

MEMBERS' DAY

HEARING

BEFORE THE
COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES
ONE HUNDRED FIFTEENTH CONGRESS
SECOND SESSION

HEARING HELD IN WASHINGTON, D.C., MAY 10, 2018

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MEMBERS' DAY

THURSDAY, MAY 10, 2018

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The Committee met, pursuant to call, at 9:00 a.m., in Room 1334, Longworth House Office Building, Hon. Steve Womack [Chairman of the Committee] presiding.

Present: Representatives Womack, Black, Woodall, Brat, Smith, Faso, Smucker, Ferguson, Yarmuth, and Jayapal.

Chairman WOMACK. Good morning. This hearing will come to order. I would like to welcome everyone to the Budget Committee's fiscal 2019 Members' Day hearing.

The Congressional Budget Resolution offers a comprehensive outline of the Federal Government's finances and provides a roadmap to address the nation's fiscal challenges. Understandably, crafting the budget each year is not a simple or an easy task. In order to build an effective and responsible budget, our Committee has taken the time to consider several items.

Each year we look at the President's budget request, which reveals the administration's policy and funding priorities; we hear from authorizing committees about their legislative priorities; and throughout the process of planning and building the budget, we greatly rely on the Congressional Budget Office's budget and economic outlook or baseline, this year received on the 9th of April.

Because CBO's baseline serves as a benchmark from which to consider the effects of policy options and determine funding levels, the budget cannot be written without the baseline. Even with receipt of all these pieces in the process, the House Budget Committee cannot balance the budget alone.

We welcome and encourage the input of Members across the whole House. While the House Budget Committee is responsible for considering and ultimately writing the budget framework each year, our work is better and more reflective of the whole House when all Members engage in the process.

Each year our Members' Day hearing provides a forum for Members to weigh in on their legislative priorities for their districts, states, and, indeed, for our country, and to suggest ideas for budget savings as required by the Congressional Budget Act.

However, today is not the first opportunity Members have had to be part of the process this year. We launched an online portal earlier this year to accept submissions for innovative policy reforms. As our work continues on the budget resolution, we look forward

to considering additional ideas that will help us craft a responsible and balanced plan for the future.

I want to thank the Member that has joined us today. And with that, I would like to yield to my friend and the Ranking Member from the great Commonwealth of Kentucky, Mr. Yarmuth, for his opening statement.

[The prepared statement of Chairman Womack follows:]

WOMACK OPENING STATEMENT:

Member's Day Hearing

Washington, D.C., Thursday, May 10, 2018

As prepared for delivery – House Budget Committee Chairman Steve Womack

Good morning, and welcome to the House Budget Committee's hearing for members to present their budget ideas for fiscal year 2019.

The Congressional budget resolution offers a comprehensive outline of the federal government's finances and provides a roadmap to address the nation's fiscal challenges.

Understandably, crafting the budget each year is not a simple or an easy task.

In order to build an effective and responsible budget, our committee has taken the time to consider several items.

Each year, we look at the President's budget request, which reveals the Administration's policy and funding priorities.

We hear from authorizing committees about their legislative priorities.

And throughout the process of planning and building the budget, we greatly rely on the Congressional Budget Office's *Budget and Economic Outlook*, or "baseline," this year received on April 9.

Because CBO's baseline serves a benchmark from which to consider the effects of policy options and determine funding levels, the budget cannot be written without the baseline.

Even with receipt of all these pieces in the process, the House Budget Committee cannot balance the budget alone. We welcome and encourage the input of members across the whole House.

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However, today is not the first opportunity members have had to be a part of the process this year.

We launched an online portal earlier this year to accept submissions for innovative policy reforms.

As our work continues on the budget resolution, we look forward to considering additional ideas that will help us craft a responsible and balanced plan for the future.

Thank you to the members joining us today, and with that, I yield to the Ranking Member, Mr. Yarmuth.

Mr. YARMUTH. Thank you very much, Mr. Chairman. And I am pleased to join you in welcoming our witness, at least our one witness, for Members' Day. This annual hearing is a great opportunity to hear from Members about their priorities for our country.

As we all know, the budgets we debate in this Committee are about choices; choices that directly affect our constituents and the Nation as a whole. Each decision has consequences—sometimes good, sometimes bad—that American people have to live with for decades to come.

Unfortunately, last year's Republican budget fell squarely in the bad for the American people category. It paved the way for a partisan tax law that overwhelmingly benefits the wealthy and big corporations at the expense of hard-working American families.

At the same time, it increases our deficits by nearly \$2 trillion. But that is not an unintended consequence. It is part of the GOP's three-step plan that has failed the American people again and again.

First, Republicans give huge tax cuts to the wealthy; second, they cry and feign outrage about the skyrocketing deficits they just created; and third, they insist the new deficits are purely a spending problem and call for extreme cuts to programs that are vital to American families.

But what we need from this Committee, what the American people need from us is an honest debate about the fiscal challenges facing our Nation. A truthful process that acknowledges that we cannot produce a responsible budget without considering the revenue side of the balance sheet.

Our constituents look to us to protect the national and economic security of our country. They rely on retirement benefits and access to healthcare. They want to see investments in education, job training, innovation, and infrastructure. And they want us to pay for it in a fair way.

I look forward to hearing from our colleague on his priorities for the budget. Thank you, Chairman Womack, and I yield back the balance of my time.

[The prepared statement of Mr. Yarmuth follows:]

YARMOUTH OPENING STATEMENT:

Member's Day Hearing

Washington, D.C., Thursday, May 10, 2018

As prepared for delivery – House Budget Committee Chairman Steve Womack

Thank you very much, Mr. Chairman. I am pleased to join you in welcoming our witness – at least, our one witness - for Members' Day. This annual hearing is a great opportunity to hear from Members about their priorities for our country.

