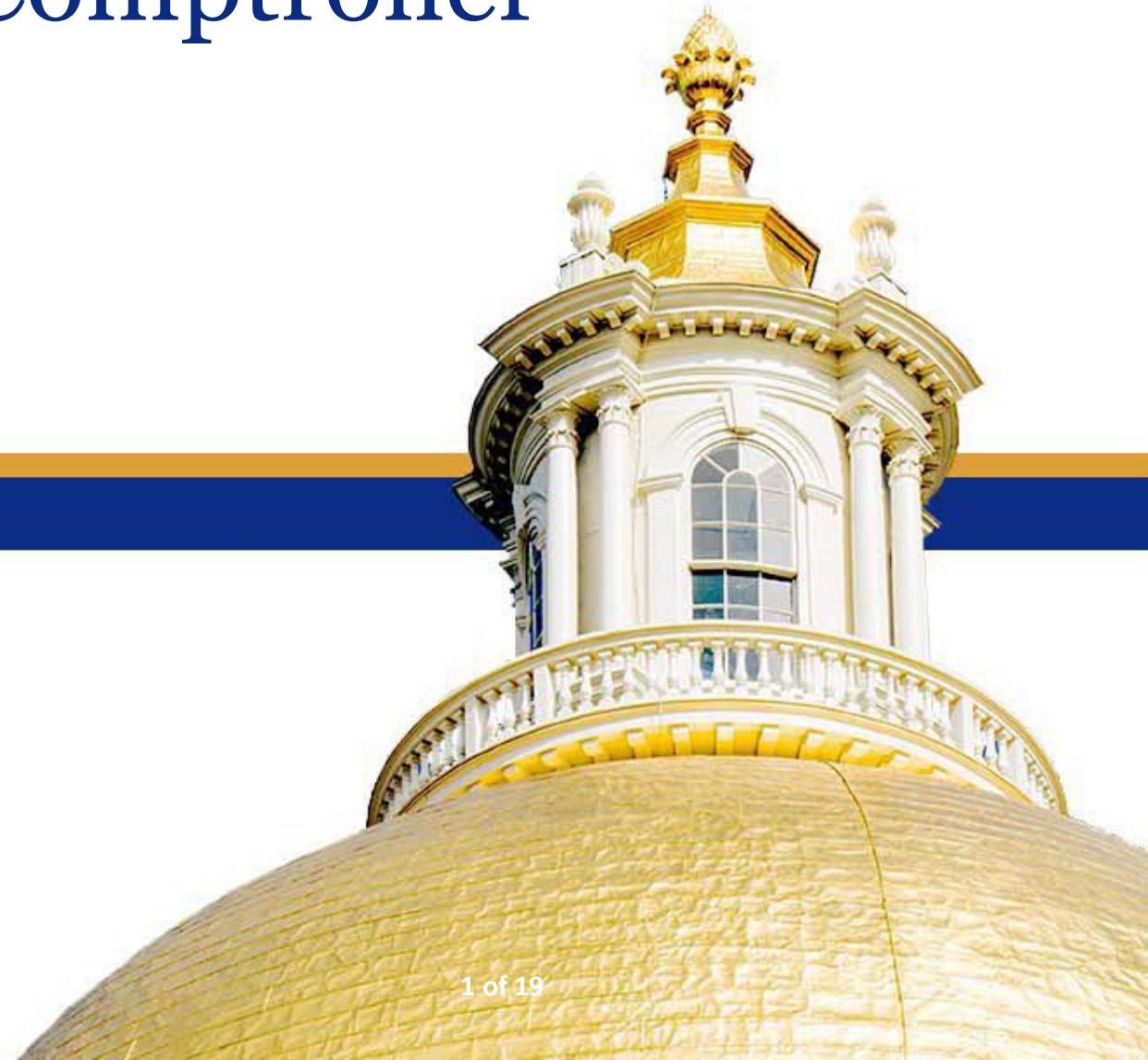


Meeting of the Advisory Board to the Comptroller

January 26, 2026



OFFICE OF THE COMPTROLLER
COMMONWEALTH OF MASSACHUSETTS



Advisory Board to the Comptroller

Statutory Members

- ★ **Matthew Gorzkowicz**, Secretary of Administration and Finance (Chair)
- ★ **The Honorable Diana DiZoglio**, State Auditor
- ★ **The Honorable Deborah B. Goldberg**, Treasurer and Receiver General
- ★ **The Honorable Andrea Joy Campbell**, Attorney General
- ★ **Thomas G. Ambrosino**, Court Administrator of Massachusetts Trial Court

