Mass. legislative leaders unveil $500m tax plan to shore up transportation system

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House and Senate leaders this morning unveiled a $500 million plan intended to shore up the state's ailing transportation system by raising taxes on gasoline and tobacco, among other changes.

The plan, while it represents a significant tax increase, falls far short of the $1.9 billion tax hike that Governor Deval Patrick has been seeking and would not fund the major expansion of rail and road projects that the governor wants.

Instead, the House-Senate proposal is designed to solve the immediate and long-term deficits at the MBTA and the state Department of Transportation, without the expansion that Patrick argues is essential to the state's economic health.

The House-Senate plan calls for raising the state gas tax by 3 cents, and indexing the rate to inflation beginning in 2015, to bring in $110 million a year. Taxes would be increased on cigarettes, cigars, and smokeless tobacco, to raise an additional $165 million annually.

Changes to the tax code affecting computer services would raise an additional $161 million a year, while changes to the code for utilities would raise $83 million.

“The goal of these tax changes is to generate sustainable new revenues that do not disproportionately impact one area of the state,” according to a copy of the plan. “The goal is also to ask those who derive the largest benefit from improved transportation infrastructure – drivers and the business community – to share in the burden of financing that system.”

Patrick’s plan called on legislators to raise the state income tax from 5.25 percent to 6.25 percent while cutting the sales tax from 6.25 percent to 4.5 percent.

At a press conference in the State House, legislators explained the reasoning behind their departure from Patrick’s proposed plan.

“These were not easy decisions,” said House Speaker Robert A. DeLeo.

The proposed $500 million in tax increases and modifications would provide funding for the MBTA and the state’s regional transit authorities and moves MassDOT employee salaries into operating budgets within three years, ending a long practice of borrowing funds to pay staff.

Senate President Therese Murray said she believed legislators sought to effect the same long-term changes in the state’s transportation infrastructure, but were “a little bit more cautious.”

“This proposal allows us to use revenues in the most responsible and efficient way possible,” Murray said.

In designing the plan, DeLeo said, he was worried that increasing taxes too much would have a detrimental effect on the state’s credit rating.

“Placing too much of an emphasis on the gas tax would simply set the stage for another transportation crisis in the years to come," said Senator Stephen M. Brewer.

The legislative plan does not include funds earmarked specifically for capital investments such as the expansion of South Station or rail service to Fall River and New Bedford, but legislators said they were not giving these projects short shrift. By putting the MassDOT operating budgets on more stable financial footing and ending the practice of borrowing money to pay operating costs, they said, the state will better be able to fund large-scale expansion projects in the coming years.

"The point is that to determine how much new investment we can afford, we first need to know the cost of continuing the current system," Brewer said.

Representative William M. Straus, a Democrat and House chairman of the Joint Transportation Committee, said ending MassDOT's dependence on borrowing money for labor costs will allow infrastructure projects to get off the ground.

"Capital expansion is here," Strauss said. "Just because you can't read your intersection or traffic light from this bill, the way it operates and the impact it has on agencies will cause capital projects to be taken off the shelf and constructed."

At an event at Boston College, Patrick dodged repeated questions about the legislative plan, saying he had not read it yet.

Kristina Egan, director of Transportation for Massachusetts, an advocacy group that had pushed for Patrick's funding plan, called the proposal "woefully inadequate." A lack of specific investments in capital projects, she said, was shortsighted and would prevent the state's transportation infrastructure from accommodating the needs of residents.

"We have an unprecedented opportunity to make a transportation fix for the next generation, and I'm worried that we're squandering it here," Egan said. "It feels like this package is locking in chronic underfunding."

Richard A. Dimino, president of A Better City, said the absence of capital projects in the legislature's $500 million bill would mean that the state would possibly lose out on federal money for projects like the Green Line extension that are dependent on matching funds from the state government.

Dimino also said he worried the 3-cent tax increase was too modest, and that too much of the additional revenue for transportation funding came from the business community.

"While it's a step forward, we're not sure the numbers go far enough," Dimino said.

House Republicans issued a statement in response to the legislative leaders' plan condemning the proposed tax increases, and calling on DeLeo to hold a public hearing on the proposal.

"By seeking to raise five separate taxes, the Speaker and Senate President have sent a clear indication that they believe they have exhausted all options when it comes to reforming our state's transportation system," the statement reads. "House Republicans don't believe this to be true – in fact we believe numerous other areas of savings still exist."