NOMINATIONS OF MICHAEL FAULKENDER AND ELIZABETH DARLING

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED FIFTEENTH CONGRESS
SECOND SESSION
ON THE
NOMINATIONS OF
MICHAEL FAULKENDER, TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY; AND ELIZABETH DARLING, TO BE COMMISSIONER, ADMINISTRATION ON CHILDREN, YOUTH, AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

AUGUST 22, 2018

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The hearing was convened, pursuant to notice, at 9:33 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.
Also present: Republican staff: Jeffrey Wrase, Staff Director and Chief Economist; Nicholas Wyatt, Tax and Nominations Professional Staff Member; Tony Coughlan, Tax Counsel; and Ryan Martin, Senior Human Services Advisor. Democratic staff: Joshua Sheinkman, Staff Director; Michael Evans, General Counsel; Tiffany Smith, Chief Tax Counsel; Laura Berntsen, Senior Advisor for Health and Human Services; and Adam Carasso, Senior Tax and Economic Advisor.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. Good morning. I would like to welcome everyone to today’s hearing.

This morning we are meeting to discuss the nominations of Michael Faulkender to be Treasury Assistant Secretary for Economic Policy, and Elizabeth Darling to be Commissioner on Children, Youth, and Families at the Department of Health and Human Services.

If confirmed, Dr. Faulkender will support the Secretary of the Treasury directly as one of the foremost economic officials in our government. That role is an important one, and with the important changes from tax reform just starting to take effect, Dr. Faulkender’s economic analysis will be key. The Office of Economic Policy in the Department of Treasury analyzes and reports on both current and perspective economic developments in the United
States and world economies. In his role, Dr. Faulkender will lead that office as well as assist in determining appropriate economic policies and participate in creating the administration's budget.

This is a brief overview of a rather complex job, one with serious and critical duties. But I believe Dr. Faulkender is up to the task.

As you will hear in a few minutes when we introduce both of our witnesses, Dr. Faulkender has had a distinguished career in academia, where he has risen to the level of an associate dean at the University of Maryland's Robert H. Smith School of Business and won many teaching awards as well.

But as mentioned, we are also here today to consider Ms. Darling. Ms. Darling has a broad range of experience at the Federal, State, and local levels, especially in areas fostering collaboration between government and community-based organizations.

If confirmed, Ms. Darling will oversee two important child welfare agencies within HHS: first, the Children's Bureau, which manages the multibillion-dollar child welfare entitlement programs, including foster care, a program that recently received a significant bipartisan overhaul from Congress. Ms. Darling will also lead the Family and Youth Services Bureau, the office serving runaway or homeless youth and supporting victims of domestic violence.

These are very important programs that directly affect the lives of millions of Americans each and every year. And the work ahead will not be easy. However, I am confident that Ms. Darling’s prior experience at HHS under the Bush administration, and her work in Maryland and Texas, make her a qualified candidate for this important position.

Together, the nominations of both Dr. Faulkender and Ms. Darling represent an example of two well-qualified candidates being nominated to key positions within the executive branch. Confirming these two nominees will help us ensure our government can fulfill the promises that we have all made to the American people.

So with that, I will turn to Senator Wyden for his opening statement.

[The prepared statement of Chairman Hatch appears in the appendix.]

OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM OREGON

Senator Wyden. Thank you very much, Mr. Chairman.

Mr. Chairman and colleagues, God has a way of dropping earth-shaking news right before Finance Committee hearings. This morning’s hearing is no different, and the news that broke last night about the prosecutions of two Trump associates now has ramifications for certainly one of the nominations before the committee today.

The President’s personal lawyer and his former campaign chairman are now confessed or convicted felons. They join a long and growing list of Trump associates who have broken the law. Mr. Manafort, relevant to this committee, stole from every American taxpayer when he committed tax fraud. Mr. Cohen’s crimes are also relevant to our investigative work in multiple areas. Yet the Trump administration and the Trump Treasury Department con-
continue to stonewall this committee’s attempts to investigate these matters of criminal tax evasion, corruption, and foreign influence in our elections. That is why I am maintaining holds on all Treasury nominations.