Appointed Members

- ★ **Michael Esmond**, Director of Municipal Finance, Town of Braintree
- ★ **Natalie S. Monroe**, Chief Magistrate, Division of Administrative Law Appeals

Agenda

I. **(A) Call to Order. (B) Authorization for Remote Meeting. (C) Notice of Recording.**

Matthew Gorzkowicz, Secretary, Executive Office for Administration and Finance

II. **Review and approval of the September 18, 2025 Advisory Board meeting minutes**

Secretary Gorzkowicz

III. **Remarks from the Chair**

Secretary Gorzkowicz

IV. **Review of Statutory Basis Financial Report (SBFR) for Fiscal Year**

Annual reporting cycle overview William McNamara, Comptroller of the Commonwealth

Review of the Fiscal Year 2025 SBFR: Pauline Lieu, Chief Financial Reporting Officer & Assistant Comptroller
Howard Merkowitz, Senior Advisor

CLA Report to the Board Christian Rogers, CPA, Managing Principal, and colleagues

V. **Timing outlook for next meeting**

Secretary Gorzkowicz / Comptroller McNamara

VI. **Meeting adjournment**

Secretary Gorzkowicz

Meeting Information

On March 28, 2025, Governor Healey signed into law Chapter 2 of the Acts of 2025, which extends certain temporary provisions pertaining to the Open Meeting Law until June 30, 2027. Specifically, this further extension allows public bodies to continue holding meetings remotely without a quorum of the public body physically present at a meeting location, and to provide "adequate, alternative" access to remote meetings.

In accordance with that law, all members of the Advisory Board and members of the public are participating remotely in today's meeting.

Because members of the Board are participating remotely, all votes today will be taken by roll call.

Meeting Information	
Date and Time:	January 26, 2026 at 9:30am
Location:	Zoom
Meeting ID:	823 3944 1446
Passcode:	065390
Link:	https://macomptroller.zoom.us/s/82339441446
Dial-in:	1-929-205-6099

Agenda Item I

(A) Call to Order

(B) Authorization for Remote Meeting

(C) Notice of Recording

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

Agenda Item II

Review and approval of minutes

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

Agenda Item III

Remarks from the Advisory Board Chair

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

Agenda Item IV

Review of Statutory Basis Financial Report (SBFR) for Fiscal Year 2025

William McNamara, Comptroller

Pauline Lieu, Chief Financial Reporting Officer & Assistant Comptroller

Howard Merkowitz, Senior Advisor

Three major reporting requirements

SBFR	ACFR	Single Audit
Statutory Basis Financial Report	Annual Comprehensive Financial Report	Federal requirement
<ul style="list-style-type: none">Required under state law (M.G.L. c. 7A, § 12)Most other states have similar reportsPresent the results of the prior fiscal year activity in the Commonwealth's funds primarily on a cash, non-GAAP basisCompute and certify the annual budget balance and end of fiscal year transfer to the Stabilization FundDisclose and report certain aspects of financial performance as directed by statute or judged relevant by the ComptrollerReviewed by the independent firm (CLA)	<ul style="list-style-type: none">50-state requirement (plus other local government entities)Financial statements of a state, municipal or other governmental entity that comply with requirements promulgated by the Governmental Accounting Standards Board (GASB), which sets Generally Accepted Accounting Principles (GAAP) for those governments and entitiesKey differences versus SBFR: Statements on a "modified accrual" basis; addition of multiple component units and other required information	<ul style="list-style-type: none">Uniform Guidance: authoritative set of administrative and financial requirements for recipients of federal grants & fundsSEFA: Schedule of Expenditure of Federal Awards; details the use of federal funds across the stateSingle Audit: Organization-wide financial statement and federal awards' audit of entities that expend \$1 million or more in federal funds. Focused on internal controls and compliance with program requirements.