As we all know, the budgets we debate in this Committee are about choices... choices that directly affect our constituents and the nation as a whole. Each decision has consequences, sometimes good, sometimes bad, that American people have to live with for decades to come.

Unfortunately, last year's Republican budget fell squarely in the "bad for the American people" category. It paved the way for a partisan tax law that overwhelmingly benefits the wealthy and big corporations at the expense of hard-working American families. At the same time, it increases our deficits by nearly \$2 trillion. But that's not an unintended consequence, it's part the GOP's three-step plan that has failed the American people again and again. First, Republicans give huge tax cuts to the wealthy. Second, they cry and feign outrage about the skyrocketing deficits they just created. Third, they insist the new deficits are purely a spending problem and call for extreme cuts to programs that are vital to American families.

But what we need from this Committee, what the American people need from us, is an honest debate about the fiscal challenges facing our nation, a truthful process that acknowledges that we cannot produce a responsible budget without considering the revenue side of the balance sheet. Our constituents look to us to protect the national and economic security of our country. They rely on retirement benefits and access to health care. They want to see investments in education, job training, innovation, and infrastructure. And they want us to pay for it in a fair way.

I look forward to hearing from our colleague on his priorities for the budget. Thank you, Chairman Womack, and I yield back the balance of my time.

Chairman WOMACK. I thank the Ranking Member. As a reminder, Members will have 5 minutes to give their oral testimony, and their written statements will be submitted for the record.

Additionally, Members of the Committee will be permitted to question the witnesses following their statements. But out of consideration for our colleague's time and to expedite today's proceedings, I would ask that you please keep your comments very brief.

I would now like to recognize our first witness today, perhaps our only witness, Representative Dan Kildee, from Michigan. We appreciate you coming in today. The Committee has received your written statement. It will be made part of the formal hearing record. You have 5 minutes to deliver your oral remarks. And the floor is yours, Dan.

**STATEMENT OF THE HON. DAN KILDEE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MICHIGAN**

Mr. KILDEE. Is it on now? There. I feel so much better being able to hear my voice echoing throughout this room. Thank you.

And thank you, Mr. Chairman, for this, and the Ranking Member as well for offering Members this opportunity. The focus of my remarks this morning will be on one particular set of issues, and it has to do with the Federal Government's role in the health, the fiscal and social and economic health of America's cities and towns.

To a great extent this issue has historically not been a strong aspect of the Federal Government's set of priorities. After all, state and local government is, generally speaking, in the particular domain of state governments. The role of local governments, in particular, are creatures of state government. But there is a clear public, and I think national interest, in the health of America's cities. And, of course, I do not need to remind all of you of the crisis that my own hometown has faced.

Many people ascribe that crisis to a mistake that was made regarding its water. The truth of the matter is the underlying problem in the Flint crisis is a problem being faced by a whole subset of American cities. And it is the continued erosion of their financial base, of their fiscal strength. The integrity of those communities are really challenged; and there is a national interest in this.

At this point the most, I guess, direct and specific role that the Federal Government plays in supporting cities and towns is through a couple of programs; the Community Development Block Grant Program, which I think we all are quite familiar with. It takes different forms in our own communities; it is quite flexible in its use, but it has, with the exception of just this last year, seen a fairly steady decline in the commitment that the Federal Government has made to the CDBG program.

The same could be said of the Home Investment Partnerships Program. Both of those are essential supports for cities, but do not go I think nearly far enough in what the Federal Government could be doing to support America's cities and towns.

And I will just stress again that there is a looming fiscal crisis that is being experienced in many communities that is not getting near the attention that it should. The coping mechanisms that state governments largely have used for communities that are fac-

ing significant financial problems is the same set of coping mechanisms that are used when, say, a corporation is facing insolvency—using tools that are very similar to bankruptcy. Even if bankruptcy is not utilized, the coping mechanisms are essentially balance sheet approaches.

The problem, of course, is that unlike a corporation, unlike a typical business, a municipal corporation is a corporation formed to serve a city. It is not the city. The city is a social and economic organism.

So I think we have to take I think significant steps to make sure that communities, cities, and towns are not treated as corporations that can be disassembled and have their parts sold off. They are communities. And we see the result of the failure to properly invest in sustainable support for communities. And my hometown, again, is a great example.

What happened in Flint was the result of a long-term loss of property tax values, changes in the economy, population loss. This is something that is being experienced by communities all across the country. There are 50 or so American cities that have lost a significant percentage, half of their population, in the last several decades. And while on one hand it seems as though the Federal Government does not have an explicit role in dealing with those problems, we deal with the result of the lack of tools to address the problem.

And again, you all, many of you right here helped out when my hometown was facing its most serious crisis ever and participated in helping to provide Federal support to help that community get through its struggles: \$170 million was appropriated.

Adding to that what the State government has put on the table, we are talking about something around half a billion dollars that could have been saved had we collectively, Federal and State government, more thoughtfully invested in infrastructure, in sustaining the tax base in those communities.

Just thinking about one program in particular, the Clean Drinking Water Revolving Loan Fund. Had we approached that program in a way that understood that many communities that are facing really significant challenges cannot simply just take on more debt. Providing more debt opportunities for those places really does not solve the problem. And there is one thing that we can do here; and that is expand the portion of that Clean Drinking Water Revolving Loan Fund that is eligible to be offered in the form of grants for communities that have no prospect of being able to recover the cost of reinvesting in their water systems.

