



STATE HOUSE NEWS SERVICE

## House transpo \$\$\$ bill called both “genius” and “ill-advised”

*Progressive Dems pleased to see business asked to chip in*

By Matt Murphy and Chris Lisinski

STATE HOUSE, BOSTON, FEB. 26, 2020.....Almost a year in the making, expectations for the roughly \$600 million tax bill rolled out Wednesday by House Speaker Robert DeLeo to pay for improvements in the state's transportation system were high, and varied.

Business groups were pushing for a major gas tax increase and a one-year study of congestion pricing and tolls. Progressive lawmakers wanted corporations to help pay for public transit and road improvements. And Gov. Charlie Baker just wanted authorization to borrow more money to beef up the state's capital program.

In the end, keeping everyone happy proved difficult.

"I think we tried to keep everyone who uses our roads in some fashion involved with the payment of it," DeLeo said Wednesday, after presenting the plan to House Democrats in a private caucus.

The plan calls for increasing the gas tax by 5 cents for most drivers and 9 cents for diesel. It also raises fees on Uber and Lyft rides by up to \$145 million, and asks corporations to pay as much as \$150 million in higher minimum taxes, which have not been adjusted in 30 years.

House leaders are also proposing to eliminate an exemption for rental car companies that has allowed them to avoid paying the sales tax on new vehicles purchased in Massachusetts for their rental fleets.

"That they were able to come up with a bill was certainly an accomplishment," said Rep. Tricia Farley-Bouvier, a Pittsfield Democrat and co-chair of the House Progressive Caucus.

Farley-Bouvier said the caucus appreciated the "process" House leaders used to develop the bill, holding a series of meetings to listen to different groups of lawmakers with, at times, divergent interests.

"We are looking at the details of it, but I can say we are pleased that the corporate minimum tax, and that it's tiered, is in there. We were looking primarily that there would be shared responsibility, and that comes through in this bill," she said.

While most advocates for new transportation revenues to improve the condition of roads and bridges and deliver more reliable, affordable public transit were pleased to see progress, several said they had hoped the bill would have gone further.

A Better City CEO Richard Dimino said his organization would like to see the House commit to a congestion pricing and equitable highway tolling plan within the next two years. The bill only calls for a study of the topic to be completed by July 31, 2021.

"While \$600 million is a good starting point, we believe additional funding is needed to fix our roads, bridges, and transit as well as fund expansion and resiliency efforts," Dimino said.

Stacy Thompson from Livable Streets also called the bill "a positive first step," but added that, "It's not bold enough to meet the scale of our transportation crisis."

"While it's a good start to include some dedicated revenue for the MBTA and the RTAs, important policies like making fares more equitable are missing from this package," she said.

DeLeo, on several occasions Wednesday, described the scale of the bill as a "bridge" to the future when voters might have the chance in 2022 to weigh in on a ballot question to generate \$2 billion by adding a surtax on household income over \$1 million.

The speaker also said it is "iffy," but still possible, that a regional cap-and-trade program known as the Transportation and Climate Initiative being negotiated by Gov. Baker with other states for vehicle emissions will generate significant new money for transportation.

Senate President Karen Spilka, who has said she would like to use new revenue to lower public transit fares, said the Senate "looks forward to beginning in earnest the exchange of ideas between the House and Senate that will result – we hope – in a safer and more effective transportation system for the entire Commonwealth."

"The Senate believes we need to take action to change behavior to reduce congestion, provide fare relief to low income residents, and expand and improve public transportation in every region," Spilka said.

DeLeo said the idea of fare reductions would be considered by a new commission proposed in the bill to study congestion pricing and tolling policy.

The Greater Boston Chamber of Commerce, which made its own recommendations for revenue last year at the urging of the speaker, said it supports the 5-cent gas tax increase, TNC fees and the commission to study congestion pricing, but has serious concern with the increase in minimum corporate taxes.

The House proposal would create a tiered structure, increasing the corporate excise tax for all companies with over \$1 million in sales from its current level of \$456. The top tier of companies with over \$1 billion in sales would pay a minimum excise tax of \$150,000.

"This is a troubling signal to business in a time when cities and states around the country are competing for jobs and economic growth," the chamber said in a statement.

Massachusetts High Technology Council Vice President Mark Gallagher also wrote a letter to House Ways and Means Chairman Aaron Michlewitz calling the bill an "unnecessary and ill-advised departure from the policy path that has helped make the Massachusetts economy the envy of the nation." He said the council was especially opposed to the corporate minimum tax proposal and higher ride-for-hire fees.

The High Tech Council played a central role in convincing the Legislature to repeal a sales tax on software services that was part of the Legislature's last attempt to raise new revenue for transportation.

Gallagher urged the House to instead focus on the procurement reforms sought by Baker to make it easier to spend the money already authorized in the MBTA and MassDOT capital plans.