Fiscal Year 2025 SBFR review: Basis of presentation

- ★ **The SBFR is presented on a budgetary or statutory basis:** cash receipts and expenditures, including two months accounts payable and receivable period ("modified cash basis"); by statute it 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 Bay Transportation Authority (MBTA), 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 (CNS) 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 (87.2%), the Education and Transportation Fund, funded by the 4% income tax surcharge (3.8%), and Commonwealth Transportation Fund (3.4%) account for the bulk of spending activity

FY2025 SBFR review: Balances at year end

- ★ FY2025 ended with balanced budget, i.e., a “**consolidated net surplus**” of **\$0**, in the budgeted funds, after allocating \$297 million capital gains revenue to the General Fund per a provision of the FY2025 final supplemental budget bill.
- ★ There was an **FY2025 operating loss of \$984 million** in the budgeted funds, compared to a \$334 million operating loss in FY2024. This includes a \$409 million reduction in the amount Reserved for Prior Appropriations Continued & Debt Service and \$413 million in the amount Reserved for the Stabilization Fund.
- ★ The \$984 million figure represents the excess of yearly expenditure over revenue received, which results in a lower year-end balance in budgeted funds. **It does not represent deficit spending or an increase in debt.**
- ★ There was a **budgeted fund ending balance of approximately \$14.020 billion**, including:
 - \$8.111 billion is held in the Stabilization Fund
 - \$921 million in the General Fund, all designated for FY2025 appropriations continued into FY2026 (PACs, or prior appropriations continued)
 - \$966 million remains in the Transitional Escrow Fund, \$496 million reserved for PACs
 - \$2.993 billion in the three education and transportation funds financed by the 4% "fair share" surtax, including \$1.781 billion undesignated and \$1.212 billion reserved for PACs

FY2025 SBFR review: Total budgeted revenue / income tax revenue

- ★ Total budgeted fund revenue (prior to transfers between budgeted funds) totaled **\$67.102 billion**, an increase of **\$5.367 billion or 8.7% from FY2024**
- ★ Budgeted fund tax revenue (not including sales tax revenue allocated to the MBTA and MSBA) totaled **\$41.011 billion**, up \$2.872 billion, or 7.5% from FY2024, with most of the increase due to growth in personal income tax withholding collections and in the "fair share" surtax.
 - Total personal income tax collections were **\$26.712 billion**, up \$2.600 billion, or 10.8%, including "fair share" taxes of \$3.049 billion up \$633 million, or 26.2%
 - Personal income tax withholding was **\$19.056 billion**, up \$1.089 billion, or 6.1%, as wages continued to grow steadily
 - Non-withheld personal income tax was **\$7.656 billion** an increase of \$1.511 billion, or 24.6%, including non-fair share capital gains tax revenue of \$2.696 billion up \$687 million or 34.2% and fair share capital gains taxes of \$1.189 billion, up \$537 million or 82.3% versus FY2024
- ★ Sales & use tax totaled **\$6.859 billion** up **\$233 million or 3.5%**, including a \$162 million, or 3.2% increase in regular sales tax and a \$71 million or 4.6% increase in meals tax.

FY2025 SBFR review: Other taxes and revenues

- ★ **Corporate and business taxes totaled \$4.670 billion**, down \$163 million, or 3.4% from FY2024 collections
- ★ Other notable changes in tax collections include an **increase of \$166 million or 28.9% in the estate and inheritance tax** (which tends to be a volatile revenue source), and an increase in the **deeds excise tax of \$30 million or 10.0%**
- ★ **Budgeted fund federal reimbursements totaled \$16.210 billion**, an increase of \$1.606 billion, or 11.0%, due primarily to an increase in the state's Medicaid federal reimbursements, which totaled \$14.486 billion, up \$1.268 billion or 9.6%, as Medicaid spending increased
- ★ **Budgeted fund departmental revenue totaled \$7.187 billion**, an increase of \$758 million, or 11.8%, mainly due to growth in tobacco settlement revenues, which totaled \$875 million, up \$688 million from FY2024 with virtually the entire increase due to prior years' outstanding claims. Growth in other departmental revenue was partially offset by a decline in interest earnings, which dropped from \$980 million in FY2024 to \$787 million in FY2025 as a result of lower interest rate and average balances in the General Fund
- ★ **Lottery profits totaled \$1.059 billion**, a decrease of \$92 million or 8.0% from FY2024

FY2025 SBFR review: Expenditures and transfers

- ★ **Budgeted fund expenditures** and other uses (excluding transfers between budgeted funds) **totaled \$68.086 billion**, an increase of \$6.017 billion or 9.7% from FY2024
- ★ **Medicaid (MassHealth) expenditures totaled \$22.129 billion**, an increase of \$2.059 billion, or 10.3%, from FY2024, due to growth in Medicaid caseloads and the general increase in healthcare costs, particularly in costs for nursing home care covered by Medicaid
- ★ Spending on **other Executive Office of Human Services programs totaled \$10.282 billion**, an increase of \$868 million, or 9.2% from FY2024, primarily due to increased spending at the Department of Development Services and on adult mental health spending and behavioral health workforce supports
- ★ **Direct local aid spending** (both education aid and unrestricted aid) was **\$8.248 billion**, up \$300 million or 3.8%
- ★ **Transfers to the state pension fund** in accordance with the Commonwealth's actuarially determined pension funding schedule were \$4.498 billion, an increase of \$394 million or 9.6%, from FY2024, plus an additional pension contribution of \$29 million from capital gains taxes, as required by law
- ★ **Budgeted fund debt service totaled \$2.600 billion**, up \$175 million or 7.2% from FY2024

