THE COMMONWEALTH OF MASSACHUSETTS

EXECUTIVE OFFICE F OR

ADMINISTRATION AND FINANCE STATE HOUSE **▪** ROOM 373 BOSTON, MA 02133

TEL: (617) 727-2040

FAX: (617) 727-2779

[www.mass.gov/eoaf](http://www.mass.gov/eoaf)

**Meeting Minutes**

**Debt Affordability Committee October 22, 2021**

**1:00 pm**

**Executive Office for Administration and Finance**

**Zoom URL:** [**https://mass-gov-anf.zoom.us/j/85814341378?pwd=SVA0K1cxRjRySW9LMWUzYWxEQi9QUT09**](https://mass-gov-anf.zoom.us/j/85814341378?pwd=SVA0K1cxRjRySW9LMWUzYWxEQi9QUT09)

**Password: DAC102221**

**Teleconference line: 713-353-7024; Conference code: 319738**

A meeting of the Debt Affordability Committee was held on October 22, 2021, pursuant to notice duly given, and in accordance with the Governor’s Executive Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, § 20, signed and dated March 12, 2020, was held via WebEx and teleconference.

The meeting was called to order at 1:00PM

**Board members comprising a quorum:**

Kaitlyn Connors, Executive Office for Administration & Finance

Sue Perez, Office of the Treasurer and Receiver-General

Michael Butler, Treasurer’s Appointee

Michelle Ho, Massachusetts Department of Transportation

Pauline Lieu, Comptroller’s Appointee, Office of the Comptroller

**Others in attendance**:

Kelly Govoni, Executive Office for Administration and Finance

Timur Yontar, Executive Office for Administration and Finance

Jimmy Cowdell, Executive Office for Administration and Finance

Kazim P. Özyurt, Department of Revenue

State Representative Danielle Gregoire

Jennifer Mercadante, Office of State Representative Danielle Gregoire

Patrick Walsh, Office of State Representative Danielle Gregoire

Greg Denton, Office of Senator Patrick O’Connor

**Minutes:**

Ms. Connors called the meeting to order. Ms. Connors noted for the record that Ms. Walsh is not present at this meeting. Upon a motion by Ms. Ho, and duly seconded, the Committee unanimously voted to adopt the minutes from the September 17,2021, meeting.

Moving on, Mr. Özyurt provided an overview of the MA state tax collections year-over-year changes by month. Starting with the year 2008, Mr. Özyurt explained the trends since then and noted we have seen positive state tax trends. Mr. Özyurt also noted that during the pandemic, the Department of Revenue (DOR) saw significant fluctuations due to COVID but overall revenues did pretty well. Mr. Özyurt then provided an overview of the FY21 revenue performance. The preliminary total for FY21 is $34.14 billion, which is 15.3% more than FY20 and $5.05 B above benchmark. Mr. Özyurt noted that these numbers reflect the impact of the ongoing economic recovery efforts, federal fiscal and monetary policies, and the financial markets’ performance. Furthermore, Mr. Özyurt noted that the major tax categories that performed well were: withholding, non-withheld income tax, corporate tax, estate tax, and sales tax. Each category performed over benchmark as noted below:

* Withholding, $688M above benchmark
* Non withheld income tax, $2.23B above benchmark
* Corporate tax, $892M over benchmark
* Sales tax, $660M over benchmark
* All other, $582M over benchmark

Mr. Özyurt then proceeded to provide an update on FY22 year-to-date (through September) tax collections. Mr. Özyurt noted that in general September is a significant month for revenues because many individuals and corporations are required to make estimated payments. For FY22 the year-to-date total is: $8.751 billion, which is an increase of $1.501 B from the same period in FY21 and $525 M above September’s year-to-date benchmark. Mr. Özyurt explained that this increase is due to positive performances in income tax, corporate and business tax collections, and “all other” taxes, including motor fuels, cigarettes, alcohol, and deeds.

Ms. Connors thanked Mr. Özyurt and noted that his presentation is very helpful to the Committee’s work and asked if anyone had any questions.

