**Capital Debt Affordability Committee Meeting**

**October 11th, 2017, 2 PM**

**State House**

**Room 373**

**Minutes**

A meeting of the Capital Debt Affordability Committee was held on Wednesday, October 11, 2017 in Room 373, State House, Boston, Massachusetts, pursuant to notice duly given and posted.

Meeting was called to order at 2:10 pm.

**Committee members present:**  Chairwoman Jennifer Sullivan (A&F), Michelle Ho (DOT), Sue Perez (TRE), Howard Merkowitz (CTR), Catherine Walsh (Northeastern University, Governor’s Appointee), and Mike Butler (Town of Dedham, Treasurer’s Appointee)

**Non-Voting members present:** Ben Stone (A&F), Drew Smith (TRE), Andrea Pessolano (Sen. Keenan), Andrew Strumfels (House Bonding), David Viera (ranking member, House Bonding)

Jennifer Sullivan opened the meeting

## Debt Affordability Projections

Jennifer Sullivan welcomed the committee. The Committee voted to approve the minutes from the September 12th meeting. Jennifer Sullivan set the agenda for the meeting, noting the committee would be review debt service projections, review debt affordability metrics in comparison to other states, and examine the assumptions behind the projections.

Ben Stone presented projections of debt service, outstanding principal, debt against the statutory debt limit, and discretionary budget remaining after debt service and major spending drivers such as MassHealth.

Mike Butler questioned the rationale behind interest rate assumptions, noting they were somewhat higher than current rates. Sue Perez suggested using national averages, while Howard Merkowitz said Department of Revenue (DOR) had long-term interest rate projections from economic forecasting vendors.

## Comp Ratios and Ratings Agency Reports

Drew Smith from Treasury presented a series of ratios of Massachusetts debt affordability in comparison with other states. He noted MA’s high debt load per capita, somewhat mitigated by the fact that state government holds a higher proportion of government debt in MA than in other states. He also discussed credit ratings agency reports of MA debt. The reports note MA’s high debt load and pension liability, but give high marks for economic vitality and financial management. Jennifer Sullivan reinforced that the credit agencies view MA’s collaborative political climate and long-term planning structures such as consensus revenue and the Debt Affordability Committee positively.

## Closer Review of Assumptions

Ben Stone reviewed the data behind assumptions of pension costs, OPEB costs, MassHealth, and tax revenue.

Howard Merkowitz questioned assumption of revenue growth, noting that the central assumption of 3.25% annual growth was below long term experience and future projections of wage and salary growth.

## Next Steps

The committee agreed that Ben Stone would present draft rationale for interest rates and revenue growth that could be validated and replicated in succeeding years. The next Debt Affordability Committee meeting was tentatively scheduled for Tuesday, November 28th.

The meeting closed at 3:15 pm.