Transportation for Massachusetts Director Chris Dempsey — whose group called for a 25-cent increase to the gas tax and ride-hailing fees scaled at 6.25 percent of the cost of solo trips — called the proposal a "step forward" to make new investments in public transit possible, but said the coalition would "work to strengthen the final bill."

Metropolitan Area Planning Council Government Affairs Director Lizzi Weyant said the 5-cent gas tax was "lower than we had hoped" and that her group will work in the coming days "to understand how much money this legislation will truly dedicate to the MBTA."

And the Raise Up Coalition said it was pleased that business was asked to contribute, while the gas tax increase, which is considered regressive, was kept relatively small.

"Today we know we are being heard, but there is still a long road to travel," said the Raise Up Coalition in a statement.

Both Uber and Lyft criticized the ride-hailing fee increases — which the bill bans transportation network companies from passing on to riders — as ones that would hurt working families.

"Raising rideshare taxes by over 500% could hurt low-income riders and reduce the transportation options available, especially for those outside Boston. We support public transit but this plan is damaging public policy and must be revisited," said Lyft spokeswoman Campbell Matthews.

Rep. William "Smitty" Pignatelli, a Lenox Democrat, said his district stood to benefit from the House proposing to use the new revenue to borrow against in order to increase annual Chapter 90 aid for road and bridge repairs by \$100 million to \$300 million.

He also said he thought the bill's plan to dedicate \$27 million in new TNC fees for regional transit authorities was "much more fair, much more equitable" than Baker's budget, which also proposed to increase TNC fees.

Rep. Tami Gouveia, of Acton, said that like other progressives she was encouraged to see businesses being asked to help pay for the infrastructure they benefit from.

"As a progressive Democrat and as a person who represents a district that cares a lot about climate change, I am also glad to see a little bit of an increase in the gas tax," Gouveia said. "I think that's an important aspect to trying to change behavior, but with having this balanced approach, I think it's going to be a lot more fair so we're not burdening our working families and our middle-income families with bearing the brunt of where the revenue sources come from."

And Rep. Ruth Balsler, who as a Newton lawmaker represents constituents who rely on the T, said she was "delighted" with the bill.

"Certainly, my constituents are concerned with the problems on the T. What's impressive about this package is how balanced it is. There's really shared responsibility. I think my constituents will be really pleased with that," Balser said.

Rep. Sarah Peake (D-Provincetown), a division chair on DeLeo's leadership team, on Tuesday said the transportation proposal had the promise to be a "generational gamechanger," and after the bill was released, said its specifics fulfill that promise. "I think it's genius in the way it appropriately calls on different constituencies to contribute," Peake said.

She said Straus and Michlewitz "went to a lot of trouble to carefully listen to all the stakeholders, and our comments were included" in the bill's approach.

House members will have until Friday at 5 p.m. to file amendments to both the tax bill and a separate \$14.5 billion transportation bond bill. The House plans to debate the revenue bill on Wednesday, and the bond bill on Thursday.

"This is a tax increase in an election year, and everyone is looking to have an impact on their district," Majority Leader Ron Mariano, of Quincy, acknowledged ahead of next week's debate. "So the approach to this was we will listen, we will evaluate your concerns and try to address them in this first step. And again, I want to stress this. This is just the beginning. This is nowhere near the identified needs."

Construction Industries of Massachusetts Executive Director John Pourbaix praised the bill as "a significant and necessary investment in our roads and bridges, which carry 90 percent of daily trips by Massachusetts residents."

The response from Republicans to the bill, however, was dim.

House Minority Leader Brad Jones said he was still reviewing the proposal, but that the response he sensed was "lukewarm" after months of buildup.

"There's a part of me that says: it's 19 pages long. We waited this long for this?" Jones said.

He criticized the corporate tax proposal as likely to create a "perverse incentive" for businesses not to reach a higher sales revenue threshold, and he said he has not been convinced of the need for new revenue given the potential \$2 billion that could be generated for transportation and education by the still-pending income surtax proposal.

Jones also slammed Democratic leaders for arguing they needed to shave \$3.5 billion off Baker's original \$18 billion bond bill because they did not have the revenue to support it.

"How come that concern didn't come up when we did the speaker's GreenWorks bill earlier in the session?" Jones said, referring to a 10-year, \$1.3 billion climate resiliency grant program funded by bonds the House approved in July. "Is that because the speaker wanted it, so it didn't make any difference? How come the state's finances didn't matter when you're doing your bill?"

Massachusetts Fiscal Alliance spokesman Paul Craney said the gasoline and diesel tax increases were "regressive tax schemes" that should be avoided.

"Massachusetts is a wonderful state, if you can afford it. Under the Speaker's plan, fewer taxpayers will be able to keep up with the increased cost of living. These measures make it

harder for people to make their home here and do business in the state and will only hurt the middle class—especially workers who have to drive," Craney said in a statement.

Rep. Paul Frost, an Auburn Republican and third assistant minority leader, said he had yet to read the bill, but almost didn't need to.

"Are they going to increase taxes?" he asked. Assured it did, Frost replied, "Then I oppose it. Simple."