



The Commonwealth of Massachusetts
Office of the Comptroller
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November 10, 2014

Secretary Glen Shor
Executive Office of Administration and Finance

The Honorable Stephen M. Brewer, Chairman
Senate Committee on Ways and Means

The Honorable Brian S. Dempsey, Chairman
House Committee on Ways and Means

Dear Secretary Shor, Chairman Brewer, and Chairman Dempsey:

This letter is to inform you of Stabilization Fund transfers for FY2014 and FY2015.

FY2014

Section 242(a) of Chapter 165 of the Acts of 2014 authorizes the disposal of the consolidated net surplus in the budgetary funds for fiscal year 2014 and further authorizes the transfer of any remaining consolidated net surplus to the Stabilization Fund.

Section 25 of Chapter 237 of the Acts of 2014 requires the Comptroller to retain, in the General Fund, settlements and judgments in excess of \$10 million which would otherwise be transferred to the Stabilization Fund, but not more than is necessary to result in a consolidated net surplus of \$57,500,000.00. Previously in FY2014, I transferred \$300,000,000.00 to the General Fund and in accordance with this requirement an additional \$114,309,814.01 (which represents the remaining settlements and judgments revenue for FY2014) will be transferred to the General Fund.

After the disposal of the consolidated net surplus for FY2014, no funds remain. Therefore, no transfer to the Stabilization Fund was made at the end of FY2014.

Attachment # 5 shows the final Stabilization Fund balance as of June 30, 2014, including all prior transfers, earnings, and deposits credited to Stabilization Fund during FY2014.

FY2015

Section 259(b) of Chapter 165 of the Acts of 2014 (the FY2015 General Appropriation Act) authorizes the transfer of interest and other investment income earned by the Commonwealth Stabilization Fund

during FY2015 to the General Fund. Interest earned by the Stabilization Fund during FY2015 for the period of September 1, 2014 to October 31, 2014 totaled \$1,009,664.10. Therefore, a transfer of that amount from the Stabilization Fund to the General Fund will be processed in conjunction with the Office of the State Treasurer and Receiver General.

On October 28, 2014, the Commissioner of Revenue jointly certified to the State Comptroller's Office that for the period July 1, 2014 through September 30, 2014, capital gains tax revenue totaled \$171,500,000.00. Section 5G of Chapter 29 of the Massachusetts General Laws, as amended, requires that capital gains in excess of the fiscal year threshold be transferred to the Stabilization Fund. For FY2015 this threshold is \$1,048,034,212. Since the total capital gains tax revenue has not exceeded this threshold, no transfer will be made.

If you have any questions concerning this letter, please contact Howard Merkowitz, Deputy Comptroller, at (617) 973-2602.

Sincerely,

Martin J. Benison
Comptroller

Enc. Attachment #1 – Section 242(a) of Chapter 165 of the Acts of 2014
Attachment #2 – Section 25 of Chapter 237 of the Acts of 2014
Attachment #3 – Section 259(b) of Chapter 165 of the Acts of 2014
Attachment #4 – Section 5G of Chapter 29 of the Massachusetts General Laws
[Attachment #5](#) – FY2014 Stabilization Fund Balance Spreadsheet
[Attachment #6](#) – FY2015 Stabilization Fund Balance Spreadsheet

Cc: Emme Schultz, Assistant Secretary for the Budget and Fiscal Operations
Amy Pitter, Commissioner, Department of Revenue
Judy Zeprun Kalman, Deputy Attorney General, Attorney General's Office
Kathryn Kendall, Budget Director, House Ways and Means
Douglas Howgate, Budget Director, Senate Ways and Means
James MacDonald, First Deputy Treasurer, Treasurer's Office
Kazim Ozyurt, Director, Office of Tax Policy Analysis, Department of Revenue
Howard Merkowitz, Deputy Comptroller, Office of the Comptroller
BJ Trivedi, FRAB Director, Office of the Comptroller
Julia Burns, GAB Director, Office of the Comptroller

Attachment #1

Section 242(a) of Chapter 165 of the Acts of 2014

SECTION 242(a) – Notwithstanding any general or special law to the contrary, prior to transferring the consolidated net surplus in the budgetary funds to the Commonwealth Stabilization Fund under section 5C of chapter 29 of the General Laws, the comptroller shall dispose of the consolidated net surplus in the budgetary funds for fiscal year 2014 as follows: (i) transfer $\frac{1}{2}$ of the surplus, not to exceed \$25,000,000, to the Massachusetts Life Sciences Investment Fund established in section 6 of chapter 23I of the General Laws; (ii) transfer $\frac{1}{2}$ of the surplus, not to exceed \$25,000,000, to the Massachusetts Community Preservation Trust Fund established in section 9 of chapter 44B of the General Laws; provided, however, that if the consolidated net surplus in the budgetary funds exceeds \$50,000,000, the comptroller shall transfer the remaining amount, not to exceed \$7,500,000, to the Social Innovation Financing Trust Fund established in section 35VV of chapter 10 of the General Laws.

Attachment #2

Section 25 of Chapter 237 of the Acts of 2014

SECTION 25 – Notwithstanding any general or special law to the contrary, for fiscal year 2014, the comptroller shall retain in the General Fund all amounts that would otherwise be transferred under the last paragraph of section 2H of chapter 29 of the General Laws, but not more than necessary to result in a consolidated net surplus of \$57,500,000.

Attachment #3

Section 259(b) of Chapter 237 of the Acts of 2014

SECTION 259.(b) – Notwithstanding any general or special law to the contrary, the comptroller, by June 30, 2015, shall transfer to the General Fund the interest earned from the Commonwealth Stabilization Fund during fiscal year 2015.

Attachment #4

Section 5G Chapter 29 of the Massachusetts General Laws

Section 5G – After each quarter, the department of revenue shall certify to the state comptroller the amount of tax revenues estimated to have been collected during the preceding quarter from capital gains income. If the department of revenue certifies that the amount of tax revenues estimated to have been collected from capital gains income exceeds \$1,000,000,000 in a fiscal year, the comptroller shall transfer quarterly any such amount that exceeds \$1,000,000,000 collected during that fiscal year to the Commonwealth Stabilization Fund established in section 2H. The \$1,000,000,000 threshold established in the preceding sentence shall be adjusted annually to reflect the average annual rate of growth in United States gross domestic product over the preceding 5 years based on the most recently available data published by the Bureau of Economic Analysis in the United States Department of Commerce.

This transfer shall be made before the certification of the consolidated net surplus for the previous fiscal year under section 5C. The department of revenue shall report by November 30 to the state comptroller, the executive office for administration and finance and the house and senate committees on ways and means tax revenues estimated to have been collected during the preceding fiscal year from capital gains income. The comptroller shall not make adjustment to amounts previously transferred if the capital gains revenue reported on November 30 differs from the amounts estimated during the preceding fiscal year.

Five per cent of any amount transferred to the Commonwealth Stabilization Fund under this section shall then be transferred from the Commonwealth Stabilization Fund to the State Retiree Benefits Trust Fund established in section 24 of chapter 32A and 5 per cent of any amount transferred to the Commonwealth Stabilization Fund under this section shall then be transferred from the Commonwealth Stabilization Fund to the Commonwealth's Pension Liability Fund established in section 22 of chapter 32.