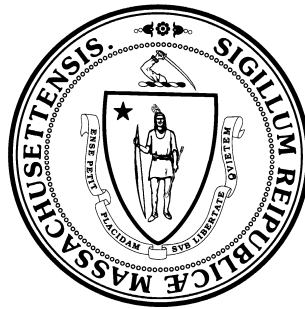


**THE  
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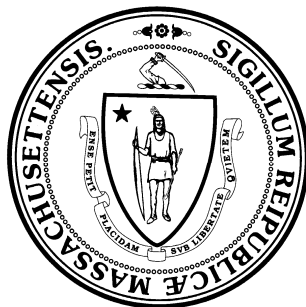
**INFORMATION STATEMENT SUPPLEMENT**

**Dated November 6, 2008**

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**THE COMMONWEALTH OF MASSACHUSETTS**



**CONSTITUTIONAL OFFICERS**

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

**LEGISLATIVE OFFICERS**

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

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

**November 6, 2008**

This supplement (“Supplement”) to the Information Statement of The Commonwealth of Massachusetts (the “Commonwealth”) dated August 22, 2008 (the “August Information Statement”) is dated November 6, 2008 and contains information which updates the information contained in the August Information Statement. The August Information Statement has been filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR) currently recognized by the Securities and Exchange Commission. This Supplement and the August Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through November 6, 2008. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the August Information Statement.

The August Information Statement, as supplemented hereby, includes three exhibits. Exhibit A, attached to this Supplement, is the Statement of Economic Information as of September 30, 2008, 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, 2008 and the Commonwealth’s Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2007. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with each NRMSIR currently recognized by the Securities and Exchange Commission. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on “Publications and Reports” and then “Financial Reports.”

**RECENT DEVELOPMENTS**

**Fiscal 2008**

Approximately \$399.5 million in supplemental appropriations were approved for fiscal 2008. Based on historical trends and preliminary estimates of fiscal 2008, the Executive Office for Administration and Finance is anticipating approximately \$275.8 million in reversions on account of fiscal 2008 (\$116.7 million of which are anticipated to be carried forward into fiscal 2009). See the August Information Statement under the heading “FISCAL 2008 AND FISCAL 2009 - Fiscal 2008.”

On October 28, 2008, the Governor approved legislation to allow the Comptroller to address timing discrepancies in the receipt of federal reimbursements owed to the Commonwealth for fiscal 2008. In part, the timing discrepancy is a consequence of the Medicaid waiver, which delayed collection of federal reimbursements on expenditures made during fiscal 2008. See “COMMONWEALTH EXPENDITURES - Medicaid” below. Accordingly, the legislation authorizes the Comptroller to use those federal reimbursements in fiscal 2009, to make needed transfers to the Stabilization Fund and the State Lottery Fund, as the Legislature and Governor intended for fiscal 2008. The legislation also provides the Comptroller with discretion to adjust the timing of these transfers to minimize the impact on the Commonwealth’s cash flow.

On October 31, 2008, the Comptroller released audited financial statements for fiscal 2008 on the statutory basis of accounting (the Commonwealth’s Statutory Basis Financial Report). See the August Information Statement under the heading “THE GOVERNMENT - Executive Branch; *State Comptroller*.”

## Fiscal 2009

On October 15, 2008, 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 revenue of approximately \$1.421 billion with respect to the appropriations approved to date for fiscal 2009 and certain non-discretionary spending obligations that have not been budgeted, including snow and ice removal costs, health and human services caseload exposures, increased debt service and public safety costs. See the August Information Statement under the heading "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Overview of Operating Budget Process." The \$1.421 billion projected shortfall to cover expenses resulted from a projected \$1.1 billion reduction in state tax revenues (see "Tax Revenue Forecasting" below) and \$321 million in projected costs not accounted for in the fiscal 2009 budget.

On October 15, 2008, the Governor announced a plan to close the projected \$1.421 billion shortfall. The plan consists of three major components: (i) \$1.053 billion in spending reductions and controls, (ii) a \$200 million transfer from the Stabilization Fund and (iii) \$168 million of additional revenues.

The most significant element of the Governor's plan is \$1.053 billion in spending reductions and controls. Approximately \$755 million in reductions are being made pursuant to Section 9C to accounts within state agencies under the Governor's control and through other spending controls. The other spending controls are expected to result in savings of \$146 million from deficiencies not being funded, \$52 million from pension funding reconciliation (revising the previous funding schedule to take into account the valuation report described below under "COMMONWEALTH EXPENDITURES - Pension") and \$100 million in pension funding deferrals. The remaining deficiency is being met by voluntary reductions in the budgets of the judiciary, the Legislature, other constitutional offices and district attorneys, which are not subject to the Governor's authority to reduce spending pursuant to Section 9C.

On October 15, 2008, in order to implement the voluntary reductions and address the remainder of the deficiency, the Governor filed emergency supplemental budget legislation to extend the state pension funding schedule from 2023 to 2025 (permitting a \$100 million reduction in the amount to be funded in fiscal 2009 -- see the August Information Statement under the heading "COMMONWEALTH EXPENDITURES - Pension"), authorize the withdrawal of an additional \$200 million from the Stabilization Fund to meet fiscal 2009 obligations, formalize the voluntary spending reductions provided within non-executive accounts, establish tiers of state employee health insurance contributions based on ability to pay (expected to provide \$28.5 million for the remainder of fiscal 2009), authorize up to \$80 million to be spent for emergency snow and ice removal (in excess of previously appropriated amounts) and authorize the Governor to transfer amounts among appropriation line items within certain limits. On October 30, 2008, the Legislature enacted such legislation with some modifications; the Legislature's version would authorize \$50 million for snow and ice removal and place stricter limits on the Governor's line item transfer authority, and the Legislature did not include the provisions relating to state employee health insurance. The version of the legislation enacted by the Legislature also would provide for a two-month tax amnesty program. The Department of Revenue estimates that the tax amnesty program would result in \$10 million to \$20 million of revenue. The Governor has not yet acted on the legislation.

In his October 15, 2008 announcement, along with the proposals contained in the legislation and the Section 9C reductions, the Governor identified \$168 million in additional revenues not previously budgeted for fiscal 2009, including \$100 million in anticipated Department of Revenue judgments and settlements, \$55 million in federal grants under the Temporary Assistance for Needy Families program and \$13 million in local revenues anticipated under previously proposed legislation that would authorize municipalities to levy property taxes on certain telecommunications equipment (which would offset a like amount of General Fund moneys otherwise required to supplement lottery-funded local aid -- see the August Information Statement under the heading "COMMONWEALTH REVENUES - Federal and Other Non-Tax Revenues; *Lottery Revenues*").

On October 15, 2008, the Governor also stated that he intended to file additional legislation to carry out certain agency consolidations to make state government more efficient, to reform the state's

pension system and to dismantle the Massachusetts Turnpike Authority and reassign its assets and operating responsibilities.

*State Taxes.* Preliminary tax revenue collections for the first four months of fiscal 2009, ended October 31, 2008, totaled \$5.940 billion, a decrease of \$29.3 million, or 0.5%, compared to the same period in fiscal 2008. The following table shows the tax collections for the first four months of fiscal 2009 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 2009 that are dedicated to the Massachusetts Bay Transportation Authority and to the Massachusetts School Building Authority.

**Fiscal 2009 Tax Collections (in millions) (1)**

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion (3)</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
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	2,099.7	(108.3)	(4.9)	74.2	49.3	1,976.3
October (2)	1,149.9	(57.6)	(4.8)	57.6	51.9	1,040.4
November						
December						
January						
February						
March						
April						
May						
June						
Total(2)	<u>\$5,940.4</u>	<u>(\$29.3)</u>	<u>(0.5)</u>	<u>\$249.4</u>	<u>\$207.0</u>	<u>\$5,484.0</u>

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 \$19.4 million on the account of the first quarter related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The year-to-date tax revenue decrease of \$29.3 million through October 31, 2008 is attributable in large part to a decrease of approximately \$37.7 million, or 2.6%, in sales and use tax collections (mostly motor vehicles and regular sales), and a decrease of approximately \$76.9 million, or 15.4%, in corporate and business tax collections. Declines of \$11 million in the estate tax, \$9 million in the motor fuels tax and \$15 million in the deeds tax have also contributed to the year-to-date revenue decline. Some of this decline was partly off-set by an increase of approximately \$32.9 million, or 19.7%, in income payments with returns and bills and by changes in other revenues (net of refunds). The year-to-date fiscal 2009 collections (through October) were \$10 million above the benchmark estimate for the corresponding period, which was based on the Secretary of Administration and Finance’s fiscal 2009 revenue estimate of \$20.302 billion announced on October 15, 2008 (see “Tax Revenue Forecasting” below).

On November 4, 2008, the initiative petition that would have reduced and then eliminated the state personal income tax was defeated by a better than 2-to-1 margin. See the August Information Statement under the heading “COMMONWEALTH REVENUES - State Taxes; *Income Tax*.”

*Tax Revenue Forecasting.* Based on an analysis of fiscal 2009 year-to-date revenue trends and taking into account revised economic forecasts and recommendations of the Department of Revenue and outside economists from the Governor’s Council of Economic Advisors, on October 15, 2008, the

Secretary of Administration and Finance revised the fiscal 2009 revenue estimate downward by \$1.1 billion, from \$21.402 billion to \$20.302 billion. The basis for this revenue revision is described below.

Economic forecasts for the remainder of fiscal 2009 have been revised sharply downward since mid-September due to the unfolding international financial crisis and its projected impact on the national and state economies. Both economic forecasters used by the Commonwealth in developing its revenue forecasts (Economy.com and Global Insight) assume that the United States is currently in a recession that will last through mid-2009.

The revised fiscal 2009 tax revenue forecast is based on the following economic assumptions:

- As measured by real gross domestic product (GDP), the economy saw no growth or contracted slightly in the third quarter of calendar year 2008 and is projected to decline over the next two quarters. GDP growth for all of fiscal 2009 is projected to be between 0.3% and 0.6%, compared to growth of 2.0% in fiscal 2007 and 2.4% in fiscal 2008;
- Massachusetts employment is expected to decline by 0.6% to 1.0% over the remainder of fiscal 2009, and by 0.4% to 0.7% for fiscal year 2009 as a whole;
- Massachusetts personal income (excluding capital gains) is expected to grow by only 1.6% to 2.9% over the remainder of fiscal 2009 and 2.2% to 3.3% for fiscal 2009 as a whole;
- Massachusetts wages and salaries are projected to grow by between 1.6% and 2.8% for the remainder of fiscal 2009 and 2.5% to 3.4% for the year as a whole;
- Massachusetts retail sales are expected to decline by 1.4% to 1.9% over the remainder of fiscal 2009 and by 1.0% to 1.2% for the fiscal year as a whole;
- Corporate profits at the national level are expected to decline by 4.8% to 9.4% over the remainder of fiscal 2009, and by 5.4% to 9.8% for the fiscal year as a whole. (There are no forecasts for state corporate profits);
- Due to the decline in the equity and real estate markets, Massachusetts capital gains taxes are projected to decline by close to 30% in fiscal 2009.

In addition to the economic assumptions described above, several other factors are expected to affect revenue growth over the remainder of fiscal 2009, compared to fiscal 2008.

- Over the final three quarters of fiscal 2008, the Commonwealth received approximately \$272 million in one-time corporate payments, which are not expected to recur in fiscal 2009;
- Large refunds that are \$50 million to \$100 million higher than usual will be paid out in October, 2008 and November, 2008 due to the impact of the financial crisis on financial industry profits;
- Tax revenue collections are projected to be increased by a net of approximately \$225 million due to tax corporate tax reform and other revenue initiatives.

In the first quarter of fiscal 2009, tax revenue collections grew by \$29 million, or 0.6%, but declined by 0.2% baseline (the baseline measure adjusts for tax law and processing changes that affect revenue collections) compared to the same period in fiscal 2008. Based on the economic assumptions and other factors described above, tax collections for the remainder of the fiscal 2009 are projected to decline by \$577 million, or 3.6%, actual and \$833 million, or 5.2%, baseline from the same period last year.

## **Federal and other Non-Tax Revenues**

*Lottery Revenues.* The fiscal 2009 budget assumes total net transfers from the Lottery of \$1.005 billion to fund various commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund (\$12.7 million for services and operation of the Massachusetts Cultural Council, \$1 million for a compulsive gamblers treatment program, \$78.6 million to the General Fund for the activities of the General Fund, \$810.9 million for local aid to cities and towns and \$102.3 million for administrative expenses of the Lottery), with the balance, if any, to be transferred to the General Fund. The assumed \$1.005 billion figure is approximately \$17.4 million higher than the Lottery Commission's estimate of its operating revenues for fiscal 2009 of \$988 million. The Lottery Commission expects to submit a revised spending plan for fiscal 2009 that reduces overall spending by \$3 million, which will reduce the expected deficiency to \$14.4 million.

## **Cash Flow**

A cash flow report for fiscal 2008 and forecast for fiscal 2009, dated September 2, 2008, was released by the State Treasurer and the Secretary of Administration and Finance. The fiscal 2008 cash flow report incorporated actual spending and revenue through June 30, 2008. See the August Information Statement under the heading "FISCAL 2008 AND FISCAL 2009 - Cash Flow."

The September 2, 2008 cash flow reported an actual cash balance on June 30, 2008 of \$1.198 billion, approximately \$393 million lower than the July 1, 2007 cash balance of \$1.591 billion that opened the fiscal year.

The fiscal 2009 cash flow projection was based upon the fiscal 2009 budget signed on July 13, 2008 (including the value of all vetoes and subsequent overrides), all supplemental appropriations either filed, enacted or anticipated, and all prior appropriations continued into fiscal 2009. Fiscal 2009 projections were based on actual spending and revenue through July, 2008 and estimates for the remainder of fiscal 2009. The fiscal 2009 budget provides for spending of \$28.165 billion and was based upon a tax estimate of \$21.402 billion (original consensus revenue estimate of \$20.987 billion adjusted for subsequent tax law changes). The fiscal 2009 projections were also based on the five-year capital investment plan published in August, 2007 by the Executive Office for Administration and Finance.

The report was prepared before the Secretary of Administration and Finance determined on October 15, 2008 that a downward revision of the fiscal 2009 tax revenue estimate was necessary and, accordingly, did not reflect either the revised estimate or the spending reductions and increases in other funding sources announced by the Governor on that date. Such revenue and expense adjustments will be reflected in future cash flow statements. See the August Information Statement under the heading "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Overview of Operating Budget Process" and "Fiscal 2009" above. The fiscal 2009 tax estimate reflected in the report included \$1.465 billion dedicated to the Commonwealth's pension obligations, \$768 million in sales tax revenues dedicated to the Massachusetts Bay Transportation Authority and \$702 million in sales tax revenues dedicated to the Massachusetts School Building Authority. The fiscal 2009 budget assumes total net transfers from the State Lottery of \$988 million, which is an insufficient amount to fully fund local aid to cities and towns. The fiscal 2009 cash flow projection also assumed the receipt of \$288.5 million on April 15, 2009 pursuant to the tobacco master settlement agreement.

Based on the September 2, 2008 projections, the fiscal 2009 forecast showed an overall decline in the non-segregated cash balance from \$1.198 billion to \$716.6 million. Several factors affect the overall decline in the cash balance, including general obligation bond proceeds received in fiscal 2008 which were projected to be spent in fiscal 2009, fiscal 2008 appropriations carried forward and authorized to be expended in fiscal 2009 and some anticipated transfers that might result from the fiscal 2008 consolidated net surplus calculation. The month-end balance for July, 2008 was \$832 million, compared to a balance of \$1.292 billion for July, 2007.



The September 2, 2008 projections, as well as previous projections, anticipated the issuance by the Commonwealth of revenue anticipation notes in late September. Due to disruptions in the capital markets, the Commonwealth deferred the issuance of revenue anticipation notes until October. In order to meet cash flow needs through the end of September, the State Treasurer accelerated into September the withdrawal from the Stabilization Fund originally planned for December and issued an additional \$101 million in commercial paper. The total amount of commercial paper outstanding, as of November 5, 2008, is \$239.6 million. The Commonwealth repaid \$289 million of its outstanding commercial paper in October. The Commonwealth issued \$750 million of revenue anticipation notes on October 10, 2008, to be repaid in equal installments on April 30, 2009 and May 29, 2009.

The Commonwealth's next cash flow projection is expected to be released on or before December 1, 2008.

**Overview of Fiscal 2008 Non-Segregated Operating Cash Flow (in millions) (1)**  
(as of September 2, 2008)

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<b>Opening Balance</b>	\$1,590.8	\$1,291.8	\$1,186.9	\$724.7	\$456.8	\$393.4	\$499.3	\$1,238.9	\$573.2	\$314.9	\$1,369.2	\$1,286.7
<b>CP/RANs Issuance</b>	-	-	-	200.0	300.0	900.0	-	-	400.0	-	-	-
<b>Total Receipts</b>	2,687.8	3,055.6	3,491.6	2,558.7	3,130.8	3,449.9	3,343.6	3,112.5	4,209.7	4,812.26	3,774.1	4,549.9
<b>Total Expenditures</b>	2,987.1	3,173.4	3,953.4	3,026.1	3,400.8	4,483.6	3,100.8	3,376.6	4,939.7	3,757.7	3,856.4	4,641.1
<b>Central Artery Settlement</b>	-	-	-	-	-	-	401.2	(401.2)	-	-	-	-
<b>Stabilization Transfers</b>	-	-	-	-	(92.9)	240.0	-	-	72.0	-	-	3.0
<b>Closing Balance</b>	<u>\$1,291.5</u>	<u>\$1,187.4</u>	<u>\$725.1</u>	<u>\$457.2</u>	<u>\$393.8</u>	<u>\$499.7</u>	<u>\$1,239.3</u>	<u>\$573.6</u>	<u>\$315.2</u>	<u>\$1,369.5</u>	<u>\$1,286.9</u>	<u>\$1,198.5</u>

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

**Overview of Fiscal 2009 Non-Segregated Operating Cash Flow (in millions) (1) (2)**  
(as of October 24, 2008)

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<b>Opening Balance</b>	\$1,198.2	\$832.5	\$794.4	\$645.7	\$1,210.1	\$658.5	\$143.0	\$688.6	\$427.7	\$88.9	\$1,423.1	\$897.7
<b>CP/RANs Issuance</b>	-	500.0	233.6	750.0	-	466.0	-	-	-	-	-	-
<b>Total Receipts</b>	2,942.4	3,445.6	4,174.4	4,143.8	3,083.0	4,305.1	3,882.6	3,078.7	4,354.0	5,052.5	3,370.0	4,700.0
<b>Total Expenditures</b>	3,307.9	3,483.5	4,633.0	3,579.2	3,634.5	4,820.5	3,336.9	3,339.5	4,692.5	3,718.3	3,895.4	4,881.0
<b>Central Artery Settlement</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Stabilization Transfers</b>	-	-	310.0	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<u>\$832.7</u>	<u>\$794.6</u>	<u>\$645.8</u>	<u>\$1,210.2</u>	<u>\$658.6</u>	<u>\$143.0</u>	<u>\$688.7</u>	<u>\$427.7</u>	<u>\$89.0</u>	<u>\$1,423.2</u>	<u>\$897.7</u>	<u>\$716.6</u>

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Table does not reflect revenue and spending reductions announced on October 15, 2008. See "RECENT DEVELOPMENTS - Fiscal 2009."

## COMMONWEALTH EXPENDITURES

### Medicaid

On September 30, 2008, the Commonwealth announced that it had reached an agreement in principle with the federal Centers for Medicare and Medicaid Services (CMS) to continue through June 30, 2011 its section 1115 demonstration waiver, under which the Commonwealth operates the majority of its Medicaid program (including the 2006 health reform expansions), as well as other key elements of the Commonwealth's health care reform initiative. See the August Information Statement under the heading "COMMONWEALTH EXPENDITURES - Medicaid." The prior approval was set to expire on June 30, 2008, and was extended several times in order to allow the Commonwealth and CMS to complete discussions regarding terms for the next three years.

The agreement authorizes federal reimbursement for approximately \$21.2 billion in state health care spending from fiscal 2009 through fiscal 2011, \$4.3 billion more in spending than was authorized for fiscal 2006 through fiscal 2008. It enables the Commonwealth to claim federal reimbursement for all programs at current eligibility and benefit levels (including for Commonwealth Care's subsidized coverage of adults up to 300% of the federal poverty level).

Within the overall \$21.2 billion spending authority, the agreement authorizes the Commonwealth to claim federal reimbursement over the three-year renewal period for approximately \$5 billion of spending within the Safety Net Care Pool, a capped pool of funding used to support several key elements of the Commonwealth's health reform effort, including Commonwealth Care and the Health Safety Net Trust Fund. This is a \$1 billion increase in the Commonwealth's authority to claim federal reimbursement for programs in the Safety Net Care Pool, compared to the fiscal 2006 through fiscal 2008 waiver period. The agreement also transforms the Safety Net Care Pool by shifting from a series of annual caps to a three-year aggregate cap. Together, this increased authority to secure federal reimbursement and greater flexibility will allow the Commonwealth to meet all of its federal funding projections for fiscal 2009 and to plan ahead to meet all of its commitments for fiscal 2010 and fiscal 2011.

The Commonwealth is currently engaged with CMS on finalizing the documentation associated with this agreement in principle. During this time, the Commonwealth will continue to operate under a short-term extension of the agreement that was originally set to expire on June 30, 2008, and is currently authorized through November 17, 2008. The Commonwealth will evaluate the need for additional short-term extensions as necessary to finalize documentation.

### Health Care Reform Legislation

On October 1, 2008, the Division of Health Care Finance and Policy adopted final regulations revising the "fair share" test, which requires employers with 11 or more full-time equivalent employees (FTEs) to make a "fair and reasonable" premium contribution to their employees' health insurance or pay a fee to the Commonwealth. See the August Information Statement under the heading "COMMONWEALTH EXPENDITURES - Health Care Reform Legislation."

Previously, the regulations provided that an employer met the "fair and reasonable" contribution standard if either (i) 25% or more of its full-time employees enrolled in the employer's group health plan, or (ii) it offered to contribute at least 33% towards the premium cost for a group health plan for full-time employees who worked at least 90 days. The revised regulations, which will take effect January 1, 2009, maintain this test for firms with 50 or fewer FTEs but require larger firms to meet both the employee enrollment and the employer contribution standards. Moreover, under the revised regulations, firms would also be considered to meet the "fair and reasonable contribution" standard if 75% or more of their full-time employees enroll in their group health plans.

These new regulations are projected to generate \$30 million in revenue for a full year of implementation, to support government-funded health insurance programs. (Because of the delayed effective date and a quarterly filing and payment schedule, the first year's revenues will be collected partly

in fiscal 2009 and partly in fiscal 2010.) The Commonwealth estimates that approximately 1,100 firms will be liable for the fair share contribution under the new regulations.

### Office of Disability and Community Services

Under the settlement agreement approved June 16, 2008 in *Rolland v. Patrick et al.*, the Commonwealth expects to devote an additional \$17-20 million each year to pay for the placement of the affected individuals and the provision of active treatment. See the August Information Statement under the headings “COMMONWEALTH EXPENDITURES - Office of Disabilities and Community Services” and “LEGAL MATTERS.”

### Pension

On September 10, 2008, PERAC released its actuarial valuation of the total pension obligation as of January 1, 2008. See the August Information Statement under the heading “COMMONWEALTH EXPENDITURES - Pension; *Valuation of Pension Obligation.*” The unfunded actuarial accrued liability as of that date for the total obligation was approximately \$12.105 billion, including approximately \$2.420 billion for the State Employees’ Retirement System, \$8.072 billion for the Massachusetts Teachers’ Retirement System, \$1.237 billion for Boston Teachers and \$376 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2008 to be approximately \$56.637 billion (comprised of \$22.821 billion for state employees, \$30.955 billion for state teachers, \$2.485 billion for Boston Teachers and \$376 million for cost-of-living increases reimbursable to local systems). Total assets were valued at approximately \$44.532 billion based on a five-year average valuation method, which equaled 90.4% of the January 1, 2008 total asset market value. The valuation method was the same as the method used in the 2007 valuation. The following table shows the valuation of accrued liabilities and assets from 2004 through 2008:

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

<u>Valuation Date</u>	<u>Total Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets(1)</u>	<u>Unfunded Accrued Liabilities</u>		<u>Valuation Date</u>
			<u>Unfunded Actuarial Liability(2)</u>	<u>Market Value of Unfunded Liability</u>	
January 1, 2004	\$46,059	\$34,045	\$12,014	\$14,350	January 1, 2004
January 1, 2005	48,358	34,939	13,419	12,861	January 1, 2005
January 1, 2006	50,865	36,377	14,488	11,844	January 1, 2006
January 1, 2007	53,761	40,412	13,349	8,859	January 1, 2007
January 1, 2008	56,637	44,532	12,105	7,402	January 1, 2008

SOURCE: Public Employee Retirement Administration Commission.

