

Report Waves Red Flags On Massachusetts Costs, Outmigration

By Michael P. Norton
State House News Service

The “red flags are waving” across Massachusetts, with housing, transportation and migration patterns continuing to trend in the wrong direction, according to a new report.

Massachusetts had the lowest rental vacancy rate in the U.S. in 2022 and the second-highest median rents, Boston features the second-highest traffic delay times in the nation, and the state recently posted its highest outmigration numbers in 30 years, according to the Massachusetts Taxpayers Foundation.

“We’re seeing the future of our workforce, people aged 26 to 35, high-wage residents, and those in key sectors, dominate the outflow of residents and talent,” MTF President Doug Howgate said. “Massachusetts is facing a critical moment and it is imperative we address these challenges promptly to secure a prosperous future for our commonwealth.”

The report uses new data to update information that MTF compiled in December. The trendlines have not changed, Howgate said, adding that another round of data will contribute to at least one more update later this year.

MTF said that as the competition for talent and population growth intensifies, Massachusetts saw nearly 111,000 people leave the state between April 2020 and July 2022, exacerbating labor shortage challenges and workforce trends associated with an aging population.

Citing IRS data, the report says that tax filers between 26

and 35 years old dominated the outflow, raising fresh questions about whether Massachusetts can hold on to the competitive advantage it has long enjoyed due to its steady pool of recent college graduates. Reasons for leaving included worsening costs and quality of life, rising housing prices, unreliable MBTA service and congested roadways, and more affordable housing and warmer weather in other states.

At the other end of the age spectrum, the report says the number of Massachusetts residents 65 and older is projected to increase by 280,000 over the next seven years. The elevated numbers of people retiring in Massachusetts are adding to the workforce strains that are being reported across industries.

The report, "Can Massachusetts Overcome its Cost and Demographic Headwinds to Compete for Talent," warns that congestion and the state's "high costs and long commutes are pushing residents and business out."

In the technology sector – a traditional asset for Massachusetts – Texas, Florida, North Carolina, Colorado, and Washington gained a total of 160,000 new jobs over the past three years while Massachusetts lost 2,000 positions in the same period. Massachusetts ranked 33rd among states in computer tech jobs over that stretch, according to the report, trailing states like New Hampshire, Oklahoma, Montana, and West Virginia.

The state's high cost of living and affordability concerns have been a frequent talking point on Beacon Hill. House and Senate Democrats, along with Gov. Maura Healey, have been focused so far this year on coming up with an annual budget that they say will address some competitiveness concerns with targeted spending. A promised tax relief package remains a work in progress, but it appears likely that state leaders, who ditched their tax relief plans last year, may be able to coalesce around a nearly \$600 million tax relief bill for fiscal 2024.

Healey has made housing production a priority for her administration and is reorganizing the executive branch to achieve that goal, although it remains to be seen whether the state can overcome opposition to new units that for years has been backstopped by restrictive local zoning bylaws and ordinances.

Another wildcard for Massachusetts is its new income surtax on high earners. Democrats pushed the constitutional amendment to the 2022 ballot and voters approved it. Supporters say the 4 percent surtax on household income above \$1 million will lead to critical education and transportation investments, with \$1 billion in new spending poised for approval, but critics say the tax increase hurts the state's competitive position and will add to outmigration.