

TAUNTON DAILY GAZETTE

Patrick won't accept transportation funding plan as written by Legislative leaders

By Matt Murphy and Michael Norton
June 26, 2013

BOSTON — Gov. Deval Patrick cast doubt on promises from House and Senate leaders that the Legislature's compromise transportation financing plan would direct over \$800 million to transportation by 2018, vowing to return the bill to the Legislature, if approved, without his signature.

"While I appreciate the efforts the conferees have made, the conference report would not provide the reported \$805M in new revenue for transportation. Therefore, I cannot support this bill in its current form," Patrick said in a statement.

The House approved a transportation financing plan with a solid majority on Wednesday, endorsing \$500 million in new taxes as part of a strategy to repair and upgrade the state's infrastructure and public transit systems. The Senate was in the middle of debate on the bill when Patrick delivered his verdict on the deal.

The House voted 105-47 to accept the conference committee compromise that would increase the gas tax by 3 cents and tie future increases to inflation, raise the per-pack tax on cigarettes by \$1 and increase certain taxes on businesses, including a controversial sales tax on computer and software design services that critics say will hamper the state's innovation industries.

"This is an approach that puts us on a very solid path going forward," said House Ways and Means Committee Chairman Rep. Brian Dempsey.

Patrick, however, said he did not trust that the revenue streams counted on by House and Senate leaders to reach the \$800 million investment level by 2018 could be sustained beyond 2017. He did not specify what revenue sources he was questioning, but said the conference bill was already a "significant retreat" from the \$1.2 billion annual investment need he identified in his own budget in January.

"I expect to return this bill with an amendment and look forward to working with the Legislature to enact it," Patrick said.

House Democrats appear to have built support for the House-Senate accord to a veto-proof margin by agreeing to Senate plans to pull more existing state revenues into the transportation arena, with the bill calling for \$805 million in new investments by fiscal 2018. Sen. Thomas McGee also said the conference bill includes language to ensure that "dollars will grow" in 2019 and 2020 to continue capital investments and plan for the next five years of transportation investment.

Rep. Carl Sciortino, a Medford Democrat, led the push in April to drum up opposition to the House leadership's plan because he believed it did not go far enough to dedicate more revenue to infrastructure and public transit. On Wednesday, he supported the compromise. "I thought the House version came up short when we passed it several weeks ago and I applaud the conference committee for working hard toward a better outcome. It is not where we need to be as a commonwealth, but it is progress," Sciortino said.

In the House, the 105 votes in support matched the exact total needed to sustain a veto from Patrick, assuming all current members of the House vote. Four members did not vote Wednesday, and there are currently four vacancies in the House.

Earlier in the day, Senate President Therese Murray said she believed House and Senate leaders had arrived at an agreement on taxes and transportation investments that Patrick can support, despite his threat to veto any deal he finds insufficient to support the state's needs.

"We think it's a good bill. The chair and the chair have put a lot of work into this and a lot of effort and I think it does everything the governor wanted, in little different ways, but comprehensive, covers the entire state and takes care of the gap," Murray said, standing with McGee and Senate Ways and Means Chairman Stephen Brewer.

McGee said the bill will help grow the economy with investments through 2018 in regional transit, moving employees off the capital budget and putting the MBTA on "sound" financial footing.

"This isn't a final solution to what we face in terms of investment in transportation. This is something we need to do and make sure it's a priority every year and make sure it's part of the key pieces of government we work on every year," McGee said.

House Minority Leader Brad Jones, who raised concerns that the bill could lead to retroactive tax hikes if not signed before July 1, said the bill, if signed, would be the "third major tax increase" since Patrick took office and was not the only option to invest in transportation. Democrats rejected alternatives offered by House Republicans.

One by one Wednesday, Republicans spoke before a somewhat empty chamber warning of the potential for job loss, added financial burdens on constituents and another impediment in what they described as an uncompetitive business climate in Massachusetts that discourages economic growth.

"This tax increase is the by-product of one-party rule in the Commonwealth, and the taxpayers have the ability to reverse this crippling tax at the ballot in November of 2014," Jones said in a statement.

Business groups like the Massachusetts High Technology Council and the Massachusetts Taxpayers Foundation have flagged serious concerns about the impact of an expansion of the state's sales tax to cover computer and software design services, suggesting it will make Massachusetts less competitive and stifle the innovation economy.

Murray and Brewer, however, said many of those concerns were raised by the Taxpayers Foundation after the House and Senate enacted their bills and after the group had been asked to weigh in on a draft proposal.

“The Mass Taxpayers also wanted to do a 15 cent per gallon increase in gas tax to solve our transportation issues as well. We chose not to go that path but a balanced path,” said Brewer, chairman of Senate Ways and Means.

The Senate leaders disagreed with MTF President Michael Widmer and High Technology Council President Chris Anderson’s assessment that the bill would raise taxes by up to \$500 million on software companies, surpassing the Legislature’s estimate of \$161 million.

Dave Andelman, president of the Restaurant and Business Alliance, also warned that “vague” wording in the bill could result in unintended tax consequences such as a business’s Facebook page if it outsources management of the webpage.

Murray said Brewer would be writing a letter to the Department of Revenue to clarify the legislative intent behind the software service sales tax to prevent unwanted expansion of the sales tax.

Widmer, however, released a statement arguing that only a legislative change would be able to “constrain the computer and software services tax in a way that minimizes potential damage while raising the \$161 million that is anticipated in the transportation finance bill.”

While calling the House-Senate accord “very similar” to the House plan, noting \$500 million in estimated new taxes, Dempsey said the accord allows an additional \$120 million to be spent on transportation by redirecting gas tax funds dedicated to underground storage tank removal, reintroducing tolls on the Mass. Turnpike’s western end, and using surplus motor vehicle inspection funds.

The \$620 million commitment rises to more than \$800 million in fiscal 2018, Dempsey said.

House Transportation Committee Co-Chair Rep. William Straus said the financing included in the bill provides the “substantive step” to back up a recently passed law raising the amount of annual funding for Chapter 90 road and bridge repairs to \$300 million, up from \$200 million. Gov. Patrick has authorized the release of only \$150 million while waiting to see details of the transportation financing bill.

“Adoption of this is critical for the transportation system that we have in the Commonwealth,” Straus said.

Rep. Denise Garlick, a Needham Democrat, said she was sensitive to the concerns of adding costs on constituents, but also had to consider what taxpayers were buying with their money. “We’re trying to buy a future for our Commonwealth with this bill,” Garlick said.

Somerville Democrat Denise Provost said, “This is a compromise that pinches in a lot of places but I don’t think it does any more than pinch and what we will get is systematic year by year improvement.”

Transportation for Massachusetts Director Kristina Egan called the conference bill a “positive step forward.”

“We remain concerned that the revenue projections anticipated in the bill may be too optimistic, and that some of the anticipated funding might not materialize,” she said.