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

(2) Based on actuarial valuation.

The existing funding schedule is based on the January 1, 2003 actuarial liability, brought forward on an estimated basis to January 1, 2004, and on asset values on January 1, 2004. The most recent funding schedule recommended by PERAC is based on the January 1, 2007 actuarial liability, brought forward on an estimated basis to January 1, 2008, and asset values on December 31, 2007. The funding schedule that was recommended by PERAC has not been updated to reflect the actuarial January 1, 2008 results, though PERAC has submitted a schedule, for review, to the Executive Office for Administration and Finance that reflects the final January 1, 2008 actuarial results. On October 30, 2008, the Legislature enacted legislation that the Governor had filed on October 15, 2008 to extend the funding schedule from 2023 to 2025. See “RECENT DEVELOPMENTS - Fiscal 2009.”

## LONG-TERM LIABILITIES

### General Obligation Debt

On September 11, 2008, the Commonwealth issued fixed-rate general obligation bonds in the aggregate principal amount of \$652,790,000 to refund certain auction-rate bonds (outstanding in the aggregate principal amount of \$163,650,000) and to finance capital expenditures expected to occur in fiscal 2009.

### Interest Rate Swaps

On September 15, 2008, Lehman Brothers Holdings Inc. (“LBHI”), the corporate parent of Lehman Brothers Derivatives Products Inc. (“LBDP”) and Lehman Brothers Special Financing Inc. (“LBSF”), filed for bankruptcy. At the time of the filing, the Commonwealth had outstanding interest rate swaps with LBDP and LBSF. See the August Information Statement under the heading “LONG-TERM LIABILITIES - Interest Rate Swaps.” The Commonwealth’s outstanding interest rate swap with LBDP was subject to automatic termination upon such bankruptcy filing, with payment of a termination amount by the Commonwealth due within five days of notice of such termination. However, no notice of termination was given and, on September 16, 2008, the swap was assigned by the parties to LBSF and is no longer subject to automatic termination. LBHI was the guarantor of the swaps originally entered into with LBSF, and as a result of LBHI’s bankruptcy filing, those swaps became subject to termination at the option of the Commonwealth. On October 3, 2008, LBSF filed for bankruptcy. On October 8, 2008, the Commonwealth terminated all of its original LBSF swaps and assigned them to different counterparties without incurring any net termination costs. It is the Commonwealth’s intention to assign its remaining swap to a different counterparty in the near future without incurring termination costs. The Commonwealth would owe a termination payment on this swap if it was to be terminated at this time and was not assigned to a replacement counterparty.

### Budgetary Contract Assistance Liabilities

*City of Chelsea Commonwealth Lease Revenue Bonds.* By virtue of the bankruptcy filing by LBHI described above under “Interest Rate Swaps,” the interest rate swaps with LBSF related to the City of Chelsea Lease Revenue Bonds are subject to termination at the option of the Commonwealth. See the August Information Statement under the heading “LONG-TERM LIABILITIES - Budgetary Contract Assistance Liabilities; *City of Chelsea Commonwealth Lease Revenue Bonds.*” The Commonwealth is currently considering structuring alternatives, including assigning the swaps to different counterparties or refunding the bonds. The August Information Statement is hereby corrected to note that a ratings downgrade of FSA would not, in fact, trigger termination costs under the swaps, because the FSA insurance covers only the bonds, not the swaps.

### Contingent Liabilities

*Massachusetts Turnpike Authority.* By virtue of the bankruptcy filing by LBHI described above under “Interest Rate Swaps,” the Lehman swaptions described in the August Information Statement under the heading “LONG-TERM LIABILITIES - Contingent Liabilities; *Massachusetts Turnpike Authority*” are now subject to termination at the option of the Authority. The Turnpike Authority would owe a termination payment on each of these swaptions if they were to be terminated at this time. The Turnpike Authority is evaluating its options and has made no decision at this time regarding the Lehman swaptions. On October 2, 2008, Moody’s Investor’s Service, Inc. announced a downgrade of its ratings of the Turnpike Authority’s senior and subordinated Metropolitan Highway System bonds to Baa2 from A3 and Baa3 from Baa1, respectively. As a result of this downgrade, the Turnpike Authority will be required to post collateral with respect to a “basis” swap it entered into in 1999 with JPMorgan Chase Bank in a notional amount of \$100 million. The Turnpike Authority has posted collateral in the amount of \$10.1 million.

## COMMONWEALTH CAPITAL INVESTMENT PLAN

### Capital Investment Plan

The updated bond cap and debt affordability analysis and updated five-year capital investment plan are not yet finalized. They are expected to be completed in the near future. See the August Information Statement under the heading "COMMONWEALTH CAPITAL INVESTMENT PLAN - Capital Investment Plan."

### LEGAL MATTERS

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

*Ricci v. Patrick*, United States District Court, First Circuit Court of Appeals. On October 1, 2008, the United States Court of Appeals for the First Circuit reversed a District Court order requiring the Commonwealth to keep open an expensive and outmoded institution for the care of mentally retarded citizens. The Court of Appeals directed entry of judgment dismissing with prejudice the claims the plaintiffs had brought in this action. On October 16, 2008, certain plaintiffs filed a motion for panel rehearing, to which the Commonwealth is responding.

*Hutchinson v. Patrick et al.*, United States District Court, Western Division. After a fairness hearing on July 25, 2008, where there were no objections from class members, the court entered an order on September 19, 2008, approving the final comprehensive settlement agreement and retaining jurisdiction over the case pending compliance with the terms of the settlement agreement.

*Rolland v. Patrick*, United States District Court, Western Division. This case carries the potential for a prospective increase in annual program costs of more than \$20 million.

*Disability Law Center, Inc. v. Massachusetts Department of Correction et al*, United States District Court. Disability Law Center, Inc. ("DLC") has received the medical and mental health records of numerous inmates. The parties have been engaged in settlement discussions, and the next status report to the Court is due on October 31, 2008. While DLC requests only injunctive relief, estimated increased program costs could amount to over \$25 million in the event of an adverse outcome.

*Fleet Funding, Inc. & Fleet Funding II. V. Commissioner of Revenue*, Appeals Court. The Appellants have filed their brief, and the Commissioner's brief is currently due on October 31, 2008.

*Commonwealth of Massachusetts v. Philip Morris Inc., RJ Reynolds Tobacco Company, Lorillard Tobacco Company, et. al.* (2006 NPM Adjustment) The SFD proceeding for a 2006 NPM adjustment commenced in May 2008 and is presently underway.

*Cutting Edge Enterprises, Inc. v. National Association of Attorneys General et al.*, United States District Court, Southern District of New York; *Cutting Edge Enterprises, Inc. v. National Association of Attorneys General et al*, United States Bankruptcy Court, Middle District of North Carolina. In January, 2008, Cutting Edge voluntarily dismissed its action and on February 5, 2008, the case was officially closed.

*Conservation Law Foundation, Inc. v. Romney*, United States District Court. This case was dismissed by agreement on August 19, 2008.

*The Arborway Committee v. Executive Office of Transportation et al.*, Suffolk Superior Court. The Commonwealth has moved for summary judgment on statute of limitations grounds and the plaintiff's opposition memorandum to that motion is due on October 31, 2008. Discovery is proceeding simultaneously with the motion for summary judgment.

## 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 August 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 August 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 August 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 August 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 August 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 August Information Statement and this Supplement are a part shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Supplement, except as expressly stated.

## CONTINUING DISCLOSURE

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

On behalf of the Commonwealth, the State Treasurer will provide to each NRMSIR within the meaning of Rule 15c2-12 of the SEC, no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in said Rule 15c2-12, together with audited financial statements of the Commonwealth for such fiscal year. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to the general obligation debt of the Commonwealth and has not failed in the last six years to comply with its continuing disclosure undertakings with respect to its special obligation debt and federal grant anticipation notes. However, the annual filings relating to the fiscal year ended June 30, 2001 for the Commonwealth’s

special obligation debt and for the Commonwealth's federal highway grant anticipation notes were filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the Nationally Recognized Municipal Securities Information Repositories and the Municipal Securities Rulemaking Board.

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

## AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding the August Information Statement or this Supplement 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, or Lori D. Hindle, Capital Finance Program Manager, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to the August 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/ Leslie A. Kirwan  
Leslie A. Kirwan  
Secretary of Administration and Finance

November 6, 2008



## ECONOMIC INFORMATION - Quarter 1, FY 2009

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

All information is presented on a calendar-year basis unless otherwise indicated. **The section was prepared for release on October 23, 2008. Information in the text, tables, charts, and graphs was current as of September 30, 2008.** Sources of information are indicated in the text or immediately following the charts and tables, and also on the *Sources List* on the last page of the Exhibit A section. Although the Commonwealth considers the sources to be reliable, the Commonwealth has made no independent verification of the information presented herein and does not warrant its accuracy.

### Statistical Overview

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

	<u>Massachusetts</u>	<u>United States</u>
Estimated Percent Change in Population, April 1, 2000–July 1, 2007	1.6%	7.2%

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

Per Capita Personal Income, 2007	\$49,142	\$38,564
Average Annual Pay, All Industries, 2007p	\$55,260	\$44,450
Percent Change in CPI-U*, 2006-2007	1.9%	2.8%
Percent Change in CPI-U*, July 2007- July 2008	6.3%	5.6%
Poverty Rate, 2005-2007 Average	11.1%	12.5%
Average Weekly Earnings, Manufacturing Production Workers: 2007	\$783.88	\$711.36
Percent Change from previous year	5.5%	2.9%

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

Percent Change in Nonfarm Payroll Employment, August 2007-August 2008(p)	0.2%	-0.3%
Unemployment Rate, 2007	4.5%	4.6%
Unemployment Rate, August, 2008 (seasonally adjusted)	5.3%	6.1%

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

Percent Change in Gross Domestic Product, 2006-2007	2.5%	2.0%
Percent Change in International Exports, 2006-2007	5.1%	12.1%
Percent Change in Housing Permits Authorized, 2006-2007	-21.6%	-24.0%

#### Human Resources (p. A-39)

Expenditure Per Pupil, 2006	\$11,981	\$9,138
Percent of Adults with a Bachelor's Degree or higher, 2007	37.9%	27.5%

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

Massachusetts is a densely populated state with a well-educated population, comparatively high income levels, and a relatively diversified economy. While the total population of Massachusetts has remained fairly stable in the last twenty-five years, significant changes have occurred in the age distribution of the population: dramatic growth in residents between the ages of 20 and 44 since 1980 is expected to lead to a population distributed more heavily in the 65 and over age group in the next twenty-five years. Just as the working-age population has increased, income levels in Massachusetts since 1980 have grown significantly when compared to the national average, and a variety of measures of income show that Massachusetts residents have significantly higher amounts of annual income than the national average. These higher levels of income have been accompanied by a lower poverty rate. While Massachusetts enjoyed considerably lower unemployment rates than those of the United States during the late 1990s through 2002, the State's annual unemployment rate has tracked only slightly lower than, and at times greater than, the nation's rate since 2003. Through the beginning of 2008 the state was in recovery from the recession of 2001, but many indicators have recently shown signs of economic stress, and the state is lagging behind the nation in many indicators, particularly employment levels.

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

## **POPULATION CHARACTERISTICS**

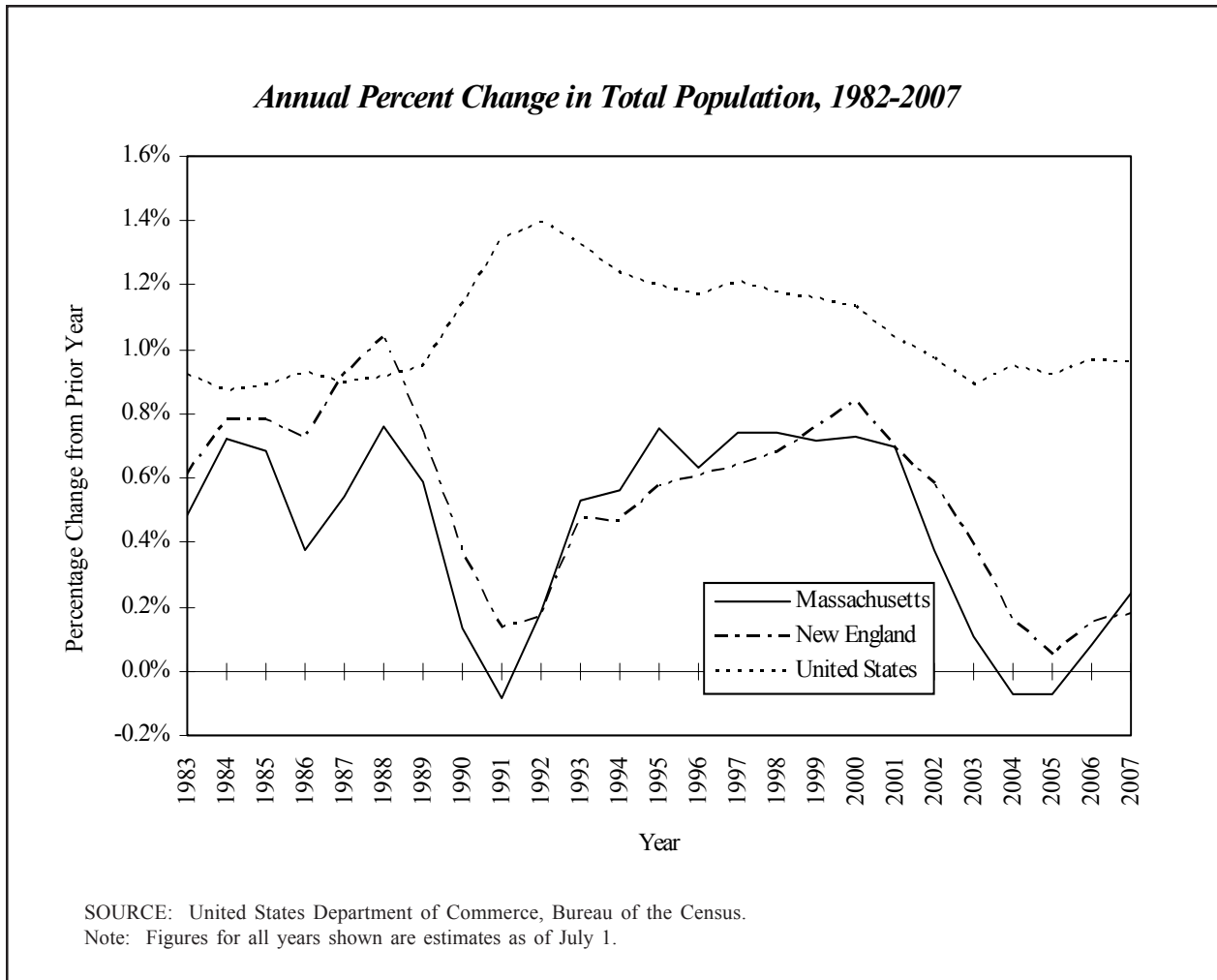
Massachusetts is a relatively slow growing but densely populated state with a comparatively large percentage of its residents living in metropolitan areas. The population density of Massachusetts was estimated as of July 1, 2007 to be 822.7 persons per square mile, as compared to 85.3 for the United States as a whole. Among the 50 states, only Rhode Island and New Jersey have a greater population density. Massachusetts also ranked just behind the same two states in percentage of residents living in metropolitan areas according to the metropolitan definitions released in 2003 which are based on whole counties. According to this definition, the entire state is considered metropolitan except for the two island counties (99.6 percent of state residents lived outside of these counties in 2007) while Rhode Island, New Jersey and D.C. are wholly metropolitan.

The State's population is concentrated in its eastern portion. The city of Boston is the largest city in New England, with a 2007 population estimated at 599,351, or 9.3 percent of the state's population. Boston is the hub of the seven-county Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA), which includes the two southeastern New Hampshire counties, and which had a total population in 2007 estimated at 4,482,857 or 31.4 percent of the total New England population. The three-county Boston-Quincy, MA Metropolitan Division is the largest component of that MSA, with a total population in 2007 estimated at 1,858,216.

The second largest MSA in the state is the Worcester, MA MSA, with a 2007 population estimated at 781,352. The city of Worcester, situated approximately 40 miles west of Boston with a 2007 population estimated at 173,966, is the second largest city in New England as well as the second largest in the state. As a major medical and education center, the Worcester area is home to 18 patient care facilities, including the University of Massachusetts Medical School, and thirteen other colleges and universities.

The third largest MSA in Massachusetts is the three-county Springfield, MA MSA, with a 2007 population estimated at 682,657. Springfield, the third largest city in the Commonwealth with a 2007 population estimated at 149,938, is located in the Connecticut River Valley in Western Massachusetts and enjoys a diverse body of corporate employers, the largest of which are Baystate Health System, Big Y Supermarkets, MassMutual Financial Group, and Hasbro Games (Milton Bradley). In addition, Springfield is home to three independent colleges.

As the following chart and table indicate, the population in Massachusetts generally grows more slowly than the population of New England and much more slowly than the nation as a whole. According to the Census Bureau's latest revised estimates released in December, 2007, the Massachusetts population has grown by 1.6% since Census 2000, and only seven states have grown more slowly. Most of that growth occurred between 2000 and 2003; since then only 11,000 people have been added to the state's population according to these estimates.



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

**Population, 1972-2007**  
(in thousands)

Year	Massachusetts		New England		United States	
	Total	Percent Change	Total	Percent Change	Total	Percent Change
1972	5,760	0.4%	12,082	0.7%	209,284	1.2%
1973	5,781	0.4%	12,140	0.5%	211,357	1.0%
1974	5,774	-0.1%	12,146	0.0%	213,342	0.9%
1975	5,758	-0.3%	12,163	0.1%	215,465	1.0%
1976	5,744	-0.2%	12,192	0.2%	217,563	1.0%
1977	5,738	-0.1%	12,239	0.4%	219,760	1.0%
1978	5,736	0.0%	12,283	0.4%	222,095	1.1%
1979	5,738	0.0%	12,322	0.3%	224,567	1.1%
1980	5,737	0.0%	12,348	0.2%	226,546	0.9%
1981	5,769	0.6%	12,436	0.7%	229,466	1.3%
1982	5,771	0.0%	12,468	0.3%	231,664	1.0%
1983	5,799	0.5%	12,544	0.6%	233,792	0.9%
1984	5,841	0.7%	12,642	0.8%	235,825	0.9%
1985	5,881	0.7%	12,741	0.8%	237,924	0.9%
1986	5,903	0.4%	12,833	0.7%	240,133	0.9%
1987	5,935	0.5%	12,951	0.9%	242,289	0.9%
1988	5,980	0.8%	13,085	1.0%	244,499	0.9%
1989	6,015	0.6%	13,182	0.7%	246,819	0.9%
1990	6,023	0.1%	13,230	0.4%	249,623	1.1%
1991	6,018	-0.1%	13,248	0.1%	252,981	1.3%
1992	6,029	0.2%	13,271	0.2%	256,514	1.4%
1993	6,061	0.5%	13,334	0.5%	259,919	1.3%
1994	6,095	0.6%	13,396	0.5%	263,126	1.2%
1995	6,141	0.8%	13,473	0.6%	266,278	1.2%
1996	6,180	0.6%	13,555	0.6%	269,394	1.2%
1997	6,226	0.7%	13,642	0.6%	272,647	1.2%
1998	6,272	0.7%	13,734	0.7%	275,854	1.2%
1999	6,317	0.7%	13,838	0.8%	279,040	1.2%
2000	6,363	0.7%	13,954	0.8%	282,194	1.1%
2001	6,408	0.7%	14,050	0.7%	285,112	1.0%
2002	6,432	0.4%	14,132	0.6%	287,888	1.0%
2003	6,439	0.1%	14,187	0.4%	290,448	0.9%
2004	6,434	-0.1%	14,210	0.2%	293,192	0.9%
2005	6,429	-0.1%	14,217	0.0%	295,896	0.9%
2006	6,434	0.1%	14,239	0.2%	298,755	1.0%
2007	6,450	0.2%	14,264	0.2%	301,621	1.0%

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

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

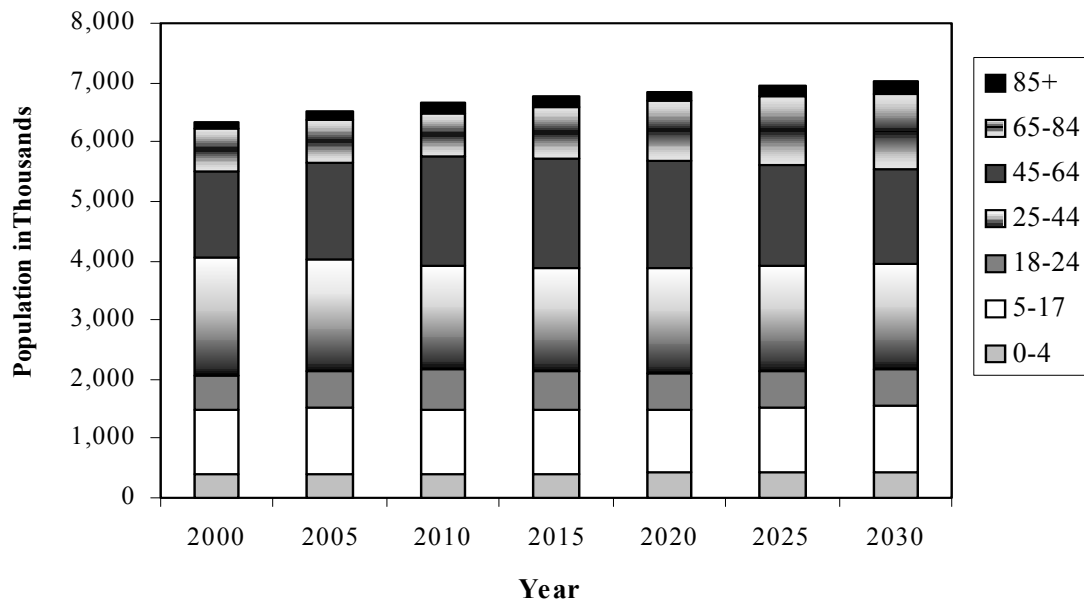
### *Projected Massachusetts Population by Age Group, 2000-2030*

(in thousands)

<i>Year</i>	<i>0-4</i>	<i>5-17</i>	<i>18-24</i>	<i>25-44</i>	<i>45-64</i>	<i>65-84</i>	<i>85+</i>	<i>All Ages</i>	<i>Median Age</i>
<b>2000</b>	397.3	1,102.8	579.3	1,989.8	1,419.8	743.5	116.7	6,349.1	36.5
<b>2005</b>	406.3	1,119.2	611.8	1,874.6	1,649.0	720.7	137.4	6,518.9	37.8
<b>2010</b>	400.7	1,083.1	670.2	1,769.7	1,817.1	750.6	158.0	6,649.4	38.8
<b>2015</b>	409.7	1,064.2	666.0	1,746.1	1,857.1	856.5	168.9	6,758.6	39.2
<b>2020</b>	422.3	1,070.9	617.5	1,775.8	1,809.3	987.8	172.0	6,855.5	39.5
<b>2025</b>	431.0	1,087.7	616.2	1,782.5	1,703.3	1,137.8	180.1	6,938.6	39.7
<b>2030</b>	430.6	1,115.0	610.7	1,783.9	1,608.7	1,251.2	211.9	7,012.0	40.2

