

State freezes local aid payments to Holyoke over unreconciled cash

Oct. 20, 2025 [Aprell May Munford | AMunford@repub.com](#) [Story source: MassLive.com](#)

HOLYOKE — The commonwealth has stopped sending millions of dollars in local aid payments to Holyoke for the second time in 2025, because the city hasn't kept up with its basic financial paperwork for more than three years, according to the state's Division of Local Services.

Division officials from within the Department of Revenue say Holyoke failed to balance its books and submit required reports, warning on Oct. 1 that if the city doesn't fix the problem within 60 days, it could face more penalties — including having to pay for outside help to clean up its records.

Local aid — payments from the state to the city to sustain the schools, government operations, for state-owned land within the city and other social services — come monthly. In July through September, that meant between \$4.1 million and \$8.2 million a month to help keep the city and schools running.

The state said these payments will be put on hold as of this past July until the proper paperwork is filed.

State letters detail financial problems

Deborah A. Wagner, the division's director of accounts, sent two letters to Mayor Joshua A. Garcia — one in September and another in October — warning that Holyoke's financial records are in poor shape and don't meet the "minimum standard," and that the state might take action if things don't improve.

Much of the state's concern surrounded cash accounts, Wagner's letters show.

"Holyoke has not completed reconciliations of cash for fiscal years 2023 (to the) the current period. This is contrary to the standards of the director and has led, or will lead, to a series of financial predicaments for the city," Wagner wrote on Oct. 1.

In the Sept. 22 letter, Wagner said Garcia had met with state officials to give an update on several key financial reports.

At that time, Holyoke officials told the state they expected the city's 2023 audit to be finished within a week. Similarly, the city's required 2024 Schedule A report, which details its expenditures, revenue, other financing and changes in its fund balances, was to be ready in about three weeks.

The city treasurer had started reviewing cash records for 2025 but hadn't completed the work, and it was unclear how much had been done, the state noted in its letters. No financial reconciliation had started for 2026, and the city hadn't closed its books for 2025, Wagner wrote.

State officials said these delays made it impossible to confirm how much money the city had or to certify its free cash — surplus funds that cities can use for expenses — which also can affect the local tax rate.

In the Oct. 1 letter, the state gave Holyoke 60 days to complete several overdue financial tasks.

These included finishing cash reconciliations for fiscal 2023 through 2026, submitting final audits for fiscal 2024 and 2025, and filing the missing Schedule A report for 2024.

The state said these steps are necessary before Holyoke can certify its free cash and set future tax rates.

The Oct. 1 letter also said the state would begin monthly check-ins with Holyoke starting this month and continuing until further notice.

If the city doesn't make enough progress, the Division of Local Services might hire outside help to complete the financial work and deduct the cost from future payments to the city, Wagner said.

Wagner also reminded city officials that anyone responsible for handling public money — including auditors, accountants and department heads — must properly complete and return all required documents to the state.

Wagner said her division has worked with Holyoke for years, offering guidance to help the city improve its financial management, including issuing four reports at the city's request.

In 2023, the state had to reduce Holyoke's free cash by more than \$166,218 because of missing or incorrect records and an additional \$764,457 (a total of \$930,675), since it could not prove the free cash calculation, the September letter noted.

This year, the city couldn't get its free cash certified because it hadn't finished its financial reports, the letter said. Under state law, cities that don't file required reports on time can lose their local aid payments.

Holyoke's payments were withheld from February through June, released briefly, and then held again starting in July.

Receivership not mentioned

The letters from the state did not warn of state receivership of city finances as potential outcome of continued lack of basic accounting. Holyoke Public Schools [just emerged](#) from 10 years of its own receivership, after bouncing back from a sustained period of low marks.

Mayor Joshua Garcia, who was not reachable by press time, recently brought up municipal [receivership](#) at a City Council meeting. The comment came as Garcia and City Councilor Kevin Jourdain sparred over whether the city should hire a professional to manage its finances.

"We've had the same system for years, and it worked. Now, all of a sudden chaos," Jourdain said at the meeting.

"You want me to invite the state in and put us on a path of receivership — is that what you're asking me?" Garcia replied.

City Council President Tessa Murphy-Romboletti also could not be reached for comment.

Garcia [has been lobbying](#) for new management of the city's finances to improve efficiency and accountability. In part, that has meant his pursuit of a chief administrative and financial officer.

The City Council hasn't yet cleared his proposal for the CAFO.

City voters in January also approved changing Holyoke's treasurer post from elected to appointed. At the time, Garcia said prior audits showed that the elected treasurer's office [had been responsible](#) for many financial problems.

He also has sought for the council to pass The Municipal Finance Modernization Act. It would create new finance jobs, merge the treasurer and tax collector roles and cut jobs in other departments.