

October 19, 2023

To the Honorable Senate and House of Representatives,

I am filing for your consideration a bill entitled “An Act to provide for competitiveness and infrastructure investment in Massachusetts.”

As you know, Massachusetts secures much needed funding to support critical state projects, our state’s budget, and our collective prosperity by seeking and winning competitive grants from federal partners. To that end, my administration is aggressively pursuing the historic levels of federal funds now available to Massachusetts through legislation including the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the CHIPS and Science Act (CHIPS). These three acts alone have opened over \$1.4 trillion in federal funding opportunities across the country.

Current estimates show that Massachusetts is eligible for approximately \$17.5 billion from these programs. Our goal is to compete to win. We have already embarked on an unprecedented effort to identify, through the Federal Funds and Infrastructure Office, key federal funding opportunities that will advance our shared priorities of improving infrastructure, equity, job creation, economic competitiveness, climate resiliency and decarbonization, workforce development, and more.

We must match our ambitions with our investments. It is critical that Massachusetts submit competitive applications to leverage these once-in-a-generation federal resources. A ready pool of funding and the ability to rapidly deploy those resources when opportunities arise will make the difference in giving Massachusetts an edge over the competition. Showing the availability of match funds dramatically strengthens our applications for federal grants; conversely, not having match funds fully available may take Massachusetts out of the running for unprecedented and time limited opportunities.

This bill will provide \$750 million over the next three years for federal matching funds for our state and our local partners. We will contribute up to \$50 million to municipalities for developing public infrastructure projects that support their federal matching grant opportunities, supporting the establishment of a local infrastructure bank, and accelerating housing production, climate change, resilience, and decarbonization efforts, spurring private development, and creating jobs throughout the state. We will better serve our cities and towns and offer up to \$12 million for technical assistance in addition to financial support.

The legislation will also create a permanent PAYGO Capital Investment and Debt Reduction Fund. After federal funding opportunities expire, the Fund will be an ongoing source for pay-as-you-go capital investments, debt mitigation strategies, and addressing long-term liabilities.

As part of the state Treasurer's active management of long-term debt, opportunities periodically become available to reduce long-term liabilities and create savings. Modest investments at the right moment can create long-term savings. By designating resources to be used for these debt management strategies and utilizing the Treasurer's unique expertise, the state can take advantage of opportunities to reduce our debt load and save financing costs over the long term. We want to support these innovative strategies to save money and strengthen the state's financial position.

Prudent Stabilization Fund deposits in recent years and adherence to the statutory mechanisms in place to protect the Fund, combined with an increasing interest rate environment, have resulted in newly significant interest earnings on the Fund's balance, which is now at an all-time high of approximately \$8 billion. This proposal assures a strong fiscal framework that preserves the Stabilization Fund for rainy day needs and leverages interest earnings only for key infrastructure investments and responsible management of long-term liabilities. This legislation will deploy interest earnings for the PAYGO Capital Investment and Debt Reduction Fund. Meanwhile, we will steadfastly protect the Stabilization Fund balance with the safeguards and statutory provisions that have built the Stabilization Fund balance steadily over recent years.

This effort is all part of a larger, coordinated strategy of making thoughtful investment and taking advantage of opportunities. Throughout the past ten months, my Administration has been focused on investments necessary to improve the quality of life, affordability and equity in Massachusetts and to ensure Massachusetts' competitiveness. With the support of the General Court, we have made tremendous strides with the tax relief bill, budget, and immediate capital needs legislation. We appreciate your continued partnership on these shared priorities.

I ask you to act on today's requests promptly to send an undeniable signal to the federal government that Massachusetts is serious about competing to win in the important federal grant programs highlighted above. We are preparing for climate change, modernizing our infrastructure, partnering with local governments and other groups, fostering our scientific, manufacturing, technology, and business communities, and maintaining affordability and equity for the people of Massachusetts.

These historic opportunities are time limited. We know that we must meet the moment together. Thanks for your continued commitment.

Respectfully submitted,

Maura T. Healey, Governor