Ms. Lieu asked what the FY22 threshold for capital gains is this year and what category capital gains are part of. Mr. Özyurt explained that capital gain taxes show up in the non-withheld personal income tax category. Mr. Özyurt stated that the capital gains threshold for FY22 is $1,351,912,909; any exceeding amount would go to the stabilization fund and other funds.

Mr. Butler then asked what the FY22 budgeted revenue number is and Mr. Özyurt stated that it is $34.401B.

Ms. Ho asked how the Commonwealth compares to FY19 and what year took the biggest hit from the pandemic. Mr. Özyurt noted that FY20 had flat growth but did reasonably well, noting that FY21 compared to FY19 is still significant growth. Mr. Butler noted that FY20 was -0.3% down from FY19.

Mr. Yontar asked Mr. Özyurt to clarify what non-withholding revenue is. Mr. Özyurt noted that non- withholding is any type of payment that are estimated payments like capital gain, investment income, return payments and other blended income other than wage and salary

Ms. Connors asked Mr. Özyurt what he thought was the biggest driver of the growth and if we will continue to see similar growth patterns moving forward. Mr. Özyurt noted that in FY21 improvements in the economy, labor markets, and increased unemployment benefits spurred growth in FY21. Mr. Özyurt noted that these trends are shown across the country and not just in Massachusetts. Mr. Özyurt also noted that other components such as capital gains and the stock market had an impact as well but because no one can guarantee this moving forward, we should not place too much emphasis on these categories. Mr. Özyurt further noted that the growth we saw in FY21 is going to slow down a little, so we need to be cautious.

Ms. Connors thanked Mr. Özyurt for his time and moved onto the next agenda item scheduled, the FY22 Capital Investment Plan (CIP) overview.

Mr. Yontar explained that the FY22 CIP was published on June 14, 2021. The maintenance CIP focused on FY22 spending and sought to maintain baseline levels of investment and preexisting levels of commitment, as well as funding key initiatives in response to the pandemic. Furthermore, the plan spends a total of $2.655 B, exactly at the affordable level of spending that the Debt Affordability Committee (DAC) proposed. Mr. Yontar explained that this represents an $197 M increase over the FY21 plan. Mr. Yontar proceeded to outline FY22’s capital themes, which include Asset Stewardship, Climate Resiliency, Economic Opportunity, Value Optimization, Customer Orientation, and Supporting Communities. Mr. Yontar explained the budget summary for the Capital Fund FY22 plan, which are broken down below:

|  |  |
| --- | --- |
| Source | FY 22 (M) |
| General Obligation Bonds | $2,655 |
| Federal Funds | $1,205 |
| Special Obligation (REP and ABP) Bonds | $560 |
| Pay-as-you-go (PAYGO) | $260 |
| Other contributions (match, private, etc.) | $250 |
| Project/ Self-Funded | $40 |
| Capital Investment Total | $4,970 |

Mr. Yontar then provided an overview of bond cap for FY21 and FY22 for each agency. Six of the agencies experienced an increase while one (MassDOT) experienced a decrease. Mr. Yontar noted that MassDOT had a decrease from FY21 because of a scheduled reduction in bond cap spending for South Coast Rail. Mr. Yontar noted that this was partly offset by new plan items including Municipal Pavement, Shared Streets, Local Bottlenecks, and Cape Cod Bridge approaches. Mr. Yontar then provided a budget summary of all of the agencies, noting that the biggest piece of the Commonwealth’s capital plan is for transportation. Mr. Yontar also noted that together with Facilities (DCAMM), Housing and Economic Development, and Energy and Environmental, these categories compose nearly 90% of bond cap spending.

My. Yontar then explained next steps for the Capital Plan FY22, which he laid out as follows: December 15, 2021, the DAC formally recommends an affordable level of spending, then Winter 2021-2022 agencies begin their Capital Plan recommendations and Spring 2022 A&F and others consolidate recommendation and publish the capital plan. Mr. Yontar then handed off the presentation to Ms. Ho for an update on MassDOT/ MBTA’s CIP.

