



MASSACHUSETTS
HIGH TECHNOLOGY COUNCIL

Dedicated to Growth... Committed to Action

Public Policy Update

August 25, 2019

The Council and its members are in the midst of a particularly intense period of public policy activity which will escalate over the next 6-18 months as debates in key policy areas including deployment of needed transportation infrastructure enhancements, education, funding, and housing production move forward.

The Council is focused on advancing solutions that address the real policy problems and allow Massachusetts to seize on its competitive advantages, address risks to the continued health of our robust economic environment and counter efforts to advance ineffective and anti-competitive policies.



On August 1, the Massachusetts Legislature began its summer recess and will reconvene for formal sessions beginning in mid-September. Below is an update on the Council's policy priorities and recent advocacy activities and an outlook for the remainder of 2019.

Please contact [Mark Gallagher](#) to provide feedback or learn more about how you can get involved in shaping and advancing the Council's Public Policy Agenda.

FY20 Budget

The closing days of formal legislative sessions were primarily focused on the final enactment of the state budget bill for FY20, which began on July 1. As discussed in detail in the Council's [August 8 High Tech Agenda Newsletter](#), the FY20 budget articulates the state's specific plans to spend a record \$43 billion over the coming year and is supported by historically high state tax collections

In the decade between FY09 and FY19, state tax revenues increased by 58% while inflation as measured by CPI is up just 19%. In FY19, the Commonwealth collected \$29.6 billion in tax revenue, \$4 billion more than it did just 2 year previously. According to US Census data in [MATTERS](#), the Council's dynamic dashboard of 50-state competitiveness data, Massachusetts residents and businesses continue to

support one of the highest per capita levels of state spending in the country.

With tax collections rising at three times the rate of inflation over the past 10 years, it is abundantly clear that Massachusetts does not have a revenue problem despite repeated claims by some that billions in new taxes must be imposed to support state spending.

Revenue Debate Intensifying; Focus Shifting to Taxes on Business

Despite incontrovertible revenue data and in response to the Council's [August High Tech Agenda newsletter](#), Raise Up Massachusetts (RUM), the coalition of spending advocates and public sector unions behind the so-called Fair Share Amendment/Millionaire's Tax, sent an ["open letter"](#) to the Massachusetts Legislature on August 21, calling on them to support additional taxes on "profitable corporations".

RUM's increasingly aggressive stance is a clear indication that they are concerned that thoughtful policymakers will realize that the Fair Share Amendment is a revenue-centric "solution" to a revenue shortage that simply does not exist and the letter is noteworthy for several reasons:

- RUM is now explicitly calling for additional taxes on businesses, not just "the rich." According to the letter: *It's time for large profitable corporations to contribute themselves instead of asking the rest of us to pay more.*;
- The new/higher taxes on Massachusetts employers would be in addition to the proposed "Millionaire's Tax" ballot initiative and the \$2 billion in new personal income taxes it will impose annually;
- RUM has little or no appetite for the type of "transportation-related revenues" and user fees (i.e. gas taxes, tolls, etc.) that some other states have pursued and several other local business groups are supporting. RUM insists these organizations must instead support additional taxes on their member companies;
- RUM makes no effort to rebut data showing state tax collections have never been higher and Massachusetts' per capita spending on transportation and K-12 public education is among the highest in the nation. Meanwhile, New York, Connecticut and New Jersey are experiencing significant declines in income tax revenues, largely due to the adoption of tax policies similar to those advocated by RUM in Massachusetts and the exodus of employers, wealth creators, and residents to growth-friendly states like Florida; and
- Similarly, RUM ignores the latest [Mass. Department of Revenue official data](#) showing that Massachusetts is already heavily reliant on a small group of taxpayers, with the top 20% of earners paying 73% of all income taxes collected by the Commonwealth. The nearly \$11 billion in income taxes paid by this small percentage of the population represents almost 40% of the total revenue the Commonwealth collects each year from sales, corporate, business and other taxes combined.

Transportation: Council Advancing Real Solutions

Council leaders have identified the Commonwealth's intensifying traffic congestion and under performing transportation infrastructure as both a key risk to our continued economic prosperity and opportunity for the Commonwealth to deliver on its innovation promise and potential. CNBC recently lowered Massachusetts' ranking in its annual [Top States for Business](#) from No. 8 to No. 14, with the infrastructure component weighing down the overall ranking at No. 47.