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

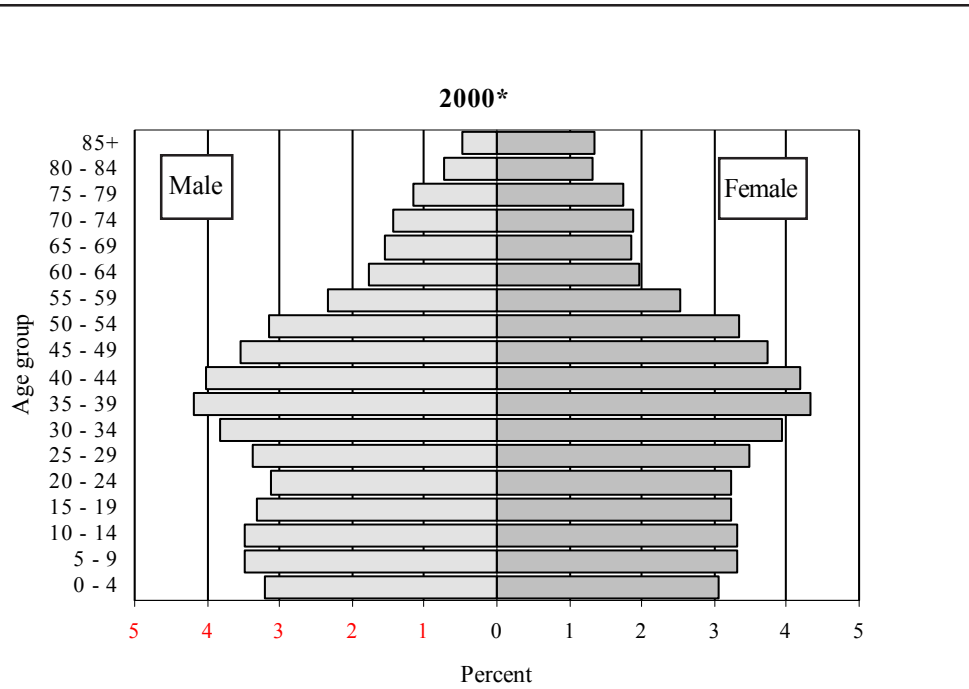
### *Projected Massachusetts Population by Age Group 2000-2030*



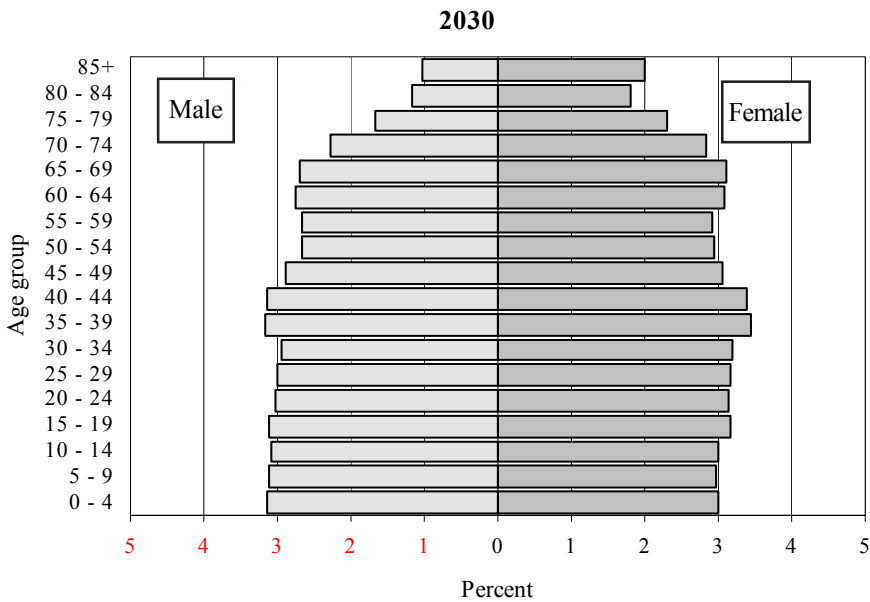
Actual Census 2000 counts as of April 1; all other figures are projections as of July 1 of the indicated year. Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce. More recent estimates of the 2005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

## Population Pyramids of Massachusetts

(percent of total population)



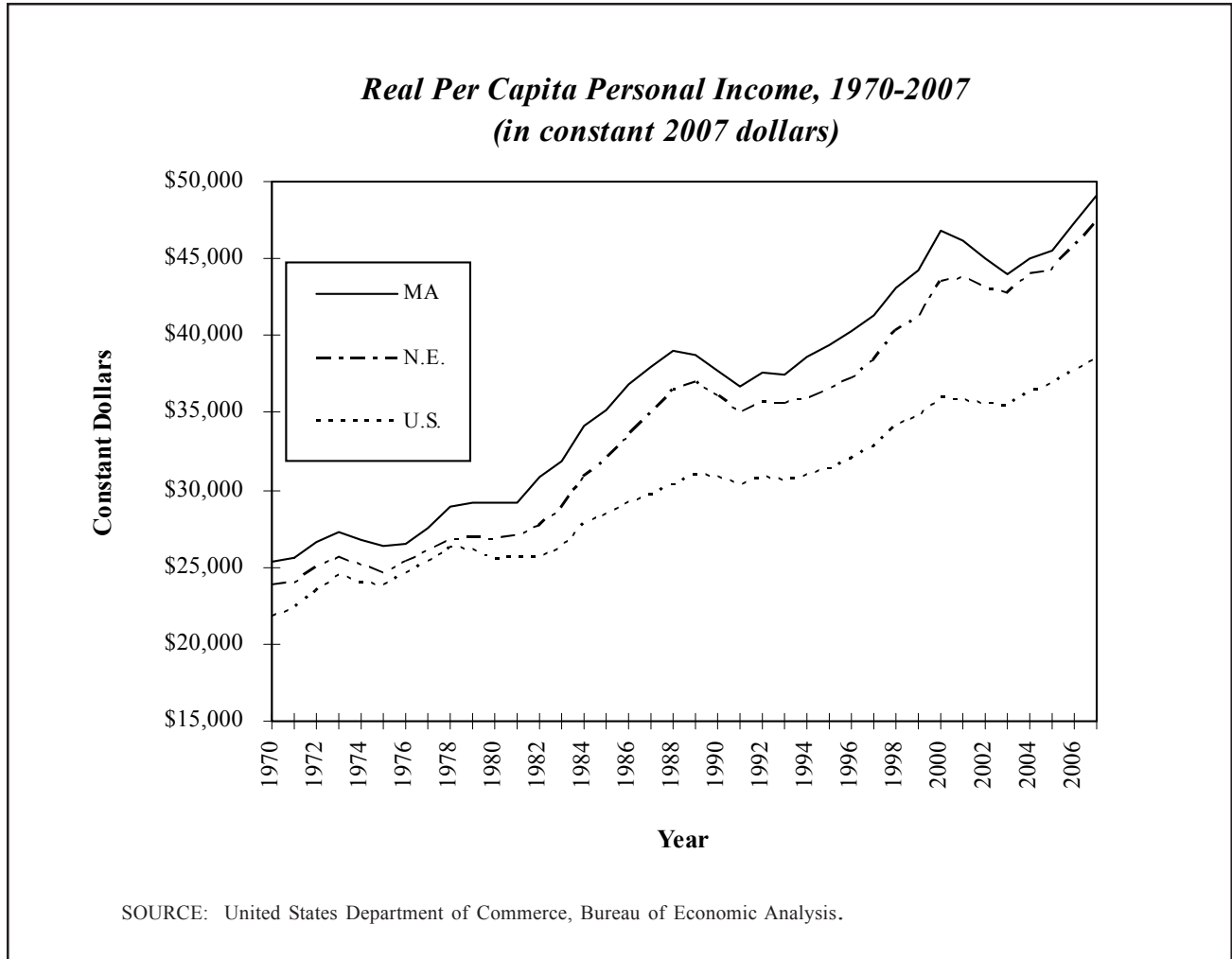
\*Note: Actual Census 2000 counts as of April 1.



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

## PERSONAL INCOME, CONSUMER PRICES, AND POVERTY

**Personal Income.** Real per capita income levels in Massachusetts increased faster than the national average between 1994 and 1997. In 2000 Massachusetts had its highest per capita income growth in 16 years, exceeding the national growth rate by 2.4 percentage points. From 2001 to 2003 real income in both Massachusetts and the United States declined, with a steeper decline in Massachusetts. However, real income levels in Massachusetts remained well above the national average. In 2005, 2006, and 2007, income in the state grew faster than in the nation. For the last fifteen years only the District of Columbia, Connecticut and New Jersey have had higher levels of per capita personal income. The following graph illustrates these changes in real per capita personal income in Massachusetts, New England, and the United States since 1970.



The following table compares per capita personal income in Massachusetts, New England, and the United States for the period 1970-2007.

*Per Capita Personal Income, 1970-2007*

Year	Nominal Income (in current dollars)			Real Income (in 2007 dollars)			Percent Change in Real Income		
	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.
1970	4,483	4,445	4,085	25,360	23,753	21,830	5.4%	6.7%	6.9%
1971	4,752	4,680	4,342	25,608	23,960	22,229	1.0%	0.9%	1.8%
1972	5,109	5,029	4,717	26,587	24,946	23,398	3.8%	4.1%	5.3%
1973	5,547	5,481	5,231	27,245	25,596	24,428	2.5%	2.6%	4.4%
1974	6,016	5,958	5,707	26,721	25,058	24,002	-1.9%	-2.1%	-1.7%
1975	6,459	6,381	6,172	26,323	24,592	23,787	-1.5%	-1.9%	-0.9%
1976	6,998	6,959	6,754	26,523	25,358	24,611	0.8%	3.1%	3.5%
1977	7,620	7,593	7,405	27,462	25,979	25,336	3.5%	2.4%	2.9%
1978	8,430	8,413	8,245	28,871	26,754	26,220	5.1%	3.0%	3.5%
1979	9,385	9,392	9,146	29,156	26,823	26,121	1.0%	0.3%	-0.4%
1980	10,602	10,629	10,114	29,189	26,746	25,450	0.1%	-0.3%	-2.6%
1981	11,798	11,846	11,246	29,226	27,021	25,652	0.1%	1.0%	0.8%
1982	12,941	12,871	11,935	30,816	27,655	25,644	5.4%	2.3%	0.0%
1983	14,009	13,829	12,618	31,922	28,788	26,267	3.6%	4.1%	2.4%
1984	15,723	15,422	13,891	34,150	30,776	27,721	7.0%	6.9%	5.5%
1985	16,910	16,546	14,758	35,151	31,884	28,438	2.9%	3.6%	2.6%
1986	18,148	17,722	15,442	36,783	33,527	29,213	4.6%	5.2%	2.7%
1987	19,575	19,119	16,240	38,015	34,896	29,641	3.3%	4.1%	1.5%
1988	21,341	20,811	17,331	39,075	36,475	30,376	2.8%	4.5%	2.5%
1989	22,342	22,083	18,520	38,696	36,925	30,968	-1.0%	1.2%	1.9%
1990	23,043	22,712	19,477	37,726	36,030	30,898	-2.5%	-2.4%	-0.2%
1991	23,432	22,969	19,892	36,749	34,967	30,282	-2.6%	-3.0%	-2.0%
1992	24,538	24,172	20,854	37,552	35,723	30,819	2.2%	2.2%	1.8%
1993	25,176	24,752	21,346	37,444	35,516	30,629	-0.3%	-0.6%	-0.6%
1994	26,303	25,687	22,172	38,615	35,938	31,020	3.1%	1.2%	1.3%
1995	27,457	26,832	23,076	39,369	36,505	31,395	2.0%	1.6%	1.2%
1996	28,933	28,194	24,175	40,292	37,258	31,947	2.3%	2.1%	1.8%
1997	30,498	29,687	25,334	41,307	38,351	32,728	2.5%	2.9%	2.4%
1998	32,524	31,677	26,883	43,077	40,294	34,196	4.3%	5.1%	4.5%
1999	34,227	33,126	27,939	44,225	41,227	34,771	2.7%	2.3%	1.7%
2000	37,750	36,117	29,845	46,758	43,488	35,936	5.7%	5.5%	3.3%
2001	38,875	37,323	30,574	46,165	43,696	35,795	-1.3%	0.5%	-0.4%
2002	38,862	37,364	30,821	44,975	43,064	35,522	-2.6%	-1.4%	-0.8%
2003	39,449	37,950	31,504	43,997	42,764	35,501	-2.2%	-0.7%	-0.1%
2004	41,444	40,058	33,123	44,987	43,969	36,357	2.2%	2.8%	2.4%
2005	43,355	41,711	34,650	45,561	44,283	36,786	1.3%	0.7%	1.2%
2006	46,363	44,558	36,744	47,258	45,827	37,791	3.7%	3.5%	2.7%
2007	49,142	47,256	38,564	49,142	47,256	38,564	4.0%	3.1%	2.0%

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

Notes: Using midyear population estimates from the Census Bureau and two CPI-U series from the U.S. Bureau of Labor Statistics for price inflation.



**Annual Pay in Nominal Dollars** has grown steadily in Massachusetts over the past decade. Average annual pay is computed by dividing the total annual payroll of employees covered by Unemployment Insurance programs by the average monthly number of employees. Data are reported by employers covered under the Unemployment Insurance programs. While levels of annual pay were nearly equal in Massachusetts and the United States in 1984, average annual pay levels in Massachusetts have grown more rapidly than the national average since that time. The level of annual pay in Massachusetts in 2007 (preliminary) was 24 percent higher than the national average: \$55,260 compared to \$44,450.

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

**Annual Wage and Salary Disbursements, 1990-2007**  
(in millions of dollars)

Year	U.S.	N.E.	MA	MA as a pct. of N.E.
1990	\$ 2,743,016	\$171,448	\$83,129	48.5%
1991	\$ 2,811,076	\$170,333	\$82,311	48.3%
1992	\$ 2,972,287	\$177,810	\$86,014	48.4%
1993	\$ 3,076,276	\$183,236	\$89,047	48.6%
1994	\$ 3,227,483	\$190,661	\$93,164	48.9%
1995	\$ 3,415,368	\$201,946	\$99,194	49.1%
1996	\$ 3,615,699	\$213,667	\$105,573	49.4%
1997	\$ 3,874,011	\$230,032	\$113,579	49.4%
1998	\$ 4,179,922	\$247,851	\$123,054	49.6%
1999	\$ 4,463,650	\$266,554	\$134,045	50.3%
2000	\$ 4,825,906	\$293,889	\$150,842	51.3%
2001	\$ 4,939,944	\$300,698	\$153,131	50.9%
2002	\$ 4,976,522	\$298,534	\$150,107	50.3%
2003	\$ 5,107,298	\$304,756	\$151,955	49.9%
2004	\$ 5,388,680	\$321,473	\$160,189	49.8%
2005	\$ 5,665,064	\$332,880	\$165,208	49.6%
2006	\$ 6,020,737	\$350,809	\$174,585	49.8%
2007	\$ 6,355,266	\$371,294	\$185,839	50.1%

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

**Consumer Prices.** Higher income levels in Massachusetts relative to the rest of the United States are offset to some extent by the higher cost of living in Massachusetts. The following table presents consumer price trends for the Boston metropolitan area and the United States for the period between 1970 and 2007. The table shows the annual average of the Consumer Price Index for All Urban Consumers (CPI-U) and the percentage change in that average from the previous year. In 2007, the CPI-U for Boston increased by 1.9 percent over the average for 2006, while the index for the United States as a whole increased by 2.8 percent. The latest available data for July 2008 show that the CPI-U for the Boston metropolitan area grew at a rate of 6.3 percent from July 2007, compared with 5.6 percent for the U.S.

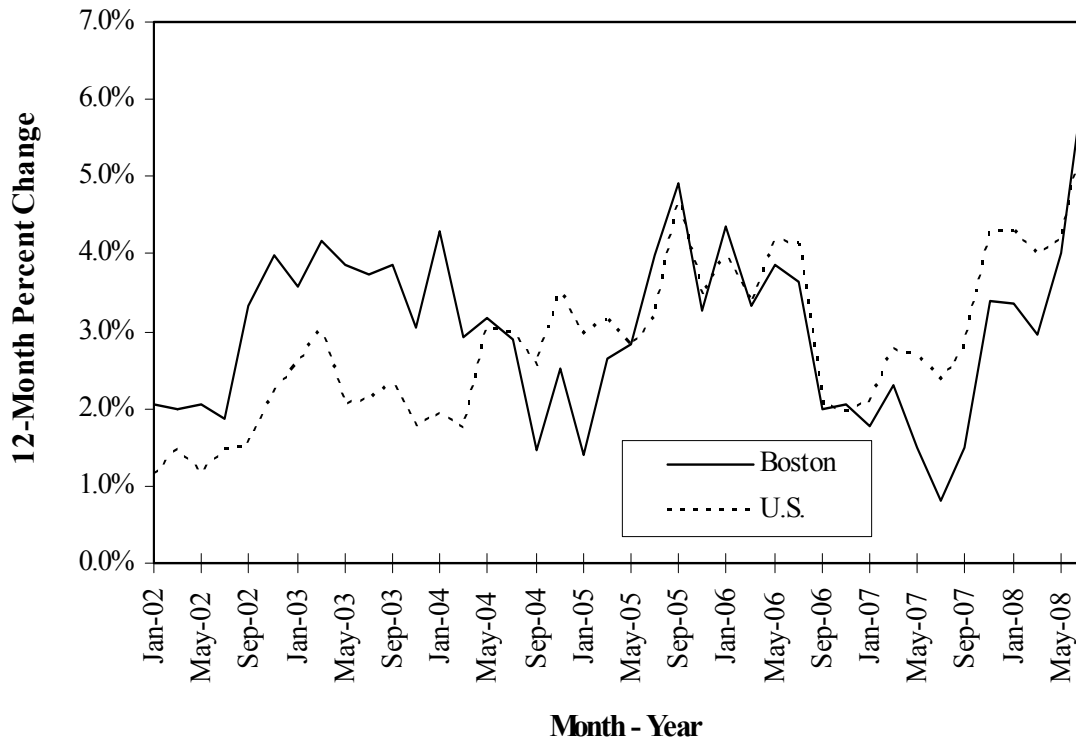
### **Consumer Price Index for All Urban Consumers (CPI-U), 1970-2007**

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

<i>Year</i>	<i>Boston Metro Area</i>		<i>United States</i>	
	<i>CPI-U</i>	<i>Pct. Change</i>	<i>CPI-U</i>	<i>Pct. Change</i>
<b>1970</b>	40.2		38.8	
<b>1971</b>	42.2	5.0%	40.5	4.4%
<b>1972</b>	43.7	3.6%	41.8	3.2%
<b>1973</b>	46.3	5.9%	44.4	6.2%
<b>1974</b>	51.2	10.6%	49.3	11.0%
<b>1975</b>	55.8	9.0%	53.8	9.1%
<b>1976</b>	60.0	7.5%	56.9	5.8%
<b>1977</b>	63.1	5.2%	60.6	6.5%
<b>1978</b>	66.4	5.2%	65.2	7.6%
<b>1979</b>	73.2	10.2%	72.6	11.3%
<b>1980</b>	82.6	12.8%	82.4	13.5%
<b>1981</b>	91.8	11.1%	90.9	10.3%
<b>1982</b>	95.5	4.0%	96.5	6.2%
<b>1983</b>	99.8	4.5%	99.6	3.2%
<b>1984</b>	104.7	4.9%	103.9	4.3%
<b>1985</b>	109.4	4.5%	107.6	3.6%
<b>1986</b>	112.2	2.6%	109.6	1.9%
<b>1987</b>	117.1	4.4%	113.6	3.6%
<b>1988</b>	124.2	6.1%	118.3	4.1%
<b>1989</b>	131.3	5.7%	124.0	4.8%
<b>1990</b>	138.9	5.8%	130.7	5.4%
<b>1991</b>	145.0	4.4%	136.2	4.2%
<b>1992</b>	148.6	2.5%	140.3	3.0%
<b>1993</b>	152.9	2.9%	144.5	3.0%
<b>1994</b>	154.9	1.3%	148.2	2.6%
<b>1995</b>	158.6	2.4%	152.4	2.8%
<b>1996</b>	163.3	3.0%	156.9	3.0%
<b>1997</b>	167.9	2.8%	160.5	2.3%
<b>1998</b>	171.7	2.3%	163.0	1.6%
<b>1999</b>	176.0	2.5%	166.6	2.2%
<b>2000</b>	183.6	4.3%	172.2	3.4%
<b>2001</b>	191.5	4.3%	177.1	2.8%
<b>2002</b>	196.5	2.6%	179.9	1.6%
<b>2003</b>	203.9	3.8%	184.0	2.3%
<b>2004</b>	209.5	2.7%	188.9	2.7%
<b>2005</b>	216.4	3.3%	195.3	3.4%
<b>2006</b>	223.1	3.1%	201.6	3.2%
<b>2007</b>	227.4	1.9%	207.3	2.8%
<b>Jul-07</b>	226.9		208.3	
<b>Jul-08</b>	241.3	6.3%	220.0	5.6%

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

***12-Month Percent Change in the Consumer Price Index  
for All Urban Consumers, not Seasonally Adjusted***



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

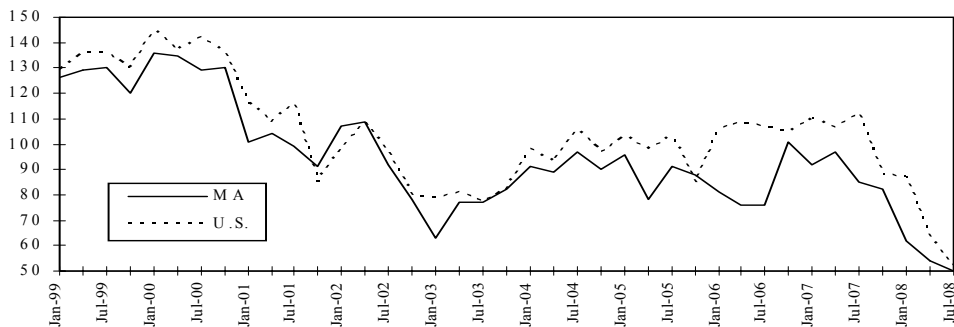
***Consumer Confidence, Present Situation, and Future Expectations.*** These three measures offer multiple insights into consumer attitudes. The U.S. measures are compiled from a national monthly survey of 5,000 households and are published by The Conference Board, Inc. The survey for Massachusetts is conducted in a similar manner and the results are published by the Mass Insight Corporation, based on quarterly polling of 500 adult residents of Massachusetts. The "Present Situation" index measures consumers' appraisal of business and employment conditions at the time of the survey. The "Future Expectations" index focuses on consumers' expectations for six months hence regarding business and employment conditions, as well as expected family income. The overall "Consumer Confidence" index is a weighted average of the two sub-indices. Although the U.S. measures are compiled by a different source than the Massachusetts measures, according to the Federal Reserve Bank of Boston the numbers are generally comparable. A score of 100 is considered neutral. According to the Conference Board, consumer confidence nationally reached a six year high point of 111.9 in July 2007, but it has declined 60 points to 51.9 by July, 2008. The Mass Insight Corporation reported that as of July, 2008 (the most recent survey month for the quarterly Massachusetts index) the Massachusetts index is at an all-time low at 50. The index trailed the national number for July only slightly by almost 2 points. The following table and chart detail the recent record of these measures.

