



- **FY2019 STATUTORY BASIS**
- **FINANCIAL REPORT (SBFR)**

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FY2019 STATUTORY BASIS FINANCIAL REPORT (SBFR)

- The SBFR is presented on a budgetary or statutory basis – cash receipts and expenditures, including two months of an accounts payable and receivable period; excludes trust funds and most activity of so-called business-type activities such as unemployment and the Institutions of Higher Education
- The SBFR does not include activity of “component units” such as the Massachusetts School Building Authority (MSBA), some of the Massachusetts Department of Transportation (MassDOT) such as the MBTA and RTA’s, and the Massachusetts Development Finance Agency (MassDevelopment)
- SBFR determines whether the budget is balanced according to state finance law. Determines the calculation of the “consolidated net surplus” and the end of year transfer to the Stabilization Fund



FY2019 STATUTORY BASIS FINANCIAL REPORT (SBFR)

- FY19 ended with a “consolidated net surplus” (the statutory definition of balance) of \$623 million in the budgeted funds
- FY19 operating gain of \$1.573 billion in the budgeted funds, compared to a \$939 million operating gain in FY18
- Budgeted fund ending balance of approximately \$3.959 billion, of which \$3.424 billion is in the Stabilization Fund
 - \$1.423 billion was deposited in the Stabilization Fund in FY19
 - Stabilization Fund balance is \$1.080 billion above its previous high point at the end of FY07
- Total budgeted fund revenue (prior to transfers between budgeted funds) increased by \$2.563 billion, or 5.8%, to \$46.383 billion
- Budgeted fund tax revenue increased by \$1.862 billion, or 7.2%, from FY18, driven by health wage and salary growth and increases in capital gains and corporate taxes.



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- FY19 Tax revenue growth (continued)
 - Withholding increased \$488 million, or 3.9%
 - Capital gains tax revenue increased \$875 million, or 73.9%
 - Sales & use tax increased \$253 million, or 5.5%
 - Corporate tax increased \$516 million, or 21.6%
 - Estate tax increased \$128 million, or 27.1%
- Budgeted fund expenditures and other uses (prior to transfers between budgeted funds) totaled \$44.810 billion, an increase of \$1.930 billion, or 4.5%, from FY18
 - Medicaid expenditures totaled \$16.521 billion, an increase of \$776 million, or 4.9%
 - Post-employment benefits (pension and health care) was \$3.110 billion, an increase of \$219 million, or 7.6%
- Budgetary fund debt service was up \$2.327 billion, or 0.2%, from FY18



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- \$113 million deposited to the State Retirement Benefits Trust Fund (SRBTF) to fund Other Post-employment benefits (OPEB – mainly health insurance for retirees)
 - 30%, or \$71 million of tobacco master settlement proceeds received in FY19
 - Additional \$42 million deposited in the SRBTF from capital gains tax revenue



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FY19 Stabilization Fund Activity (in \$ Thousands)

Stabilization Fund Balance as of July 1, 2018	\$2,001,299
Certain Lottery Withholding Taxes	\$429
Investment Earnings	\$52,913
Transfer of Abandoned Property Revenues	\$3,673
Transfer of 10% of Casino Gaming Revenues (MGM & Encore)	\$6,231
Transfer of 10% of Encore Casino fines	\$3,550
Capital Gains Tax Transfers (Net of Pension & OPEB Transfers)	\$763,559
Consolidated Net Surplus Transferred to Stabilization Fund	<u>\$592,722</u>
Stabilization Fund Balance as of June 30, 2019	<u>\$3,424,376</u>
Memo: Change in Stabilization Fund Balance, FY18-19	\$1,423,077

FY2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)



- Given the delay in issuing the SBFR, the FY19 CAFR has also been displayed. CTR expects to provide KPMG with a final draft of the CAFR within the next week, and file it immediately after KPMG completes its audit.
- The CAFR is audited while the SBFR is reviewed (lower level of assurance)
- CAFR Fund Perspective
 - Similar focus to the SBFR in terms of fund coverage, but also includes trust funds not covered in the SBFR, and the MSBA is incorporated into the statements as a blended component unit.
 - Purpose is to measure a government's ability to meet obligations from currently available resources



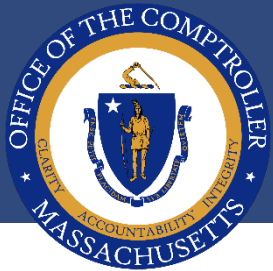
FY2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

- Uses a “modified accrual” basis of accounting, which is GAAP compliant, and takes into account short-term accruals (within one year). No long-term assets, liabilities, deferred outflows or deferred inflows of resources, such as capital assets, accumulated depreciation, net pension liabilities or net OPEB liabilities.
- CAFR Government-Wide Perspective
 - Treats the government according to accounting rules similar to that of a private business
 - Includes business-type activities such as Unemployment Insurance and the Institutions of Higher Education within the Commonwealth’s net position (formerly net assets)
 - Full accrual accounting for long-term assets, liabilities, deferred outflows and deferred inflows of resources, including long-term debt, pensions, OPEB, capital assets, and compensated absences



FY2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

- Includes so-called “component units” such as MassDOT, Health Insurance Connector, and the Massachusetts Clean Water Trust, all of which have a close relationship to the Commonwealth



QUESTIONS?

THANK YOU!

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