



Commonwealth of Massachusetts

OFFICE OF THE COMPTROLLER

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ANDREW W. MAYLOR
COMPTROLLER

Via Hand Delivery

October 29, 2019

His Excellency Charles D. Baker
Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, MA 02133

Secretary Michael Heffernan
Executive Office for Administration and Finance
State House, Room 373
Boston, MA 02133

Chair Aaron Michlewitz
House Ways and Means Committee
State House, Room 243
Boston, MA 02133

Chair Michael J. Rodrigues
Senate Ways and Means Committee
State House, Room 212
Boston, MA 02133

Mr. Michael D. Hurley
Senate Clerk
State House, Room 335
Boston, MA 02133

Mr. Steven James
House Clerk
State House, Room 145
Boston, MA 02133

Re: FY19 Statutory Basis Financial Report Filing

Dear Governor Baker, Secretary Heffernan, Chair Michlewitz, Chair Rodrigues, Mr. Hurley and Mr. James:

I am writing to you today with an update, as we approach the October 31st, filing deadline for the annual Statutory Basis Financial Report (SBFR). While I am pleased to learn that there has been significant movement towards enactment of the final FY19 supplemental appropriations bill, I must inform you that given the late date, it is not possible for this office to file the SBFR on October 31st.

Once the final supplemental legislation is passed by the Legislature and signed by the Governor, it is my plan to meet my statutory obligation of closing the financial books for FY19. Any further legislative action that occurs after the bill is signed will be accounted for in FY20.

Once the final supplemental budget is signed into law, there is significant manual work that must be done to align spending with the directives of that legislation. While the team here in the Comptroller's Office is highly experienced and skilled in this work, there is always a level of

risk triggered by incorporating manual calculations and adjustments to the accounting reports.

I am committed to reducing the time required from the Governor's signing of the legislation to issuance of the final SBFR; however, the number of transactions and size of the final supplemental budget can vary. It is my hope that we can process all closing transactions and have the Commonwealth's independent audit firm, currently KPMG, review the document within 14 days from signature. Please note that this is a target to help you understand when the SBFR might be issued but is not a guarantee.

Additionally, under M.G.L. c. 29, s. 5C, I am required to certify and report the Consolidated Net Surplus (CNS) at the same time as the SBFR is issued. As you know, the CNS determines if the budget is balanced and if there is any amount transferred to the Stabilization Fund at the close of the fiscal year.

While the statute requiring the Comptroller to complete the SBFR by October 31st does not specify the consequences of not meeting said deadline, nor have the bond rating agencies directly linked a delay in closing of the State's fiscal year to either a downgrade or an adverse change in outlook, there is a measurable downstream impact. Specifically, in years when there is a surplus that will be transferred to the Stabilization Fund a delay in closing the fiscal year results in a delay in transferring those funds which results in lost interest income.

Based on an assumption that the SBFR will be issued on November 15, 2019, that forgone interest is projected to be more than \$500,000 and increases by more than \$30,000 each day beyond that date. I realize that in the context of the state government spending that this amount may not seem important, but as a taxpayer and someone who spent more than 25 years in local government, that sum is meaningful.

I understand that a timely closing to allow this office to meet the SBFR issuance deadline rests with each of you. I am hopeful that in future years the necessary actions can be taken to enact the final supplemental appropriation bill with sufficient time for this Office to complete its work and issue the report by the October 31st statutory deadline.

Sincerely,

Andrew W. Maylor
Comptroller of the Commonwealth