**Consumer Confidence, Present Situation, and Future Expectations for Massachusetts and the U.S.  
January 2001 - July 2008 (1985=100)**

	Consumer Confidence		Present Situation		Future Expectations	
	MA	U.S.	MA	U.S.	MA	U.S.
Jan-01	101.0	115.7	139.0	170.4	76.0	79.3
Apr-01	104.0	109.9	124.0	156.0	91.0	79.1
Jul-01	99.0	116.3	108.0	151.3	93.0	92.9
Oct-01	91.0	85.3	94.0	107.2	90.0	70.7
Jan-02	97.8	107.0	98.1	72.0	97.6	130.0
Apr-02	109.0	108.5	84.0	106.8	125.0	109.6
Jul-02	92.0	97.4	68.0	99.4	108.0	96.1
Oct-02	78.0	79.6	48.0	77.2	97.0	81.1
Jan-03	63.0	78.8	75.3	28.0	81.1	86.0
Apr-03	77.0	81.0	31.0	75.2	108.0	84.8
Jul-03	77.0	77.0	41.0	63.0	101.0	86.3
Oct-03	82.0	81.7	36.0	67.0	112.0	91.5
Jan-04	91.0	97.7	48.0	86.1	119.0	105.3
Apr-04	89.0	93.0	53.0	90.4	113.0	94.8
Jul-04	97.0	105.7	66.0	106.4	119.0	105.3
Oct-04	90.0	92.9	64.0	94.0	108.0	92.2
Jan-05	96.0	105.1	70.0	112.1	114.0	100.4
Apr-05	78.0	97.5	63.0	113.8	88.0	86.7
Jul-05	91.0	103.6	80.0	119.3	99.0	93.2
Oct-05	88.0	85.2	80.0	107.8	95.0	70.1
Jan-06	81.0	106.8	71.0	128.8	87.0	92.1
Apr-06	76.0	109.8	77.0	136.2	76.0	92.3
Jul-06	76.0	107.0	68.0	134.2	81.0	88.9
Oct-06	101.0	105.1	86.0	125.1	111.0	91.9
Jan-07	92.0	110.2	74.0	133.9	104.0	94.4
Apr-07	97.0	106.3	89.0	133.5	102.0	88.2
Jul-07	85.0	111.9	80.0	138.3	90.0	94.4
Oct-07	82.0	87.8	76.0	115.7	86.0	69.1
Jan-08	62.0	87.3	49.0	114.3	71.0	69.3
Apr-08	54.0	62.8	35.0	81.9	67.0	50.0
Jul-08	50.0	51.9	24.0	65.8	68.0	42.7

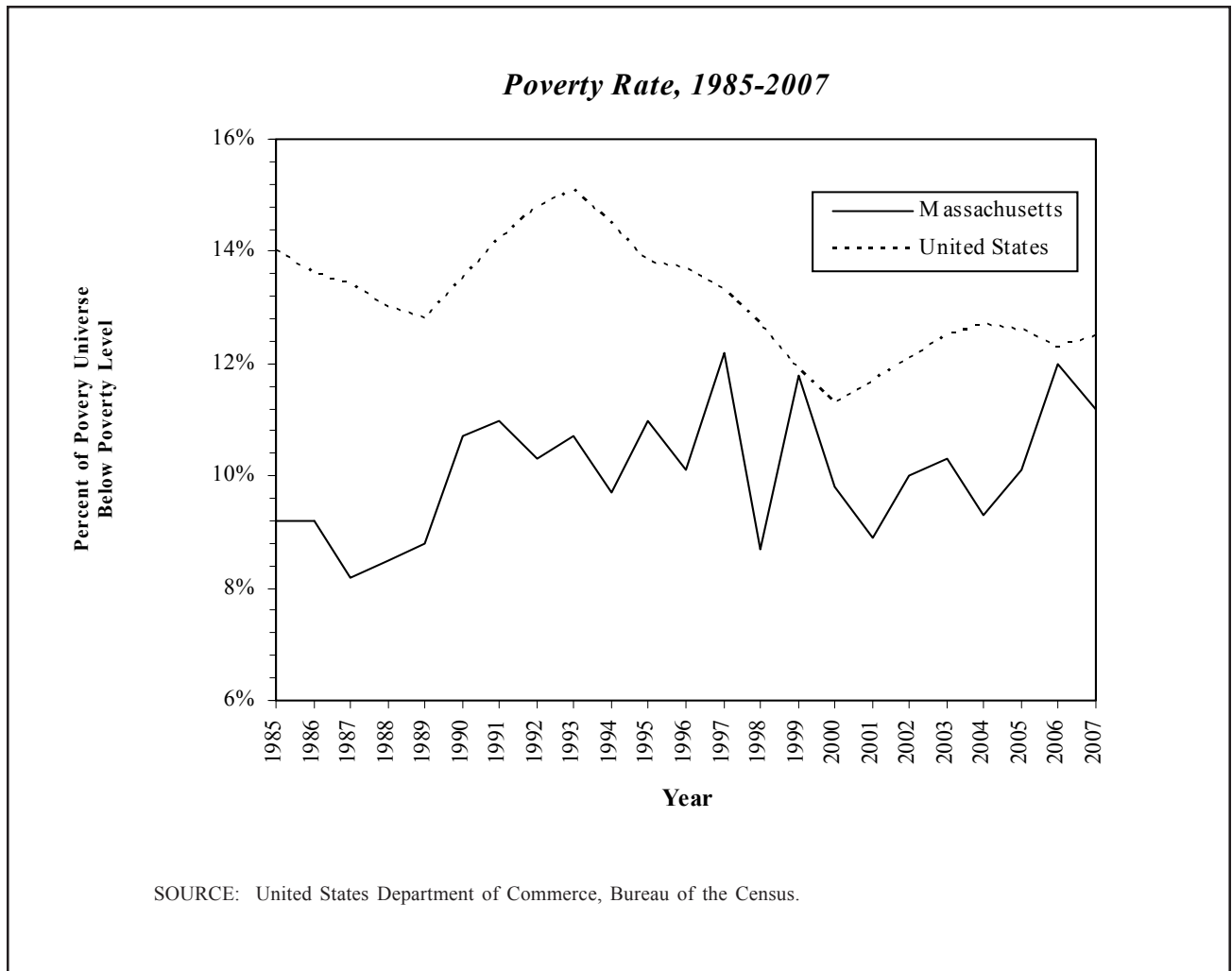
SOURCES: The Conference Board, Inc. (for U.S. measures, seasonally adjusted);  
Mass Insight Corporation (for MA measures, not seasonally adjusted).

**Consumer Confidence: Massachusetts  
and the U.S., January 1999 - July 2008**  
(Massachusetts index not seasonally adjusted; 1985 = 100)



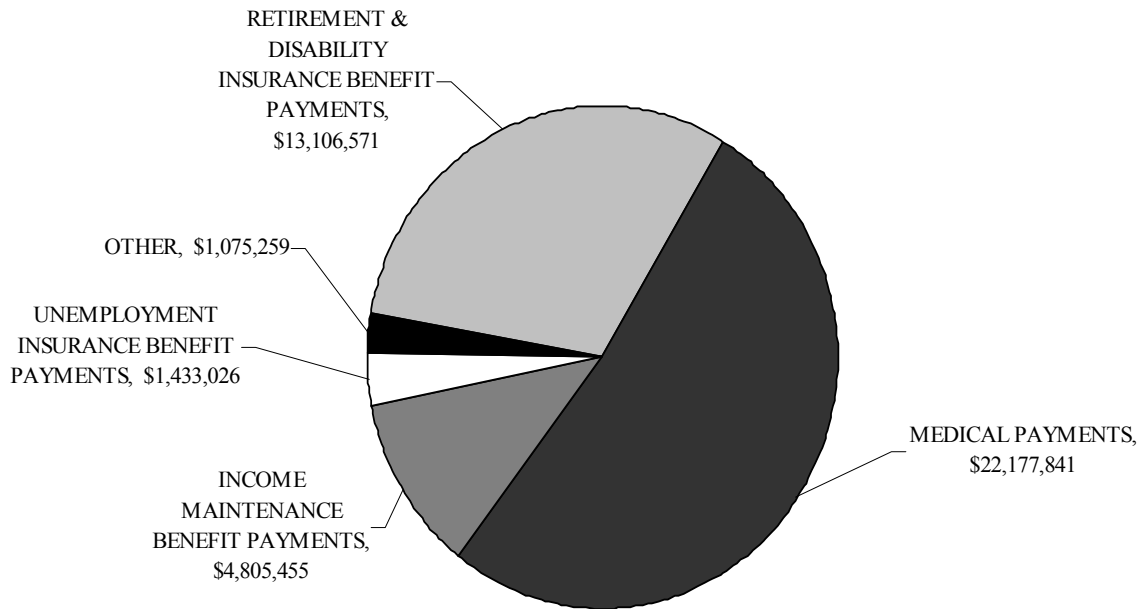
SOURCES: The Conference Board, Inc. (for U.S. index), Mass Insight Corporation (for MA index).

**Poverty.** The Massachusetts poverty rate remains well below the national average. Since 1980, the percentage of the Massachusetts poverty universe (persons) below the poverty line has varied between 7.7 percent and 12.2 percent. During the same time, the national poverty rate varied between 11.3 percent and 15.1 percent. The estimated poverty rate in Massachusetts decreased from 12.0 percent in 2006 to 11.2 percent in 2007, while the poverty rate in the United States increased from 12.3 percent in 2006 to 12.5 percent in 2007. These official poverty estimates are based on a sample of households and are not adjusted for regional differences in the cost of living. The following chart illustrates the lower poverty rates in Massachusetts (1985 - 2007) compared with the national average during similar periods. Poverty estimates for states are not as reliable as national estimates. Not everyone has a poverty status determined: the poverty universe excludes foster children, college students in dormitories, military personnel in barracks, nursing home residents, and other groups of people in institutionalized settings.



**Transfer Payments.** Transfer payment income is payment to individuals from all levels of government and from businesses, for which no current services are performed, including payments to nonprofit institutions serving individuals. These payments accounted for 13.9 percent of total personal income in Massachusetts in 2007. The chart below does not include transfer payments from business or payments to non-profit organizations. Total transfer payments to individuals in Massachusetts from governments & businesses totaled 42.6 billion dollars for 2007. Fifty-two percent of government transfer payments to individuals were medical payments.

***Transfer Payments from Governments to Individuals in  
Massachusetts in 2007  
(From Annual State Personal Income Estimates)  
(in thousands of current dollars)***



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

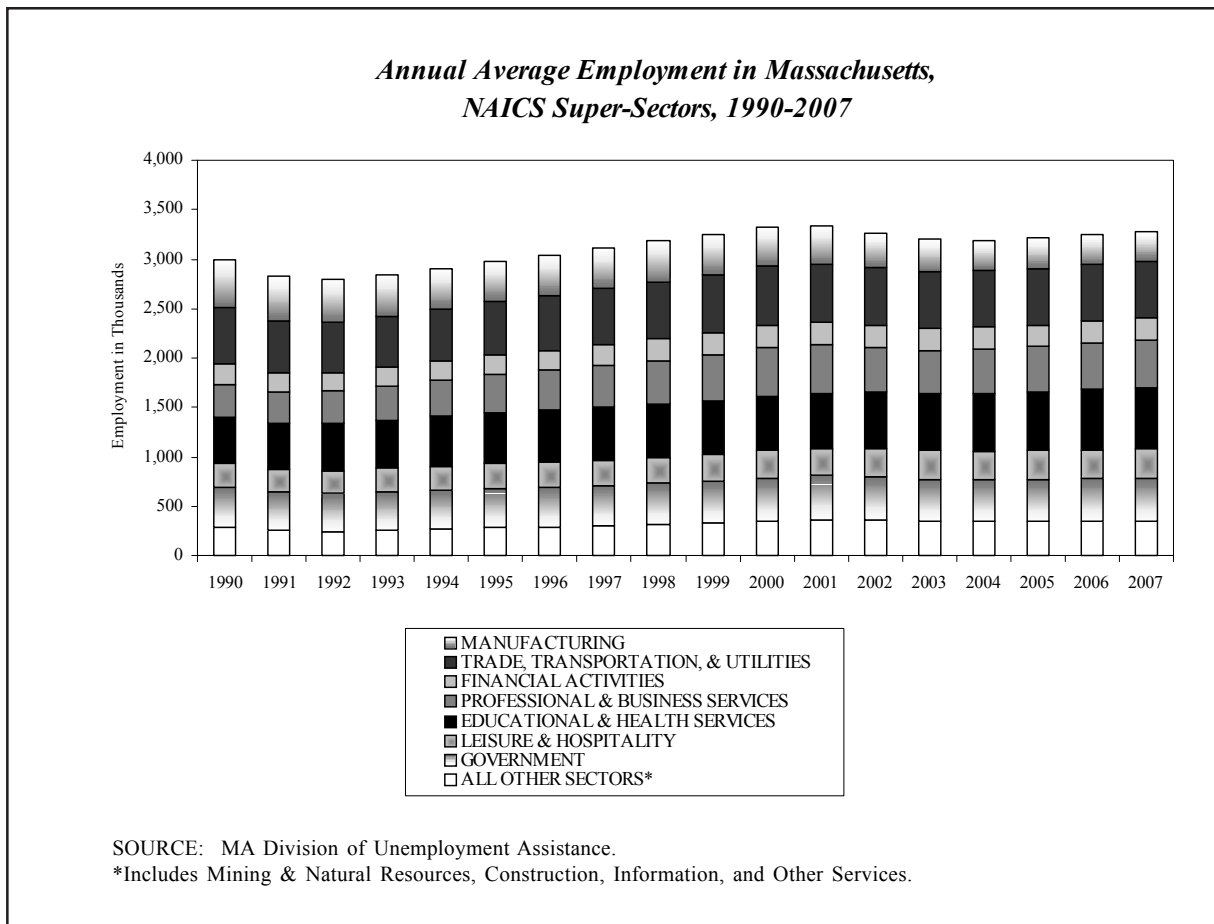
NOTE: The category "other" includes veterans' benefit payments, federal education and training assistance payments, and a small residual of miscellaneous other payments to individuals.

## EMPLOYMENT

**Employment by Industry** The chart on this page shows the annual level of non-agricultural payroll employment in Massachusetts on the North American Industry Classification System (NAICS) basis for the seven largest NAICS supersectors starting with 1990, the earliest year for which NAICS data are available. The chart on the following page compares the super-sector shares for the 2006-2007 period with the corresponding shares for the 1990-1991 period. Like many industrial states, Massachusetts has seen a steady decline of its manufacturing jobs base over the last two decades, not only as a share of total employment, but in absolute numbers of jobs as well. Several NAICS service sectors and the Financial Activities sector have grown to take the place of manufacturing in driving the Massachusetts economy and now account for more than half of total payroll employment, while Government, Information, Trade, Transportation & Utilities have remained level or declined in share.

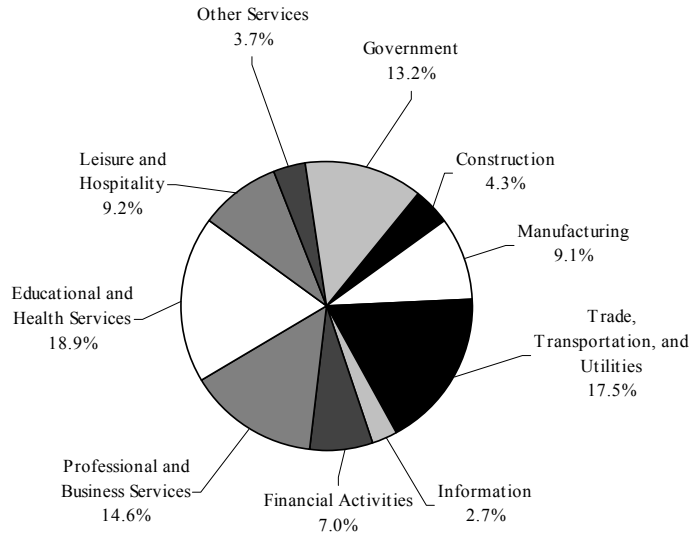
After significant declines in 2002 and 2003, total non-agricultural employment in Massachusetts declined only 0.1 percent in 2004 and increased 0.5 percent in 2005 and 1.1 percent in 2006. In 2007 employment grew another 1.0 percent, but the state still had 62 thousand (1.9%) fewer jobs than in the peak year of 2001. The comparable growth rate for the nation in 2007 was 1.1 percent. The latest seasonally adjusted estimate for non-agricultural Massachusetts employment (3294.2 thousand for August, 2008) is about 45 thousand below the 2001 annual average and 90 thousand below the peak month (3384.0 thousand in February, 2001.)

In 2004, manufacturing employment declined 3.5 percent from the year before; a smaller decline than the steep annual declines in the previous three years. The declines for 2005 and 2006 were 2.4 percent and 1.8 percent respectively, which are better than the long-term average rate of decline since 1990 (3.0 percent per year). The average for 2007 was only 1.5 percent below the comparable 2006 level, the best year for manufacturing in Massachusetts since 2000. The seasonally adjusted estimates for the first eight months of 2008 average 0.5 percent below the comparable estimates for early 2007.

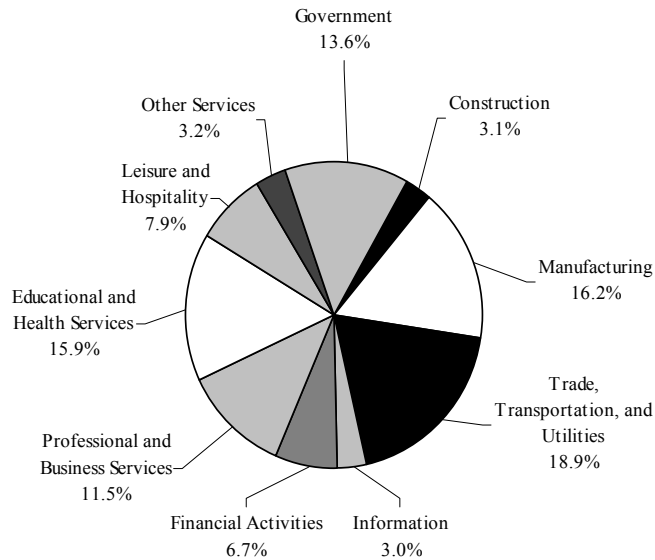


**Massachusetts Non-Farm Payroll Employment  
(NAICS Industry basis)**

**NAICS Super-Sectors: 2006-2007 Average Share**



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



SOURCE: MA Division of Unemployment Assistance.



**Largest Employers in Massachusetts.** The following table lists the twenty-five largest private employers in Massachusetts based upon employment covered by the Unemployment Insurance system for June, 2007. The CVS Pharmacy and the Target Corporation replace Big Y Foods and the Federated Retail department store chain from the June, 2006 list. As noted, the list may not include some employers who do business in the state under multiple legal names or register each facility as a separate employer.

***Twenty-five Largest Private Employers in Massachusetts in June, 2007***  
*(listed alphabetically)*

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

SOURCE: Massachusetts Executive Office of Labor & Workforce Development, Division of Unemployment Assistance, Research Department.

NOTE: This alphabetic listing includes private employers reporting large numbers of jobs covered by the Massachusetts unemployment insurance program. The information is based on June 2007 employment for employers as registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

**Unemployment.** The economic recession of the early 1990s caused unemployment rates in Massachusetts to rise significantly above the national average, as much as 2.1 points above in 1991. Then from 1995 through 2005 the unemployment rate in Massachusetts was consistently below the national average. In 2006 the annual rate for the state was 0.2 percentage points above the national rate, while the rate for 2007 was 0.1 points below the national rate of 4.6 percent. The table on the following page compares the annual civilian labor force, the number unemployed, and the unemployment rates of Massachusetts, New England, and the United States from 1969 to 2007.

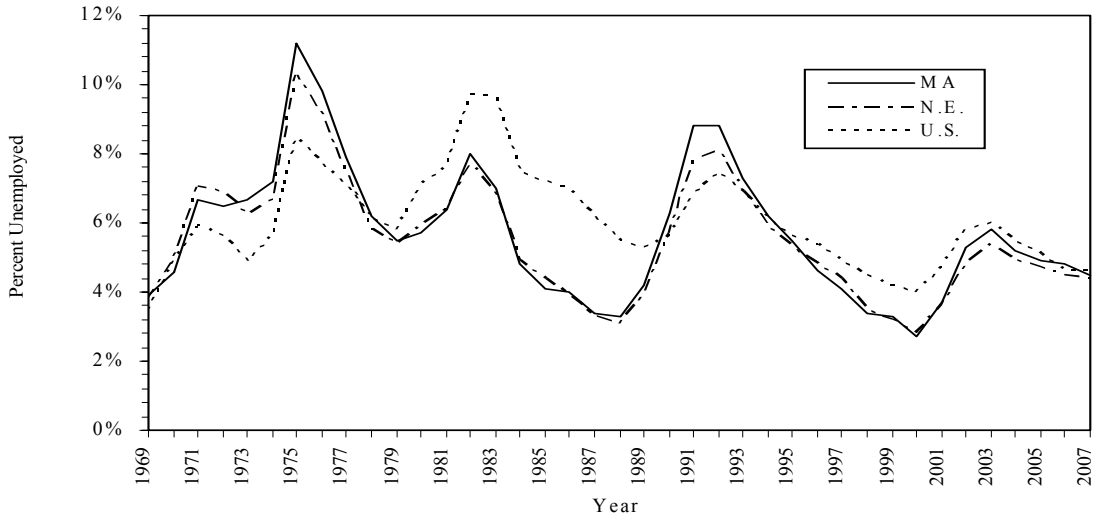
## Annual Average Civilian Labor Force and Unemployment, 1969-2007

(in thousands)

Year	Civilian Labor Force			Unemployed			Unemployment Rate			MA Rate as
	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.	Pct. of U.S.
1969	2,581	5,201	80,734	100	198	2,832	3.9%	3.8%	3.5%	111.2%
1970	2,465	5,128	82,771	113	253	4,093	4.6%	4.9%	4.9%	93.7%
1971	2,459	5,157	84,382	163	364	5,016	6.6%	7.1%	5.9%	112.7%
1972	2,487	5,260	87,034	161	363	4,882	6.5%	6.9%	5.6%	115.6%
1973	2,557	5,387	89,429	171	336	4,365	6.7%	6.2%	4.9%	136.1%
1974	2,637	5,514	91,949	190	368	5,156	7.2%	6.7%	5.6%	128.5%
1975	2,725	5,633	93,775	305	578	7,929	11.2%	10.3%	8.5%	131.5%
1976	2,726	5,714	96,158	268	521	7,406	9.8%	9.1%	7.7%	127.3%
1977	2,760	5,820	99,009	218	437	6,991	7.9%	7.5%	7.1%	111.3%
1978	2,809	5,936	102,251	173	343	6,202	6.2%	5.8%	6.1%	101.6%
1979	2,863	6,080	104,962	156	326	6,137	5.5%	5.4%	5.8%	94.8%
1980	2,886	6,154	106,940	164	365	7,637	5.7%	5.9%	7.1%	80.3%
1981	2,938	6,268	108,670	189	400	8,273	6.4%	6.4%	7.6%	84.2%
1982	2,966	6,345	110,204	236	489	10,678	8.0%	7.7%	9.7%	82.5%
1983	2,972	6,386	111,550	209	434	10,717	7.0%	6.8%	9.6%	72.9%
1984	3,032	6,540	113,544	146	318	8,539	4.8%	4.9%	7.5%	64.0%
1985	3,049	6,630	115,461	125	290	8,312	4.1%	4.4%	7.2%	56.9%
1986	3,080	6,724	117,834	123	264	8,237	4.0%	3.9%	7.0%	57.1%
1987	3,114	6,827	119,865	105	228	7,425	3.4%	3.3%	6.2%	54.8%
1988	3,156	6,907	121,669	104	215	6,701	3.3%	3.1%	5.5%	60.0%
1989	3,189	7,004	123,869	132	274	6,528	4.2%	3.9%	5.3%	79.2%
1990	3,226	7,128	125,840	204	409	7,047	6.3%	5.7%	5.6%	112.5%
1991	3,199	7,112	126,346	283	558	8,628	8.8%	7.8%	6.8%	129.4%
1992	3,181	7,105	128,105	281	573	9,613	8.8%	8.1%	7.5%	117.3%
1993	3,173	7,062	129,200	232	486	8,940	7.3%	6.9%	6.9%	105.8%
1994	3,188	7,041	131,056	199	415	7,996	6.2%	5.9%	6.1%	101.6%
1995	3,205	7,053	132,304	176	375	7,404	5.5%	5.3%	5.6%	98.2%
1996	3,231	7,118	133,943	148	340	7,236	4.6%	4.8%	5.4%	85.2%
1997	3,293	7,228	136,297	135	315	6,739	4.1%	4.4%	4.9%	83.7%
1998	3,322	7,257	137,673	113	253	6,210	3.4%	3.5%	4.5%	75.6%
1999	3,355	7,327	139,368	110	234	5,880	3.3%	3.2%	4.2%	78.6%
2000	3,366	7,348	142,583	92	204	5,692	2.7%	2.8%	4.0%	67.5%
2001	3,401	7,424	143,734	126	266	6,801	3.7%	3.6%	4.7%	78.7%
2002	3,424	7,496	144,863	181	363	8,378	5.3%	4.8%	5.8%	91.4%
2003	3,407	7,508	146,510	198	407	8,774	5.8%	5.4%	6.0%	96.7%
2004	3,380	7,481	147,401	177	366	8,149	5.2%	4.9%	5.5%	94.5%
2005	3,375	7,520	149,320	164	353	7,591	4.9%	4.7%	5.1%	96.1%
2006	3,405	7,607	151,428	164	345	7,001	4.8%	4.5%	4.6%	104.3%
2007	3,408	7,648	153,124	153	340	7,078	4.5%	4.4%	4.6%	97.8%

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

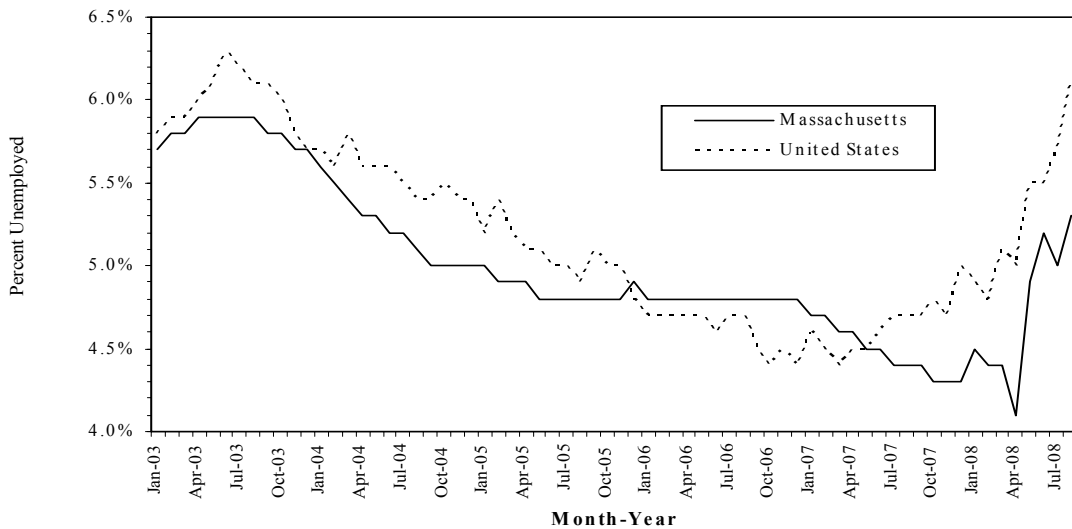
**Annual Average Unemployment Rate, 1969-2007,  
Massachusetts, New England, and United States**



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

The unemployment rate in Massachusetts was consistently below the national average from mid-1995 through November, 2005, with similar patterns of gradual improvement after the mid-2003 peak. The Massachusetts rate exceeded the U.S. rate for seventeen months starting in December, 2005, but only four of those differences exceeded 0.2%. Since April, 2007 the state rate has been below the comparable U.S. rate, seasonally adjusted. In April 2008, the Massachusetts rate was 4.1 percent, the lowest it had been since September 2001. By August 2008, the Massachusetts rate had increased to 5.3 percent, the highest it had been since May 2004. The following graph illustrates the movement of the state and national unemployment rates over the past sixty-eight months.