That is just one example. There are many others. I see my time has expired. I think this is an important issue, and it is one that the Congress ought to focus more attention on. And I thank you for the time.

[The prepared statement of Mr. Kildee follows:]

**Congressman Kildee Testimony before the House Committee on the Budget
Fiscal Year 2019 Member's Day Hearing**

Thank you, Chairman and Ranking Member, for the invitation to speak to you all today. I would like to address my remarks on the need for a much more robust federal role, focusing on the life and health of American cities and towns.

It has been my experience that the important role that cities and towns play in a growing economy is not always understood. Cities are where innovation occurs.

Right now, there are only a few elements of federal support for America's cities and towns. The HOME Investment Partnerships Program and the Community Development Block Grant (CDBG) are critical. But both are relatively modest investments in cities and towns when you think about how essential cities are to our overall society and the health of the U.S. economy.

We need a far more robust agenda for cities and towns, but for the moment, unfortunately, I find myself fighting for a sort of Hippocratic Oath for these places that are clearly so vital to our future: first, do no harm.

I was very pleased to see the increase for both these programs in the recently passed FY18 omnibus bill. Yet these increases – while large in terms of recent funding levels – are still woefully short of what is needed to correct years' worth of disinvestment.

There is a subset of these American cities that are experiencing very serious fiscal stress, the kind of stress that threatens their sustainability and solvency. So far, generally the only coping mechanism state governments have provided to cities has been through a solitary focus on the balance sheet, without any consideration whatsoever regarding the long-term sustainability of the community and the impact on lives of the people living in these cities and towns.

The way state governments often have viewed these places is as if cities are the municipal corporations to provide services for them. Cities are not municipal corporations – they cannot be disassembled and have their parts sold off like a corporation in bankruptcy. Cities are social and economic organisms. State governments may take the position, as was the case in my hometown of Flint, that you can essentially bankrupt a city but at the end of the day we cannot make a city or town go away. It is a collection of people, economic activity and social relationships that will remain.

Instead, we need federal policy that supports increased opportunity, promotes growth, and recognizes that our national interest includes an interest in the future of America's cities and towns.

Among the many issues that should we in Congress should be working on is a true infrastructure investment, one that appropriately weighs up the ability of our communities to provide

leveraging funds. A plan that has an 80/20 requirement of local funds compared to federal funds is just not realistic in being able to make a dent in this need.

Congress should be looking to “go big” on infrastructure to fill this gap, but it is vital for policy makers to understand the potential unintended consequences of how such investments could impact cities and towns across the country, particularly older industrial communities. But without a clear plan and resources to revive America’s struggling older industrial cities and towns, a massive influx of capital investment, while clearly needed and long overdue, could potentially contribute to the further disparity in a whole subset of American cities and towns that have really struggled with the transition from the old to the new economy.

We need a plan for these communities or we may seem them fall even further behind, even in a wave of new development. This failure to compete will have real economic and social consequences for our nation.

I believe that Congress has a responsibility to develop and support programs specifically intended to assist these communities with a much-needed market reset.

I am from Flint, Michigan. I have already lived through significant disinvestment because of, in large part, policy decisions. In the 1950s and 1960s, the United States made incredible investments in the interstate highway system. These were good investments – we all benefit to this day from these investments. The economy grew. Our national security strengthened.

But these investments were not equal in their impact. The tide did not lift all boats. In some places, like the place I grew up in, new interstate highways – coupled, obviously with many other factors - had the unintended consequence of providing an efficient mechanism to empty out my hometown.

How many other cities are one mistake away from catastrophe?
It is my hope that our budget reflects the urgently needed investment in these older cities and towns, a Marshall plan for this subset of fiscally stressed communities.

I’m deeply concerned that unless Congress and the federal government understand that while states have the principle role, we are not absent from this discussion. We need a focused effort, otherwise Flint will not have been the anomaly that many people think it is, it will have been the warning that we failed to heed.

Thank you.

Chairman WOMACK. I thank the gentleman. We will engage in an opportunity to do some Q-and-A, Mr. Kildee. This is a subject, general subject, that I struggle with because in the 12 years preceding my time in Congress I was a Mayor in a strong Mayor form of government. And it was my job, I thought, as the CEO of our city and the elected titular head of our city, to advocate for policies that were fiscally sound, left to our own devices, which we were pretty much on our own, to be able to address the priorities of our community, and to be able to discern between what we wanted to have and what we actually needed to have.

And like many other corporate structures, particularly those in municipal corporations, you have to pick between those kinds of things from time—and you cannot fund them all. You do not have enough money.

And so my question is where does the responsibility of the Federal Government begin? Or more importantly, where does the responsibility of the local, city, and county and the state actually end? And where do those things meet? Let me give you an example. And I can use my own district as an example.

We have tax backed bond issues in our city, in our State and most all cities utilize them. They go to the voters, they ask for an increase in the sales tax to retire bonds. That is the funding mechanism. And then most of them sunset after a certain period of time and they build whatever they want to build. In many cases they build things that could be debated about whether they are actually needed. In one case, a city used a tax backed bond issue to build a baseball stadium, to bring a minor league baseball team to town.

But, yet, sometimes these same cities will come to us, the Federal Government, and say I need money to hire police and fire. And so my question is—and I am not, you know, bemoaning the fact that a city in my district built a baseball stadium with tax money—but it becomes a matter of priority. Why would you come to the Federal Government when you could have used your tax backed bond money to hire police and fire, or buy apparatus, or whatever the need may be.

So the question is where does our responsibility at this level begin and end with regard to the decisions made by our local governments? And I am afraid they look at us as hey, we can do what we want to do with our money, and then when we run out, we can just turn to the Federal Government. So I ask the gentleman.