Yesterday’s news makes one matter clear: by refusing to answer our questions, the Trump Treasury Department is helping to cover up criminal activities. This stonewalling has gone on too long. When the Treasury decides to actually cooperate and provide satisfactory answers to the questions that Democratic members of this committee are asking—not just Republicans—then it will no longer be necessary to maintain this policy I have described of holding nominees.

Now, on to the two nominations before the committee this morning. If confirmed, Dr. Faulkender will head up the Office of Economic Policy at the Treasury Department. He will be in charge of some of the most important economic analysis that comes from the executive branch. It is a significant job, in no small part because the Trump administration—particularly when it comes to taxes—has proven to be a supplier of economic fiction. And you do not have to take my word for it.

You can ask any typical American worker if they have gotten the $4,000 raise they were promised they would get as a result of the Trump tax law. Ask any respected mainstream economist whether tax handouts to the wealthy and corporations pay for themselves. These unicorn tax fantasies came straight from the White House. Yet during the debate on the tax bill, Secretary Mnuchin also fabricated a story about Treasury, and the Office of Economic Policy in particular, putting out a comprehensive analysis that would prove that these fantasy claims were true. What the Treasury did release was not a full report. It was a single page, and it failed to meet the middle-school math class standard of “showing your work.”

So first of all, I hope that if Dr. Faulkender is confirmed, he will get the office back in the game on big legislative issues. And second, I have a strong hope that he will give the Congress what we have not gotten before, and that is economic analysis that is trustworthy. It is not going to be an easy job, because so often we have seen that this administration is allergic to facts. Given how vital a role this office plays at the Treasury, and not just on tax policy but on trade, markets, and much more, this is an important post.

Finally, let me comment briefly, Mr. Chairman, on Ms. Elizabeth Darling. She has been nominated to serve as Commissioner of the Administration on Children, Youth, and Families.

Over the last few years, as you know, Mr. Chairman, we have worked extensively on a bipartisan basis—let me underline that: a bipartisan basis—to pass the largest overhaul of our child welfare system in decades. That, of course, is Family First. And as I have talked about with Ms. Darling just a few minutes ago—and you and I talked about it, Mr. Chairman, often—this bill had substantial conservative support, particularly in the other body, where they talked about it at great length.

If confirmed, Ms. Darling is going to have a big role to play in implementing Family First, so both sides of this committee look forward—if you are confirmed—to working with you on that front.
In the meantime, I am concerned that the Trump administration is turning its attention toward proposals that would undo much of the bipartisan work of the chairman, myself, members of this committee on both sides of the aisle, and the bicameral support we had with conservatives in the House. I am concerned that the Trump administration is looking at overturning that work.

First, there is an effort by the administration to slash child welfare funding, certainly in the long run. It is the same type of attack the President’s budget-crunchers want to inflict on Medicaid, capping funding, crippling the ability of States to serve many of the most vulnerable youngsters and families out there. What a head-scratcher.

The administration has always said they want the States to take the lead in these areas of human services. And then we turn around and we see a budget that takes away the money to help those vulnerable youngsters and families. And money that I might add is absolutely key to what the chairman and I have been trying to do these several years to generate bipartisan support for child welfare reform.

There is also an effort underway to allow child welfare providers to discriminate against potential foster parents just because they are LGBTQ Americans or people of particular faith backgrounds. The head of the Administration for Children and Families says he wants to move further in that direction.

I think that is wrong also. It is discriminatory. It seems to me it is based on nothing but intolerance, and the bottom line is, you are going to deny a lot of kids the opportunity to grow up in safe and loving homes.

So we are going to talk about that, Ms. Darling. That is not a surprise to you.