**Monthly Unemployment Rate, January 2003 - August 2008  
Massachusetts and United States  
(seasonally adjusted)**



SOURCE: MA Division of Unemployment Assistance.

**Unemployment Insurance Trust Fund.** The unemployment insurance system is a federal-state cooperative program established by the Social Security Act and the Federal Unemployment Tax Act to provide for the payment of benefits to eligible individuals when they become unemployed through no fault of their own. Benefits are paid from the Commonwealth's Unemployment Insurance Trust Fund, financed through employer contributions. The assets and liabilities of the Commonwealth Unemployment Insurance Trust Fund are not assets and liabilities of the Commonwealth.

As of August 31, 2008, the Massachusetts Unemployment Trust Fund had a balance of \$1.489 billion, of which the private contributory account portion was \$1.372 billion. The Division of Unemployment Assistance's August 2008 Unemployment Insurance Trust Fund report indicates that private contributory account reserves are estimated to be \$1.686 billion at the end of 2012.

## ECONOMIC BASE AND PERFORMANCE

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

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

Between 2001 and 2007 gross domestic product in Massachusetts, New England and the sum of all states GDP grew approximately 46.2, 47.2 and 54.7 percent respectively in current dollars. Between 2001 and 2007 gross domestic product in Massachusetts, New England and the sum of all states GDP grew approximately 10.4, 11.6 and 16.6 percent respectively in chained 2000 dollars. The Massachusetts economy is the largest in New England, contributing 47.2 percent to New England's total GDP, and thirteenth largest in the U.S., contributing 2.6 percent to the nation's total GDP. Massachusetts had the fifth highest GDP per capita in 2007, \$47,351.

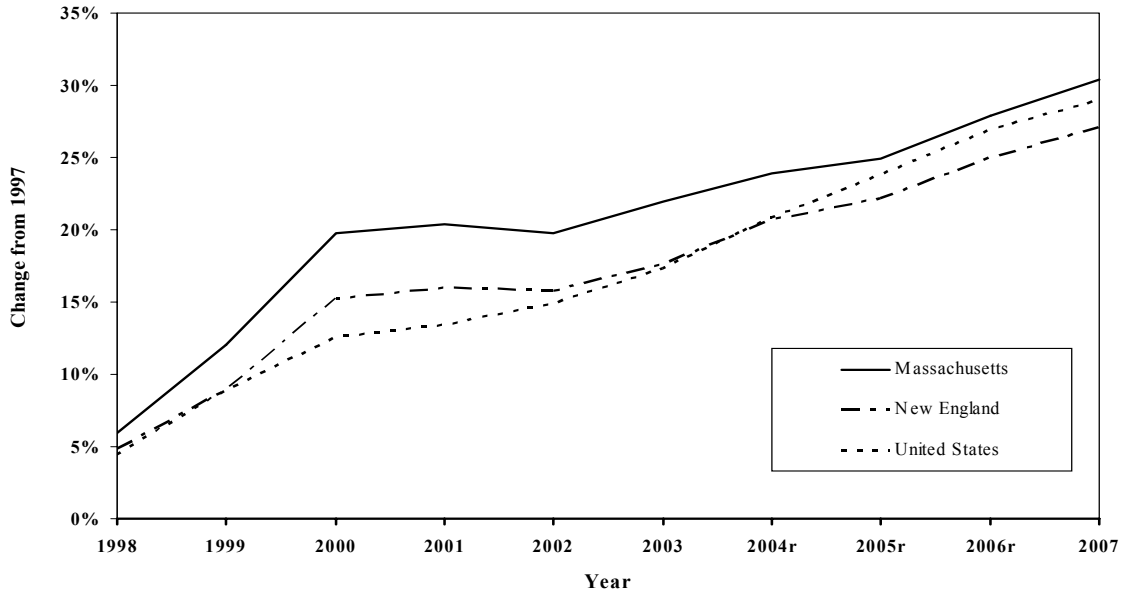
### Gross Domestic Product - Cumulative Change

(millions of chained 2000 dollars)

Year	Massachusetts		New England		United States	
	GDP	Change from 1997	GDP	Change from 1997	GDP	Change from 1997
1997	\$227,074		\$487,671		\$8,620,955	
1998	\$240,617	6.0%	\$511,374	4.9%	\$9,004,670	4.5%
1999	\$255,189	12.0%	\$531,902	8.9%	\$9,404,251	8.9%
2000	\$274,949	19.8%	\$565,835	15.3%	\$9,749,103	12.6%
2001	\$276,634	20.4%	\$570,313	16.0%	\$9,836,576	13.5%
2002	\$274,997	19.8%	\$568,750	15.8%	\$9,981,850	14.9%
2003	\$280,881	21.9%	\$579,651	17.7%	\$10,225,679	17.4%
2004r	\$286,541	23.9%	\$597,196	20.7%	\$10,580,223	20.8%
2005r	\$289,363	24.9%	\$606,068	22.2%	\$10,899,704	23.9%
2006r	\$298,036	27.9%	\$623,136	25.0%	\$11,240,107	27.0%
2007	\$305,400	30.4%	\$636,223	27.1%	\$11,467,503	29.0%

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2008.  
Next release date: June 2009.

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



SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2008.  
Next release date: June 2009.

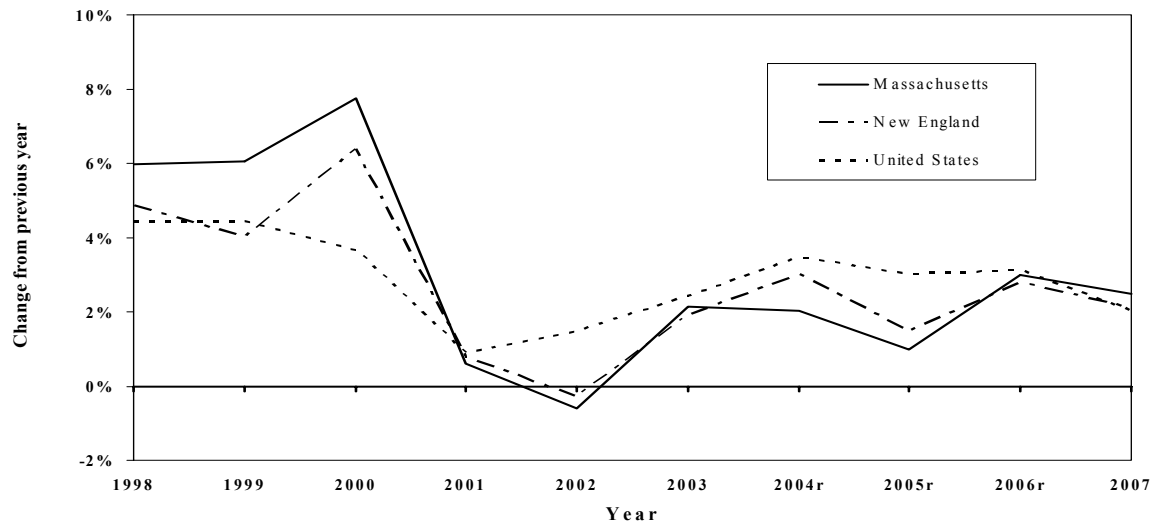
The table below indicates the Gross Domestic Product for Massachusetts, the New England states, and the United States. The United States figure is the sum of the fifty states.

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

Year	Massachusetts		New England		United States	
	GDP	Annual change	GDP	Annual change	GDP	Annual change
1997	\$227,074		\$487,671		\$8,620,955	
1998	\$240,617	6.0%	\$511,374	4.9%	\$9,004,670	4.5%
1999	\$255,189	6.1%	\$531,902	4.0%	\$9,404,251	4.4%
2000	\$274,949	7.7%	\$565,835	6.4%	\$9,749,103	3.7%
2001	\$276,634	0.6%	\$570,313	0.8%	\$9,836,576	0.9%
2002	\$274,997	-0.6%	\$568,750	-0.3%	\$9,981,850	1.5%
2003	\$280,881	2.1%	\$579,651	1.9%	\$10,225,679	2.4%
2004r	\$286,541	2.0%	\$597,196	3.0%	\$10,580,223	3.5%
2005r	\$289,363	1.0%	\$606,068	1.5%	\$10,899,704	3.0%
2006r	\$298,036	3.0%	\$623,136	2.8%	\$11,240,107	3.1%
2007	\$305,400	2.5%	\$636,223	2.1%	\$11,467,503	2.0%

SOURCE: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2008.  
Next release date: June 2009.

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



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis. Revised June 2008.  
Next release date: June 2009.

The commercial base of Massachusetts is anchored by the twenty-two 2008 Fortune 1000 companies (twelve of which are Fortune 500) headquartered in Massachusetts. Rejoining the Massachusetts 2008 Fortune 1000 list was PerkinElmer (943rd). Beacon Roofing Supply, a diversified wholesale company, joined the Fortune 1000 (994th). When comparing the 2008 Fortune 1000 to 2007's, eleven Massachusetts companies gained and nine lost rank. Thermo Fisher Scientific climbed 280 places on the list (from 549th to 269th); the largest leap for a Massachusetts company.

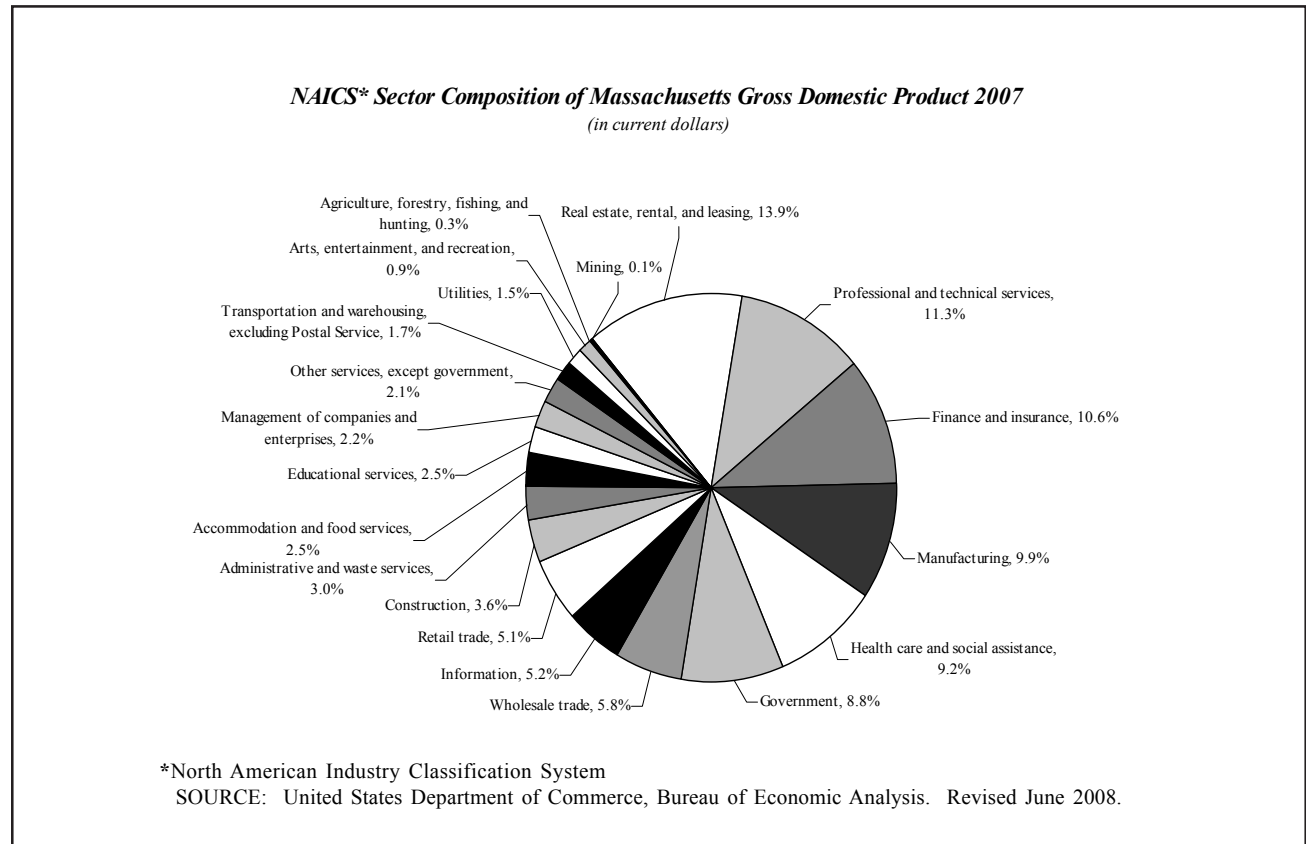
**Massachusetts Companies in the 2008 Fortune 500 and 1000 Lists**

Rank		Company	Industry	2007 revenues (millions)
2008	2007			
94	95	Liberty Mutual Ins. Group (Boston)	Insurance: P & C (stock)	\$25,961
99	90	Mass. Mutual Life Ins. (Springfield)	Insurance: Life, Health (mutual)	\$25,268
112	96	Raytheon (Waltham)	Aerospace and Defense	\$22,426
128	126	Staples (Framingham)	Specialty Retailers	\$19,373
132	133	TJX (Framingham)	Specialty Retailers	\$18,647
201	224	EMC (Hopkinton)	Computer Peripherals	\$13,230
225	263	State St. Corp. (Boston)	Commercial Banks	\$11,818
269	549	Thermo Fisher Scientific (Waltham)	Scientific, Photo, Control Equipment	\$9,746
291	287	BJ's Wholesale Club (Natick)	Specialty Retailers	\$9,005
310	308	Boston Scientific (Natick)	Medical Products & Equipment	\$8,357
364	491	Global Partners (Waltham)	Energy	\$6,758
499	648	Perini (Framingham)	Engineering, Construction	\$4,628
572	620	Genzyme (Cambridge)	Pharmaceuticals	\$3,814
631	569	NSTAR (Boston)	Utilities: Gas & Electric	\$3,262
648	698	Biogen Idec (Cambridge)	Pharmaceuticals	\$3,172
712	710	Hanover Insurance Group (Worcester)	Insurance: P & C (stock)	\$2,787
718	728	Analog Devices (Norwood)	Semiconductors and Other Electronic Components	\$2,740
722	780	Iron Mountain (Boston)	Diversified Outsourcing	\$2,730
751	732	Cabot (Boston)	Chemicals	\$2,616
902	873	Commerce Group (Webster)	Insurance: P & C (stock)	\$1,982
943	N.A.	PerkinElmer (Waltham)	Scientific, Photo, Control Equipment	\$1,787
994	N.A.	Beacon Roofing Supply (Peabody)	Wholesalers: Diversified	\$1,646

SOURCE: *Fortune*, May 5, 2008.

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

The Massachusetts economy remains diversified among several industrial and non-industrial sectors. The four largest sectors of the economy, real estate and rental and leasing, professional and technical services, finance and insurance, and manufacturing, contributed 45.6 percent of the GDP in 2007. The following pie chart displays the latest sector contributions to the Massachusetts GDP.



**GDP Subsectors.** When measured in chained 2000 dollars, the cumulative change in Massachusetts total GDP was 10.4 percent between 2001 and 2007. Between 2001 and 2006 (the latest data available for subsector data), several industries grew much faster than the state average. Industry subsectors that experienced substantial cumulative growth or reduction are listed in the following chart.

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

NAICS* Industry Subsector	Cumulative percent change 2001-2006
Funds, trusts, and other financial vehicles	158.1%
Motor vehicle, body, trailer, and parts manufacturing	88.2%
Pipeline transportation	76.9%
Information and data processing services	68.3%
Water transportation	-23.9%
Petroleum and coal products manufacturing	-24.1%
Electrical equipment and appliance manufacturing	-27.6%
Textile and textile product mills	-47.0%

\*North American Industry Classification System.  
SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2008.

**Gross Domestic Product by Industry in Massachusetts**  
(millions of chained 2000 dollars)

NAICS* Industry Sector	1999	2000	2001	2002	2003	2004r	2005r	2006r	2007
Total Gross Domestic Product by State	\$255,189	\$274,949	\$276,634	\$274,997	\$280,881	\$286,541	\$289,363	\$298,036	\$305,400
Private industries	231,945	251,645	253,140	251,272	257,997	263,890	266,547	275,233	283,005
Agriculture, forestry, fishing, and hunting	469	540	587	668	701	733	797	772	782
Mining	109	124	141	139	142	153	144	151	194
Utilities	3,218	3,453	3,162	3,137	3,486	3,782	3,706	3,625	3,914
Construction	10,995	11,159	11,850	11,412	10,544	10,301	10,323	9,301	8,085
Manufacturing	30,126	37,204	35,011	35,376	38,071	36,568	36,695	39,222	42,009
Wholesale trade	17,749	16,173	17,819	17,214	17,959	18,042	17,124	17,779	17,641
Retail trade	13,650	14,519	15,713	15,997	16,644	17,028	17,616	17,569	18,092
Transportation and warehousing, excluding Postal Service	4,766	5,172	5,063	4,915	4,835	5,138	5,184	5,337	5,500
Information	12,083	13,017	13,710	13,676	13,936	15,344	17,494	18,853	20,184
Finance and insurance	26,693	29,915	29,890	29,781	30,529	32,001	30,330	32,818	33,923
Real estate, rental, and leasing	34,129	35,587	37,683	37,379	37,952	38,341	38,872	39,663	39,973
Professional and technical services	24,648	28,560	28,572	27,397	27,486	30,480	31,728	33,572	35,107
Management of companies and enterprises	6,870	7,506	6,152	5,673	5,778	5,082	5,223	5,121	5,185
Administrative and waste services	8,252	8,382	7,400	7,042	7,459	7,440	7,793	7,998	8,532
Educational services	5,591	5,915	5,851	5,978	6,003	6,062	5,905	5,851	6,052
Health care and social assistance	19,496	20,363	20,484	21,179	22,241	22,764	23,349	24,418	25,427
Arts, entertainment, and recreation	1,906	1,911	2,023	2,152	2,244	2,337	2,344	2,348	2,502
Accommodation and food services	6,251	6,594	6,510	6,556	6,734	6,952	6,924	7,010	7,104
Other services, except government	5,307	5,549	5,477	5,570	5,596	5,532	5,424	5,370	5,522
Government	23,272	23,304	23,493	23,710	22,960	22,798	22,970	23,056	22,805

\* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2008.

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

NAICS* Industry Sector	1999 to	2000	2001	2002	2003	2004r	2005r	2006r	2007
Total Gross Domestic Product by State		7.7%	8.4%	7.8%	9.9%	11.9%	12.9%	15.9%	18.4%
Private industries		8.5%	9.1%	8.3%	11.0%	13.3%	14.3%	17.6%	20.4%
Agriculture, forestry, fishing, and hunting		15.1%	23.8%	37.6%	42.6%	47.1%	55.9%	52.7%	54.0%
Mining		13.8%	27.5%	26.1%	28.2%	36.0%	30.1%	34.9%	63.4%
Utilities		7.3%	-1.1%	-1.9%	9.2%	17.7%	15.7%	13.5%	21.5%
Construction		1.5%	7.7%	4.0%	-3.6%	-5.9%	-5.7%	-15.6%	-28.7%
Manufacturing		23.5%	17.6%	18.6%	26.3%	22.3%	22.7%	29.5%	36.7%
Wholesale trade		-8.9%	1.3%	-2.1%	2.2%	2.7%	-2.4%	1.4%	0.7%
Retail trade		6.4%	14.6%	16.4%	20.4%	22.7%	26.2%	25.9%	28.9%
Transportation and warehousing, excluding Postal Service		8.5%	6.4%	3.5%	1.9%	8.1%	9.0%	12.0%	15.0%
Information		7.7%	13.1%	12.8%	14.7%	24.8%	38.8%	46.6%	53.7%
Finance and insurance		12.1%	12.0%	11.6%	14.1%	19.0%	13.7%	21.9%	25.3%
Real estate, rental, and leasing		4.3%	10.2%	9.4%	10.9%	11.9%	13.3%	15.3%	16.1%
Professional and technical services		15.9%	15.9%	11.8%	12.1%	23.0%	27.1%	32.9%	37.5%
Management of companies and enterprises		9.3%	-8.8%	-16.6%	-14.7%	-26.8%	-24.0%	-25.9%	-24.7%
Administrative and waste services		1.6%	-10.1%	-15.0%	-9.1%	-9.3%	-4.6%	-1.9%	4.7%
Educational services		5.8%	4.7%	6.9%	7.3%	8.3%	5.7%	4.8%	8.2%
Health care and social assistance		4.4%	5.0%	8.4%	13.4%	15.8%	18.4%	22.9%	27.1%
Arts, entertainment, and recreation		0.3%	6.1%	12.5%	16.8%	20.9%	21.2%	21.4%	27.9%
Accommodation and food services		5.5%	4.2%	4.9%	7.6%	10.9%	10.5%	11.7%	13.1%
Other services, except government		4.6%	3.3%	5.0%	5.4%	4.3%	2.3%	1.3%	4.2%
Government		0.1%	0.9%	1.9%	-1.3%	-2.0%	-1.2%	-0.9%	-2.0%

\* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2008.



