



THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE FOR
ADMINISTRATION AND FINANCE
STATE HOUSE • ROOM 373 BOSTON, MA 02133

Meeting Minutes

**Debt Affordability
Committee**

**November 3, 2023
1:00 pm**

**Executive Office for Administration and
Finance**

Zoom URL: <https://zoom.us/j/95885706927?pwd=SlhmSlZZcUpBcFZYMnRRb0Y1Y0g0UT09>

Meeting ID: 958 8570 6927; **Passcode:** 762768

Teleconference line: 1-305-224-1968; **Passcode:** 762768

In person option: Room 373, Conference room: 1

A meeting of the Debt Affordability Committee was held on November 3, 2023. In accordance with Section 20 of Chapter 20 of the Acts of 2021, as extended by Chapter 107 of the Acts of 2022, this meeting will be conducted, and open to the public, via Zoom and Teleconference.

Minutes:

The meeting was called to order at 1:03 pm.

Board members comprising a quorum:

Kaitlyn Connors, Chair, Executive Office for Administration & Finance
Navjeet Bal, Appointee of the Treasurer
Martin Benison, Appointee of the Treasurer
Michelle Scott, Massachusetts Department of Transportation
Pauline Lieu, Office of the Comptroller
Susan Perez, Office of the Treasurer and Receiver-General
Catherine Walsh, Appointee of the Governor

Others in attendance:

Secretary Matthew Gorzkowicz, Executive Office for Administration and Finance
Timur Kaya Yontar, Executive Office for Administration and Finance (Capital Director)
Representative Michael J. Finn, Chair of the House Bonding, Capital Expenditures, and State Assets Committee



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Minutes:

Ms. Connors called the meeting to order and conducted the roll call for attendance. She introduced Secretary Gorzkowicz who was in attendance for the meeting.

After introductions, on a motion made by Ms. Connors, and duly seconded, members voted to unanimously to approve the December 14, 2022, and October 28, 2023, meeting minutes.

Ms. Connors then moved on to the next item on the agenda, where she provided an overview of the recommended work plan for DAC meetings through the end of the year.

Ms. Connors then went on to give an overview of the scale used by credit agencies for rating the Commonwealth. She also highlighted the current rating for the Commonwealth.

Ms. Connors then walked the Committee through the Commonwealth's credit profile. She noted that Rating agencies have consistently given the Commonwealth high marks across all credit factors, except for existing long-term liabilities which are debt and pension/OPEB.

Ms. Connors reminded the Committee that Massachusetts is unlike many states because it supports a lot of local investments with its long-term debt and that's something other States don't do and so the debt profile is elevated relative to other states and that's certainly one of the big drivers.

Ms. Connors asked if there were any comments/questions.

Mr. Benson made a comment saying he was glad she had brought this up because people don't always look at the debt burden per taxpayers.

Ms. Connors then continued to review the Commonwealth's economy. She explained that Massachusetts

- Economy has generally performed better when compared to the U.S.
- The top 6 industries make up 64% of the Massachusetts labor force as compared to 59% of the United States labor force.
- Two of the three largest sectors in Massachusetts (Health Care & Social Assistance and Educational Services) are recession proof industries.
- Growth in high-paying professional, scientific and technical services jobs suffered less in the recent recession and were more conducive to telecommuting.



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- Through July 2022, 65.8% of Massachusetts working-age residents were included in the workforce, consistent with pre-pandemic levels of 66.3% in January 2020.

Ms. Connors then moved on to explaining MA Gross Domestic product compared to other States in 2022. She noted that MA was ranked 12th among states for GDP and 15th in state population. Also noted that S&P Market Intelligence commented that they forecast that MA will experience stronger GDP growth than the nation overall through 2026 at 7.14%, compared to the nation's growth which is 6.75%.

Ms. Connors then moved on to the next slide which was about wealth levels. She explained that a strong economic base supports high income levels, with per capita income being one of the highest in the nation for MA.

Ms. Connors noted that The Commonwealth's real per capita personal income was the second highest in the United States.

Ms. Connors then proceeded to review the Commonwealth's strong economic growth. She explains that this has allowed MA to build strong reserves in recent years which formed the bases to be able to preserve future financial flexibility and managing economic headwinds.

Ms. Connors explained that the chart shown is MA Stabilization Fund Balance which has grown significantly in recent years between 2017 and 2022; it increased by 434% from \$1.3 to \$6.9 billion which represents roughly 12% of expenditures. Preliminary FY 2023 BSF is \$7.98 billion.

Ms. Connors notes that this chart shows that the Commonwealth has committed to fiscal discipline in recent years.

Ms. Connors then moved on to debt service and Pension contributions. Explaining that MA's debt service obligation represents 4.6% of total expenditure in FY 2022. This is improvement from a high of 6.6% in FY 2013. She goes on to explain that as debt service when looking at the percentage of the expenditures decreased, and pension funding as a percentage of expenditure increased.

Ms. Connors ended the overview and asked if members had any questions but noted the Committee would be talking about this more in upcoming meetings.

Ms. Scott asked a question on Slide 11. She wanted to know if there any expected impact as a result of the new tax cut package.

Ms. Connors believes no impact is expected but will confirm and get back to her at the next meeting.

Ms. Connors asked if members had any other questions.

Mr. Yontar follow-up by explaining that there was a package that was passed reducing the short term capital gains tax rate. The short-term capital gains are the minority of our capital gains taxes.



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Ms. Connors highlighted that there's no significant changes since these numbers were looked at last year. Ultimately that strength is what enables the Commonwealth to support the debt levels that we have.

Ms. Bal explained that the reason going back 10 plus years for the 8% was because in fact debt service was becoming a larger percentage of revenue and putting pressure on budget.

Ms. Connors asked if there were no further questions/comments from Committee members.

Ms. Perez added that updated slides should be used to the presentation that reflect the debt limit as of the end of October with the outstanding debt.

Ms. Lieu noted that the outstanding October balance for principal for bond cap is \$26.1 billion and that the available balance is \$4.5 billion.

Ms. Lieu added that they should add information about the Steamship Authority being a guarantee to the slides.

Ms. Scott asked for clarification regarding the specific \$125 million value.

Ms. Connors explained that the value originated in the first year that the DAC did its analysis back in 2013. At the time the Commonwealth's debt levels were high both debt service as a percentage of revenue as well as outstanding debt, direct debt compared to the direct debt, direct debt compared to the direct debt limit at 98%.

Commented [MS1]: Is this extraneous or redundant text?

Mr. Yontar added that the \$125 million is a cap.

Ms. Connors noted that the committee will continue to look more into how the cap is determined.

There were no further questions from Committee members.

With no further business, the next DAC meeting is scheduled for November 17th, 2023, at 1:00PM. The meeting was formally adjourned at 2:03 pm.

Commented [SME(2)]: Does this need to be the meeting as initially planned (11/17 at 1), or the meeting as rescheduled (11/20 at 9)?

Sam Alejo, Secretary