

## House Turns to Borrowing to Plug State Cash Gap



### *Michlewitz: Short-Term Loan Could Hit \$3 Billion*

Matt Murphy 5/6/20 5:18 PM

STATE HOUSE, BOSTON, MAY 6, 2020.....House lawmakers, many of whom watched on computer screens miles from the State House, took an historic and unanimous vote on Wednesday to authorize the Treasury to borrow billions of dollars as needed through June to meet the state's financial obligations during the ongoing fight against the spread of the deadly coronavirus.

House Ways and Means Chairman Aaron Michlewitz, speaking from the House chamber with a mask covering his nose and mouth, said that Treasurer Deb Goldberg may need to borrow as soon as this month to balance the state's outflow of cash, which is not being replenished as fast as it otherwise might.

State revenue officials reported Tuesday that April tax collections had fallen off 54 percent compared to the same month in 2019, and missed budgeted estimates for the month by nearly \$2.2 billion.

April is the state's largest tax revenue month of the year, and Michlewitz called the losses a "staggering number." He and other experts have said a "large portion" of the drop in revenues could be because of the extended income tax filing deadline. If that assumption is correct, it would allow the state to quickly recoup some of the losses in July to begin repaying a large short-term debt by the end of fiscal 2021.

"We estimate that the level of borrowing could be in the range of \$3 billion, but the overall amount will depend on a number of different factors, from our progress in combating the virus to the economic situation we find ourselves in over the coming months," Michlewitz said.

The 157-0 vote marked the first occasion in its nearly 400-year history that the House has used a roll call to pass legislation with most members participating remotely using computers and phones to monitor the proceedings and send in their votes. Remote participation was authorized this week in new emergency rules.

The bill now moves to the Senate, which plans to hold a session on Thursday when Senate President Karen Spilka's office said her intention is to engross the bill and adopt

its own rules for remote participation so that the bill can be enacted by a roll call when it comes back from the House.

The House has an informal session scheduled for Thursday, but needs another formal session to take one more roll call, likely next week, before the bill can reach Gov. Charlie Baker's desk.

House Speaker Robert DeLeo presided over the first-of-its-kind session, commemorating the occasion with a moment of silence for all of those who have died in Massachusetts and around the world from COVID-19. Another 208 deaths in Massachusetts were reported on Wednesday, bringing the state total to 4,420.

"Standing in front of a virtual empty chamber, it is a stark reminder of what our commonwealth is facing, both from a public health standpoint and from an economy that has been placed in a self-induced coma while we confront this virus," Michlewitz said.

A small number of other legislators were also present in person for the vote, including "monitors" who received and tallied the votes of their colleagues participating remotely. The new process was the result of weeks of planning and negotiations between Democrats and Republicans and ran fairly smoothly. The roll call on the legislation took under seven minutes.

Minority Leader Brad Jones, however, said it was clear that some of the kinks still need to be ironed out, particularly with remote debating, before the House will be ready to tackle more contentious or complicated legislation, like the annual budget, which usually features hundreds of amendments.

The biggest noticeable glitch occurred when Ways and Means Vice Chairwoman Denise Garlick tried to speak via teleconference with what sounded like a livestream of the session playing on delay in the background. The result was a distracting feedback that would be familiar to listeners of talk radio.

The only legislator not to vote on Wednesday was Rep. Harold Naughton, a Clinton Democrat who is not seeking reelection and is currently mobilized on active duty for the Massachusetts Army National Guard through at least May 13, according to a letter submitted to the clerk by Speaker Pro Tempore Patricia Haddad.

Two other House seats remain vacant, with special elections scheduled for June 2.

Michlewitz called the bill (H 4677) filed by Gov. Charlie Baker in late March "fairly straightforward, but also extremely timely."

The governor proposed the short-term borrowing bill in tandem with the decision by his administration and the Legislature to postpone the state income tax filing deadline from April 15 to July 15, in unison with the federal extension.

"However, unlike the federal government, our fiscal year ends in the middle of those dates. So in essence we are moving our income tax revenue from one fiscal year to another. Also unlike the the federal government, we are unable to spend into a deficit," Michlewitz said.

"Without the anticipated revenue from those filings, the state will begin to have a serious cash flow problem as early as the end of May. We could also begin to run into a problem with the credit agencies without some certainty for the remainder of FY20," he said.

Whatever money the Treasury does have to borrow, the bill requires that it be repaid in fiscal 2021, which ends on June 30, 2021.

Standard & Poor's Global Ratings, one of the major credit agencies, said as recently as last month that even without the additional cash flow financing bill it anticipated that Massachusetts would have sufficient liquidity to cover expenses for the remainder of fiscal year 2020.

The credit agency, however, assumed that a worst case scenario might be a 39 percent decline in projected tax revenue in April, May and June, and the April figures showed a drop off of more than 50 percent.

If some businesses do begin to reopen as soon as May 18, as Gov Baker suggested on Wednesday, that could start to relieve some budgetary pressure on the state.

Rep. Todd Smola, a Warren Republican and the ranking minority member of the Ways and Means Committee, also celebrated the bipartisan cooperation in recent years that led to the building of a \$3.5 billion reserve fund.

"This is not an action that we take today about survival, but more this is a measure to help ensure that the commonwealth of Massachusetts will succeed in this unprecedented time," Smola said.

END [Sam Doran and Chris Van Buskirk contributed reporting]