Mr. KILDEE. It is a very good question, and I think a couple of points that I would make in response. One is to clarify the direction of my commentary. My focus is on this relatively small subset of American cities that in my experience—and my experience precedes my time in Congress. My previous work was focused on working in lots of cities around the country that are facing really significant distress.

That subset of cities, they never would consider floating bonds to build a stadium. They actually cannot even issue debt. These are cities for which the coping mechanisms are long past and are facing absolute collapse, and have no capacity to tax their own citizens because of, number one, the high rates of poverty; secondly, the lack of tax base to make the sort of intelligent investments that might

help them come out of the circumstances they are in. So that is one.

I think secondly—and your question is really, I think, an important point for us to focus upon—where does the Federal Government responsibility end, and where does the local government responsibility meet. How do we reconcile those two competing concerns?

Two important ways. One, the condition that these communities face, in some cases it is the result of their own mismanagement for sure, or their lack of quality leadership. But in many cases the conditions that they face are as a result of decisions made well beyond their control. My hometown, which is not an anomaly—it is just a good example. We lost, in the course of just a couple of decades, 90 percent of our manufacturing jobs; 90 percent. The idea that a community can sort of manage its way through that process is really hard to imagine how they might be able to do that.

The reason I mention that is policies that are made at the state level, and even policy decisions that we make, have positive and sometimes unintended negative consequences. The decisions that we make in terms of the way we invest in infrastructure, for example, can have a very positive impact on a region, but sometimes has an unintended negative consequence on a particular area.

The same could be said of trade policy, for example, or all the forms of investment that we make that in some cases benefit some regions to the deficit of others. Some communities disproportionately experience the loss as a result. So in one way we all bear a share of responsibility for the conditions that these communities face, not just the elected leaders that preside over those communities.

But there is a second important, I think, part of the question—or answer to the question. Another way the Federal Government's interest is retained in this question is that we at the Federal Government end up paying for the result of the failure of these places, whether we accept responsibility for their condition or not. I would argue that there is some responsibility, but even absent that, we pay for that.

The city of Flint—again, the example that I continue to use—is not an anomaly. But as a result of the conditions there, 45 percent of the people in that city live below the federal poverty line; 58 percent of the children do. And we have accepted as a matter of federal policy some responsibility to make sure that there is a floor of decency, that there is a safety net below which those folks are never allowed to fall.

So there are consequences that we bear whether we accept the responsibility for the condition in the first place. And again, the best example that I can come up with is absent about \$20 million of infrastructure investment in the city of Flint about a decade ago, with that \$20 million investment—which they could not access because it was only available in the form of a loan that they did not have the ability to repay—we are now at \$170 million appropriated by this Congress, another couple of hundred million dollars spent by the state government, and lots of other costs that we have borne publicly and privately, and the loss of private value in that city

that will have social and economic consequences for decades to come.

The point being, we have some responsibility for the conditions, and we could argue the details of that. But we clearly end up paying for the lack of robust support for these places one way or another, whether we like it or not. And I think that is where the Federal Government's role comes in.

Chairman WOMACK. Mr. Yarmuth?

Mr. YARMUTH. Thank you, Mr. Chairman. And I think we have introduced a discussion which is probably the most important discussion we can have in this country. And I am not sure whether the United States Congress is equipped to have it. But it is critical.

And I think back, for instance, to the debate on the tax bill and the question of state and local tax deduction. And in the course of that debate, those who wanted to eliminate the state and local tax deduction, many who did, said why should we penalize a state which does not want to tax its citizens as much to benefit the state that does.

Coming from a state which probably is somewhere in the middle, but, you know, in Kentucky we have a 6 percent State income tax, just was dropped to 5, and we have a city tax and local and so forth, I said why would a state that is trying to perform important services for its citizens be penalized to serve a state—to the deference of a state that does not really care about serving its citizens, or taxing its citizens.

And this fundamental debate about the division of responsibility among different levels of government is really critical. In my city—and my congressional district is only my city—we have tried for a number of years to introduce or put before the voters a proposal to increase the sales tax within our city for dedicated infrastructure projects.

So we say here we are going to add a percent or a percent and a half to the state sales tax just for citizens of Louisville, and it is going to fund X. And the General Assembly of Kentucky would not give us the permission to do it. So we have these conflicts. And again, there are certain things that a politician would never want to even bring up because the potential political fallout would be substantial.

I think we need to have a debate in this country about what is the Federal responsibility to sustain a lifestyle in many areas that is not sustainable. When I look at coal communities in my state, they are not sustainable. There is virtually nothing that is going to keep them going except Federal programs. And these are not in my district. These are in a Republican district.

But if it were not for SNAP, if it were not for a variety of Federal programs—and one congressional district, the 5th Congressional District, which is coal country, 27 percent of the people are on SNAP.

So where is the Federal Government—the taxpayers. I should not say the Federal Government. The taxpayers are being asked to support a lifestyle that is probably not sustainable. Is that the appropriate role of the Federal Government? And I have said for years now, I do not think the divide in this country—and other people are saying that more recently—I do not think it is Conserv-

ative/Liberal; I do not think it is Republican/Democrat; I think it is urban/rural.

We have, time after time, in jurisdiction after jurisdiction these conflicts between a Louisville and the rest of Kentucky, a New York City and the rest of New York, an Atlanta and the rest of Georgia. And the fact is that the future is probably going to be in big cities. The trends are certainly in that direction.

That I think one statistic is 80 percent of the Nation's GDP is in major metropolitan areas, and yet we are trying to figure out, because there is a great deal of appeal to small-town America—it is part of the history of our country, it is part of a flavor of the country that so many people appreciate.

