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October 14, 2022

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

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

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

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

Mr. Steven T. James
Clerk of the House of Representatives
State House, Room 145
Boston, MA 02133

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

RE: FY22 Statutory Basis Financial Report Filing

Dear Sirs:

Pursuant to M.G.L c. 7A, § 12, the Comptroller is required to file the Statutory Basis Financial Report ("SBFR") with the Governor, the Secretary of Administration and Finance, the House and Senate Committees on Ways and Means, and the Clerks of the House and Senate, by October 31 of each year. The SBFR meets state finance law requirements to present fairly the results of fiscal year activity in the Commonwealth's funds; to compute and certify the budgetary fund balance; to make any resulting transfer to the Stabilization Fund and determine its final balance; and to disclose and report certain aspects of financial performance.

I write today to inform you that we will not meet the statutory deadline of October 31.

Given the scale and complexity of state government, the creation of an accurate SBFR requires a great deal of work and considerable time. We are taking every possible preparatory and drafting step, but final work cannot begin in earnest until the closing supplemental budget for Fiscal Year 2022 is both enacted and through any subsequent process of signature, return, and override, and must be reviewed for accuracy by the Commonwealth's independent CPA audit firm.

Even an optimistic outlook would place issuance of the SBFR some weeks later than its due date. No matter the origin of the delay, state law makes no provision to adjust the timing. We project this failure to hit the deadline with regret.

The issuance date for the SBFR has an impact upon the timely delivery of other financial reports:

- The Commonwealth's Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2022, which is due in January 2023, leverages the work done for the SBFR and requires extensive additional work. The ACFR is subject to audit by the Commonwealth's independent CPA firm, so a considerable period must be scheduled for that process.
- The ACFR is required of all fifty states and provides information to bond markets and rating agencies, as well as to citizens and taxpayers. The fiscal condition of the Commonwealth is of course the most important element of the ACFR, and we can expect the sound condition of state finances to be evident. However, the ability to deliver the report on time is also relevant: meeting the ACFR deadline is regarded as a positive indicator of effective, professional administration – and failing to meet the deadline may be perceived as a negative.
- The final deliverable is the federal Single Audit process, which relies on ACFR information. Continued access to federal dollars is dependent on meeting both substantive requirements and the Single Audit deadlines under the federal government's Uniform Guidance.
- In recent years, delivery deadlines for both the ACFR and the Single Audit were extended because of the pandemic, but that is not the case for Fiscal Year 2022. Delays in the SBFR will make it more difficult to avoid delays in the subsequent reports. My office will make every effort to meet these deadlines, but all depends on the completion of the Fiscal Year 2022 budget cycle.

I am deeply respectful of the prerogatives of elected officials, both legislative and executive, in addressing the complex issues presented by the final budget. That being said, in addition to informing you that the SBFR will be delivered after its statutory deadline, I ask that you please move each step in the process toward its earliest achievable conclusion.

Sincerely,

A handwritten signature in blue ink, reading "Julian W. McManara".