MASSACHUSETTS
HIGHTECHNOLOGYCOUNCIL
Dedicated to Growth... Committed to Action

September 7, 2022

The Honorable Karen E. Spilka	The Honorable Ronald Mariano
President, Massachusetts Senate	Speaker, House of Representatives
Room 332, State House	Room 356, State House
24 Beacon Street	24 Beacon Street
Boston, MA 02133	Boston, MA 02133

RE: Pending Economic Development Legislation and Critical Investments for Massachusetts' Future

Dear Senate President Spilka and Speaker Mariano,

The Massachusetts High Technology Council respectfully urges you to convene special sessions for your respective chambers to finalize the economic development legislation that remains unfinished since the end of formal sessions on July 31. We echo other business groups, 13 Massachusetts State Senators, and countless advocates in asking for prompt action to pass key provisions of the legislation.

The Council represents diverse innovation industries and firms in medicine, biotech, semiconductor manufacturing, and other R&D-heavy sectors. The pending economic development legislation would make critical investments to generate more jobs and economic growth in these sectors, with benefits for every community in the Commonwealth. The following are provisions that are instrumental to employers and the innovation community in Massachusetts, and we urge their inclusion in the final version of the bill:

- The top priority for the Council is ensuring that an earmark in the Senate's bill is included in the final version. This provision, in line item 7002-8060 of section 3A, would invest $**10 million for the construction of a cleanroom semiconductor manufacturing facility** to provide space for semiconductor startup companies, research and development, workforce development initiatives, and semiconductor advanced packaging. The funding would be a modest state investment to position Massachusetts companies for tens of millions of dollars in additional federal funding to build what would be the only advanced packaging facility in the multi-state area. The state funding would also boost the capabilities of Massachusetts' research community and workforce development by bridging the gap between university and national lab research and high-volume manufacturing.

  The $10 million is among many important capital proposals in the economic development legislation requiring bonding authorization, which is why coming back in special session is so important.
- Targeted investments in the Massachusetts Technology Collaborative, included in both the House and Senate versions, would provide significant resources to help Massachusetts compete for federal funding that will augment state research initiatives and partnerships. These investments include: **$200 million for a matching grant program providing funds for research in emerging technology and innovation fields** that will help shape the future of our state's science and technology workforce; **$50 million for a competitive and secure future innovation program;** and **$30 million for the Massachusetts Manufacturing Innovation Initiative (M212**). These investments will help elevate our profile as a hub for science and technology and leverage our legacy strengths to lead in technologies of tomorrow.
- **The $350 million in relief for hospitals** is an important infusion of resources into institutions struggling with talent shortages and the lingering impact of the pandemic.
- **The $300 million in supplemental funding for the Unemployment Insurance (UI) Trust Fund** is important to replenish the funds that employers contributed to the system but went out as benefits due to fraud or error.

Tax Reforms

We have long argued that reforms to our tax policies are central to ensure the Commonwealth's competitiveness. On the Council's [Tax Environment Index](), Massachusetts ranks 40th out of all 50 states. The urgency for reforms is heightened by tax initiatives in other states in 2021-2022, including ten states enacting individual income tax rate reductions, six states enacting corporate income tax rate reductions, and eleven states electing to return surplus revenue to taxpayers. Further delay of tax relief and tax policy changes will put Massachusetts even more behind other states.

We urge you to include in the final economic development package the following key elements:

- Reform the estate tax to eliminate the fiscal cliff and raise the exemption to $2 million
- Implementing sales tax exemptions for rolling stock

Implications for Current Economic Outlook

There is still uncertainty about near-term economic conditions. But we encourage you to consider two key points on economic expectations: **the data shows that (1) Massachusetts is better positioned than ever to weather a downturn; and (2) an impactful recession is not necessarily likely to happen.**

The extraordinary revenue collections in recent years have enabled historic surpluses. The Department of Revenue's analysis shows revenues exceeded FY21 revenues by ~20.5 percent. The FY22 supplemental budget leaves $1.5 billion of surplus revenue to pair with $2.2 billion in ARPA funds to fund innovation investments, tax relief, and other key provisions in the economic development legislation. This is true after accounting for the $2.941 billion due to taxpayers under Chapter 62F. The bottom line: the Commonwealth's revenue surplus and remaining ARPA funds leave enough to afford our economic development priorities.

The bigger fiscal picture should ease concerns about a potential recession as well. Unprecedented revenues have helped bring the Rainy Day Fund balance to its highest level on record: $6.9 billion. The conference committee that finalized the FY23 budget projected a balance of $8.1 billion by the end of FY23. For reference, the Rainy Day Fund peaked at slightly over $2 billion just prior to the 2007-2009 Great Recession and, over several difficult years, dwindled ~$1.7 billion to $670 million in 2010. Reserves significantly higher than historical levels, and the unlikelihood of sustained unemployment we experienced in 2007-2010, should inspire confidence in our preparedness for economic challenges.

Consider, too, that economic signals paint a gloomy picture for the next year, but not one of deep or prolonged contraction. Massachusetts' unemployment rate was 3.5 percent in July, following consecutive months of steady job gains. Labor participation, relative to a year ago, is slightly up. Importantly, wage and salary income increases exceeded U.S. rates by 12.9 percent to 8.8 percent. Inflation still looms, but the Bureau of Labor Statistics' July report indicated progress in slowing the pace of price increases. Recent economic analysis, including the UMass Donahue Institute's, project slow growth for the rest of the year—but not further negative growth. In summary, the current economic outlook does not suggest that the economic development spending priorities need to be pared back in service of tomorrow's finances.

The Council supports provisions that are instrumental to our economic competitiveness and stability. We respectfully urge you to convene special sessions to finalize tax relief and economic development spending plans for the many employers and Massachusetts residents who need these resources most.

Sincerely,

Christopher Anderson
President and CEO
Massachusetts High Technology Council