FY2025 SBFR review: Interfund transfers / “Fair Share” surtax

- ★ **Interfund transfers from budgeted to non-budgeted funds totaled \$2.901 billion, an increase of \$1.381 billion or 90.9%, from FY2024**
 - The net increase was due primarily transfers of \$827 million of FY2024 and FY2025 interest earnings from the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund and \$640 million from the General Fund to the Medical Assistance Trust Fund (MATF) for payments to hospitals that treat large populations of lower income patients, an increase of \$135 million, or 26.8%
- ★ **\$1.510 billion in education and transportation spending from the "Fair Share" 4% personal income surtax revenues, an increase of \$607 million, or 40.2%, from FY2024. Significant spending included:**
 - \$737 million for Elementary and Secondary Education
 - \$264 million for Higher Education
 - \$507 million for Transportation
 - *Details of spending of Fair Share tax revenues are on page 185 of the SBFR*

FY2025 SBFR review: Summary

	FY2025 (\$ millions)	FY2024 (\$ millions)	\$ Change	% Change
Beginning Balances	\$ 15,004	\$ 15,338	\$ (334)	(2.2)%
Taxes	41,011	38,138	2,873	7.5%
Federal reimbursements	16,210	14,603	1,607	11.0%
Other budgeted revenues	9,881	8,993	888	9.9%
Budgeted revenues and other financing sources	67,102	61,735	5,367	8.7%
Transfers between budgeted funds ("gross-ups")	6,552	4,727	1,825	38.6%
Total revenues and other financing sources	73,654	66,462	7,192	10.8%
 Budgeted expenditures and other financing uses	 68,086	 62,069	 6,017	 9.7%
Transfers between budgeted funds ("gross-ups")	6,552	4,727	1,825	38.6%
Total expenditures and other financing uses	74,638	66,796	7,842	11.7%
 Excess/(deficiency) of revenues over expenditures	 (984)	 (334)	 (650)	 N/A
 Ending fund balances:				
Reserved for Prior Appropriations Continued & Debt Service	2,763	3,172	(409)	(12.9)%
Reserved for Stabilization Fund	8,111	8,524	(413)	(4.8)%
Other Undesignated	3,146	3,308	(162)	(4.9)%
 Total ending fund balances	 \$ 14,020	 \$ 15,004	 \$ (984)	 (6.6)%

FY2025 SBFR review: Stabilization Fund activity

FY2025 Stabilization Fund Activity (in \$ Thousands)

