
Office of the State Comptroller

FY21 Statutory Basis Financial Report (SBFR)

Pauline Lieu
Chief Financial Reporting Officer

Howard Merkowitz
Deputy Comptroller (FY20/21)



Fiscal 2021 Statutory Basis Financial Report (SBFR)

- The SBFR is presented on a budgetary or statutory basis – cash receipts and expenditures, including two months 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 excludes “component units” such as Massachusetts School Building Authority (MSBA), some of the Massachusetts Department of Transportation (MassDOT), and Massachusetts Development Finance Agency (MassDevelopment)
- The SBFR determines whether the budget is balanced according to state finance law. The report also determines the calculation of the “consolidated net surplus” and the end of year transfer to the Stabilization Fund
- Consolidated net surplus is defined as the “undesignated” (or unreserved) balance in certain budgetary funds (i.e., funds subject to the Commonwealth’s annual budget process) as of June 30, of which the General Fund of (94.4%) and Commonwealth Transportation Fund (4.0%) account for the bulk of spending activity



Fiscal 2021 Statutory Basis Financial Report (SBFR)

- FY21 ended with a **“consolidated net surplus” of \$1.460 billion** in the budgeted funds
 - That \$1.460 billion was transferred to the newly established Transitional Escrow Fund, which is intended to hold the FY21 surplus for appropriation in FY22
- **FY21 operating gain of \$7.804 billion** in the budgeted funds, compared to a \$336 million operating gain in FY20. Operating gain is due primarily to strong growth in tax revenue (+\$4.2 billion) and receipt of federal ARPA revenue (+\$4.9 billion)
- Budgeted fund **ending balance of approximately \$12.099 billion**, of which:
 - \$4.626 billion is held in the Stabilization Fund
 - \$1.125 billion deposited in the Stabilization Fund in FY21
 - \$4.892 billion is in the Federal COVID-19 Response Fund (which holds federal ARPA revenue)



Fiscal 2021 Statutory Basis Financial Report (SBFR)

- Budgeted Fund Ending Balances (continued)
 - \$1.460 billion is held in the Transitional Escrow Fund
 - \$1.099 billion designated for FY22 appropriations (FY21 prior appropriations continued, or PACs) and debt service
- Total budgeted fund revenue (prior to transfers between budgeted funds) totaled \$56.882 billion, **an increase of \$9.566 billion, or 20.2%**, from FY20
- Budgeted fund **tax revenue totaled \$31.772 billion, up \$4.159 billion, or 15.1%** from FY20, \$5.864 billion above the original FY21 tax estimate and \$5.202 billion above the final FY21 estimate, as Massachusetts experienced a strong economic recovery from the COVID-19 pandemic
 - Total personal income tax collections increased by \$2.258 billion, or 13.0%
 - Personal income tax withholding up \$983 million, or 7.2%
 - Non-withheld personal income tax increased by \$1.225 billion, or 35.9%, driven in large part by growth in capital gains tax revenue, which totaled \$2.533 billion, an increase of \$873 million, or 52.6%, from FY20



Fiscal 2021 Statutory Basis Financial Report (SBFR)

- Budgeted Fund Tax Revenue (continued)
 - **Sales & use tax sales and use tax (excluding cannabis sales tax) increased by \$629 million, or 13.1 %**, despite a \$131 million, or 12.1% decline in sales and meals taxes as the pandemic cut into restaurant dining
 - **Corporate and business taxes increased by \$1.206 billion, or 40.9 %**, with about \$50 million of that increase due to a shift of payments from FY20 to FY21 due to a delay in the tax year 2019 filing deadline
 - Significant increases in the deeds excise, (+\$83 million, or 26.4 %), cannabis sales and excise tax (also +\$83 million, or 116.8 %), and estate (+\$88 million, or 12.6%) taxes
- Budgeted fund federal reimbursements totaled \$18.339 billion, an increase of \$5.544 billion, or 43.3%
 - \$4.892 billion in new America Rescue Plan Act (ARPA) revenues
 - Federal reimbursements for the Commonwealth's Medicaid program totaled \$12.338 billion, an increase of \$968 million, or 8.5%
- Lottery profits totaled \$1.113 billion, up \$126 million, or 12.7%



Fiscal 2021 Statutory Basis Financial Report (SBFR)

- **Budgeted fund expenditures** and other uses (prior to transfers between budgeted funds) totaled \$49.078 billion, an **increase of \$2.098 billion**, or 4.5%
 - Medicaid expenditures totaled \$18.122 billion, an increase of \$1.100 billion, or 6.5%, from FY20, due to an approximate 10% increase in Medicaid caseload
 - Direct local aid spending (both education aid and unrestricted aid) was \$6.482 billion, was up \$106 million, or 1.7%, from FY20
 - Transfers to the state pension fund (including the \$61 million capital gains tax transfer, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold) totaled \$3.176 billion, an increase of \$335 million, or 11.8%
 - Budgeted debt service totaled \$2.289 billion, down \$121 million, or 5.0%, from FY20, due to savings achieved when the Commonwealth refunded debt service at favorable interest rates
 - Spending on state employee health benefits paid through the Group Insurance Commission increased by \$55 million, or 3.3%, from \$1.680 billion to \$1.736 billion