## **Gross Domestic Product by Industry in Massachusetts**

*(as a percent of total GDP chained 2000 dollars)*

<b>NAICS* Industry Sector</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004r</b>	<b>2005r</b>	<b>2006r</b>	<b>2007</b>
Total Gross Domestic Product by State	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private industries	90.9%	91.5%	91.5%	91.4%	91.9%	92.1%	92.1%	92.3%	92.7%
Agriculture, forestry, fishing, and hunting	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
Mining	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%
Utilities	1.3%	1.3%	1.1%	1.1%	1.2%	1.3%	1.3%	1.2%	1.3%
Construction	4.3%	4.1%	4.3%	4.1%	3.8%	3.6%	3.6%	3.1%	2.6%
Manufacturing	11.8%	13.5%	12.7%	12.9%	13.6%	12.8%	12.7%	13.2%	13.8%
Wholesale trade	7.0%	5.9%	6.4%	6.3%	6.4%	6.3%	5.9%	6.0%	5.8%
Retail trade	5.3%	5.3%	5.7%	5.8%	5.9%	5.9%	6.1%	5.9%	5.9%
Transportation and warehousing, excluding Postal Service	1.9%	1.9%	1.8%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%
Information	4.7%	4.7%	5.0%	5.0%	5.0%	5.4%	6.0%	6.3%	6.6%
Finance and insurance	10.5%	10.9%	10.8%	10.8%	10.9%	11.2%	10.5%	11.0%	11.1%
Real estate, rental, and leasing	13.4%	12.9%	13.6%	13.6%	13.5%	13.4%	13.4%	13.3%	13.1%
Professional and technical services	9.7%	10.4%	10.3%	10.0%	9.8%	10.6%	11.0%	11.3%	11.5%
Management of companies and enterprises	2.7%	2.7%	2.2%	2.1%	2.1%	1.8%	1.8%	1.7%	1.7%
Administrative and waste services	3.2%	3.0%	2.7%	2.6%	2.7%	2.6%	2.7%	2.7%	2.8%
Educational services	2.2%	2.2%	2.1%	2.2%	2.1%	2.1%	2.0%	2.0%	2.0%
Health care and social assistance	7.6%	7.4%	7.4%	7.7%	7.9%	7.9%	8.1%	8.2%	8.3%
Arts, entertainment, and recreation	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Accommodation and food services	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.3%
Other services, except government	2.1%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.8%	1.8%
Government	9.1%	8.5%	8.5%	8.6%	8.2%	8.0%	7.9%	7.7%	7.5%

\* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2008.

## **Rank of Industry Contribution to GDP in Massachusetts**

*(millions of chained 2000 dollars)*

<b>NAICS* Industry Sector</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004r</b>	<b>2005r</b>	<b>2006r</b>	<b>2007</b>
Total Gross Domestic Product by State									
Private industries									
Agriculture, forestry, fishing, and hunting	19	19	19	19	19	19	19	19	19
Mining	20	20	20	20	20	20	20	20	20
Utilities	17	17	17	17	17	17	17	17	17
Construction	10	10	10	10	10	10	10	10	11
Manufacturing	2	1	2	2	1	2	2	2	1
Wholesale trade	7	7	7	7	7	7	9	8	9
Retail trade	8	8	8	8	8	8	7	9	8
Transportation and warehousing, excluding Postal Service	16	16	16	16	16	15	16	15	15
Information	9	9	9	9	9	9	8	7	7
Finance and insurance	3	3	3	3	3	3	4	4	4
Real estate, rental, and leasing	1	2	1	1	2	1	1	1	2
Professional and technical services	4	4	4	4	4	4	3	3	3
Management of companies and enterprises	12	12	13	14	14	16	15	16	16
Administrative and waste services	11	11	11	11	11	11	11	11	10
Educational services	14	14	14	13	13	13	13	13	13
Health care and social assistance	6	6	6	6	6	6	5	5	5
Arts, entertainment, and recreation	18	18	18	18	18	18	18	18	18
Accommodation and food services	13	13	12	12	12	12	12	12	12
Other services, except government	15	15	15	15	15	14	14	14	14
Government	5	5	5	5	5	5	6	6	6

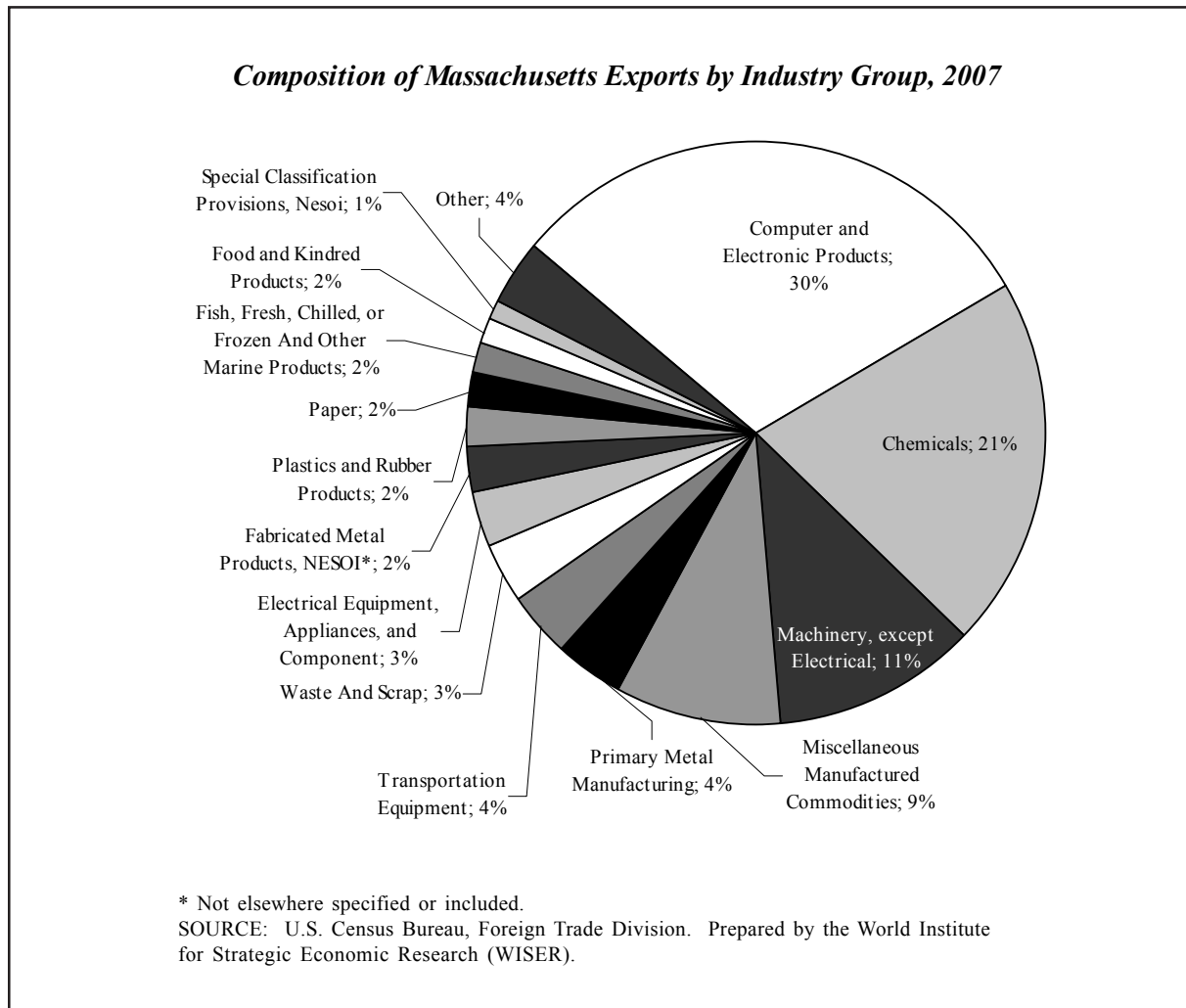
\* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2008.

**GDP Sector Overview.** Between 2001 and 2007, the portion of the total GDP in chained 2000 dollars, from the private industry sector increased 1.2 percent, and it decreased 1.0 percent in the government sector. Contributions by each industry to total GDP have remained steady for most sectors. The exceptions were information, up 1.7 percent, professional and technical services, up 1.2 percent, and manufacturing, up 1.1 percent. When the 2001 to 2007 industry contributions to total annual GDP are ranked according to their dollar value, the top five have remained fairly constant. In 2007 they were manufacturing, real estate, rental and leasing, professional and technical services, finance and insurance, and health care and social assistance.

**International Trade.** Massachusetts ranked 14th in the United States, and first in New England, with \$25.2 billion in international exports in 2007. This represents a 5.1 percent increase from the previous year's exports from the Commonwealth, while national exports increased by 12.1 percent in the same year. In July 2008, Massachusetts's exports totaled \$17.0 billion, an increase of 16.1 percent compared with exports in the seventh month of 2007. National exports were up 19.1 percent and New England, 15.3 percent during the same period. It is not possible to provide balance of trade comparisons for Massachusetts because import data are not compiled on a state-by-state basis.

Massachusetts' five most important trading partners for 2007 were: Canada, with \$3.4 billion in purchases of Massachusetts exports; Germany with \$2.4 billion; United Kingdom, with \$2.3 billion; the Netherlands, with \$2.2 billion; and Japan, with \$2.2 billion in purchases. Between 2006 and 2007, the most significant growth in Massachusetts exports among its top ten trading partners was in exports to Taiwan, 35.8 percent, and France, 24.2 percent.



### **Value of International Shipments from Massachusetts, 2000 - 2007**

*(top ten industry groups ranked by value of 2007 exports, in millions)*

<b>Major Industry Group</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Computer And Electronic Products	\$10,215	\$8,122	\$7,024	\$7,688	\$7,475	\$7,004	\$7,520	\$7,711
Chemicals	\$1,600	\$1,534	\$2,267	\$3,216	\$4,907	\$5,284	\$5,188	\$5,247
Machinery, Except Electrical	\$2,545	\$2,044	\$1,786	\$1,668	\$2,456	\$2,315	\$2,736	\$2,877
Miscellaneous Manufactured Commodities	\$1,053	\$1,213	\$1,210	\$1,571	\$1,927	\$2,111	\$2,240	\$2,317
Primary Metal Manufacturing	\$358	\$272	\$248	\$425	\$423	\$405	\$647	\$982
Transportation Equipment	\$659	\$449	\$346	\$383	\$453	\$481	\$547	\$887
Waste And Scrap	\$106	\$146	\$183	\$190	\$322	\$328	\$597	\$847
Electrical Equipment, Appliances, And Comp	\$834	\$691	\$649	\$592	\$752	\$815	\$872	\$769
Fabricated Metal Products, Nesoi	\$649	\$569	\$692	\$539	\$621	\$664	\$679	\$614
Plastics And Rubber Products	\$374	\$400	\$406	\$375	\$404	\$469	\$530	\$582
Total Exports, Top Massachusetts Industries	\$18,393	\$15,438	\$14,812	\$16,648	\$19,739	\$19,877	\$21,556	\$22,834
Total Massachusetts Exports	\$20,514	\$17,490	\$16,708	\$18,663	\$21,837	\$22,043	\$24,047	\$25,285
Percent Change from Prior Year	22.1%	-14.7%	-4.5%	11.7%	17.0%	0.9%	9.1%	5.1%

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

**Transportation and Warehousing, and Utilities.** Between 2001 and 2007, the combined real gross domestic product of the transportation and warehousing and utilities sector increased 14.5 percent when measured with year 2000 chained dollars. These combined sectors contributed 3.1 percent to the total Massachusetts Real Domestic Product in 2007; 0.1 percent less than it did in 2001.

Massachusetts' major air and seaports are managed by the Massachusetts Port Authority (Massport), an independent public authority. Massport reported fiscal 2007 operating income of \$39.8 million, down 9.1 percent from fiscal 2006, operating revenues up 5.9 percent, \$526.8 million in 2007 versus \$497.6 million in 2006, and operating expenses up 7.3 percent, \$487.0 million in 2007 versus \$453.8 million in 2006.

According to Massport, Boston Logan International Airport is currently served by 56 scheduled and non-scheduled air carriers, of which 45 are scheduled airlines, including 16 foreign flag carriers. Boston Logan International Airport has domestic service to 76 destinations and international service to 33 destinations. Based on total passenger volume in calendar year 2007 data, Logan Airport was the most active airport in New England and remained the 19th most active in the U.S. according to the Federal Aviation Authority. Massport reported that as of August, year-to-date 2008, total airport flight operations were down 4.5 percent and total airport passengers were down 5.5 percent from the same period in 2007.

As of June 30, 2006, Logan was served by 11 all-cargo and small package/express carriers. According to the FAA, Logan Airport ranked 26th in the nation in total air cargo volume in calendar year 2007. In 2007, the airport handled 1.06 billion pounds of cargo, a 3.7 percent decrease from 2006. Massport reported that as of August, year-to-date 2008, the combined cargo and mail volume was down 5.3 percent and total airport mail was up 29.4 percent from the same period in 2007. Please refer to the Aviation Activity charts on the following page.

At Massport's Port of Boston properties, 2007 total cargo throughput was 15.5 million metric tons, a 1.0 percent increase from 2006. Automobile processing decreased 17 percent to 10,179 units, and cruise passenger trips increased 12 percent to 234,284. Total containerized cargo increased 20.0 percent to 1.7 million metric tons. Massport reported that between July 2007 and June 2008, total containerized cargo was up 8.4 percent compared to the same period the previous year. The Army Corps of Engineers reported Massachusetts total waterborne cargo shipped or received in 2006 decreased 4.9 percent to 27.4 million short tons from 2005. Waterborne cargo in New England decreased 6.5 percent and the U.S increased 2.4 percent. Please refer to the Waterborne Tonnage by State charts on the following page.

**Aviation Activity for Massachusetts Primary Airports**

<b>Passenger Boardings</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Edward Lawrence Logan International	13,613,507	11,739,553	11,077,238	11,087,799	12,758,020	13,214,923	13,544,552	13,783,214
Nantucket Memorial	296,451	272,460	253,422	229,300	243,313	252,757	276,866	161,366
Barnstable Municipal-Boardman/Polando Field	205,906	197,106	180,807	158,360	167,522	177,761	206,980	86,972
Worcester Regional	52,916	79,653	37,298	2,234	1,274	2,036	14,823	450
Laurence G Hanscom Field	82,204	71,381	40,419	19,375	17,049	13,887	14,560	15,736
Martha's Vineyard	71,150	65,374	59,500	53,011	49,480	48,977	45,881	48,833
New Bedford Regional	22,882	21,786	21,667	21,097	19,686	17,960	15,211	14,557
Provincetown Municipal	15,694	12,986	10,533	11,801	11,424	10,236	11,375	12,449
<b>Total</b>	<b>14,360,710</b>	<b>12,460,299</b>	<b>11,680,884</b>	<b>11,582,977</b>	<b>13,267,768</b>	<b>13,738,537</b>	<b>14,130,248</b>	<b>14,123,577</b>

<b>Cargo - Gross Landed Weight (lbs.)</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
General Edward Lawrence Logan International	1,405,482,600	1,301,842,100	1,272,185,900	1,199,383,800	1,172,103,700	1,148,881,400	1,100,485,850	n/a

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

<b>Passenger Boardings</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>
General Edward Lawrence Logan International	-13.8%	-5.6%	0.1%	15.1%	3.6%	2.5%	1.8%
Nantucket Memorial	-8.1%	-7.0%	-9.5%	6.1%	3.9%	9.5%	-41.7%
Barnstable Municipal-Boardman/Polando Field	-4.3%	-8.3%	-12.4%	5.8%	6.1%	16.4%	-58.0%
Worcester Regional	50.5%	-53.2%	-94.0%	-43.0%	59.8%	628.0%	-97.0%
Laurence G Hanscom Field	-13.2%	-43.4%	-52.1%	-12.0%	-18.5%	4.8%	8.1%
Martha's Vineyard	-8.1%	-9.0%	-10.9%	-6.7%	-1.0%	-6.3%	6.4%
New Bedford Regional	-4.8%	-0.5%	-2.6%	-6.7%	-8.8%	-15.3%	-4.3%
Provincetown Municipal	-17.3%	-18.9%	12.0%	-3.2%	-10.4%	11.1%	9.4%
<b>Total</b>	<b>-13.2%</b>	<b>-6.3%</b>	<b>-0.8%</b>	<b>14.5%</b>	<b>3.5%</b>	<b>2.9%</b>	<b>0.0%</b>

<b>Cargo</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>
General Edward Lawrence Logan International	-7.4%	-2.3%	-5.7%	-2.3%	-2.0%	-4.2%	n/a

SOURCE: Federal Aviation Administration Jul 2008.

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

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

<b>State</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
U.S. total	2,424,596	2,386,558	2,340,292	2,394,199	2,551,939	2,527,622	2,588,440
Maine	31,769	30,586	29,140	31,698	32,447	32,353	28,103
Massachusetts	26,973	26,446	26,117	30,655	31,787	28,812	27,411
Connecticut	18,959	18,267	17,610	18,579	20,075	19,617	19,340
Rhode Island	9,089	9,170	8,437	9,417	9,764	10,972	11,016
New Hampshire	4,462	4,447	4,108	4,971	4,795	5,254	4,823
Vermont	0	0	0	0	0	0	0
New England	91,252	88,916	85,412	95,320	98,868	97,008	90,693

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

<b>State</b>	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>
U.S. total	-1.6%	-1.9%	2.3%	6.6%	-1.0%	2.4%
Maine	-3.7%	-4.7%	8.8%	2.4%	-0.3%	-13.1%
Massachusetts	-2.0%	-1.2%	17.4%	3.7%	-9.4%	-4.9%
Connecticut	-3.6%	-3.6%	5.5%	8.1%	-2.3%	-1.4%
Rhode Island	0.9%	-8.0%	11.6%	3.7%	12.4%	0.4%
New Hampshire	-0.3%	-7.6%	21.0%	-3.5%	9.6%	-8.2%
Vermont	-	-	-	-	-	-
New England	-2.6%	-3.9%	11.6%	3.7%	-1.9%	-6.5%

SOURCE: Army Core of Engineers, Waterborne Commerce Statistics Center (WCSC) Feb 2008.

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

**Construction and Housing.** In 2007, construction activity contributed 2.6 percent to the total Massachusetts Gross Domestic Product (GDP) when measured in 2000 chained dollars. The construction sector contributed 4.3 percent to state GDP in 2001. Overall loss between 2001 and 2007 was 1.6 percent in real dollars.

### *Housing Permits Authorized*

<i>Year</i>	<i>Massachusetts</i>		<i>New England</i>		<i>United States</i>	
	<i>Total Permits</i>	<i>Percent Change</i>	<i>Total Permits</i>	<i>Percent Change</i>	<i>Total Permits</i>	<i>Percent Change</i>
<b>1969</b>	33,572		70,539		1,330,161	
<b>1970</b>	38,330	14.2%	74,068	5.0%	1,354,746	1.8%
<b>1975</b>	17,697	-27.5%	41,645	-21.0%	934,511	-12.4%
<b>1980</b>	16,055	-20.4%	40,195	-25.1%	1,171,763	-23.6%
<b>1981</b>	15,599	-2.8%	38,067	-5.3%	985,600	-15.9%
<b>1982</b>	15,958	2.3%	39,470	3.7%	1,000,500	1.5%
<b>1983</b>	22,950	43.8%	57,567	45.9%	1,605,221	60.4%
<b>1984</b>	28,471	24.1%	72,356	25.7%	1,689,667	5.3%
<b>1985</b>	39,360	38.2%	96,832	33.8%	1,732,335	2.5%
<b>1986</b>	43,877	11.5%	108,272	11.8%	1,771,832	2.3%
<b>1987</b>	40,018	-8.8%	101,222	-6.5%	1,542,499	-12.9%
<b>1988</b>	31,766	-20.6%	82,123	-18.9%	1,450,583	-6.0%
<b>1989</b>	21,634	-31.9%	53,543	-34.8%	1,345,084	-7.3%
<b>1990</b>	15,276	-29.4%	36,811	-31.2%	1,125,583	-16.3%
<b>1991</b>	12,624	-17.4%	31,111	-15.5%	953,834	-15.3%
<b>1992</b>	16,346	29.5%	36,876	18.5%	1,105,083	15.9%
<b>1993</b>	17,715	8.4%	39,225	6.4%	1,210,000	9.5%
<b>1994</b>	18,302	3.3%	40,459	3.1%	1,366,916	13.0%
<b>1995</b>	15,946	-12.9%	37,357	-7.7%	1,335,835	-2.3%
<b>1996</b>	17,360	8.9%	40,425	8.2%	1,419,083	6.2%
<b>1997</b>	17,554	1.1%	42,047	4.0%	1,442,251	1.6%
<b>1998</b>	18,958	8.0%	47,342	12.6%	1,619,500	12.3%
<b>1999</b>	18,967	0.0%	47,632	0.6%	1,663,533	2.7%
<b>2000</b>	18,000	-5.1%	45,335	-4.8%	1,592,267	-4.3%
<b>2001</b>	17,034	-5.4%	44,594	-1.6%	1,636,676	2.8%
<b>2002</b>	17,465	2.5%	49,031	9.9%	1,747,678	6.8%
<b>2003</b>	20,257	16.0%	52,395	6.9%	1,889,214	8.1%
<b>2004</b>	22,477	11.0%	57,858	10.4%	2,070,077	9.6%
<b>2005</b>	24,549	9.2%	58,742	1.5%	2,155,316	4.1%
<b>2006</b>	19,580	-20.2%	46,782	-20.4%	1,838,903	-14.7%
<b>2007</b>	15,358	-21.6%	37,532	-19.8%	1,398,415	-24.0%

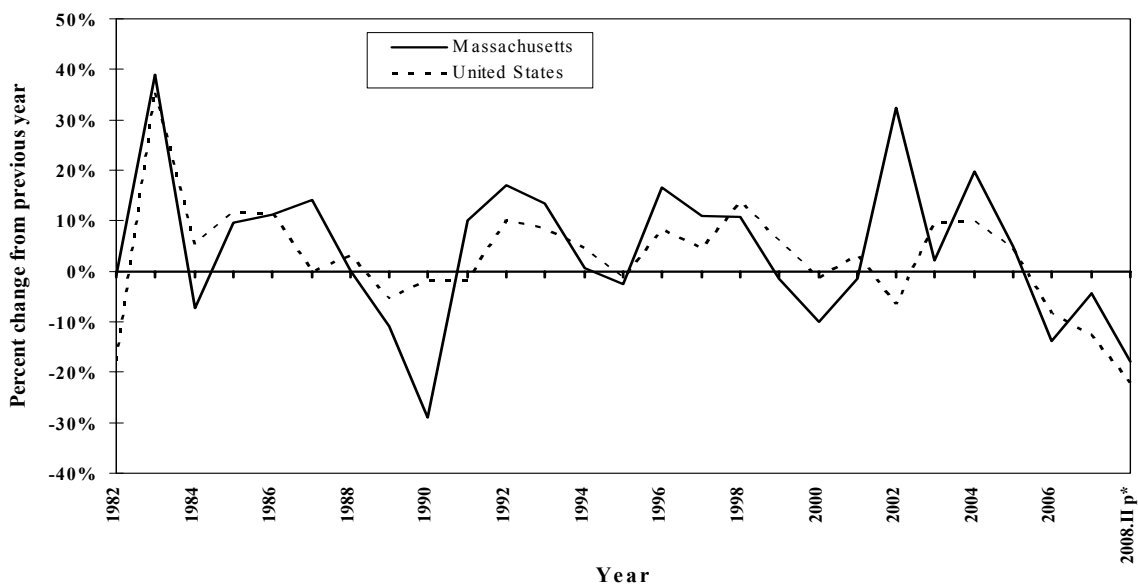
SOURCES: Federal Reserve Bank of Boston; United States Department of Commerce. June 2008.

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

**Existing Home Sales**  
(Quarterly rates are seasonally adjusted, rates in thousands)

Year	Massachusetts		United States	
	Sales	% Change	Sales	% Change
1981	43.0		2,575.0	
1985	60.2	40.2%	3,382.5	31.4%
1990	48.6	-19.4%	3,603.5	6.5%
1995	69.6	-2.6%	4,342.3	-1.5%
1996	81.2	16.6%	4,705.3	8.4%
1997	90.1	11.0%	4,908.8	4.3%
1998	99.9	10.8%	5,585.3	13.8%
1999	98.5	-1.3%	5,922.8	6.0%
2000	88.7	-10.0%	5,831.8	-1.5%
2001	87.5	-1.4%	6,026.3	3.3%
2002	115.9	32.5%	5,631.0	-6.6%
2003	118.3	2.1%	6,175.0	9.7%
2004	141.7	19.8%	6,778.0	9.8%
2005	148.6	4.9%	7,076.0	4.4%
2006	128.1	-13.8%	6,478.0	-8.5%
2007	122.4	-4.4%	5,652.0	-12.8%
2007.II	129.6		5,870.0	
2008.II p*	106.4	-17.9%	4,913.0	-16.3%

**Change in Existing Home Sales**  
Massachusetts and the United States



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

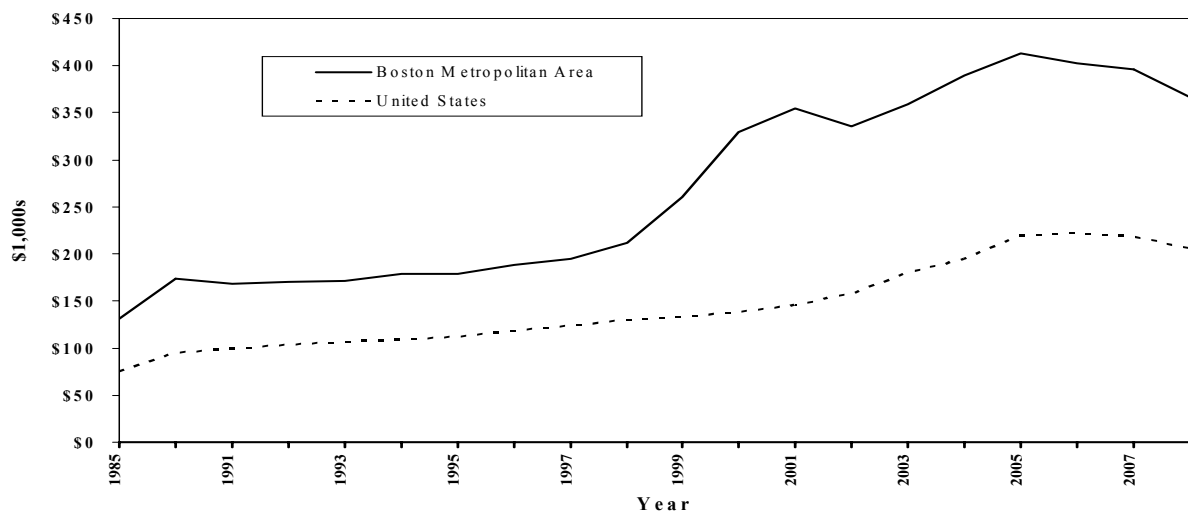
**Median Home Prices.** Median sales price of existing single-family homes for the Boston metropolitan area and the United States are presented in the following chart and graph.