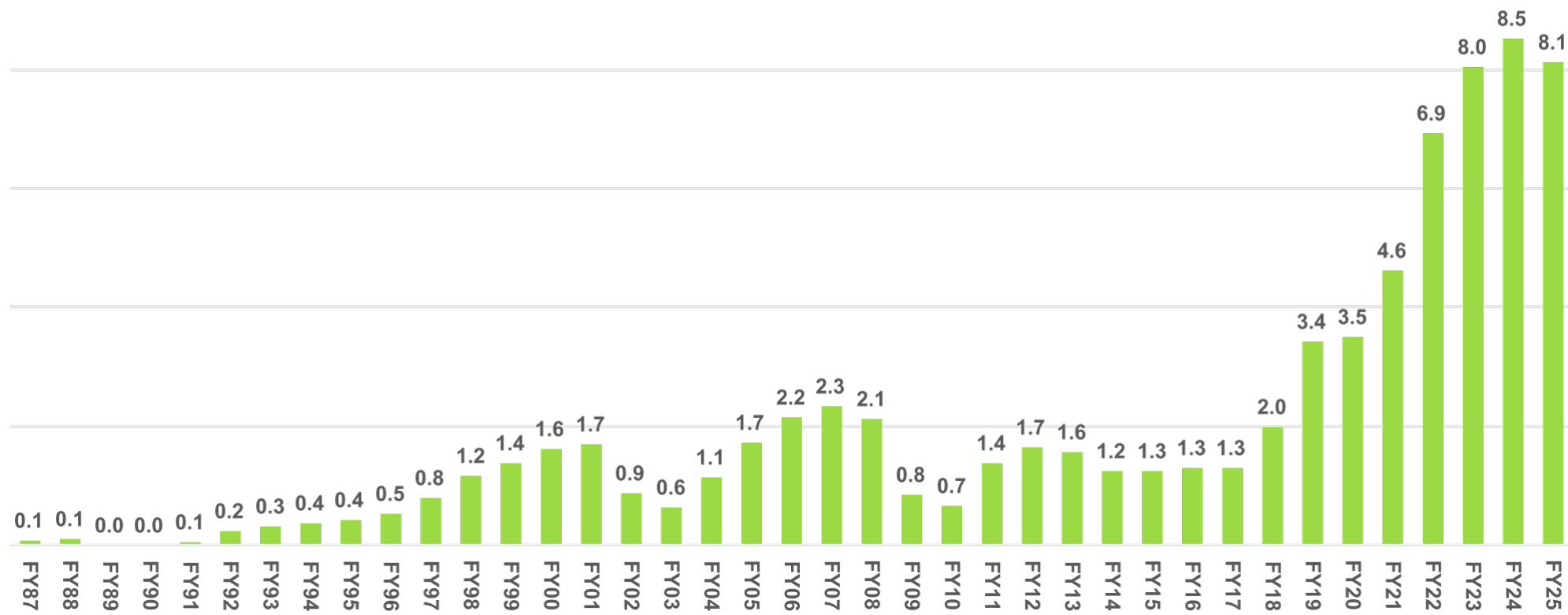
Stabilization Fund Balance as of July 1, 2024	\$8,523,632
Certain Lottery Withholding Taxes	\$179
Interest Earnings	\$406,229
Transfer of FY2024 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund	(\$420,763) *
Transfer of FY2025 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund	(\$406,229)
Adjustment for Change in Value of Short-Term Bond Fund	\$7,636
Stabilization Fund Balance as of June 30, 2025	\$8,110,685
Memo: Change in Stabilization Fund Balance, FY2024-2025	(\$412,947)

As of June 30, 2025, the Commonwealth's Stabilization Fund balance as a percentage of General Fund own source expenditures was 16.6%, well above the national median of 13.1% as reported in the Fall 2025 survey of the National Association of State Budget Officers (NASBO)

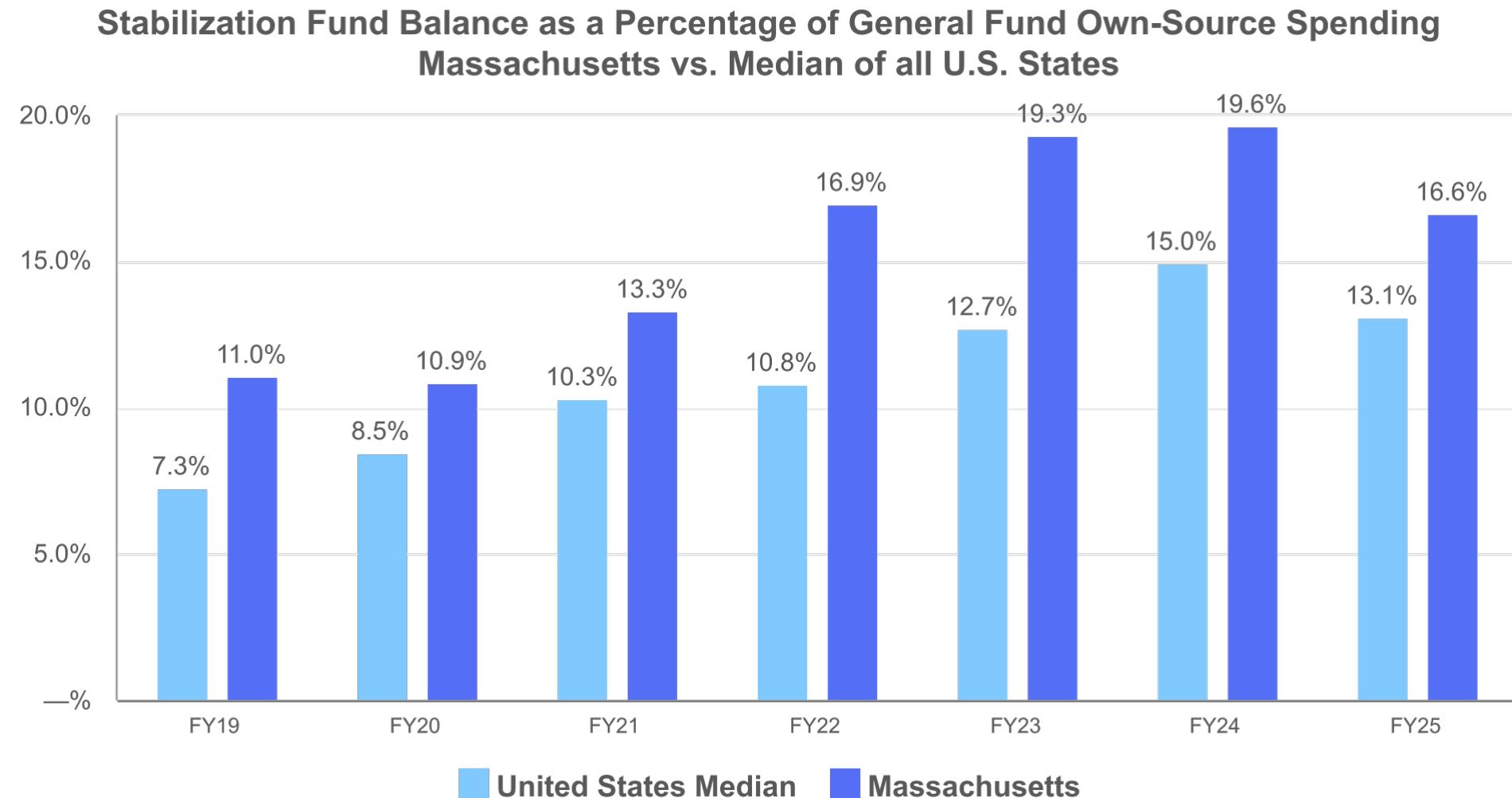
* Transfer for \$420.7M in Fiscal 2024 interest is a Fiscal 2025 event for reporting purposes.

