**Meeting Minutes**

**Debt Affordability Committee**

**September 10, 2021**

**1:00 pm**

**Executive Office for Administration and Finance**

**Zoom URL: https://mass-gov- anf.zoom.us/j/84631669009?pwd=c0QxUnRZWDcrekJWUGFVRmNxTFNVZz09**

**Password: DAC091021**

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

A meeting of the Debt Affordability Committee was held on September 10, 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 Zoom and teleconference.

The meeting was called to order at 1:02 pm.

**Board members comprising a quorum:**

Kaitlyn Connors, Executive Office for Administration & Finance

Sue Perez, Office of the Treasurer and Receiver-General

Catherine Walsh, Governor’s Appointee, Northeastern University

Michael Butler, Treasurer’s Appointee

Michelle Ho, Massachusetts Department of Transportation

Howard Merkowitz, Office of the Comptroller

**Others in attendance**:

Kelly Govoni, Executive Office for Administration & Finance

Representative Danielle Gregoire

Jennifer Mercadante from Representative Danielle Gregoire’s Office

Patrick Walsh from Representative Gregoire’s Office

Representative David Vieira

Jeffrey Shapiro- Comptroller

Keith Drucker from Senator Paul Feeney’s Office

Corrine Corcoran from Senator Paull Feeney’s Office

Daria Afshar from Senator Patrick O’Connor’s Office

**Minutes:**

Ms. Connors called the meeting to order. Ms. Connors conducted a roll call, Sue Perez, Catherine Walsh, Michael Butler, Michelle Ho and Howard Merkowitz were all in attendance. Upon a motion by Ms. Ho, and duly seconded, the Committee unanimously voted to adopt the minutes from the December 4, 2020, meeting.

Ms. Connors began with some administrative housekeeping and announced that Mr. Merkowitz will be retiring, and Comptroller McNamara will be making the next appointment to the Committee. Ms. Connors noted that Mr. Merkowitz has been an invaluable asset to the Committee and thanked him for his dedication and keen insight and wished him all the best. Ms. Connors introduced Kelly Govoni as the Secretary to the Committee and noted that she will be taking over Will Archibald’s previous role. Ms. Ho congratulated Mr. Merkowitz and wished him the best of the luck.

Ms. Connors moved on to discuss the overview of the FY 2023 Work Plan. Ms. Connors outlined the proposed schedule for the draft work plan and noted that the Committee has had some scheduling challenges so there will be back-to-back meetings in September. Ms. Connors noted that the October meeting is to be decided but will likely occur on October 6th or 29th. Ms. Connors noted that she will check in with the new Committee appointee once there is one and see if there are any scheduling conflicts.

Ms. Connors went over the Committees enabling act and roles and responsibilities. Ms. Connors noted that the Committee was established by Chapter 165 of the Acts of 2012, for the purposes of reviewing on a continuing basis the amount and condition of the Commonwealth’s tax-supported debt, as well as the debt of certain state authorities. Ms. Connors stated that the Committee is responsible for providing an estimate of the total amount of new Commonwealth debt that can prudently be authorized for the next fiscal year, taking into account certain criteria, to the Governor and Legislature on or before December 15th of each year. Ms. Connors noted that estimates are advisory and not binding on the Governor or the Legislature. Furthermore, the Legislature is responsible for authorizing Commonwealth debt and the Governor determines the total amount of capital spending for each fiscal year and the amount of new Commonwealth debt that he considers advisable to finance such spending. Ms. Connors noted that the Committee consists of seven voting members including the Secretary of Administration and Finance, the State Treasurer, the Comptroller, the Secretary of Transportation, one appointee of the Governor and two appointees of the State Treasurer. Ms. Connors noted that the Committee also includes non-voting members, including the House and Senate chairs and the ranking minority members of the Committee on Bonding, Capital Expenditures and State Assets, and the Committees on Ways and Means.

Ms. Connors proceeded to go over the statutory and administrative limits on direct debt. Ms. Connors noted that the amount of outstanding principal of Commonwealth direct debt is capped at 105% of the previous fiscal year’s limit. Ms. Connors noted that in addition to statutory debt, the DAC takes into consideration the borrowing limit, which for FY22 is capped at $4.3 billion and the growth limit is capped at **<** $125 million. Ms. Connors stated that the criteria the Committee considers when coming up with its estimate are state debt outstanding, capital plan spending, 10-year debt service, credit ratings, authorization, debt ratios analysis, state comparisons, fixed, variable, and hedged debt, and other tax supported debt. Ms. Connors outlined the historic bond cap increases from FY12-FY22. Ms. Connors noted we are at $23.4 billion and the actual limit under the law is $24.68 billion.

Ms. Connors asked Committee members if there was any feedback on how we can improve this section. No Committee members provided feedback or commentary.

Ms. Connors noted that there are three types of debt the Committee reviews, which are: General obligation debt (debt that can be repaid with all available Commonwealth revenues), special obligation debt (repaid from specific pledged revenues) and federal highway grant anticipation notes (debt paid by highway reimbursements). Ms. Connors noted that we currently have over $29 billion in outstanding debt and the projected debt service for this FY is $3.2 billion. Ms. Connors stated that fixed rate debt is 94% and variable rate debt is 6% and a portion of that is hedged.

Mr. Butler asked Ms. Connors about slide 11, stating slide 11 showed debt of $23.4 billion and slide 14 showed different numbers. Ms. Connors thanked him for asking and noted that it might be related to a timing difference on when the data was pulled. Ms. Connors noted she would double check the numbers. Mr. Butler thanked Ms. Connors.

Ms. Connors noted the general obligation contract assistance debt requirements. Ms. Connors stated that this debt is related to payments by the Commonwealth to various agencies, which include MassDOT, MA Clean Water Trust, MassDevelopment and Social Innovation Financing Trust. Ms. Connors stated that this is a liability the DAC factors into its analysis when considering how much debt the Commonwealth can afford. Ms. Connors outlined the Commonwealth’s contingent liabilities and noted there is currently no expectation the Commonwealth will need to step in for any of the agencies that have contingent liabilities but is something to keep in mind.

Ms. Connors stated that the next DAC meeting will be next week at the same time, and she will provide materials for the meeting some time next week. All Committee members thanked Ms. Connors’ for her presentation.

There were no further questions/matters.

Meeting adjourned at 1:26pm.