**Median Sales Price for Existing Single-Family Homes**

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

<i>Year</i>	<i>Boston Metropolitan Area</i>	<i>United States</i>	<i>Boston Prices as a Percent of the U.S.</i>	<i>Boston Annual Percent Change</i>	<i>U.S. Annual Percent Change</i>
1985	\$131	\$75	173.7%	33.5%	4.0%
1990	\$174	\$95	182.6%	-4.2%	2.3%
1991	\$169	\$99	169.5%	-3.0%	4.4%
1992	\$171	\$104	164.6%	1.2%	4.2%
1993	\$171	\$107	160.9%	0.5%	2.8%
1994	\$179	\$109	164.7%	4.4%	2.1%
1995	\$179	\$113	158.6%	-0.2%	3.7%
1996	\$189	\$119	158.7%	5.7%	5.6%
1997	\$195	\$124	157.1%	3.0%	4.0%
1998	\$212	\$130	162.9%	8.9%	5.1%
1999	\$261	\$133	196.2%	23.1%	2.2%
2000	\$330	\$138	238.3%	26.4%	4.1%
2001	\$355	\$146	242.4%	7.6%	5.8%
2002	\$335	\$158	212.1%	-5.5%	8.0%
2003	\$359	\$180	198.9%	6.9%	14.0%
2004	\$390	\$195	199.6%	8.7%	8.3%
2005	\$413	\$219	188.7%	6.0%	12.2%
2006	\$402	\$222	181.3%	-2.7%	1.3%
2007	\$396	\$218	181.6%	-1.6%	-1.8%
2007.II	\$411	\$224	183.7%		
2008.II p*	\$366	\$207	177.3%	-10.8%	-7.6%

*Median Sales Price, Existing Single-Family Homes  
U.S. and Boston Metropolitan Area*

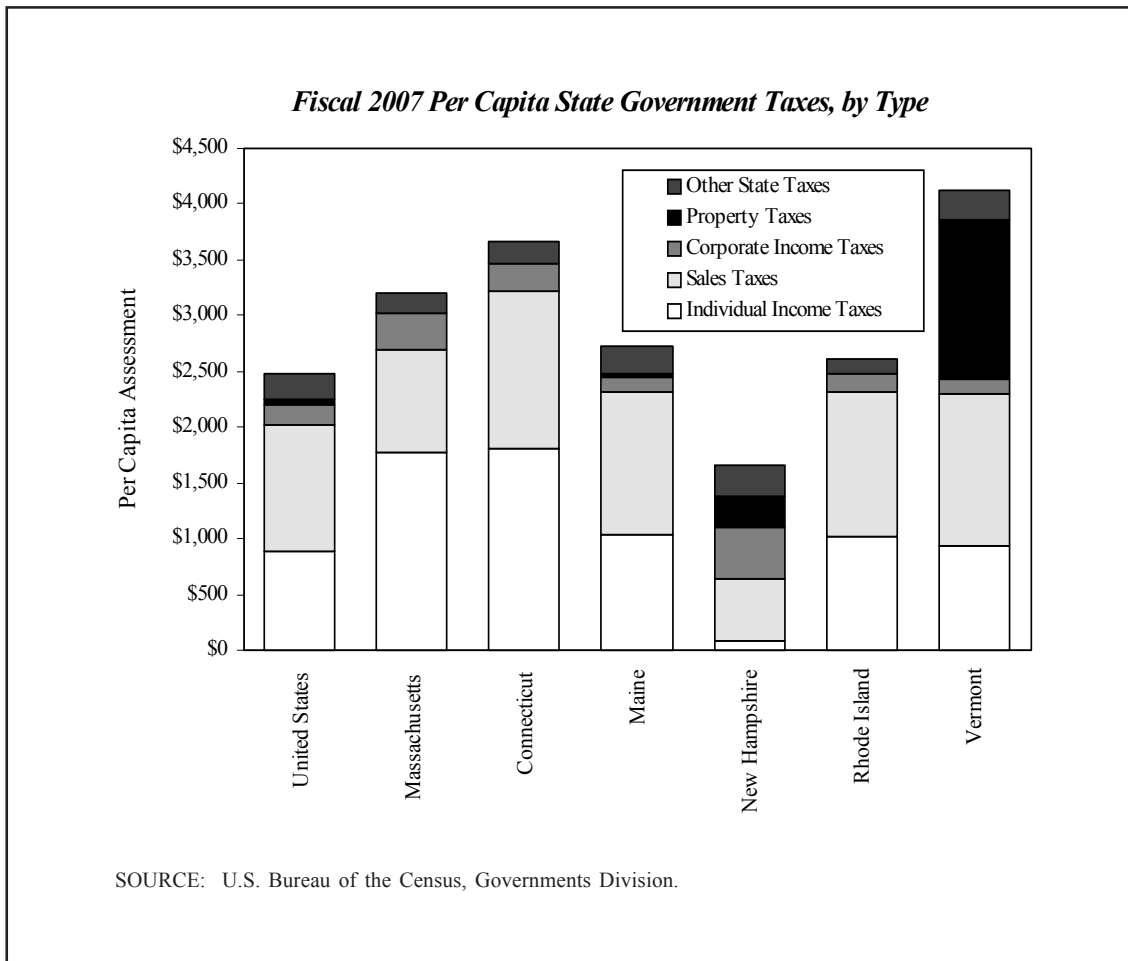


SOURCES: National Association of Realtors. Federal Reserve Bank of Boston,  
p= preliminary, r=revised, \*=change from previous year's quarter.

**Travel and Tourism.** In 2007, the arts, entertainment, recreation and accommodations industries contributed 3.1 percent to Massachusetts total GDP (real 2000 dollars). The Massachusetts Office of Travel and Tourism (MOTT) reported an annual increase of 0.1 percent in museum and attraction attendance, 11.9 million visitors, in 2007. June 2008 museum and attraction attendance was down 4.6 percent compared to June 2007 while the June 2008 year-to-date attendance was up 3.0 percent compared to June 2007.

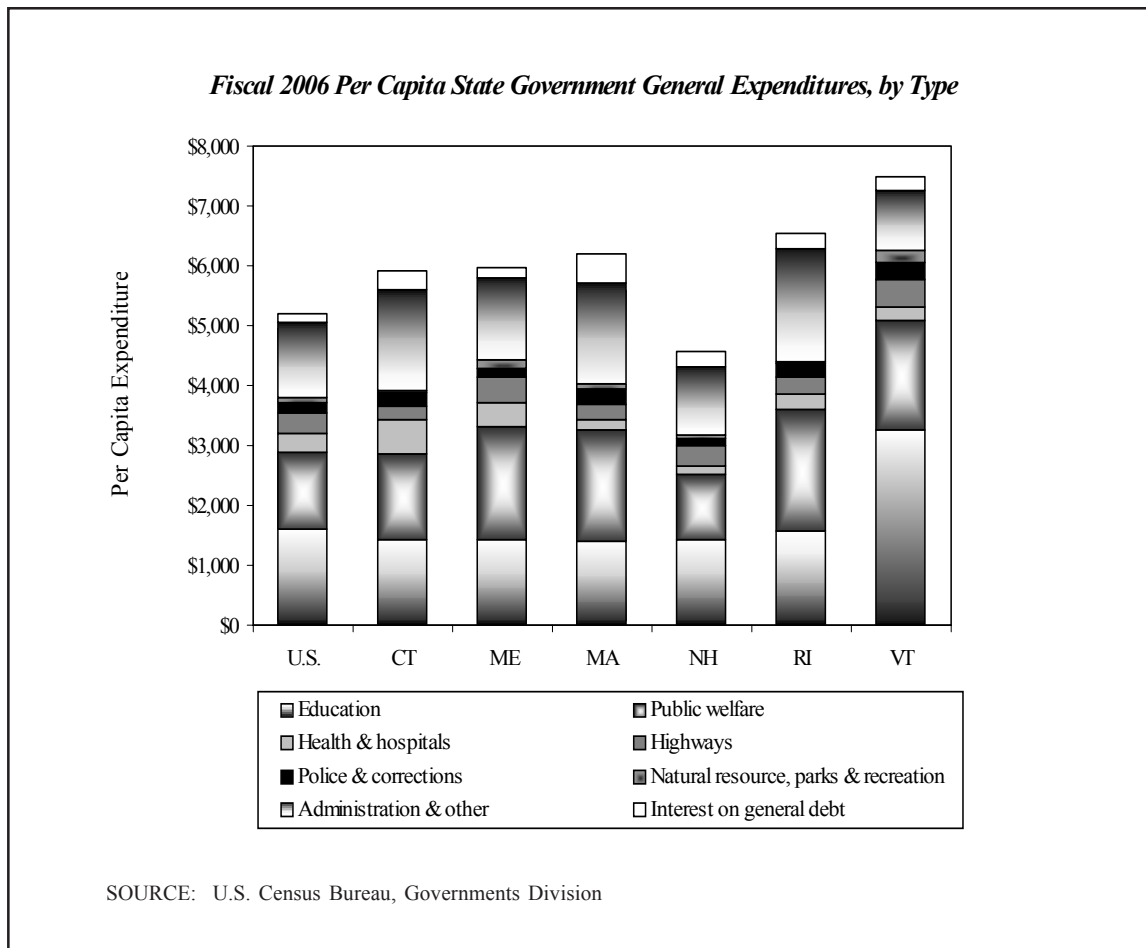
**State Taxes.** Per capita state taxes in Massachusetts were significantly higher, 28.8 percent, than the national average. In fiscal year 2007, the total per capita state tax bill in the United States was \$2,487. Citizens of the Commonwealth however, paid \$3,204 on average, the tenth highest (ninth last year) in the nation and an increase of 6.3 percent from the previous year's \$3,013. In New England, citizens in Connecticut and Vermont paid more per capita, and all New England states except New Hampshire (49th) ranked in the top third for per capita state tax collections.

In fiscal year 2007, over half, 55.2 percent, of the state taxes in Massachusetts came from the state income tax. Per capita individual income taxes in Massachusetts were \$1,767, up 8.5 percent from \$1,629 in fiscal year 2006. Also increasing in fiscal year 2007 were sales receipts at 1.0 percent and corporate net income at 13.1 percent. Other taxes (licenses, death and gift, and documentary and stock transfer) increased 4.0 percent in Massachusetts on a per capita basis. Across the New England states, there is wide variation in both total per capita state taxes and in the breakdown of those taxes, as illustrated in the following chart.





**State Government Spending in Massachusetts.** The following chart depicts fiscal 2006 per capita state general expenditures by category for the six New England states and the U.S. average state expenditure. Massachusetts ranked 11th in the nation in per capita expenditures, \$6,198 in 2006 while it ranked 9th and spent less, \$5,911 in 2005. This represents a 4.9 percent increase in per capita expenditures from 2005 to 2006. Massachusetts spent more state funds per capita on debt service, \$487 in 2006, than any of its New England neighbors.



**Fiscal 2006 Per Capita State Government General Expenditures, by Type**  
*For the U.S. and New England States*

<b>General expenditures, by function</b>	<b>U.S.</b>	<b>CT</b>	<b>ME</b>	<b>MA</b>	<b>NH</b>	<b>RI</b>	<b>VT</b>
Education	\$1,613	\$1,440	\$1,420	\$1,401	\$1,440	\$1,560	\$3,264
Public welfare	\$1,267	\$1,408	\$1,893	\$1,843	\$1,066	\$2,049	\$1,818
Health & hospitals	\$321	\$568	\$400	\$187	\$142	\$252	\$226
Highways	\$333	\$229	\$430	\$261	\$340	\$284	\$456
Police & corrections	\$184	\$233	\$147	\$248	\$124	\$214	\$303
Natural resource, parks & recreation	\$86	\$42	\$142	\$81	\$59	\$51	\$180
Administration & other	\$1,262	\$1,687	\$1,368	\$1,690	\$1,130	\$1,881	\$1,007
Interest on general debt	\$127	\$307	\$174	\$487	\$263	\$260	\$235
<b>Total</b>	<b>\$5,193</b>	<b>\$5,914</b>	<b>\$5,974</b>	<b>\$6,198</b>	<b>\$4,565</b>	<b>\$6,552</b>	<b>\$7,487</b>
State's rank of total per capita expenditures		14	13	11	35	8	4

SOURCE: U.S. Census Bureau, Governments Division

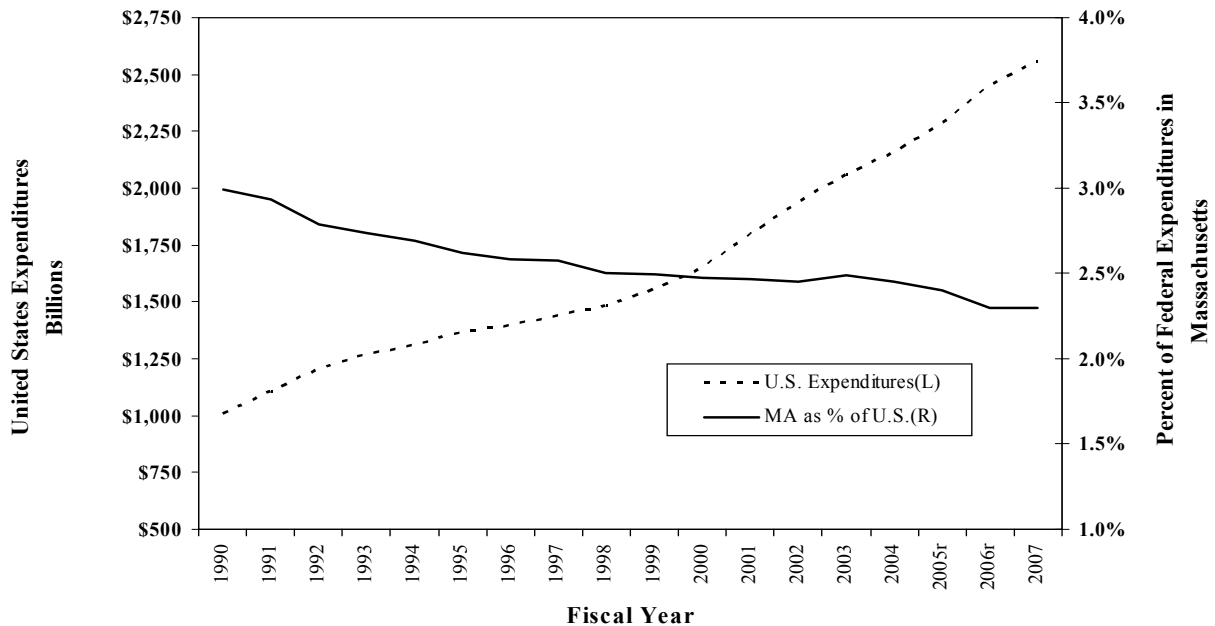
**Massachusetts Per Capita State Government General Expenditures, by Type  
FY 2000-2006**

<i>General expenditures, by function</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
Education	\$890	\$1,026	\$1,020	\$1,055	\$1,183	\$1,346	\$1,401
Public welfare	\$1,030	\$1,135	\$932	\$824	\$1,647	\$1,719	\$1,843
Health & hospitals	\$308	\$363	\$377	\$372	\$172	\$177	\$187
Highways	\$439	\$400	\$427	\$378	\$471	\$276	\$261
Police & corrections	\$191	\$213	\$223	\$230	\$215	\$222	\$248
Natural resource, parks & recreation	\$58	\$88	\$86	\$95	\$90	\$76	\$81
Administration & other	\$1,392	\$1,473	\$1,630	\$1,755	\$1,815	\$1,660	\$1,690
Interest on general debt	\$335	\$371	\$418	\$386	\$401	\$435	\$487
<b>Total</b>	<b>\$4,643</b>	<b>\$5,067</b>	<b>\$5,115</b>	<b>\$5,095</b>	<b>\$5,994</b>	<b>\$5,911</b>	<b>\$6,198</b>

SOURCE: US Census Bureau, Governments Division.

**Federal Government Spending in Massachusetts.** Federal government spending contributes significantly to the Massachusetts economy. In fiscal 2007, Massachusetts ranked twelfth among states in per capita distribution of federal funds, with total spending of \$9,462 per person, excluding loans and insurance. Massachusetts ranked fifteenth in fiscal 2006. While federal spending in Massachusetts has increased every year since 1990, its share of total U.S. spending has declined steadily since 1990. The following chart shows total federal expenditures and the percentage of federal expenditures in Massachusetts. Federal spending includes grants to state and local governments, direct payments to individuals, wage and salary employment, and procurement contracts, and includes only those expenditures that can be associated with individual states and territories.

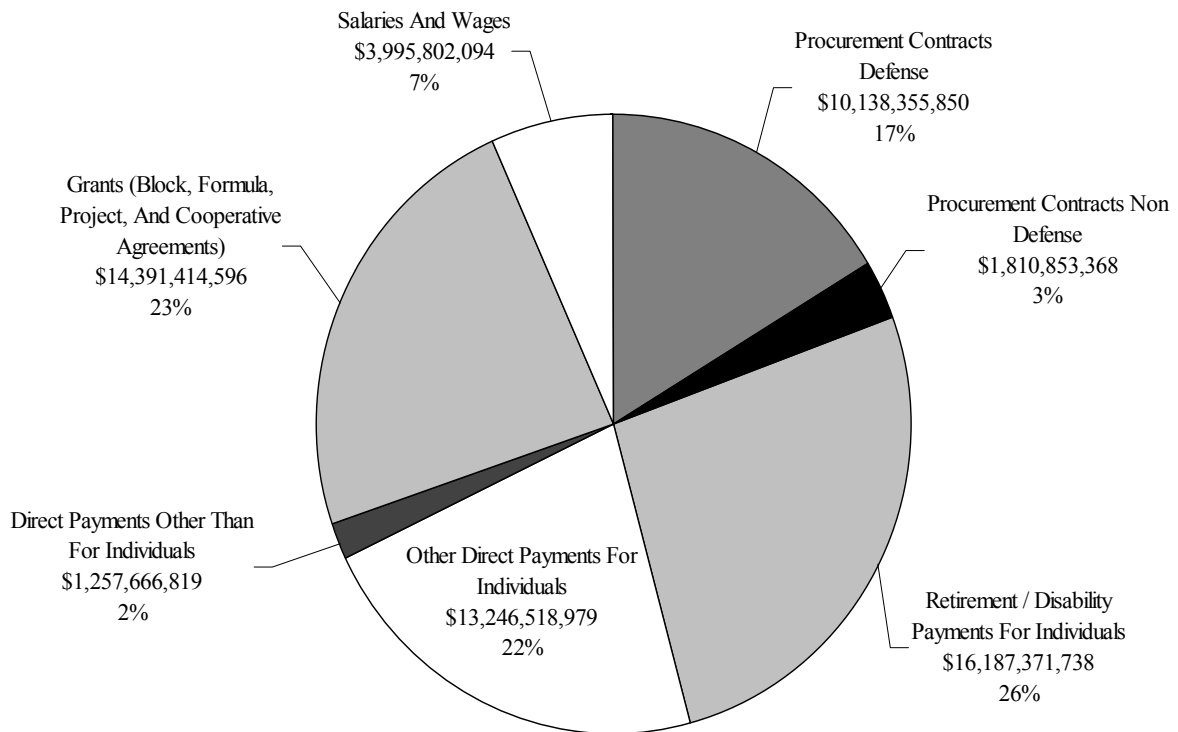
**Total Federal Expenditures and Percentage of  
Federal Expenditures in Massachusetts**



SOURCE: Consolidated Federal Funds Report for Fiscal Year 2007. <http://harvester.census.gov/cffr/index.html>

Half of FY 2007 federal spending in Massachusetts was composed of health care and social programs like Medicare, Medicaid, Social Security, unemployment benefits and Section 8 Housing Vouchers. Massachusetts was 37 percent above the national average in per capita federal grants to state and local governments, receiving \$2,231 per capita compared to a national average of \$1,624. Per capita federal spending on salaries and wages in 2007 was 25 percent lower in Massachusetts than in the rest of the nation at \$620 compared to a national average of \$825, but Massachusetts was 6 percent above the national average in per capita direct federal payments to individuals at \$4,759 compared to a national average of \$4,498. Massachusetts ranked 9th, 12th in 2006, among states in per capita procurement contract awards at \$1,853 compared to a national average of \$1,393 in 2007. The following chart shows the composition of direct federal spending within Massachusetts in fiscal 2007, excluding loans and insurance.

**Composition of \$61 Billion Direct Federal Spending in Massachusetts by Program - Fiscal Year 2007**



SOURCE: U.S. Census Bureau, Consolidated Federal Funds Report: FY 2007.

**Federal Contracts.** The total dollar value of all federal contracts performed in Massachusetts increased an average of 11.1 percent a year since 2000, similar to the U.S. average of 11.3 percent. The following two pages compare Massachusetts federal contract dollars to the U.S. total and summarize the period from fiscal year 2000 up to the second and part of third quarter and the latest full year available.

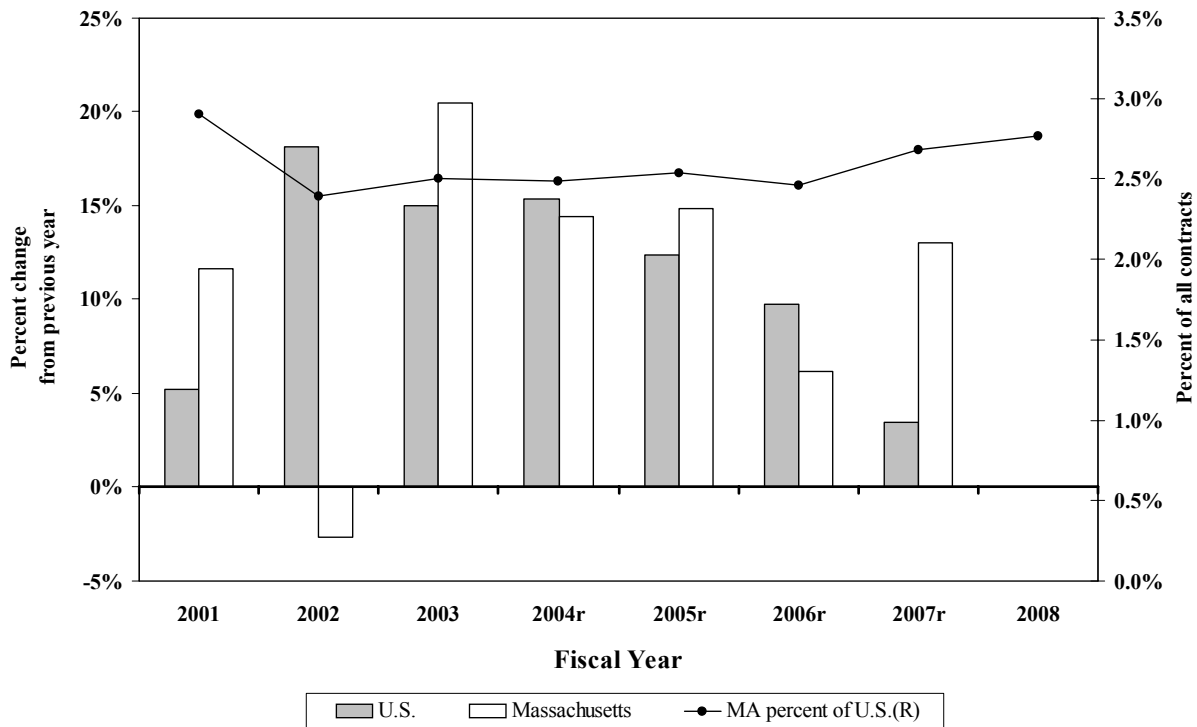
**Federal Contracts Performed in Massachusetts and the U.S.**

Year	Massachusetts	MA percent increase from previous year	MA portion of all	U.S.	U.S. percent increase from previous year
2000	\$5,713,505,463		2.7%	\$208,840,867,387	
2001	6,380,163,118	11.7%	2.9%	219,801,616,396	5.2%
2002	6,209,687,064	-2.7%	2.4%	259,595,354,560	18.1%
2003	7,480,679,804	20.5%	2.5%	298,514,185,587	15.0%
2004r	8,557,401,479	14.4%	2.5%	344,441,316,185	15.4%
2005r	9,831,281,411	14.9%	2.5%	387,076,298,315	12.4%
2006r	10,438,625,342	6.2%	2.5%	424,694,644,428	9.7%
2007r	11,797,534,280	13.0%	2.7%	439,456,478,591	3.5%
2008 3Q*	7,295,288,240		2.8%	263,721,000,000	
Total	\$73,704,166,201			\$2,720,869,000,000	

SOURCE: <http://www.usaspending.gov>.