And I want to emphasize again that I want to work closely with the chairman. It is no secret that the chairman, after many years of distinguished service, is going to be retiring at the end of this Congress. And I have told him—we meet every week—we are going to go gangbusters between now and the end of the Senate to work in a bipartisan way wherever we can, things like Family First, on things like our transformative chronic care bill. So, Mr. Chairman—I see Senator Cornyn here—as we hopefully break for at least a little period before we come back in September, I want to reiterate how strongly I feel about working cooperatively with you in a bipartisan way wherever possible.

The CHAIRMAN. Well, thank you, Senator. I appreciate your comments.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. I would like now to welcome our two nominees, Dr. Faulkender and Ms. Darling.

If confirmed, Dr. Faulkender will head the Office of Economic Policy and will report directly to Secretary Mnuchin. The Office of Economic Policy is responsible for the analysis of economic developments in the U.S. and world economies and ensuring the Treasury Department has access to the best and most up-to-date economic analysis.
Additionally, this office works with the Council of Economic Advisers and the Office of Management and Budget in the preparation of the administration’s proposed budget every year. It is important that Secretary Mnuchin and the Treasury Department have access to accurate data for their own decision-making and to convey and explain those positions outside the Treasury Department.

Dr. Faulkender is well-qualified, having worked in finance his entire professional life, from a bank teller to a professor of finance at the University of Maryland, for which he has received several teaching awards. He also currently serves as associate dean of masters programs at the Robert H. Smith School of Business.

Elizabeth Darling, if confirmed, will serve as the Commissioner on Children, Youth, and Families. This position oversees major Federal programs that support social services that promote the positive growth and development of children and their families, protective services, and of course, shelter for children and youth in the at-risk situations, and I might add adoption for children with special needs.

Today, my colleague from Texas will introduce Ms. Darling to the committee. So now I will just turn it over to Senator Cornyn to do that.

**OPENING STATEMENT OF HON. JOHN CORNYN, A U.S. SENATOR FROM TEXAS**

Senator CORNYN. Well, thank you, Mr. Chairman and colleagues.

It is my pleasure to introduce Elizabeth Darling, who has been nominated to serve, as you have stated, as Commissioner of the Administration on Children, Youth, and Families within the Department of Health and Human Services.

Ms. Darling, as you have noted, brings a wealth of experience from the private and public sectors, having dealt for many years with a range of issues on both the Federal and State levels.

Currently, she serves as the president and CEO of One Star Foundation, where she supports the State of Texas by strengthening nonprofits, encouraging civic engagement, and facilitating public-private partnerships. Before that, she served as Deputy Secretary for the Maryland Department of Human Resources, and on top of that, she served as the founding Director of the Center for Faith-Based Community Initiatives at HHS, and as an advisor of presidential initiatives inside the same arm of the agency for which she has now been nominated.

Not only does Ms. Darling possess invaluable experience within the child-welfare policy realm, she has also felt some of the impacts of those policies firsthand as an adoptive mother herself. And in fact, her relevant firsthand experiences date even further back than that. Ms. Darling tells a story, for example, of her father’s own struggles as a child in the foster care system and how his experience kindled her own passion to make a difference in this area.

In addition to her other priorities, Ms. Darling is particularly interested in combating the opioid epidemic that currently faces our Nation. And we are all concerned and look forward to working with you in that effort. I hope before we leave by the end of August—assuming we ever leave—before the election, we will pass the bi-
partisan legislation to address the opioid epidemic in a comprehensive sort of way.

Earlier this month, the National Centers for Disease Control and Prevention reported that in 2017 there were 72,000 opioid-related deaths in the United States, including hundreds in Texas, where fentanyl and heroin fatalities spiked last year. I would just note that, of course, while many people become addicted to opioids on prescription drugs, most turn to a cheaper variant of heroin, 90 percent of which comes across the U.S.-Mexican border from Mexico. For those who wonder whether we need to up our game when it comes to border security measures, I think that statistic tells it all.

A Department of Health and Human Services study found that since 2010 there has been an increase in foster populations of 10 percent, and this coincides with the rise in opioid-related deaths during the same time period. Not only has this epidemic left some children parentless, but it has also sent children in and out of foster care as their parents struggle with their own addiction. This nationwide epidemic deserves serious attention, and I applaud Ms. Darling’s interest in helping address the scourge in our communities.