And again, I do not know how we have that discussion here, but it is an incredibly important discussion. And I thank you for bringing it up. I do not have a question for you except I guess one question quickly. And with a very pointed one. And that is the tax bill that we enacted, the tax law that we enacted at the end of last year, how would you say that is—in your 30 seconds left—has impacted Flint, your citizens, and has it been a plus or a negative?

Mr. KILDEE. It has been a negative in a couple of ways. One, because in those areas of our community that are still sort of functioning in the marketplace, we are among those states that will see an impact of the cap on deductibility and the effect that that will have on local property values. So that will have a depressing effect on the portion of the region that is still functional in the marketplace.

But it is interesting. There are some unintended consequences that I do not think were very well thought through. The ability, for example, for a community like Flint to redevelop is very much dependent on tax credit financing; low income housing tax credits, historic tax credit financing.

Because of the impact—and I am not suggesting that this ought to be the core of tax policy—but we just ought to recognize the impact. The impact is that the value of those credits is depressed, and the amount of revenue that will be generated from tax credit financing to support the redevelopment in communities like Flint, Saginaw, Detroit, Youngstown, Gary, Indiana, fill in the blank, will be compromised. So the tools are shrinking at a time when we need more tools to help redevelop these places. And that is just a couple of examples.

Chairman WOMACK. Other members? Mr. Woodall?

Mr. WOODALL. Thank you, Mr. Chairman. I appreciate Mr. Kildee being here. He is a strong advocate for his district, and none of us want to be in his predicament, but we all hope we are as strong an advocate as he was if we are.

I am thinking about the Ranking Member's comments and the frustration with so many of the completely partisan votes that go on. And he mentioned misguided tax policy and exploding deficits, things that actually we would all care about. Lowest unemployment rate in modern times. We would like to all be celebrating that together. Challenges of urban and rural America. These are things we ought to all be confronting together, and we find ourselves so often these days having to continue to defend our position from the last time we had a strictly partisan vote instead of being able to

celebrate whatever the successes were last time, and then recognize whatever the failures were last time.

So that is what I wanted to ask you, Mr. Kildee. I am thinking about my parents' hometown; that is Sparta, Georgia. I think Flint has dropped, since Spiro tells me, in population from about 102,000 back in 2010 to about 97,000 today. Sparta, Georgia has dropped from about 1,400 back in 2010 to about 1,200 today. So rural Georgia is actually losing population faster than Flint, Michigan.

I do recognize that there is an opportunity for folks, I think the word you used was disproportionate change, things that have happened so rapidly folks could not deal with it. There is no plan, to Mr. Yarmuth's point, nothing the Federal Government can do to double the population of Sparta, Georgia. It will never go back to its rural cotton is king economy.

How do we determine, in your view, what those disproportionate communities are versus those communities that are just in systemic decline and we are not going to be able to move that needle?

Mr. KILDEE. Well, it is a good question, and it is a technical question. It is a question that I have spent some time working on. And just to add a little bit of data to the point, it is true that Flint had experienced, just in the last 8 years, a reduction in population that might not be proportional to what you experienced in Sparta. But in the preceding two decades, we lost half of our population.

Think about losing half of the population and two-thirds of the wealth, because it is not just a matter of numbers of people, but, you know, who remains. The people that remain in these places are often the least capable, least able, least wealthy, least well-trained, least well-educated. And so the disproportionate impact is not just measured in population, but in the kind of population that these communities are made up of. And it is a real struggle.

The definitions, I think, are debatable. But what I would suggest is communities that have faced sudden and severe economic dislocation as a result of factors that are clearly identifiable as being beyond the control of a local government clearly would qualify.

You know, in our case it was the loss of the American auto worker and the auto sector. In other places it might be, you know, the furniture business, for example, in some parts of the country. Or steel—

Mr. WOODALL. Coal country Mr. Yarmuth referenced.

Mr. KILDEE. Coal. And in those places, as Mr. Yarmuth pointed out, the folks in that community, there is nothing they could do. You could have the smartest mayor and city council, the best city manager; there is nothing they could do to stop those external trends from having a devastating impact on their community. I think those communities are identifiable.

I helped craft—before I was in Congress, helped craft some legislation that was introduced here, but did not see its way through, that was a community revitalization and stabilization initiative. And it had within it—and I can supply it to the Committee—a definition of communities that have experienced that sudden and severe economic change. It is places like that, which would be Gary because of steel, Flint because of autos; you know, other places obviously have their own unique circumstances.

In some cases, the decline of a community is a result of bad planning, you know, and bad execution. I would argue that the people who live there are still citizens of the Federal—of the United States and have some right to expect us to respond to them. But in some cases, there is nothing anyone locally could have done. And I think we do have a special obligation to communities that experienced that sort of decline.

Mr. WOODALL. I am certain there is an opportunity for partnership there. I appreciate you being here. Thank you, Mr. Chairman.

Chairman WOMACK. Mr. Ferguson?

Mr. FERGUSON. Thank you, Mr. Chairman. Mr. Kildee, you and I have shared something together. I do not know if you remember, but in 2009 we shared the front page of the New York Times.

Mr. KILDEE. Oh, yeah.

Mr. FERGUSON. And it was a dramatic—

Mr. KILDEE. I remember that now. Yes.

Mr. FERGUSON. You remember that now.

Mr. KILDEE. You know, I am on the front of the Times so often, it is hard to recall.

Mr. FERGUSON. Well, I mean, when you are the Mayor of West Point, Georgia and you land on the New York Times—

Mr. KILDEE. I remember that.

Mr. FERGUSON.—you put it in a frame.

