
Office of the State Comptroller

FY20 Statutory Basis Financial Report (SBFR)

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Fiscal 2020 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 (93.9%) and Commonwealth Transportation Fund (4.5%) of spending activity.



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- In response to the COVID-19 pandemic and the decision by the Department of Revenue to delay the personal income due dates for tax year 2019 personal income tax returns and 2020 estimated payments from April 15, 2020 to July 15, 2020, the Legislature enacted two changes to the statutory accounts receivable definition for FY20 only:
 - Delayed income tax revenues received in July/August 2020 are required to be recorded as FY20 revenues – this resulted in more than \$2.3 billion in July/August income tax revenues being accrued in FY20.
 - Estimated federal reimbursements from the Federal Emergency Management Agency (FEMA) are required to be recorded as FY20 revenues – this resulted in \$350 million in federal revenues being accrued in FY20.
- In addition, the statutory requirement to transfer capital gains tax revenues above a certain threshold to the Stabilization Fund was suspended for FY20 – this resulted in approximately \$399 million of capital gains tax revenues that would have been transferred to the Stabilization Fund remaining in the General Fund and included in the statutory balance calculation



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- FY20 ended with a balanced budget, or “consolidated net surplus” (the statutory definition of balance) of \$0 in the budgeted funds
 - Consistent with statute, transfers and prior appropriations continued (PACs) (especially those related to COVID-19 relief) were adjusted to arrive at a \$0 consolidated net surplus
- FY20 operating gain of \$336 million in the budgeted funds, compared to a \$1.573 billion operating gain in FY19
- Budgeted fund ending balance of approximately \$4.295 billion, of which \$3.501 billion is in the Stabilization Fund
 - \$77 million deposited in the Stabilization Fund in FY20
- Total budgeted fund revenue (prior to transfers between budgeted funds) increased by \$934 million, or 2.0%, to \$47.316 billion, including \$546 million in additional Medicaid revenue from an increased federal reimbursement rate intended to provide states with COVID-19 relief funds



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- Budgeted fund tax revenue decreased by \$156 million, 0.6%, from FY19, as the COVID-19 pandemic resulted in lower revenues in the fourth quarter of FY20 (when they declined by 10.1%), offsetting healthy growth in the first three quarters of FY20 (when they grew by 4.2%).
 - Withholding up \$528 million, or 4.0% (Withholding from unemployment insurance benefits offset declines in wages & salaries in FY20 Q4)
 - Capital gains tax revenue down \$391 million, or 19.1%
 - Sales & use tax virtually unchanged, up \$2 million
 - Corporate and business taxes down \$399 million, or 11.9% (Waiving of penalties and interest for delayed filers caused revenue to shift to July 2020)
 - Estate tax up \$98 million, or 16.3%
- Budgeted fund expenditures and other uses (prior to transfers between budgeted funds) totaled \$46.980 billion, up \$2.170 billion, or 4.8%.
 - Medicaid expenditures totaled \$17.023 billion, up \$502 million, or 3.0%.



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- Budgeted fund expenditures (continued)
 - Massachusetts Emergency Management Agency (MEMA) expenditures increased from \$4 million to \$344 million due to coronavirus relief spending in response to the pandemic
 - Local Aid spending was \$6.376 billion, up \$302 million, or 5.0%, from FY19
 - Budgetary fund debt service was \$2.410 billion, up \$83 million, or 3.6%, from FY19.
 - Post-employment benefits (for pension contributions and retiree health benefits) totaled \$3.305 billion, an increase of \$195 million, or 6.3%, as the Commonwealth increased its pension-related contributions by \$233 million, or 8.9%



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FY20 Stabilization Fund Activity (in \$ Thousands)

Stabilization Fund Balance as of July 1, 2019	\$3,424,376
Certain Lottery Withholding Taxes	362
Investment Earnings	61,529
Transfer of 10% of casino gaming tax revenue (MGM and Encore)	14,914
Stabilization Fund Balance as of June 30, 2020	<u>\$3,501,181</u>
 Memo: Change in Stabilization Fund Balance, FY19-20	 \$76,805

As of June 30, 2020, the FY20 Commonwealth's Stabilization Fund balance as a percentage of General Fund own source expenditures was 10.9%, well above the projected national median of 7.8% as reported in the Spring 2020 survey of the National Association of State Budget Officers (NASBO), and down only 0.1% from FY19.



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Non Budgeted Special Revenue Fund Revenue & Expenditures

- FY20 total revenues \$18.602 billion, up \$2.796 billion, or 17.7% from FY19
- FY20 expenditures totaled \$16.553 billion, up \$1.125 billion, or 7.3% from FY19
- FY20 non-budgeted special revenue fund ending balance totaled \$4.506 billion, up \$2.049 billion, or 83.4%
- Most of the change in non-budgeted revenue and spending resulted from federal government aid received for COVID-19 relief:
 - \$2.461 billion from the federal CARES Act from the Coronavirus Relief Fund, of which \$761 million was allocated to eligible COVID-19 related expenditures
- In addition, approximately \$115 million in coronavirus-related non-CARES Act federal grants, revenue and spending, which is reflected in the Federal Grants Fund.