FY2025 SBFR review: Stabilization Fund balance history

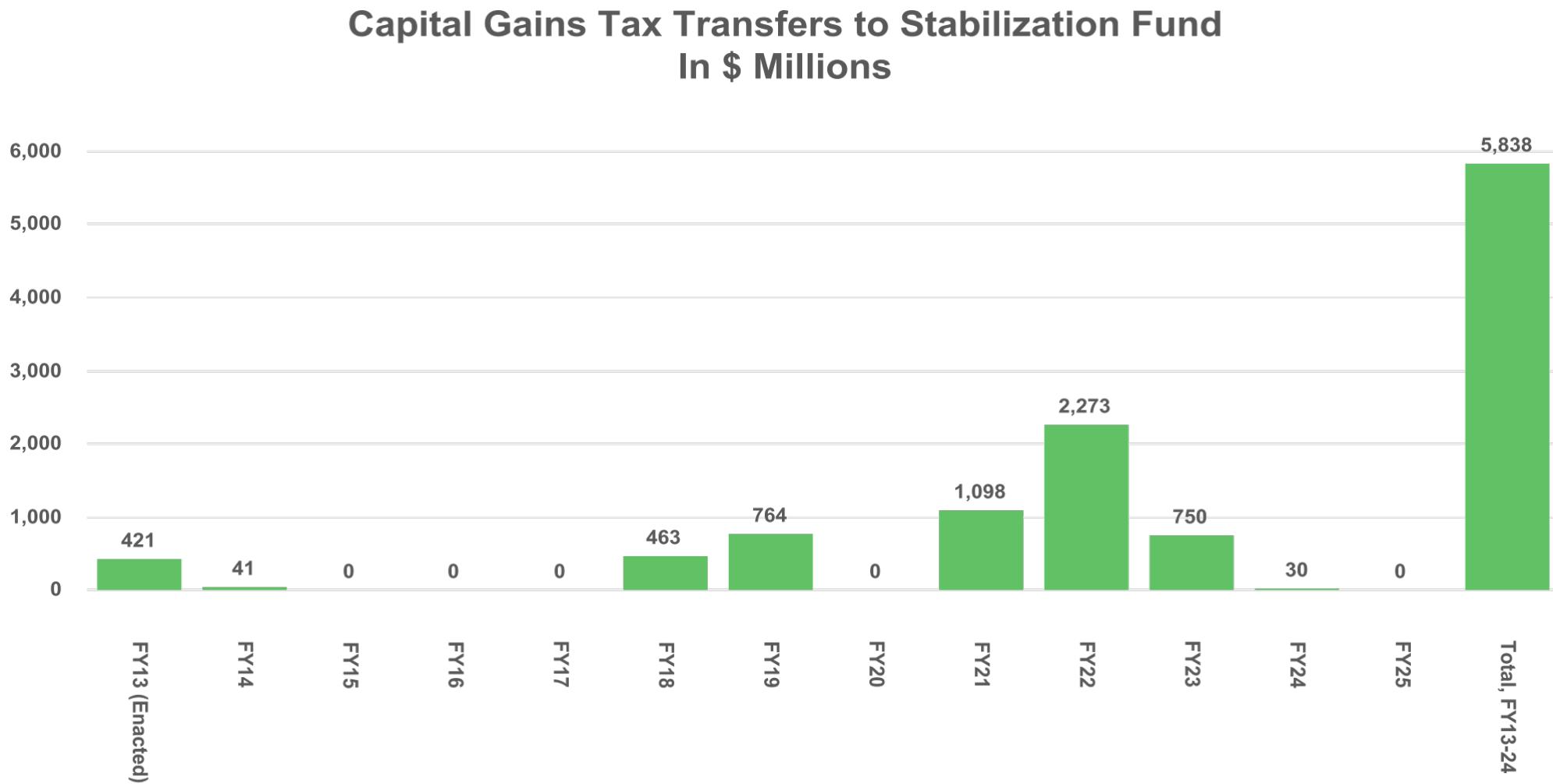
End of Fiscal Year Stabilization Fund Balances
In \$ Billions