Mr. KILDEE. Yes.

Mr. FERGUSON. But it is better to be on the front page than in the comics section, though. I am sure I have been there, too.

The point is, is that as a Mayor, I was where you were when that article was written. We were coming out of doing exactly what you just said, which is we had lost our manufacturing base. We saw the decisions that were made by people, particularly right here in Washington, D.C., that created the environment for us to ship close to 35,000 textile jobs overseas. We saw our entire manufacturing base go away probably 15 years prior to when that article was written.

And you are exactly right in one thing. Communities that do not plan well, and communities that do not look ahead, and communities that do not diversify many times are left holding the bag when decisions that are made here in Washington, D.C. have negative impacts on our hometowns.

But here is the thing that I did learn through all of that, because it is painful to watch what happened in my hometown of West Point, Georgia, just as it is painful to watch what happened in Flint, Michigan. You not only lose the jobs, you lose the human capital. You lose the men and women that are going to serve in your Rotary Clubs, your Lion Clubs. You watch the fabric of your community be torn apart. And it is painful to watch.

So here is what I have learned through that process. And people have asked the question what is the role of the Federal Government in all of this? First of all, I think the most important thing in all of this is economic development and job creation. We learned through the loss of our manufacturing base that the single most important thing that a community has to have is an economic driver. You know, whether it is textiles. In my case now it is the auto-

motive industry. Whatever it is, that community or that region has to have an economic driver that is pushing forward.

And then I think the Federal Government's role is to be there for communities to make strategic public investments in new infrastructure that stimulates the growth and gives stability to the private sector to come in and to create the manufacturing jobs or the technology jobs. The Federal Government's role should not necessarily be to be able to go in and then rebuild an older community. It is to give it a spark so that communities can then pick themselves up by the bootstraps, because I know how tough it is. We did it.

Here are the other things that we know in that. Outside of having a job, you have got to have decent education. As a matter of fact, you need exceptional education. And that education needs to be flexible and it needs to align with where the economy is going. The training of the children in the 3rd District of Georgia probably looks a little different than what needs—the jobs that are being created in Flint, Michigan at this point.

You mentioned housing. One of the most frustrating things for me as a small-town Mayor was watching my friends and neighbors and my patients that would come to my dental practice live in 1960 style barracks and public housing—project-based public housing, and not have those opportunities that other members of the community did. I think what we do to those in poverty right now is absolutely atrocious, and small communities and cities have their hands completely tied by the Federal Government.

I think it is the Federal Government's role to get out of the way. It is one of the fundamental reasons that I ran for Congress is that I knew that the hurdles that my friends and neighbors back home being successful were barriers that were created at the Federal level.

So my question to you on all of this—I do not mean to lecture. I am just saying I have been there. You know, we have shared that story. But there is a pathway out of it. You know, I think the Federal Government—I think what we have done right now to create job growth in the Nation is incredible. And I think communities and states that are putting themselves in the position to take advantage of this opportunity for what is happening with the Tax Reform and Jobs Act, I think those communities are going to be primed, and I think they are going to be able to rebuild themselves.

I think the biggest challenge is not necessarily the urban areas, but it is the rural areas. Mr. Woodall touched on this. We have an incredible deficit in most of rural America right now with job creation. And I think that sometimes we simply say we have either got to recruit in industry for those areas, or we have got to reinvigorate ag. And I would say, based on what Mr. Yarmuth said—and I do not disagree with it—that you are seeing more and more movement to the urban centers.

So how do you keep rural America from becoming this Nation's next inner city? And I think you have got to connect people to those jobs, and I think that we have got to start looking at new critical infrastructures, such as broadband access into rural America to be able to connect and disperse workforce to the opportunities that are happening in the metropolitan areas.

I think we get a lot of pushback on this. I know I do sometimes in my own district where people say, that is not the role of the Federal Government to get involved in broadband access. I will tell you, and you can probably agree with this, when you are the Mayor of a small town and your folks do not have any hope, you will find a way to put that infrastructure in to create those economic opportunities.

So I think that having that conversation in counting broadband access as critical infrastructure is important. And I think that we can then align our education system where people can learn to make a living on the internet in rural America connected to urban centers, we got a chance at saving rural America.

So my question to you is how do you balance the investments that you seek for these urban centers, how do you create parity with rural America to make sure that we are not creating again an inner-city situation in rural America? How do you create that parity?

Mr. KILDEE. I tell you, there probably is not a more important point made than the point that you just raised, because I think we have allowed for a falsehood to occur in this debate for a very long time. And the falsehood being that this is about large cities and everyone else, when the truth of the matter is that it is about communities.

The effort that I launched, I do not know, 8 or 9 months ago in my role on the Financial Services Committee is titled, "The Future of America's Cities and Towns," because I think there is this false dichotomy that we often do not challenge.

A small-town—the quality, the sustainability of a small town in a rural region, the vibrancy of that little town is just as important to the economic sustainability of that region as, say, the sustainability and the quality of life in the city of Detroit is to the entire State of Michigan.

I think we would do ourselves a big favor if we could figure out a way, when we are making policy or just discussing policy approaches, to try to break down what is I think a false dichotomy between large and small.

What we are really talking about is communities that are scaled on lots of different levels. And they all have basically the same needs. You need to have a sense of community. You need to have the essentials of a civil society—you know, decent roads, good parks, opportunities for economic growth; and that can be scaled in lots of different ways.

And I think, you know, as a person who has been identified as largely an urban advocate, I can take it upon myself in the last decade or so to make sure that I am talking about the unique needs of those small places, just as important, and very similar in some ways to the needs. They are just scaled at a different level.