As all of us are aware, once she is confirmed as Commissioner, Ms. Darling will oversee numerous programs protecting the youth of our Nation. These programs support social services, promoting development in children and families, protective services in shelters for at-risk youth, and adoption of children with special needs. Ms. Darling will also oversee the Children’s Bureau, which protects children from abuse and neglect, and the Family and Youth Services Bureau, which addresses youth homelessness, adolescent pregnancy, and domestic violence. These programs are critical in ensuring children and youth have the opportunities they need to succeed.

We know what an excellent job Ms. Darling will do. Our nominee has already had extensive experience on these topics and has served at the State and Federal levels throughout her career. And I know she will remain focused on serving all children, no matter their age, skin color, or socioeconomic background.

Ms. Darling, I look forward to watching you serve alongside of Secretary Azar at Health and Human Services on behalf of some of the most vulnerable Americans. It sounds to me like your portfolio is vast and certainly challenging, to say the least.

I thank you for your consideration, Mr. Chairman and colleagues, of this outstanding nominee, and I know she is eager and excited to serve her country once again in this new role.

Senator Wyden. Mr. Chairman?

The CHAIRMAN. Senator Wyden.

Senator WYDEN. Very briefly before the Republican Senator has to leave, I just want to make it clear that we too feel strongly that dealing with opioids is urgent, urgent public business and very much want to work in a bipartisan way to reduce opioid usage in our country.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, Senator Wyden.
I do have some obligatory questions that I am going to ask both of the nominees.

First, is there anything that you are aware of in your background that might represent a conflict of interest with the duties of the office to which you have been nominated?

Dr. Faulkender. No.

Ms. Darling. No.

The Chairman. Okay.

Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Dr. Faulkender. No.

Ms. Darling. No.

The Chairman. Okay.

Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?

Dr. Faulkender. Yes.

Ms. Darling. Yes, I do.

The Chairman. Okay.

Do you commit to provide a prompt response in writing to any questions addressed to you by any Senator of this committee?

Dr. Faulkender. Yes.

Ms. Darling. Yes.

The Chairman. Okay.

Now, Dr. Faulkender, we will start with you, and we will take your testimony at this time. Then we will take yours, Ms. Darling.

STATEMENT OF MICHAEL FAULKENDER, PH.D., NOMINATED TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Dr. Faulkender. Thank you, Mr. Chairman.

Chairman Hatch, Ranking Member Wyden, and distinguished committee members, I am honored to be with you this morning as the nominee for Assistant Secretary for Economic Policy at the Department of Treasury. I am extremely grateful to Secretary Mnuchin and the President for selecting me for this position.

I would like to take a moment to introduce the members of my family who are here with me today: my wife Maria of 14 years; our two children Lauren, age 12, and Catherine, age 8; and my dad and step-mom William and Connie Faulkender. I would not be here today without the unwavering support of my family members who are here with me today as well as those who were not able to attend but are watching from home.

For the last 16 years, I have served as a finance professor, the last 10 years at the University of Maryland. I have also taught at Washington University in St. Louis, Northwestern University, and the University of Pennsylvania. My research examines the major factors behind firm financial decision-making such as investment, capital raising, capital distribution, risk management, and executive compensation. I have documented, written about, and taught to others how firms respond to the various incentives and frictions that exist in our economy. I have seen some of the intended, but also some of the unintended consequences, of regulation.
For the last year and a half, I have also had the privilege of serving as an associate dean, leading the faculty and staff in the delivery of our MBA and specialty masters programs and ensuring that our graduates have the applied technical and leadership skills that will propel them in their careers.

As a career academic, my perspective on public policy has always been from outside the government, documenting the outcomes after the changes in law or regulation have been implemented. I am honored by the opportunity to advise and participate in the crafting of those laws and rules.