The Commonwealth is in a period of unprecedented investment in transportation infrastructure. Massachusetts has provided billions in funding for transportation over the past five years and is moving ahead with fully funded plans to invest \$20 billion in the MBTA and state roads and bridges over the next five years. To put this in context, the Big Dig- the most expensive highway project in US history- spent \$15 billion in inflation adjusted dollars over more than 15 years.

MassDOT and the MBTA, the very agencies largely responsible for improving our transportation

infrastructure, have consistently made clear that a lack of funding is not their most pressing challenge. Instead, they need new tools to enhance their project delivery capacity and changes to state law that will allow them to leverage public private partnerships and investment models and procure necessary materials and labor in the most effective and efficient ways possible.

Policy point to note: The Council believes that those who insist more money is needed as a starting point ignore the fact that the current system is simply not equipped to effectively and efficiently spend the resources already at its disposal.

The Transportation Bond Bill filed by the Baker Administration on July 25 presents lawmakers and transportation advocates with an important opportunity to unleash innovation in the Commonwealth's approach to meeting its transportation needs and equip Massachusetts transportation agencies with the project-delivery and procurement tools they need to succeed.

In a [July 25 public statement](#) the Council urged lawmakers to enact and embrace long-overdue policy changes (including those included in the bill) that will unleash innovation in the Commonwealth's approach to meeting its transportation needs and equip Massachusetts transportation agencies with the project-delivery and procurement tools they need to succeed.

Alleviating congestion and ensuring our Commonwealth has the type of sustainable, resilient, 21st Century transportation system that will meet our economic needs and enhance Massachusetts citizens' quality of life will require policymakers as well as business and civic leaders to cast aside outdated modes of thinking and embrace new approaches to how we plan, finance, design, construct, operate and maintain our transportation assets and infrastructure.

Relying on revenue-centric "solutions" designed to simply push more funding through the same old systems, would be both misguided and inadequate and create serious risk of damaging the economic momentum the Commonwealth enjoys today.

The Council is committed to a transportation agenda framed by four core principles the Governor, Legislature, and all stakeholders can adhere to in pursuit of actual solutions and meaningful improvements without risking our thriving economy:

- A dearth of revenue is not the Commonwealth's most pressing challenge and should not be the primary focus of the transportation policy debate;
- Expanded project delivery capacity (including both transportation agency staff and external expertise) is the most critical element of short and long-term transportation project planning and execution;
- Optimizing the use of public-private partnerships is an essential element of extending financial resources and ensuring projects support economic development; and
- Employer collaboration in managing employee commutes is an essential element of a compact with the Commonwealth to mitigate.

Over the coming months, the Council will be intensifying its advocacy efforts to ensure the enactment of critically important reforms that will unlock innovative and effective approaches to meet our shared transportation needs and aspirations while opposing efforts to advance revenue-centric approaches and other policy missteps that would damage our economic competitiveness while failing to address the real drivers of our challenges.

Housing Costs: Addressing Production Constraints

According to US Census data in [MATTERS](#), the Council's 50-state competitiveness dashboard, median home values in Massachusetts are the 3rd highest in the country and nearly 30% of Massachusetts homeowners spend more than 30% of their monthly income on housing expenses. Massachusetts has

produced an average of less than 10,000 new homes per year during the past 25 years, after producing approximately 30,000 new housing units each year for the prior four decades. Despite the array of cranes and construction seen across much of greater Boston, overall housing production in Massachusetts is lower than at any time since 1960. Land use controls that constrain production are a key driver of limited supply and higher prices but are largely controlled by municipal policy decisions made by individual cities and towns.

The Council is a leading supporter of the Baker-Polito Administration's Housing Choices Initiative and related [legislation](#). On March 27, the Council joined the Baker Administration and dozens of housing production advocates at the State House for a kick-off event to raise awareness and rally support for the bill and appeared before the legislature's Joint Committee on Housing on May 14 to present [testimony](#) in favor of the legislation and communicate the Council Board's [Statement of Support](#) for the bill as an urgent economic development priority.