FY2025 SBFR review: Stabilization Fund comparison



FY2025 SBFR review: Capital Gains Tax transfers to Stabilization



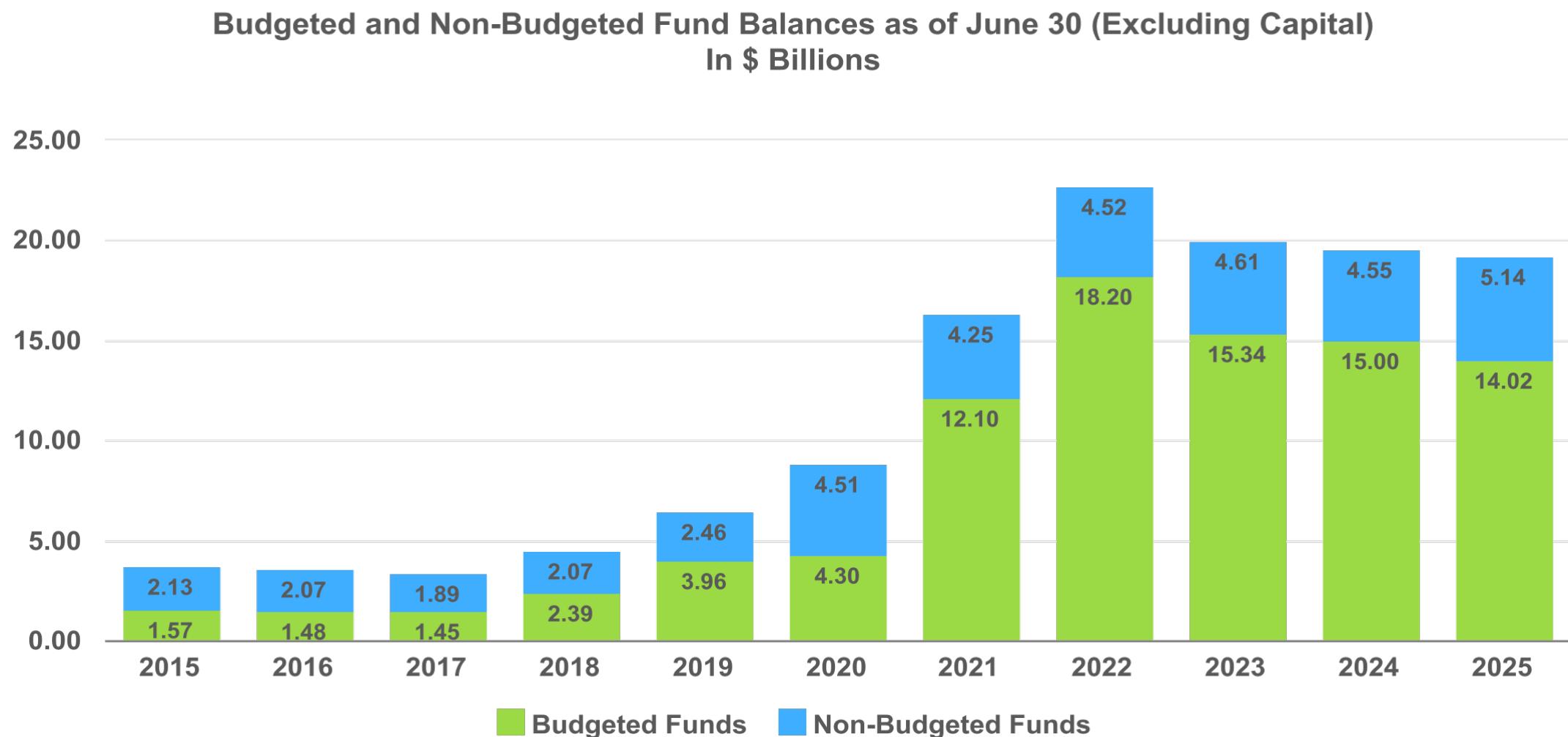
FY2025 SBFR review: Non-Budgeted Special Revenue Fund Revenues & Expenditures

