**Capital Debt Affordability Committee Meeting**

**October 17, 2016, 11:00 AM**

**State House**

**Room 373**

**Minutes**

A meeting of the Capital Debt Affordability Committee was held on Monday, October 17, 2016 in Room 373, State House, Boston, Massachusetts, pursuant to notice duly given and posted.

Meeting was called to order at 11:00 am.

**Committee members present were:**  Chairman Jennifer Sullivan, Michelle Ho, designee of Secretary Pollack, Sue Perez, designee of Treasurer Goldberg, Howard Merkowitz, designee of Comptroller Shack, and Mike Butler, Treasurer’s appointee.

**Others Attendees:**

**Name Organization**

David Viera Housing Bonding Committee

Abby Durland House Minority Leader

Alejandro Alves Senate Bonding Committee

Adriana Campos Senate Ways & Means

Jonah Beckley Senate Ways & Means

Drew Smith Treasury

Ben Stone A&F

Mark Attia A&F

Ben Stone opened the meeting.

**11:10 Vote: Approval of minutes**

**I. Presentation of Debt Affordability Model**

Ben Stone presented the model, discussed several assumptions, and demonstrated that the Commonwealth is well within 8% of budgeted revenues. Ben Stone presented models of debt service and debt load

Howard Merkowitz suggests that the current growth rate is conservative, and suggested using 2-3% as a baseline plus inflation to arrive at a number more commensurate with long-term trends.

Ben Stone showed that base issuance projection includes transportation debt for debt service calculations, although transportation special obligation debt is now excluded from statutory debt limit.

Jen Sullivan reiterated that we don’t want to approach the hard statutory debt ceiling.

Ben Stone illustrated that discretionary spending budget level will decrease over time.

Ben Stone also demonstrated “stress test” of debt affordability with higher issuance, lower revenue growth, and sharper growth in long term fiscal pressures. This still showed debt service within 8% limit

**II. Comp Ratios**

Drew Smith presented a comparison of Massachusetts to other states across several metrics. Massachusetts showed high debt load per capita but strong personal income and state product and relatively low income volatility.

Howard Markowitz suggested that Delaware would show up as a state with a high GDP/Capita but that would not appear in the states personal income line.

**III. Discussions of Model Assumptions**

Ben Stone presented rationale for assumptions on pension liabilities other long term fiscal pressures including Other Post Employment Benefits, Medicaid, and revenue growth. .

Sue Perez asked how actuarial mortality adjustments have impacted assumptions and liabilities.

**IV. Conclusion**

Jen Sullivan invited comments from the committee, and stated that we have a mixed bag of debt sources, pension obligations, but all are relatively unchanged without policy interference.

Howard Merkowitz stated that OPEB is not the same as non-discretionary and mentioned that Local-Aid feels discretionary to many municipalities.

Howard Merkowitz asked if future gaming revenues have been included in the projection. Ben Stone indicated it is not. Howard believes that those revenues may mitigate local aid in certain communities.

Meeting was adjourned at 11:55 am, with next meeting scheduled for November 14th.