I believe that the academic community has an enormous depth of knowledge and rigor to bring to policy discussions and debates about the structure of our economy. As we continue to transition towards a more information-based economy and update the way that our economy is taxed and regulated, I believe that I can make a strong contribution to the important leadership role of the Department of the Treasury.

Based on my conversations with people who have previously held this role, I know that the Department is home to a strong career staff of economists. If confirmed, I look forward to leveraging their substantial experience and expertise to serve the American people and address the economic opportunities and challenges confronting our Nation. The decisions made here in Washington have enormous consequences, so it is critical that proposals are subjected to rigorous and thoughtful assessment before being enacted and implemented.

That is the approach I have taken to all of my academic work, and, if confirmed, that is the same standard I pledge to you will be generated by the Office of Economic Policy.

It is an enormous privilege to appear before you today, and I look forward to your questions.

The CHAIRMAN. Well, thank you, Dr. Faulkender.

[The prepared statement of Dr. Faulkender appears in the appendix.]

The CHAIRMAN. Ms. Darling, we will take your statement.

STATEMENT OF ELIZABETH DARLING, NOMINATED TO BE COMMISSIONER, ADMINISTRATION ON CHILDREN, YOUTH, AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Ms. DARLING. Thank you, Mr. Chairman, Ranking Member Wyden, and members of the committee, for the opportunity to appear before you as President Trump’s nominee to be the Commissioner for the Administration on Children, Youth, and Families, serving those who are in greatest need of hope and assurance that there can indeed be a brighter future.

I am proud to have my family and many friends and colleagues across the country watching this hearing today, including my two sons and their wives, my daughter Emily behind me, my niece Addy Marie, their husbands, my grandchildren, and my 93-year-old mother from Austin, TX. My father, who passed away 4 years ago, just shy of their 68th anniversary, is also with me in spirit. Also watching are members of the Gilpatrick family, who took my father
into their home in 1940. Their benevolence has shaped the course of my life.

My youth was filled with opportunity. My parents modeled a strong work ethic and an unwavering sense of personal responsibility. I was keenly aware from an early age that others did not have the same advantages that a loving family can bring. My dad was orphaned at the age of 8 and grew up in a children's home and found a foster family just as he was aging out of care. He was a living example of the hope that a stable, loving foster family can bring to the life of a child. Almost 80 years later, this foster family is still a large part of my life.

No doubt their magnanimity influenced the decision my husband and I made at the age of 28 to adopt a 16-year-old from a group foster home sponsored by our church. In many ways, our son served as our social service proving ground. He came to us after years of unimaginable abuse, and, over the next 10 years as he sought to overcome its effects, we stood firm in our love. And plenty of it was tough love and enforced consequences, as he learned to take responsibility for the man that he chose to be. I am very proud of who he is today, as I am of all three of my children.

I have had the privilege of working for many years in State and Federal Government, including HHS, on family and child welfare policies and priorities. I believe my success has been due in large part to an understanding of how government partners with faith-based and community organizations to get its work done, and how policies can either help or hinder service delivery and client outcomes.

ACYF spans two bureaus—the Family Youth Services Bureau and the Children's Bureau—which address a range of issues: child abuse and neglect, foster care and adoption, homeless and runaway youth, trafficked youth, adolescent pregnancy, and domestic violence. But these issues are connected. To address any one of these concerns in isolation is to ignore underlying factors that characterize the complexity of each.

With the recent passage of the Family First Prevention Services Act, I am energized and optimistic about its potential to be a catalyst for systemic change for those who support families experiencing challenges. And, with today's knowledge and understanding of the effects of adverse childhood experiences and the resulting trauma that presents in a myriad of ways, I feel a sense of urgency to support and encourage all systems of care to deliver services through a multidisciplinary, trauma-informed lens.

I have seen what hope can do to change a life. I believe the families that require our services do not just benefit from best practices or from a continuum of care or from prevention services. At the core of my being I know it is about relationships, being in relationship with others, the human element, that one-on-one supportive dynamic that is difficult for government to provide, but can often come through extended family, a place of worship, a community center, a school, a teacher, a coach, a pastor, or a mentor.