- ★ **FY2025 revenues and other financing sources totaled \$23.426 billion, up \$1.487 billion or 6.8% from FY2024**
 - **\$6.974 billion in federal revenues, down \$152 million or 2.1% from FY2024**, with increases in some program reimbursements offset by declines in COVID-19-related federal revenue as those programs wound down
 - **Assessment revenue increased by \$390 million, or 23.4%**, the largest being a \$1.755 billion in hospital assessments and federal reimbursements deposited in the Hospital Investment and Performance Trust Fund, a \$346 million, or 65.1% increase from FY2024
 - **Departmental and miscellaneous revenue decreased by \$321 million, or 4.0%**
 - **Transfers of \$3.111 billion were up \$1.432 or 85.3% from FY2024**, the most significant being transfers of \$827 million in FY2024 and FY2025 Stabilization Fund interest earnings to the Commonwealth Federal Matching and Debt Reduction Fund and \$1.220 billion in transfers to the Massachusetts Transportation Trust Fund, a \$401 million or 49.0% increase from FY2024. Much of that increase was funded by 4% surtax revenues.

FY2025 SBFR review: Non-Budgeted Special Revenue Fund Revenues & Expenditures

- ★ **FY2025 expenditures and other uses totaled \$22.837 billion**, up \$836 million, or 3.8%, from FY2024.
- ★ Notable spending included:
 - **\$1.709 billion**, a \$586 million increase, or 52.1%, from the Hospital Investment and Performance Trust Fund
 - **\$444 million**, an increase of \$242 million, or 119.8%, from the Commonwealth Care Trust Fund
 - **\$212 million** in expenditures from the Commonwealth Federal Matching and Debt Reduction Fund
 - **\$188 million** from the Managed Care Organization Services Reinvestment Fund

FY2025 SBFR review: Fund balances



FY2025 SBFR review: Capital Projects Spending & Revenue

- ★ **FY2025 Commonwealth spending on capital projects totaled \$4.674 billion**, up \$733 million or 18.6% from FY2024 capital spending. Significant categories of capital spending included
 - \$2.457 billion, or more than half of total capital spending, on transportation-related projects
 - \$661 million on non-transportation state infrastructure
 - \$458 million on housing
 - \$276 million on environmental projects
 - \$315 million on education
 - \$280 million on information technology
 - *A list of individual projects starts on page 19 of the SBFR.*
- ★ To fund the FY2025 capital budget and FY2024 capital expenditures that had not been bonded as of June 30, 2024, the Commonwealth borrowed by issuing general and special obligation bonds with proceeds of \$3.612 billion and issued refunding bonds with proceeds of \$676 million. The Commonwealth received \$971 million in federal reimbursements for capital spending (most of it for transportation projects).
- ★ At the end of FY2025, the capital projects funds had a \$1.722 billion negative balance, as the Commonwealth had not yet reimbursed itself for capital spending that it typically funds in arrears through subsequent bond issues. The capital projects funds normally have a negative balance at the close of each fiscal year.

Agenda Item IV continued CLA Report to the Advisory Board

Chris Rogers, CPA
Managing Principal of Industry

Mathew Goulet, CPA
Audit Manager

CliftonLarsonAllen

Agenda Item IX

Next meeting

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance

William McNamara,
Comptroller

Agenda Item X Adjournment

Matthew Gorzkowicz
Secretary, Executive Office for Administration and Finance