Ms. Ho explained that the MassDOT/MBTA portion of the State’s CIP does not include the entire MBTA capital plan except where MBTA projects are funded through state sources (Green Line Extension, Red Line/ Orange Line Vehicles & Infrastructure and South Coast Rail). Ms. Ho then provided an outline of MassDOT/ MBTA’s direction for FY22. Ms. Ho noted that in line with last year’s CIP, MassDOT/ MBTA in coordination with the administration decided to continue with a “maintenance of effort” approach for the FY22 CIP. The CIP continues support for major ongoing capital programs, includes some targeted new investments to advance goals and priorities and emphasizes building a strong foundation for future funding opportunities. Ms. Ho noted that the FY22 Plan maintains the priorities and strategies for MassDOT/ MBTA to invest first in the reliability and modernization of the system with targeted investments in increasing capacity of the network and providing access to new transportation. Ms. Ho noted that investments in reliability and modernization of the network account for approximately 72% of our programmed spending in FY22.

Ms. Ho then proceeded to provide an overview on the MassDOT/ MBTA’s strategic investment focus. Ms. Ho explained that the plan, including federal, state toll revenues, new Grant Anticipation Notes, other MBTA funding maintains the focus on roadway assets in need of investment: roads/ pavement, bridges, the Metropolitan Highway System, and bicycle and pedestrian infrastructure; MBTA capital needs for reliability/ modernization, balanced with expansion investments; municipal needs addressed through existing reimbursement and grant programs such as Chapter 90, Complete Streets, and Municipal Bridge; and new programs authorized in the 2021 Transportation Bond Bill including Municipal Pavement, Shared Streets and Spaces, Local Bottleneck Reduction and Transit Infrastructure Partnership. The FY22 CIP projects $4.0 B in estimated spending and the break down is $2.0 B for MassDOT investments and $2.0 B for MBTA investments.

Ms. Ho then explained the Capital Plan FY22 spending break down by priority. The three priorities are Reliability, Modernization, and Expansion. Ms. Ho then provided an overview of MassDOT/MBTA’s FY22 CIP spending by source, which are broken down below:

|  |  |
| --- | --- |
| Sources | FY22 ($M) |
| General Obligation Bonds | $1,040.1 |
| Federal Funds- Commonwealth | $825.6 |
| Special Obligation Bonds | $507.9 |
| Federal Funds- Non- Commonwealth | $569.6 |
| MBTA Bonds | $758.9 |
| Project/ Self-Funded | $10.4 |
| Pay-Go- Commonwealth | $220.1 |
| Pay-Go- MBTA | $30.0 |
| Other- Commonwealth | $44.6 |
| Other (local, private, etc.) | $6.6 |
| Total | $4,013.7 |

Ms. Ho then provided an overview of the CIP and STIP alignment. Ms. Ho explained that STIP is dedicated to federal highway and transit funding and federal funded transportation projects and is subject to federal approval. Ms. Ho noted that it is comprised almost exclusively of roadway and public transit projects (MassDOT, MBTA, RTA’s). Furthermore, it includes projects programmed by the 13 Metropolitan Planning Organizations (MPOs). Ms. Ho noted that the STIP is an “obligation” document of projected FHWA and FTA awards; the CIP on the other hand is a cash-flow document that depicts expenditures over time. Furthermore, the STIP makes use of the priorities/ programs/ project’s framework similar to the CIP framework. Ms. Ho went on to explain that the CIP identifies all of the sources and uses of transportation funding available and includes state capital funding for projects advanced by MassDOT, and the MBTA, including Rail and Transit, Aeronautics Division, and the Registry of Motor Vehicles.

Ms. Ho concluded her presentation and Ms. Connors thanked her for the information. Ms. Connors asked if anyone had any questions for Ms. Ho. There were no questions or comments.

Ms. Connors summarized her follow-up items and announced that the next meeting is scheduled for November 19th at 1:00PM.

There were no further questions/matters. Meeting adjourned at 1:50PM.