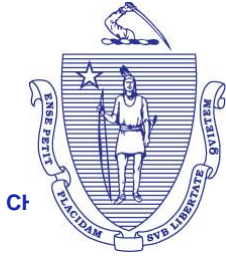


COMMONWEALTH OF MASSACHUSETTS

STATE HOUSE ▪ BOSTON, MA 02133

(617) 727-2040

KARYN E. POLITO
LIEUTENANT GOVERNOR



CT
MICHAEL J. HEFFERNAN
SECRETARY

December 14, 2022

The Honorable Charles D. Baker, Governor
State House, Room 360
Boston, MA 02133

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

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

Dear Sirs:

Pursuant to Section 60B(f) of Chapter 29 of the General Laws, as amended, the Capital Debt Affordability Committee (the “Committee”), shall by December 15 of each year submit to the Governor and the General Court the Committee’s estimate of the total amount of new Commonwealth debt that prudently may be authorized for the next fiscal year. Additionally, Chapter 140 of the acts of 2022 “AN ACT FINANCING THE GENERAL GOVERNMENTAL INFRASTRUCTURE OF THE COMMONWEALTH”, section 14, tasked the Committee with submitting to the governor and the clerks of the senate and house of representatives a report on measures to: (i) reduce overall debt service paid by the commonwealth; and (ii) increase bond ratings not later than July 15, 2023.

The Committee has determined that \$2.905 billion of general obligation debt may prudently be issued by the Commonwealth for fiscal year 2024. The attached presentation (the “Committee Report”) includes an overview of the Committee’s recommendation and the data and analysis that was performed to help inform its recommendation. Additionally, the Committee Report also includes a discussion on measures for reducing overall debt service and increasing bond ratings, which relate to factors that the Committee examines as part of its annual bond cap recommendation analysis.

In determining its bond cap recommendation, the Committee examined the factors required by statute, including the amount of bonds that are and will be outstanding, the Commonwealth’s

capital program, projections of debt service requirements during the next 10 years, Commonwealth bond credit ratings, pertinent debt ratios, comparisons to other states, and the outlook for interest rates.

To assess the affordability of debt to be issued by the Commonwealth, the Committee has adopted a three-part test, each part of which must be met for the Committee to consider the debt affordable. First, new debt issuance subject to the debt limit imposed by Section 60A of said Chapter 29 must be within that limit, which is equal to \$30.7 billion for fiscal year 2024. Second, over the next ten years the maximum annual projected debt service, including projected additional debt, as a percent of projected budgetary revenue should be targeted at 7 percent as a benchmark debt ratio. In addition to the benchmark, debt service as a percent of budgetary revenue should not exceed 8 percent as a debt ratio cap. Third, the amount of additional general obligation borrowing undertaken by the Commonwealth on a fiscal year-over-fiscal year basis should not exceed \$125 million per year.

The Committee analyzed the Commonwealth's proposed general obligation issuance and applied the three-part test described above. From this analysis, the Committee concluded that the Commonwealth may prudently issue the amount of general obligation bonds proposed for fiscal year 2024 and recommended a cap of \$2.905 billion. This represents a \$125 million or 4.5% percent increase over the prior year's bond cap recommendation, allowing for targeted investments in Commonwealth infrastructure while keeping growth in debt service and outstanding principal within long-term targets.

Changing conditions or events during the fiscal year, such as increases or decreases in budgetary revenue, changing interest rates, or specific emerging capital needs, may warrant borrowing more or less during the year than is initially recommended by the Committee. Any such potential change would be subject to the limit on outstanding qualifying debt of \$30.7 billion for fiscal year 2024.

Sincerely,



Kaitlyn Connors
Assistant Secretary
Executive Office for Administration and Finance
Designee of Secretary Michael J. Heffernan, Chair

Voting Committee Members

Kaitlyn Connors	Designee of the Secretary of Administration & Finance, Michael Heffernan
Sue Perez	Designee of the Treasurer and Receiver-General, Deborah Goldberg
Pauline Lieu	Designee of the Comptroller, William McNamara
Michelle Ho	Designee of the Secretary of Transportation, Stephanie Pollack
Catherine Walsh	Appointee of Governor Charles D. Baker
Navjeet Bal	Appointee of Treasurer and Receiver-General, Deborah Goldberg
Marty Benison	Appointee of Treasurer and Receiver-General, Deborah Goldberg

Non-voting Committee Members

Michael J. Rodrigues	Chair, Senate Committee on Ways and Means
Patrick M. O'Connor	Ranking Member, Senate Committee on Ways and Means
Aaron Michlewitz	Chair, House Committee on Ways and Means
Todd M. Smola	Ranking Member, House Committee on Ways and Means
Nick Collins	Chair, Senate Committee on Bonding, Capital Expenditures and State Assets
Ryan C. Fattman	Ranking Member, Senate Committee on Bonding, Capital Expenditures and State Assets
Danielle W. Gregoire	Chair, House Committee on Bonding, Capital Expenditures and State Assets
David T. Vieira	Ranking Member, House Committee on Bonding, Capital Expenditures and State Assets