But unless we think about that, we are going to end up creating policy that exacerbates the divide, where there really should not be one. I think it is a really important point, and I am glad you raised it.

Chairman WOMACK. Mr. Yarmuth had to leave, so a better replacement is—

Mr. KILDEE. Not much of a question there.

Chairman WOMACK.—the young lady from the great Pacific Northwest who has joined us, Ms. Jayapal. And welcome.

Ms. JAYAPAL. Mr. Chairman.

Chairman WOMACK. Turn that mic on. If you got a—

Ms. JAYAPAL. Thank you, Mr. Chairman.

Chairman WOMACK. Kildee is just trying to dominate the entire member—

Mr. KILDEE. I am.

Ms. JAYAPAL. He does that well.

Mr. KILDEE. I kicked everybody else out.

Ms. JAYAPAL. We are proud of Mr. Kildee for dominating. We appreciate that.

I just was curious if you could talk a little bit about CDBG funds and how CDBG funds get used in your district. I know in my district they are incredibly important in a whole range of areas. And so it would be interesting. I am always curious about how that happens in other places. So maybe you could elaborate on that.

Mr. KILDEE. Well, it is a good example of how—thank you for the question. It is a good example of how this urban/rural question is actually reconciled pretty well. In my home county we have two direct grantees, the City of Flint and the County Metropolitan Planning Commission. I served in county government for 25 years, so I am obviously quite familiar with that.

The way the money is used is really flexibly tailored to the unique needs of the communities. In Flint, for example, as you might expect, a significant amount of the money would be used for blight elimination, for dealing with the fallout of population loss, to try to reset those markets; to eliminate the reminders of past failure; and to provide some leverage to invest in development projects that will not sustain themselves, you know, in a normal market operation.

In the county program, very often they are buying tires for the fire trucks or supporting their senior programs, because they just cannot make ends meet and they use it in a way that clearly benefits low and moderate income individuals, but the needs are different.

And this is one of the strengths and weaknesses of the Community Development Block Grant program. And many of us, when the program was designed—I have been around long enough to recall those days—predicted this problem. The strength is that it is tailored to the unique needs of a community and the process of making those funding decisions requires public involvement. That is a real strength.

The weakness, of course, is the uses are so diverse and so different that when we hear about it, we hear about it in a thousand different ways. It is not a program that you can easily define; that you can say yes, CDBG does this. Because what it does is provide tools for a community, flexible tools, that are not so dependent on, you know, the sort of ebb and flow of their local budgets that allow them to make critical investments that may help grow their economy.

And so there is not a strong constituency for a program that has so many diverse uses that does not get the attention in some ways that it should. And I think that is a great way of explaining why

over the years, to be fair, under Democratic and Republican administrations, we have seen the commitment to CDBG, at least in the proposed budgets from the administration, decline. I think Congress should pay more attention to that.

Ms. JAYAPAL. Can I ask a follow-up question, Mr. Chairman? How would you target those investments? I mean if it were up to you, how would you make it so that we preserve the flexibility, we preserve the necessary elements, but we perhaps as a Federal Government target those funds in a particular way? Or do you think it is more about just telling people what we are doing with them? What is your proposal for that?

Mr. KILDEE. Well I think there are two ways I think to address CDBG in terms of targeting. One, I think honestly is to make sure that there is realistic oversight of the CDBG program. I think sometimes we tend to over correct as a result of, you know, bad actors in a few instances. And to a certain extent, having been in local government for a while, it felt like for a long time that the CDBG program went something like this: Here is some money. Do not steal any of it. And if you do something good with it, we will not be mad at you.

I think we have to be much more focused on providing to target, providing significant technical assistance to really weak communities so that they have the capacity to put together projects that are not designed just to be in compliance because they are simple, but actually can leverage the CDBG dollar, say with other private investment that is more complex, but—and this goes to this issue of capacity in these cities that Mr. Ferguson also mentioned.

Communities that are facing fiscal stress and really deep austerity measures lose the capacity to put together complex projects. So targeting for me really starts with the Federal or State government perhaps in partnership providing much more substantial technical support to those communities so that they have the capacity to, one, conceptualize, organize, and execute more significant projects that leverage the CDBG dollar much stronger with the use of other public and ideally significant private investment.

That, to me, would be the most significant change that we would want to see happen.

Chairman WOMACK. How do you do that without seeing more money siphoned off of the available dollars of CDBG money for administrative purposes? At the end of the day, what we want is we want any money coming out of here going down to where they actually meet the demand, meet the need. And I believe in more oversight and I believe in more accountability for sure. But how do we do that without continuing to erode the available money for projects, you know, to pay the costs of the administrative overhead?

Mr. KILDEE. Yeah. I think one way is to measure the cost of not providing higher degree of technical assistance, because the cost in enforcement, the cost in de-obligating grants, the costs in actually recapturing and chasing those communities that fail to use the money properly is a real cost. Number one.

And secondly, I do think that we have to think about the optimal use. In other words, I think it makes sense to provide additional technical support, even if it means some additional admin, if the use of that money leverages private capital in a way that makes

the dollar look a lot bigger. In other words, if a community gets \$1 million of CDBG, it is going to spend \$1 million without a lot of technical help in the most careful way they can to make sure they are in compliance.

If they are able to get some real support, technical support, maybe that \$1 million is one of the layers of financing of a \$20 or \$30 million redevelopment project. In that way, our \$1 million equals \$20 million. I would rather spend a little bit to leverage much higher capacity in those communities than take the approach that we are going to keep it simple and not see these dollars be used in the most effective way they can because—this is just based on years of experience working in communities—they are petrified very often of getting it wrong because there is an economic, there is a fiscal, and a political consequence to blowing it.