\*Note: FY 2008 only includes data up to second and part of third quarter.

**Massachusetts Share of Federal Contracts Grows**



SOURCE: <http://www.usaspending.gov>.

\*Note: FY 2008 only includes data up to second and part of third quarter.

## *Summary of Federal Contracts Performed in Massachusetts*

### **FY 2000 to Q3-2008**

Total dollars: \$73,704,166,201

This state is ranked 10 among states for all years.

Total number of contractors: 34,588

Total number of transactions: 570,848

### **Top 5 Products Or Services Sold**

Gas Turbines and Jet Engines, Aircraft; Prime Moving, and Components	\$7,738,556,679
Engineering -- Advanced Development (R&D)	2,960,985,572
Other Research and Development -- Advanced Development (R&D)	2,405,624,172
Miscellaneous Communication Equipment	2,280,153,861
Other Research and Development -- Engineering Development (R&D)	2,267,607,322

### **Top 5 Contracting Agencies Purchasing From Contractor(S)**

Navy, Department of the	\$22,235,490,626
Army, Department of the (except Corps of Engineers Civil Program Financing)	18,493,713,842
Air Force, Department of the (Headquarters, USAF)	15,389,555,600
Defense Logistics Agency	2,463,727,325
Veterans Affairs, Department of	2,190,587,263

### **Top 10 Contractors**

Raytheon Company	\$13,752,231,271
General Dynamics Corporation	9,394,559,939
General Electric Company	8,700,138,306
Massachusetts Institute of Technology	4,391,281,723
The Charles Stark Draper Laboratory Inc	2,448,716,705
The Mitre Corporation	2,249,773,876
Textron Systems Corp (unknown parent company, no D & B number)	1,059,663,095
Raytheon Company (unknown parent Company, no D & B number)	1,010,056,295
Amerisourcebergen Corporation	769,833,868
Bae Systems PLC	742,627,195

SOURCE: <http://www.usaspending.gov>. October 6, 2008

## ***Federal Contracts Performed in Massachusetts in:***

### **Fiscal Year: 2007**

Total dollars: \$11,797,534,280

The amount for this search is 2.7% of all awarded dollars for the fiscal year.

This state is ranked 11 among states for this year.

Total number of contractors: 6,510

Total number of transactions: 118,755

### **Top 5 Products Or Services Sold**

Engineering -- Advanced Development (R&D)	\$1,188,346,323
Gas Turbines and Jet Engines, Aircraft; Prime Moving, and Components	\$827,756,634
Defense Electronics and Communication Equipment -- Basic Research (R&D)	\$681,117,217
Defense Missile and Space Systems -- Engineering Development (R&D)	\$463,599,644
Maintenance, Repair and Rebuilding of Equipment -- Guided Missiles	\$403,907,557

### **Top 5 Contracting Agencies Purchasing From Contractor(S)**

Navy, Department of the	\$4,024,761,560
Army, Department of the (except Corps of Engineers Civil Program Financing)	\$2,945,617,676
Air Force, Department of the (Headquarters, USAF)	\$2,298,152,498
Missile Defense Agency	\$470,943,339
Veterans Affairs, Department of	\$295,321,497

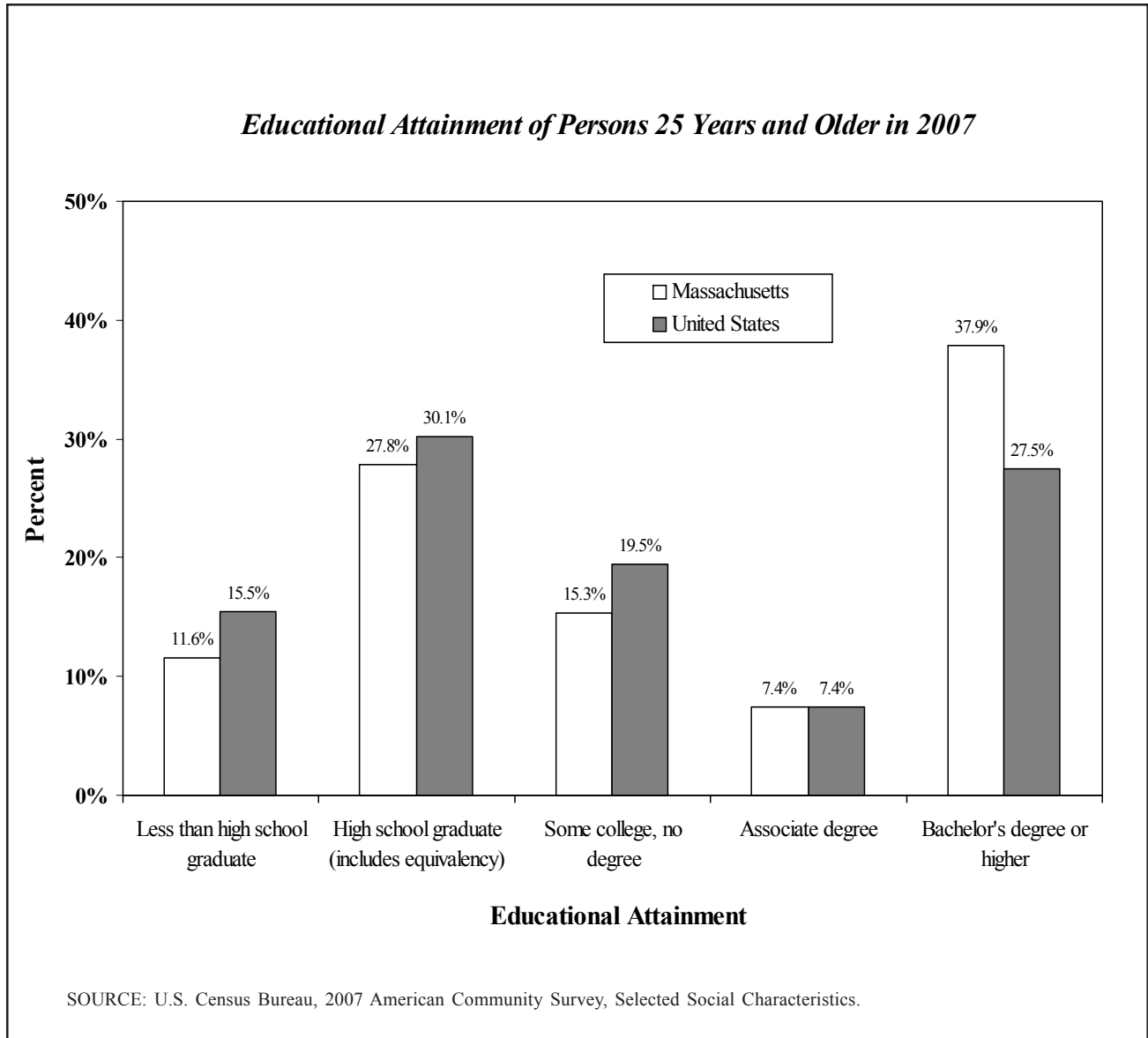
### **Top 10 Contractors**

Raytheon Company	\$3,230,721,363
General Dynamics Corporation	\$1,177,723,528
General Electric Company	\$1,146,425,555
Massachusetts Institute of Technology	\$674,635,874
The Charles Stark Draper Laboratory Inc	\$629,177,631
Bae Systems PLC	\$319,705,221
The Mitre Corporation	\$297,562,450
Qinetiq North America Operations LLC	\$245,996,608
Textron Inc.	\$193,127,736
Mckesson HBOC Incorporated (unknown parent company, no D & B number)	\$149,232,071

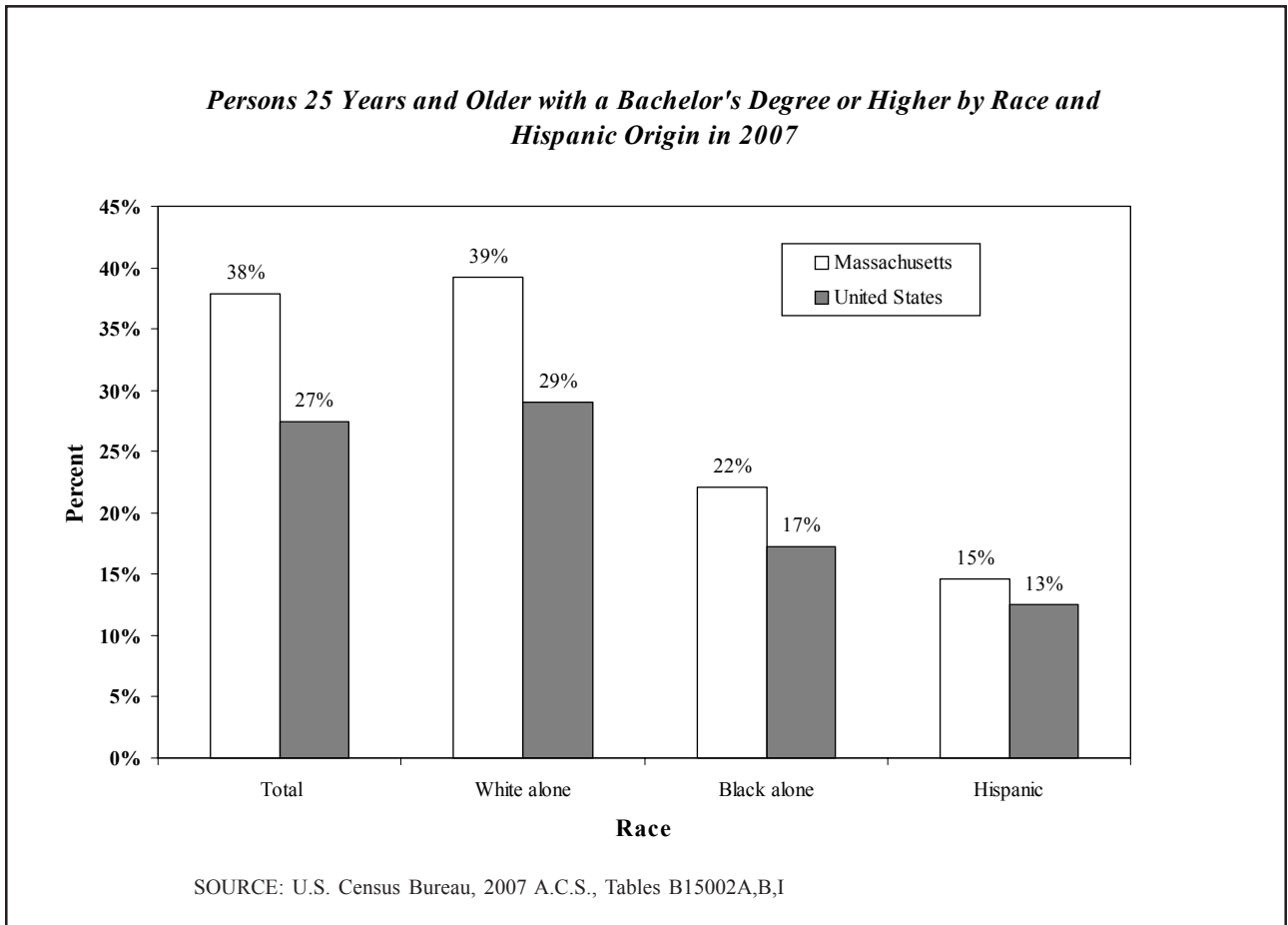
SOURCE: <http://www.usaspending.gov>. Revised as of October 9, 2008.

## HUMAN RESOURCES

**Human Resources.** The availability of a skilled and well-educated population is an important resource for the Commonwealth. The level of education reached by the population of Massachusetts compares favorably with the level in the United States as a whole. In 2007, the Census Bureau's American Community Survey (ACS) reported that Massachusetts had a smaller proportion of persons who had not completed high school, 11.6 percent, than the national average, 15.5 percent. Massachusetts had a much higher proportion of persons with a bachelor's degree or more, 37.9 percent, than the nation, 27.5 percent.



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



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

**Higher Education Enrollment by Race and Hispanic Origin in 2007**

	Total	White alone	Black alone	Asian alone	Other race	Hispanic or Latino
United States	20,793,948	71.0%	14.0%	6.9%	8.2%	11.7%
Massachusetts	524,147	77.9%	8.6%	8.0%	5.5%	6.4%

Source: U.S. Census Bureau, 2007 A.C.S., Tables B14001, B14001 A,B,D,I



Massachusetts is an internationally recognized center for higher education, with 443,316 students in undergraduate, professional and graduate private and public programs in the 2005/2006 school year, according to the New England Board of Higher Education. According to the Institute of International Education, 28,680 foreign students were enrolled in Massachusetts colleges and universities in the 2006/2007 school year. This was a 2.4 percent increase from the previous year, and Massachusetts is still ranked 4th among states for foreign student enrollment.

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

The higher education system in Massachusetts is particularly strong in post-graduate, scientific, and technical education, with 1,724 science and engineering doctorates awarded in 2006, 4th in the nation. Massachusetts conferred a total of 2,676 doctorates in 2005. Massachusetts was also ranked 2nd in the U.S. in science and engineering postdoctorates in doctorategranting institutions in 2006, with 6,670 postdoctorates.

The preeminence of higher education in Massachusetts contributes not only to the quality of its work force, but also to its stature in the nation and the world as a center for basic scientific research and for academic and entrepreneurial research and development. Doctorate-granting institutions in Massachusetts received 4.5 percent or \$2.2 billion of total national academic expenditures on Research and Development in fiscal 2006. Massachusetts is still ranked sixth in the nation behind California, New York, Texas, Maryland and Pennsylvania.

Life sciences receive almost half of the research and development funds performed at Massachusetts educational institutions. Of the \$2.2 billion in total fiscal 2006 outlays for science and engineering research to universities and colleges in Massachusetts, 49.0 percent was for life sciences, 17.7 percent for engineering, 12.1 percent for physical sciences, 8.9 percent for environmental, 4.7 percent for math and computer, 3.8 percent for social sciences, 2.1 percent for other sciences and 1.8 percent for psychology. Massachusetts ranked 6th in the nation in 2006 for research and development funds performed at educational institutions.

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

***Primary and Secondary Education Data.*** Although spending on education is not necessarily an indicator of results, Massachusetts has spent from 12 to 31 percent more per pupil on primary and secondary education than the national average since 1981. During the 2005-2006 school year, Massachusetts increased per student expenditures to \$11,981; 31 percent higher than the national average. The table on the following page shows expenditures per pupil for Massachusetts and the United States since fiscal 1981.

***Per Pupil Expenditure in Public Elementary and Secondary Schools***  
*(in current, unadjusted dollars)*

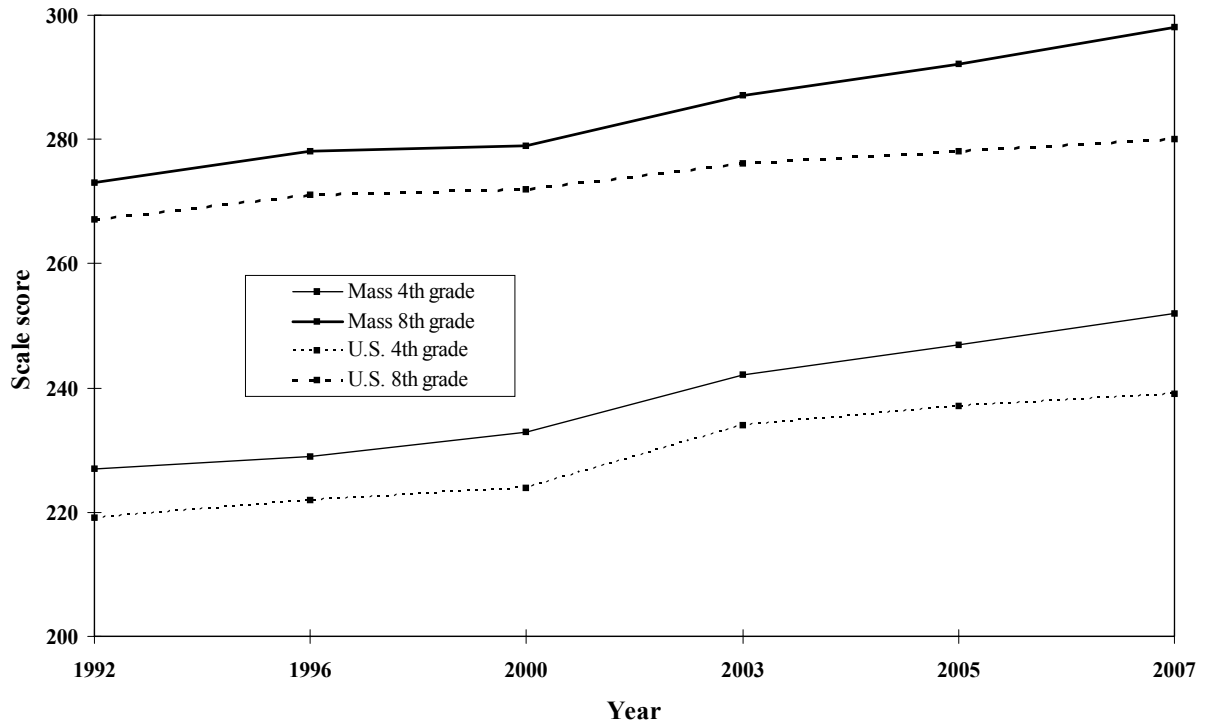
<i>Fiscal Year</i>	<i>Massachusetts</i>	<i>United States</i>	<i>Ratio (MA/U.S.)</i>
1981	\$2,735	\$2,307	1.19
1982	2,823	2,525	1.12
1983	3,072	2,736	1.12
1984	3,298	2,940	1.12
1985	3,653	3,222	1.13
1986	4,031	3,479	1.16
1987	4,491	3,682	1.22
1988	4,965	3,927	1.26
1989	5,485	4,307	1.27
1990	5,766	4,643	1.24
1991	5,881	4,902	1.20
1992	5,952	5,023	1.18
1993	6,141	5,160	1.19
1994	6,423	5,327	1.21
1995	6,783	5,529	1.23
1996	7,033	5,689	1.24
1997	7,331	5,923	1.24
1998	7,651	6,137	1.25
1999	8,106	6,458	1.26
2000	8,444	6,836	1.24
2001	9,038	7,284	1.24
2002	9,856	7,701	1.28
2003	10,223	8,019	1.27
2004	10,693	8,287	1.29
2005	11,267	8,701	1.29
2006	11,981	9,138	1.31

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

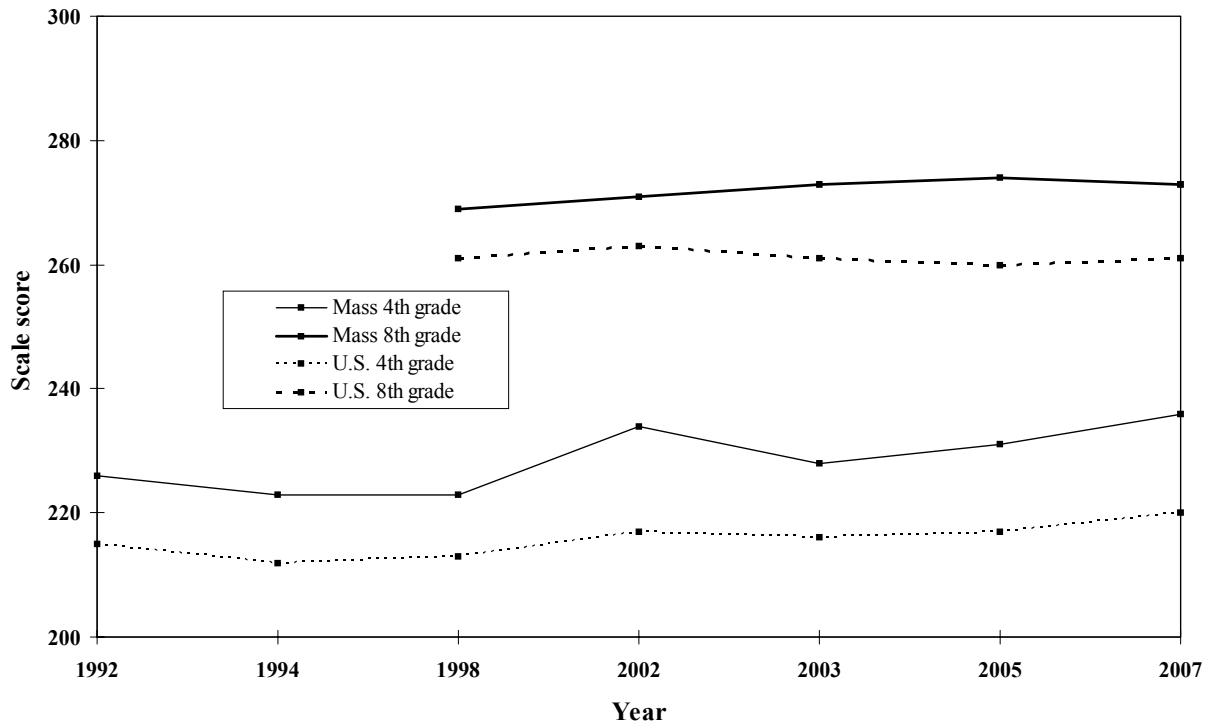
The National Assessment of Educational Progress (NAEP), also known as "the Nation's Report Card," is the only nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since 1969, assessments have been conducted periodically in reading, mathematics,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

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

*NAEP Mathematics Scores*



*NAEP Reading Scores*



SOURCE: National Center for Education Statistics.

# Sources List

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

## **Population Characteristics**

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

<http://www.census.gov>

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

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

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

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

<http://www.bls.gov>

**The Conference Board, Inc.**

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

**Mass Insight Corporation**

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

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

<http://www.census.gov>

## **Employment**

**Mass. Executive Office of Labor and Workforce Development, Division of Unemployment Assistance**

<http://lmi2.detma.org/Lmi/LMIDataProg.asp>

**U.S. Department of Labor, Bureau of Labor Statistics**

<http://www.bls.gov/data/home.htm>

## **Economic Base and Performance**

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

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

**Fortune Magazine**

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

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

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

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

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

<http://www.wisertrade.org>

**Massport**

<http://www.massport.com>

**Airports Council International**

<http://www.aci.aero>

**Federal Aviation Administration**

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

**Army Corps of Engineers**

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

**Federal Reserve Bank of Boston**

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

**United States Department of Commerce**

<http://www/census.gov>

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

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

**U.S. Department of Defense**

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

**Massachusetts Office of Travel and Tourism**

<http://www.massvacation.com>

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

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

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

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

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

## **Human Resources and Infrastructure**

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

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

**New England Board of Higher Education**

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

**National Science Foundation**

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

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

<http://nces.ed.gov>

**Institute of International Education**

<http://www.iee.org>