

## Commonwealth of Massachusetts

### Investor Conference Call – November 13, 2020

#### Questions and Answers

1. Question: In terms of the recently proposed budget and thinking about the revenue projections, what kind of assumptions (are you making) over the remainder of the year, with COVID cases spiking across the country and thinking about economic contraction. If you could provide any color on that, that would be great.

Answer: Thank you. As we indicated a few minutes ago year-to-date numbers in FY21 look good. We have a year over year growth in the numbers, mainly withholding regular sales and several other categories, but still some categories are weak. Please note that the recently revised FY21 revenue estimate assumes a decline of 6.8% from FY20. At the October 7<sup>th</sup> economic roundtable, area economists projected a FY21 growth ranging from 0% to 12% decline. The revised estimate was based on such projections. These economists considered risks to the US and Massachusetts economies when forecasting revenues. Some of those risk assumptions included additional and ongoing impact of the pandemic on the state economy. So, the revised FY21 revenue figure, which assumes a decline of 6.8% from FY20, implicitly also assumes partial and continuing impact of the pandemic on US and MA economies. In a way, there is a sort of a cushion built into that revenue forecast assumption. The impact of the risk factors will likely be felt in the remainder of the fiscal year, particularly in the second half, as reflected in our most volatile revenue categories. Obviously, we don't know how deep and long lasting the recession is going to be, and we are going to keep a very close eye on the numbers in the coming months.

2. Question: In terms of public health trends, to what extent is the administration monitoring those to the point where you might be considering more restrictions on economic activity, and what other factors you are going to be considering as you make those decisions.

Answer: The administration monitors COVID cases daily and makes this information public and has laid out a reopening plan that is discussed in the disclosure providing business guidance for a broad range of sectors. The Governor has indicated that we will monitor and make decisions based off what the information indicates is best policy to protect public health, but there are not specific hard thresholds that would trigger certain policy decisions. It is quiet fluid, but we plan on publishing data daily and providing as good guidance as we can for the interest of both public health and economic policy goals.

3. Question: On Slide 9, it is mentioned that withholding on the expanded unemployment insurance benefits helped FY20 tax revenue. Does the Commonwealth have data on how much expanded unemployment insurance and CARES Act stimulus contributed to personal income tax collections and withholding, compared to actual wages and salaries?

Answer: In FY20, roughly about \$232M of the \$528m withholding increase from FY19 was due to the incremental change in withholding on Unemployment Benefits relative to FY19, which came in during the March 2020 through June 2020 period.

	Month of June					FY20 YTD as of June				
	06/2020 Actual Collections	06/2020 v. 06/2019 \$ Fav:(Unfav)	06/2020 v. 06/2019 % Fav:(Unfav)	06/2020 Actual vs Benchmark \$ Fav:(Unfav)	06/2020 Actual vs Benchmark % Fav:(Unfav)	06/2020 YTD Actual Collections	06/2020 YTD v. 06/2019 YTD \$ Fav:(Unfav)	06/2020 YTD v. 06/2019 YTD % Fav:(Unfav)	06/2020 YTD Actual vs Benchmark \$ Fav:(Unfav)	06/2020 YTD Actual vs Benchmark % Fav:(Unfav)
<b>Income</b>										
Income Withholding	1,094	(53)	-4.6%	(122)	-10.0%	13,736	528	+4.0%	(4)	-0.0%
Income Est. Payments	597	55	+10.1%	60	+11.1%	2,350	(118)	-4.8%	(227)	-8.8%
Income Returns/Bills	2,228	2,163	+3323.4%	2,163	+3354.1%	3,051	(37)	-1.2%	199	+7.0%
Income Refunds Net (outflow)	(303)	(266)	-722.3%	(265)	-691.7%	(1,789)	(125)	-7.5%	(106)	-6.3%
Subtotal Non-withheld income	2,521	1,951	+341.9%	1,958	+347.6%	3,612	(279)	-7.2%	(134)	-3.6%
<b>Subtotal Income</b>	<b>3,615</b>	<b>1,898</b>	<b>+110.5%</b>	<b>1,836</b>	<b>+103.2%</b>	<b>17,348</b>	<b>249</b>	<b>+1.5%</b>	<b>(138)</b>	<b>-0.8%</b>
<b>Sales &amp; Use</b>										
Sales - Regular	419	9	+2.1%	(25)	-5.7%	4,905	217	+4.6%	(131)	-2.6%
Sales - Meals	62	(46)	-42.5%	(53)	-45.8%	1,077	(139)	-11.4%	(204)	-15.9%
Sales - Motor Vehicles	102	3	+2.7%	(6)	-5.9%	828	(66)	-7.4%	(100)	-10.8%
Subtotal Sales & Use	583	(35)	-5.6%	(85)	-12.7%	6,810	12	+0.2%	(435)	-6.0%
Corporate & Business - Total	449	(164)	-26.7%	(101)	-18.3%	2,924	(384)	-11.6%	(46)	-1.5%
All Other	166	(70)	-29.6%	(91)	-36.4%	2,514	27	+1.1%	(74)	-2.9%
<b>Total Tax Collections</b>	<b>4,814</b>	<b>1,629</b>	<b>+51.2%</b>	<b>1,560</b>	<b>+47.9%</b>	<b>29,596</b>	<b>(96)</b>	<b>-0.3%</b>	<b>(693)</b>	<b>-2.3%</b>