

Investor Call Questions

1. How will the FY16 budget fund the payment for OPEB?
 - a. The Governor's budget proposed a separate line item for OPEB payments. The House and Senate have proposed funding with debt service reversions or with other available sources. Information Statement (IS) pages 52-53
2. When will the pension ARC be fully funded?
 - a. The Commonwealth has incorporated a funding schedule that is expected to fully fund by the system by FY36. IS pages 49-50
3. Are the pension COLAs appropriated annually?
 - a. Yes they are subject to legislative approval each year. IS page 41
4. Does the Commonwealth continue to make annual transfers to the MBTA?
 - a. Yes, the Commonwealth makes annual transfers based on a portion of revenues raised by the state sales tax and is contingently liable for certain debt obligations and financing arrangements entered into prior to July 1, 2000. IS pages 16 and 88
5. What is the projected debt issuance for ABP in FY16?
 - a. The Commonwealth expects to issue amounts under \$500 million for the ABP in FY16. Total issuance of Commonwealth Transportation Fund Bonds in FY16 is expected to be below \$1 billion.
6. For the GANs, is there a mechanism in place to fund DS if there is an interruption in federal monies?
 - a. DS is funded with the trustee one full year in advance of payment. The GANs also maintain a subordinate pledge on certain revenues in the CTF. IS page 78
7. Has there ever been a disruption in receiving federal monies for the GANs?
 - a. No, there has never been a material disruption.
8. How do the House and Senate versions of the FY16 budget differ?
 - a. The House version is asking for less spending than the Governor's proposed budget by roughly \$6MM and the Senate version is asking for more spending by roughly \$34MM. The primary ways in which they differ include the source of payment to OPEB as well as certain tax-related provisions in the Senate version. IS pages 67-68
9. The hallmarks of Debt Management; will they remain the same following the transition of the administration and management? Including issuing variable rate products.
 - a. The Debt Management team is reviewing various policies but believes most policies and debt issuance will remain unchanged.
10. What are the parameters for refunding bonds? Is there a target for PV savings?
 - a. The Commonwealth follows refunding guidelines that include various standards. Generally, these include efficiency thresholds, option value considerations and PV savings considerations. Various programmatic considerations are also taken into account. The refunding guidelines are published to EMMA.
11. Are there any proposed changes to the Mass Direct Notes program?
 - a. The new administrations are currently reviewing the program. More information is expected soon.

12. Has the proposed Convention Center expansion been shelved?
 - a. The project is currently on hold. IS page 77
13. Does the Commonwealth anticipate issuing RANs in FY 16?
 - a. Yes
14. Is the Pension Funding Plan on schedule?
 - a. Yes, payments continue to be made in line with the current funding schedule. IS page 42
15. Is there any possibility that the assumed annual rate of return for the pension will be changed again in the near term?
 - a. The rate was recently decreased from 8.0% to 7.75%. The rate assumption is reviewed annually, so there would be the possibility of a change during the next review. IS page 43
16. How easy is it to redirect excess capital gains to cover any budget gaps?
 - a. There is an automatic mechanism which directs excess capital gain revenues to the budget stabilization fund. However, this mechanism can be suspended by legislative enactments. IS pages 58, 66-68
17. The Commonwealth has very high debt levels. Are there any plans to reduce these levels?
 - a. The Commonwealth's debt levels can be explained in part by its funding of local projects at the statewide level that would be funded at the local level in many other states. The Commonwealth continues to operate under a bond cap and a debt service limit and with guidance from the Debt Affordability Committee. We will continue to review opportunities to refund or defease outstanding debt as it makes sense. IS pages 74-75
18. Any thoughts on a change in tone or culture in reference to the new administration.
 - a. No, the new administrations both maintain a commitment to collaboration, strong disclosure policies, and superior debt management practices. The transition has gone smoothly.
19. What are the proposed savings under the current refunding issue?
 - a. The proposed savings are currently estimated at \$20MM in FY16 and a total of \$70MM over the life of the bonds.
20. Are the proposed savings incorporated in the proposed FY16 budgets?
 - a. Yes
21. Will the proposed refunding issue reshape the debt profile of the Commonwealth?
 - a. Not materially. This series will slightly shorten the average life of the outstanding debt.
22. Does the Governor's proposed budget use any debt service reversions for OBEP payments?
 - a. The Governor's FY16 proposed budget proposal would have funded OBEP through a budgetary line item. The House and Senate proposals would fund OPEB with debt service reversions and other sources as needed. IS pages 67-68
23. Is there a mechanism in place in the event that the new budget is not passed in time?
 - a. It is not unusual for the budget process to extend slightly into the next fiscal year. In that event, interim budgets are enacted to provide funding after the end of the fiscal year until the full budget can be enacted and approved.
24. Are 7/1/15 debt service payments fully funded in the event of a delay in passage of a budget?

- a. Similar to the answer above, should budget discussions extend into the new fiscal year, an interim budget would be enacted so that the governmental operations could continue until a final agreement could be reached.
25. What is the projected balance of the Budget Stabilization Fund at the end of FY15?
- a. \$1.128 billion. IS page 59
26. What rate will the personal income tax decline to in FY16?
- a. The rate is currently at 5.15%. Further triggers will have to be met to determine whether or not the rate will decrease to 5.10% in January 2016. IS page 14
27. What is the target terminal rate for the personal income tax?
- a. The rate is scheduled to be reduced gradually to 5.00%. IS page 14
28. Given the new administration and management, will there be any proposed changes in debt issuance or asset liability management?
- a. There are no proposed changes at this time. The Debt Management team is currently reviewing its policies at this time.
29. Will the disclosure methods and the website continue?
- a. Yes
30. Does the Commonwealth have a forward calendar for its capital spending plan?
- a. The Capital Budget is expected to be released on or before the beginning of the new fiscal year.
31. Does the Commonwealth anticipate issuing additional green bonds?
- a. The Commonwealth will continue to review projects that meet the criteria for green bonds and will issue should there be a need.