the purchase of soda and candy. Monies appropriated from this fund will support programs and services that augment the health and well-being of the citizens of the Commonwealth. This policy initiative aims to encourage healthy lifestyle choices.

	FY11	FY12	FY13
Beginning Fund Balances	0.0	0.0	0.0
Taxes	0.0	0.0	51.7
Consolidated Transfers	0.0	0.0	(1.5)
Total Revenues	0.0	0.0	50.2
Total Available	0.0	0.0	50.2
Health & Human Services	99.3	0.0	50.9
Public Safety	7.0	0.0	0.0
Total Expenditures	106.3	0.0	50.9
Transfers to Other Funds	(106.3)	0.0	(0.7)
Ending Fund Balances	0.0	0.0	0.0

Substance Abuse Prevention and Treatment Fund (in millions)

The Substance Abuse Prevention and Treatment Fund, established in the Fiscal Year 2011 General Appropriations Act, is funded with the proceeds from the fiscal year 2010 removal of the sales tax exemption from alcohol. The revenues were used for public health programs such as alcohol and tobacco addiction services, childhood health and nutrition services, and violence prevention. On November 2, 2010 the state's voters adopted Question 1 which reinstated the exemption of retail sales of alcohol from the states 6.25 percent sales tax. Therefore the Substance Abuse Prevention and Treatment Fund no longer has a dedicated revenue stream to support these programs beginning in Fiscal Year 2012. However, the Fiscal Year 2012 GAA and Governor's Fiscal Year 2013 budget recommendation include funding for these programs through other state budgetary funds, namely the General Fund.

	FY11	FY12	FY13
Beginning Fund Balances	0.0	0.0	0.0
Taxes	43.1	0.0	0.0
Consolidated Transfers	(1.5)	0.0	0.0
Total Revenues	41.6	0.0	0.0
Total Available	41.6	0.0	0.0
Independents	1.5	0.0	0.0
Total Expenditures	1.5	0.0	0.0
Transfers to Other Funds	40.1	0.0	0.0
Ending Fund Balances	0.0	0.0	0.0

Stabilization Fund Balances (in millions)

The Commonwealth Stabilization Fund is established in Chapter 29, section 2H of the General Laws as a reserve of surplus revenues to be used for the purposes of: (1) covering revenue shortfalls, (2) covering state or local losses of federal funds, or (3) for any event which threatens the health, safety or welfare of the people or the fiscal stability of the Commonwealth or any of its political subdivisions. The fund is sometimes referred to as the state's "rainy day fund," serving as a source of financial support for the state budget in times of slow or declining revenue growth and as the primary source of protection against having to make drastic cuts in state services in periods of economic downturns. There are a number of different ways monies can be deposited to the fund including but not limited to: the statutorily required deposit of 1/2 of 1 per cent of state tax revenue in a fiscal year, any capital gains revenue above and beyond \$1 billion in a given fiscal year, deposits of any one-time settlements or judgments amounting to \$10 million or more and ad hoc deposits as authorized by the state Legislature.

	FY11	FY12	FY13
Beginning Fund Balances	669.8	1,379.1	1,342.2
Taxes	1.6	0.0	0.0
Departmental Revenues			
- Interest Income	9.0	9.1	9.1
Consolidated Transfers	350.0	(46.2)	(314.1)
Total Revenues	360.7	(37.1)	(305.0)
Total Available	1,030.5	1,342.0	1,037.2
Transfers to Other Funds	(348.6)	(0.1)	0.0
Ending Fund Balances	1,379.1	1,342.2	1,037.2

Other Funds Balances (in millions)

These include the Inland Fisheries and Game Fund and Marine Recreational Fisheries Development Fund. The latter, which was recently established, accounts for all recreational saltwater fishing permit fees collected by the director of the division of marine fisheries. Fees collected in this fund shall be used for the development and administration of the recreational saltwater fishing permit program which supports science and conservation programs designed to improve recreational saltwater fishing.

	FY11	FY12	FY13
Beginning Fund Balances	21.4	21.9	22.4
Taxes	0.9	0.9	0.9
Federal Revenues	4.2	5.5	5.5
Departmental Revenues			
- Operating Transfers In	1,187.4	0.0	0.0
- Licenses and Permits	5.2	5.2	5.2
- Fees	2.1	2.1	2.1
- Rents	0.5	0.0	0.0
- Fines and Penalties	0.1	0.1	0.1
- Miscellaneous	(1,188.1)	0.0	0.0
Consolidated Transfers	(1.7)	(1.5)	(1.8)
Total Revenues	10.6	12.4	12.0
Total Available	32.0	34.3	34.4
Energy & Environmental Affairs	10.1	11.9	13.3
Total Expenditures	10.1	11.9	13.3
Ending Fund Balances	21.9	22.4	21.