Fiscal 2021 Statutory Basis Financial Report (SBFR)

- Other significant spending included \$46 million in new spending for economic recovery from COVID-19, \$50 million for a homeless prevention program (an increase of \$32 million from FY20)
- Transfers among the Budgeted Funds totaled \$3.100 billion, an increase of \$2.087 billion, or 205.9%, from FY20, primarily due to transfers of \$1.098 billion in capital gains tax revenue deposited in the Stabilization Fund (there were no such transfers in FY20) and \$1.460 billion to the Transitional Escrow Fund, which were partially offset by the expiration of annual transfers from the General Fund to the Commonwealth Transportation Fund and smaller deficit elimination transfers between the budgeted funds at fiscal year-end



Fiscal 2021 Statutory Basis Financial Report (SBFR)

FY21 Stabilization Fund Activity (in \$ Thousands)

Stabilization Fund Balance as of July 1, 2020	\$3,501,181
Capital Gains Tax Revenue Transfers	\$1,098,148
Certain Lottery Withholding Taxes	324
Investment Earnings	9,317
Transfer of 10% of casino gaming tax revenue (MGM and Encore)	17,458
Stabilization Fund Balance as of June 30, 2021	<u>\$4,626,419</u>
Memo: Change in Stabilization Fund Balance, FY20-21	\$1,125,238

As of June 30, 2021, the Commonwealth's Stabilization Fund balance as a percentage of General Fund own source expenditures was 13.3%, well above the projected national median of 8.7% as reported in the Spring 2021 survey of the National Association of State Budget Officers (NASBO), and up 2.4 percentage points from FY20.



Budgeted Funds - Operations
(Amounts in thousands)

	2021	2020
Beginning fund balances:		
Reserved and designated	\$ 776,645	\$ 521,274
Reserved for Stabilization Fund	3,501,181	3,424,376
Undesignated	17,379	13,547
Total	4,295,205	3,959,197
Revenues and other financing sources:		
Taxes	31,771,947	27,612,766
Federal reimbursements	18,338,990	12,794,687
Departmental and other revenues, including tobacco settlement	4,775,501	4,920,247
Interfund transfers from non-budgeted funds and other financing sources	1,996,000	1,988,432
Budgeted revenues and other financing sources	56,882,438	47,316,132
Intragovernmental Service Fund revenues	441,643	441,353
Interfund transfers among budgeted funds and other financing sources	2,658,449	571,925
Total revenues and other financing sources	59,982,530	48,329,410
Expenditures and other financing uses:		
Programs and services	41,592,766	39,866,322
Debt service	2,289,446	2,410,163
Post employment benefits	3,751,854	3,304,975
Interfund transfers to non-budgeted funds and other financing uses	1,444,400	1,398,664
Budgeted expenditures and other financing uses	49,078,466	46,980,124
Intragovernmental Service Fund expenditures	441,643	441,353
Interfund transfers among budgeted funds and other financing uses	2,658,449	571,925
Total expenditures and other financing uses	52,178,558	47,993,402
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	7,803,972	336,008
Ending fund balances:		
Reserved for Prior Appropriations Continued and Designated for Debt Service	1,099,338	776,645
Reserved for Stabilization Fund	4,626,419	3,501,181
Undesignated in Federal COVID-19 Response Fund	4,891,987	—
Undesignated in Transitional Escrow Fund	1,460,324	—
Other Undesignated	21,107	17,379
Total	12,099,175	\$ 4,295,205

Fiscal 2021 Statutory Basis Financial Report (SBFR)

Non-Budgeted Special Revenue Fund Revenue & Expenditures

- FY21 total revenues \$18.339 billion, down \$263 million, or 1.4%, from FY20
- FY21 expenditures totaled \$18.596 billion, up \$2.044 billion, or 12.3%, from FY20, as the Commonwealth spent Coronavirus Relief Fund revenues received at the end of FY20 and other COVID-19-related federal grants
 - \$1.309 billion was spent from the Coronavirus Relief Fund, vs. \$761 million in FY20
 - \$1.314 billion in coronavirus-related expenses were incurred by programs in the Commonwealth's non-budgetary Federal Grants Fund vs. \$115 million in FY20
- The Commonwealth received a total of \$5.286 billion in federal American Rescue Plan Act (ARPA) funds, of which \$4.892 billion was transferred to the Federal COVID-19 Response Fund (a budgetary fund), \$109 million was distributed to certain cities and towns from the Federal Grants Fund, \$10 million was allocated to the VaxMillions program, \$75 million was transferred to the Covid Paid Sick Leave Fund, and \$200 million remained in the Federal Grants Fund for future spending

