

MASSACHUSETTS
HIGHTECHNOLOGYCOUNCIL
Dedicated to Growth... Committed to Action

June 11, 2019

The Honorable [NAME]
Room [###]
State House
Boston, MA 02133

Dear [Senator/Representative],

As you and your colleagues prepare to consider permanently enshrining fundamentally uncompetitive tax policies in the Massachusetts State Constitution, we urge you to consider the following key facts.

Massachusetts is at a critical economic and political crossroads. Decades of collaboration among employers, civic leaders and policymakers and forward-looking policy decisions have helped moderate the anti-business reputation that once threatened the Commonwealth's prospects for economic growth and created an innovation ecosystem that is among the most attractive in world. Tax burdens in Massachusetts now fall close to the median among the 50-states, helping the Commonwealth shed its outdated "Taxachusetts" brand.

The improved health of our economic ecosystem has allowed the private sector economy to thrive and state revenues to soar. Nonetheless, Massachusetts is exposed to significant financial risk in the face of any economic contraction, according to bond rating agencies and other state fiscal experts. The Commonwealth's long-term fiscal condition is unstable but is being buttressed by a strong private economy which is preventing the Commonwealth from suffering the same flight of employment, capital, and tax revenue seen in Connecticut, New Jersey, and Illinois—states with similarly poor fiscal stability rankings.

The graduated income tax proposals pending before you put a misplaced emphasis on revenue-centric solutions, offer hollow promises of increased state investment, and would irreparably damage Massachusetts' economic competitiveness. The Council respectfully urges you to reject them and embrace more impactful solutions to the Commonwealth's challenges.

Misplaced Focus on Revenue

The proposed amendment relies solely on a single revenue-centric solution to education and transportation challenges that are multi-faceted and not primarily rooted in a lack of tax revenue or a dearth of available resources according to leading experts and many impacted stakeholders.

State revenues are 50% higher than they were a decade ago and the state budget has doubled over the past 15 years. Massachusetts taxpayers already support the 6th highest *per capita* spending level in the country and the 7th highest level of spending on K-12 public schools.

The Commonwealth's commitment to coupling student assessment and educator accountability along with additional spending has paid dividends and proven to be a sound approach that we must continue to pursue as we redouble efforts to address lingering achievement gaps between and among socioeconomic and racial groups. Proposals that would simply provide a blank check to fund existing approaches or failed experiments would be both unwise counterproductive.

Similarly, Massachusetts is poised to invest nearly \$20 billion in transportation infrastructure over the next 5 years alone, fully funding improvements and expansions like South Coast Commuter Rail and the Green Line extension that will have positive impacts for generations. Transportation officials and experts from across the Commonwealth have repeatedly presented data to show the challenges they face in spending the funds already available to them and agree that the biggest barrier to systemic improvements is not financial resources but the barriers to innovation and project delivery capacity at public transportation agencies.

Hollow Promises of More Investment

Even those who believe in the potential positive impacts of increased revenue and resources should have little faith that actual outcome will result. Supporters and proponents of the amendment have acknowledged publicly and under oath that there is no guarantee that additional revenues will be used to fund any increase in education or transportation spending. In 2018 proceedings before the Massachusetts Supreme Judicial Court, the Attorney General stated and conceded that the legislature would retain the ultimate discretion to level-fund or even reduce education or transportation spending as part of their annual budgeting process. In arguments before the SJC, the Attorney General's office explicitly agreed with Chief Justice Gants that the proposal "may or may not result in any increase in education or transportation or education spending."

Competitiveness: An Irreversible Step Backward for Massachusetts

We see signs of strength all over eastern Massachusetts: construction cranes are a common site, there is a shortage of workers in almost every job category, out of state employers are showing up all the time to be close to our talented workforce, and our expanding private sector performance will likely generate a state budget surplus of close to \$1 billion when the current fiscal year closes in 3 weeks.

Contrast that with states that have embraced anti-competitive tax policies to strengthen their public finances and expand their economies have instead seen the opposite result materialize. For example, in just the past five years, global financial services giant AllianceBernstein; the \$60 billion real estate investment firm Starwood Capital; renowned auto manufacturer Mercedes Benz; and Cancer Treatment Centers of America--a national health care provider, have moved their headquarters from New York, Connecticut, New Jersey, and Illinois respectively. Each of

these states ranks in the bottom 5 in the Council's 2019 MATTERS State Fiscal Stability Index, and each is among the 10 states with the highest state and local tax burden.

Where did these employers go? To Tennessee, Georgia and Florida. States that are among the top 15 in fiscal stability and that impose tax burdens that rank among the 10 least onerous.

These states and many others are turning away from "Millionaires Taxes" and other anti-competitive tax proposals that support state spending with overly-narrow and often volatile tax bases. Many in Massachusetts, however, continue to pursue tax policies that have clearly failed elsewhere and notwithstanding clear evidence that they are unwise and unnecessary here.

Even worse, the proposal's language- crafted, honed and message-tested by its proponents to mislead voters into supporting it- would also render this looming policy mistake nearly irreversible by permanently enshrining it in the state constitution, something no other state in the nation does.

Conclusion

The Commonwealth's greatest opportunities do not lie in hollow promises to address revenue shortages that simply do not exist, but in:

- Avoiding anti-competitive policies that disrupt our economic momentum;
- Committing to state investments that have data-supported impact, efficiency and effectiveness with zero tolerance for waste and unnecessary barriers to innovation;
- Managing and expanding the success of our private sector employers and taxpayers;
- Broadening the reach of opportunities that flow from a growing economy; and
- Leveraging record state revenues to invest in key state priorities in innovative and accountable ways while addressing the long-term instability of the Commonwealth's fiscal foundation.

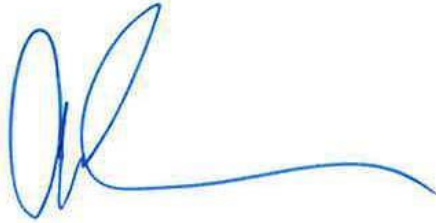
Adopting tax policies that have been a failure in other states in an effort to raise additional revenues for the state's general fund with no enforceable covenant or effective mechanism to ensure they are spent effectively or with accountability would plainly damage rather than improve the economic health of the Commonwealth.

The Council is committed instead to advancing real solutions to our shared challenges by addressing actual impediments identified by policymakers, job creators, and other impacted stakeholders including:

- Expanding and improving project planning and delivery capacity at transportation agencies;
- Enabling and enhancing the use of public-private partnerships to deliver state services and projects; and
- A \$1.1 billion, multi-year proposed increase in state investment and support for K-12 public schools, targeted towards the highest need students and schools.

We look forward to working with you to advance these and other policies that will support our common goals and advance our common objectives and respectfully urge you to reject the amendments proposed in Senate Bill 16 and House Bill 86.

Sincerely,

A handwritten signature in blue ink, consisting of a stylized 'C' followed by 'R. Anderson' and a long horizontal flourish.

Christopher R. Anderson
President