

July 22, 2019

Thank you members of the Fiscal Management and Control Board for the opportunity to provide these comments. The Massachusetts Budget and Policy Center (MassBudget) is a non-profit, non-partisan research organization that seeks to improve economic and budgetary policy in the Commonwealth.

I wish to address the Board's ongoing consideration of creating a low-income discounted fare system as some other transit authorities have done. I wish to put this decision in the context of broader trends in how the Commonwealth raises revenue and who the Commonwealth raises revenue from.

In short, the Commonwealth's revenue system is upside down. The MBTA's fare system is part of the problem, and it could be part of a solution.

Massachusetts' revenue system is "upside down" because it asks those with lower incomes to contribute a larger share of their income in state and local taxes than it does for those with higher incomes. Those with lowest fifth of incomes in the Commonwealth contribute on average 10 percent of their income in taxes. The broad middle class with incomes in the middle three-fifths of the income spectrum contribute a little over 9 percent of their income. Meanwhile, people with the highest one percent of incomes pay on average less than 7 percent of their income in state and local taxes. As a portion of income, those with the greatest ability to pay, contribute the least.

This situation came about because over the last two decades Massachusetts cut its tax rate on earned income, dividends, interest, and capital gains. While these progressive taxes have been cut, the Commonwealth turned to higher sales taxes and other regressive user fees.

Transit fares are example of a regressive user fee. And the MBTA's four fare increases since 2012 have make the situation worse. For a commuter with investment income and salary of several hundred thousand dollars a year, transit fares represent little more than a nuisance. For a middle earner struggling with rising housing costs, it's a real burden. And for those with lower incomes, higher fares can mean painful choices. As the initial findings of the recent research study out of MIT suggest, for low-income riders, the fare price matters a lot. Low-income riders sacrifice trips they would have otherwise make to help themselves and their families.

It doesn't have to be this way. MassBudget has published research on over a dozen ways the Commonwealth can raise revenue more progressively. Almost any fare increase will be highly regressive. But reducing fares for low-income riders can be a small but meaningful step toward turning our revenue system right side up, while also restoring ridership.

Thank you for your attention and consideration.

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