And I think what we need to do is not just think about this as more robust enforcement, because the effect that I have seen is it scares them away from more creative uses of the dollars. If we could provide more technical help for those communities that do not have the capacity to put together more complex projects—and again, that is disproportionately the subset of cities that are really struggling—then I think we are using our dollars more wisely.

Ms. JAYAPAL. You know, Mr. Chairman, I think that is a really good question, because I think that there are projects that do require technical assistance because they are more innovative, they require complex putting together of public and private dollars. But there are some projects that people already know how to do. You know, housing projects, a dilapidated building that just needs to be refurbished, access to ramps for senior citizens. I know that that is how CDBG funds were used in Louisville.

In my home district we have a lot of, you know, affordable housing, homelessness issues that get addressed in part through CDBG funds.

So I think the real question is what do we want to see out of these programs, and how do we define the outcomes clearly? There may be a couple. There may be some outcomes that are about increasing access for people, addressing some critical issues that are in the community where you do not need a lot of technical assistance. You just need dollars. And federal dollars are leveraged all the time by state, county, other public funds, as well as some private funds. So I do not think we should discount how they get leveraged, you know, in multiple ways.

But then maybe we do want to have a part of CDBG funding that is for the kinds of things that Mr. Kildee is talking about. I do not think that they necessarily need to be exclusive, but I do think we have to know what we want to get out of it. And that is the question.

Mr. KILDEE. I think there is a good example, if you do not mind, Mr. Chairman. There is a good example in a program that maybe not everyone supported, but as you recall is a part of the economic recovery after the housing crisis. There was a program called the Neighborhood Stabilization Program, NSP. It basically had three iterations. One, two and three. It was about a \$7 billion program overall in the three iterations.

There was one, NSP-2, that was a competitive round that also included really robust technical assistance. The reason I am somewhat familiar with it is that the organization that I was leading back then conducted a lot of technical support to communities in implementing the Neighborhood Stabilization Program. It was a 10-year program, so the program had a beginning, a middle, and an end.

And what we saw is that in those places where we were able to bring in not just technical support in the sense of creative help, but actually bring in operating capacity, they spent the money much more wisely, and I think much more effectively.

To me that program had its flaws, do not get me wrong.

But I think it is a better starting point in some ways for the conversation because we have some experience with it. And I think there is pretty good data that shows that where the NSP program was coupled with significant technical assistance—in the case of my organization, we were funded—I just called the Center for Community Progress.

This is what I did before I was in Congress. We were funded to provide help. And what we did is we literally hired people to go sit at a desk in City Hall and make sure that that program was operating the way it should and literally carry the paper from one end to the next.

And it goes again to Mr. Ferguson's point. Often those communities either cannot get or do not have access to the technical expertise it takes to get this stuff right. This is where the Federal Government I think would be really smart to realize that, you know, in some cases, along with the money, providing expertise makes the money go further and decreases the likelihood that it is going to be misspent.

Chairman WOMACK. We appreciate your testimony today.

Mr. KILDEE. Thank you. I really appreciate it very much.

Chairman WOMACK. Really do. Thank you so much.

Mr. KILDEE. All right. Thank you, Mr. Chairman.

Chairman WOMACK. That completes the—not recognizing any other Members who wish to make a statement before this Committee on Members' Day, this completes the Committee's business.

I would like to thank all the members. I would like to thank the Member who shared his views before the Budget Committee. My staff, when they drafted these remarks, maybe assumed at least two. We had one. But thank you so much, Dan, for doing this.

And with that, unless there is anything else for the good of the order, this Committee stands adjourned.

[Whereupon, at 9:57 a.m., the Committee was adjourned]

**Congressman Visclosky Testimony before the House Committee on the Budget
Fiscal Year 2019 Member's Day Hearing**

I would like to thank Chairman Womack, Ranking Member Yarmuth, and all of the members of the House Budget Committee for holding today's hearing and providing this invaluable opportunity for myself and all members to address the Committee about our legislative priorities for Fiscal Year 2019.

My priority this year remains my resolute support for economic and transportation investments in the infrastructure of our country, including investments through the Federal Transit Administration's (FTA) Capital Investment Grant program. This essential program supports transit projects across our country, including the expansion and recapitalization of the South Shore Rail Line in Northwest Indiana.

The Capital Investment Grant program is an integral component of creating economic growth in communities across our nation. I believe that people today, when considering where they want to live, work, or raise a family, are looking at public transportation options. When businesses are considering where they want to locate, and where they think vibrant new employees and markets exist, they are looking at public transportation options. When individuals and families are considering what they want to do this weekend, they are looking at events and attractions that have close proximity to public transportation options.

The investment to improve and expand the South Shore Rail Line in Northwest Indiana is but one example of the vast benefits that this program provides to communities throughout our nation. We have made great strides in Northwest Indiana because of the bipartisan commitment from local officials, state officials, businesses, and non-profit organizations. And we cannot allow this progress to go for naught.

I believe that through the Capital Investment Grant program we are creating a model in Northwest Indiana for how to maximize the potential of taxpayer dollars and make transformational investments that will grow regional economies. I want people to be able to look at Northwest Indiana and say this is how we garner bipartisan support from all levels of the community and the federal government. This is how we attract new people, new businesses, and new jobs through public transportation infrastructure investments, and this is how we improve the lives of all current residents in a community and for future generations.

As you proceed with your work in Fiscal Year 2019, I encourage you to keep in mind the untold benefits and growing economic activity associated with a robust transportation infrastructure system and how we can create budget savings from a return on public transit investments.

Thank you again for this opportunity to submit testimony.