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October 14, 2025

Her Excellency Maura Healey, Governor
Commonwealth of Massachusetts
State House, Room 360
Boston, MA 02133

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

Mr. Timothy Carroll
Clerk of the House of Representatives
State House, Room 145
Boston, MA 02133

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

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

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

As in each year from 2020 through 2024, I write to inform you as the statutory recipients of the annual Statutory Basis Financial Report (SBFR), that the report will not be filed by its October 31 deadline. With the closeout supplementary budget for Fiscal Year 2025 still not enacted, we cannot close the Commonwealth's books and produce the report.

The delayed closeout and reporting process has now occurred for seven consecutive years, but this year, the risk of that delay resulting in a financial impact on the Commonwealth is greater.

Our failure to meet federal reporting and audit requirements may lead to stoppage or slowdown in our receipt of federal funds. The federal government has not previously applied this penalty to Massachusetts, but in the current environment, it appears to be a materially higher risk.

The three major reports dependent on the closeout supplementary budget are:

- The SBFR, due on October 31, details the financial condition of the core governmental functions of the Commonwealth. It demonstrates that state finance law and the annual budget have been faithfully executed. In addition to elected and appointed officials, its key audience includes the citizens and taxpayers of Massachusetts.

- The ACFR (Annual Comprehensive Financial Report) is due in December 2025. The ACFR is an “all of government” view that includes not only the core functions represented in the SBFR but the authorities; institutions of higher learning; and activities such as the Lottery, Unemployment, and Paid Family & Medical Leave. Its key audiences include bondholders and credit rating agencies; it is also required by the federal government.
- The federal Single Audit. Due nine months after the end of the fiscal year (March 31, 2026), the Single Audit reports on every federal dollar used by the Commonwealth, from the largest social safety net programs to small-scale grants. In addition to this broad-based reporting, it includes in-depth auditing of a subset of federally funded programs. The audit focuses not only on financial reporting but on information technology system integrity and on adherence to federal program requirements.

While the concern about federal funds has increased this year, the other risks and impacts of delayed reporting that I have identified in the past have not diminished. The Commonwealth’s reputation for financial prudence and stability rests in part on demonstrated ability to manage the fiscal and reporting calendar. For example, timely issuance of the ACFR is the expectation of bondholders and credit rating agencies. In the current market, Massachusetts bonds are highly rated for good reason. If we aspire to being uniformly top-rated, timely budgeting and reporting is important. If conditions deteriorate in the credit markets, late budgeting and reporting by the Commonwealth may contribute to any concerns. As for all states, the cost of borrowing is tied to ratings.

In discussions among state comptrollers, the administration of federal funds has been a key topic since early 2025. Earlier in the year, there were process changes and information requests emanating from Washington about federal grants. Generally, that activity was distinct from longstanding federal reporting requirements. Nevertheless, the consensus is that strict compliance with legitimate federal rules – such as the timely completion of the Single Audit – is especially important now, to avoid potential penalties. States are working hard to comply with federal requirements to prevent self-inflicted problems.

In addressing the problem of the delayed closeout, I have always registered my respect for the prerogative of elected officials to set their calendar and the complexities of the budgetary process. This year, I want to note and to express appreciation for the prompt action by the Legislature on the Fiscal Year 2026 General Appropriation Act, which was enacted earlier than in any recent year. I also thank the Legislature and the Administration for the interim supplementary budget for Fiscal Year 2025 that was enacted and signed in August 2025. Important issues addressed in that legislation would otherwise presumably have been added to the closeout supplementary budget.

With appreciation for those earlier actions, I respectfully urge that the closeout supplementary budget be enacted by or near October 31. The Office of the Comptroller team and financial professionals statewide will then do our best to complete the Commonwealth's financial reporting as soon as possible, to limit the delay past deadline dates and reduce risk.

Sincerely,

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William McNamara
Comptroller

cc: Kate Cook, Chief of Staff, Office of Governor Healey
Danielle Cerny, Chief of Staff, Executive Office for Administration and Finance
Blake Webber, Chief of Staff, House Committee on Ways and Means
Jeremy Spittle, Chief of Staff, Senate Committee on Ways and Means