The legislation would make it easier to get important zoning changes passed by city and town boards that control land use and density with a simple majority, as opposed to a two-thirds vote. Through this initiative, the state will also offer a combination of incentives, technical assistance and new capital grant funding to facilitate community-led housing production across the Commonwealth.

Policy point to note: The legislation remains stalled in the legislature's Joint Committee on Housing. Council staff will continue to partner with the Baker Administration, legislative leaders and other supporters to advocate for its enactment this year. Please contact Mark Gallagher to connect with your legislators on the importance of this economic development proposal.

Education: Closing Achievement Gaps

The Council supports Governor Baker's proposal to use existing/available resources to target \$1 billion in additional state education spending at the neediest schools/students, improve educator accountability/student assessment and expand state powers to support/intervene in chronically under performing schools.

On March 22, the Council appeared before the Joint Committee on Education to [testify](#) in support of the funding legislation..

The FY20 Budget makes significant progress toward these objectives by providing a \$5.2 billion appropriation for state support of K-12 education, the highest level of state funding ever and a \$268 million (or 5%) increase over FY19 levels. As importantly, legislature has declined to advance legislative proposals that would undercut state laws that require rigorous student assessment and educator accountability.

Empowering Innovation and Investment

The Council continues to work with members to identify and advance policies that empower and encourage innovation and investment in Massachusetts. We urge you to contact [Mark Gallagher](#) to share your views on these and other policy matters of particular importance to you and your organization.

- **Independent Contractor:** Massachusetts' laws governing the use of independent contractors are among the most onerous in the country and the restrictions imposed diverge significantly from federally-established standards most states choose to follow. The ability of technology focused organizations to access talent and expertise, including through the use of independent contractors, is critical to their success. Unfortunately, under current state law our technology organizations are discouraged from engaging independent contractors and face enormous risk if they do so, creating a barrier to success for technology companies and a barrier to opportunity for many skilled workers in the Commonwealth. On June 18, the Council submitted [testimony](#) to the Joint Committee on Community Development and Small Businesses in support of [House Bill 3547](#) and [Senate Bill 88](#) which would alleviate some of the negative impacts of the existing law. The bills currently remain in Committee.

- **Patent Litigation Reform:** Frivolous and abusive patent litigation by patent assertion entities presents a growing problem and risk for technology organizations and IP holders in Massachusetts and around the nation. To date, more than 30 states have enacted laws that punish or limit bad-faith patent assertions. The Council is engaged with a coalition of companies and organizations backing reform legislation and on April 29 presented [testimony](#) before the legislature's Joint Committee on Consumer Protection and Professional Licensure in support of [Senate Bill 159](#) and [House Bill 229](#). These identical pieces of legislation would require that assertion letters be more transparent, strengthen court discretion to address bad actors, and safeguard the legitimate interests of inventors and patent-holders and strike an appropriate balance between adding new safeguards and avoiding unintended consequences. The bills currently remain in Committee.
- **IRC Section 163(j):** The Council has been approached by a few members who are interested in advancing legislation that would “decouple” Massachusetts from Section 163(j) of the federal Internal Revenue Code in order to preserve the state deductibility of business interest expenses. Efforts to draft/enact legislation are likely to ramp up in the fall.
- **Market Based Apportionment:** The Council has been a consistent supporter of state policies that impose taxes on businesses based on the extent to which they sell their products and services to Massachusetts customers, not based on how many people they employ in-state or their capital investments in the Commonwealth. The Council will continue to urge legislators expand market-based apportionment to all Massachusetts companies, including via and tax “modernization” legislation that emerges from the State Senate’s Working Group on Revenue.

OUR MISSION

The Massachusetts High Technology Council is an organization of CEOs and senior executives representing technology companies, professional services firms, and academic and research institutions dedicated to creating and sustaining conditions that support investment and job growth in Massachusetts. Our members are growth-oriented, knowledge-intensive employers and institutions that develop, deliver and depend on technology products, services and innovations to advance their organizational objectives.

Our mission is to help make Massachusetts the world’s most attractive place in which to live and work, and in which to create, operate, and grow high technology businesses.

For more information [visit our website](#).