I bring to this position a deep understanding of the nonprofit sector and its capacity to do what government cannot. If I am confirmed, I will be a tireless advocate for children, youth, and fami-
lies in crisis, and all caregivers and service providers who seek to help and heal.

Across this vast land, communities are coming together around issues they have identified and seek to address together, drawing on the strengths and resources of many to improve the health of their communities. Whether the issue is opioid abuse, teen suicide, cyber-bullying, teen pregnancy, sex trafficking, domestic violence, or child abuse, I have seen that when communities come together and name a problem and own it, the power of relationships and the human element can overcome many obstacles. And imagine if all were educated on the effects of trauma and understood the possibility of healing the deepest of wounds.

I thank President Trump for the opportunity to serve as the Commissioner for ACYF, and I respectfully thank each of you for your consideration of my nomination.

The CHAIRMAN. Well, thank you so much. I think both of you are excellent people selected for these very important positions.

[The prepared statement of Ms. Darling appears in the appendix.]

The CHAIRMAN. We have a few questions. Dr. Faulkender, in your research on corporate cash holdings you have identified that sometimes large foreign cash holdings of some multinational firms could be explained by low foreign tax rates and abilities of these firms to transfer profits within the firm among related subsidiaries.

As you are aware, since most of the data you used to analyze corporate cash holdings applied to the old tax code, and given that we now have a new tax code, I wonder if you believe things will change? That is, do you believe that the tax reform has changed incentives of multinational firms to transfer profits within a firm towards low-tax jurisdictions?

Dr. FAULKENDER. I do, Senator.

The reduction in the corporate income tax rate reduces the wedge between the tax rate they would realize overseas and what they would pay here in the United States. In addition, there are a number of provisions in the bill in order to make it more difficult to transfer those incomes over to those low-tax jurisdictions.

The CHAIRMAN. Well, Dr. Faulkender, looking through your resume, and your research and writings, I would put you in a category of financial market analysts trying to understand financial market outcomes from an academic and scientific perspective, and not a political perspective.

Dr. Faulkender, while at Treasury, if you are confirmed, what sorts of analysis do you think you might be interested in pursuing and in what areas would you expect to focus your efforts?

Dr. FAULKENDER. Senator, my role would be to take the academic models and the same rigor that I have applied toward my research to the Office of Economic Policy and to support the Secretary and the Department in the variety of proposals and regulations that are before it.

The CHAIRMAN. Ms. Darling, let me go to you. It is important to consider the perspective of States when administering programs at the national level.

Earlier in your career, you spent time working at the State level, both in Texas and in Maryland. What lessons did you learn in
those roles that you will bring with you to your job at HHS, if confirmed, and how will your experience in those States shape your work?

Ms. DARLING. Senator, thank you for that question. My work in the State of Maryland was very exciting. It was at a time when child welfare was in great need of an infusion of new energy and vision. We had high case turnover rates, particularly in Baltimore City, almost 7,000 children in out-of-home care. And we were able to look at the situation and understand that, in order to actually work with our social service providers and our caseworkers, we needed to give them the materials and the supplies that they needed, the resources.

They shared desks, they shared phones, they were in need of stability and tools in order to accurately track caseloads. And we were able to do that in a fairly short time, and it made a big difference to our work in Maryland.

I was also privileged to work on the first child and family service review, the first round in the State of Maryland. And I believe I gained great insight through that experience.

The CHAIRMAN. Okay.

Ms. Darling, while Federal programs play a key role in supporting our child welfare system, it is important to remember that the real work happens in States and local communities. Nonprofits and other community-based organizations are critical players as well. And I know you have significant experience working with these various groups.

If confirmed, how might you work to strengthen partnerships between the Federal Government and nonprofit organizations to help families and children in need?

Ms. DARLING. Thank you for that question, Senator Hatch.

I believe in a multidisciplinary, community-based, trauma-informed integrated system of care. That includes State and Federal partners and local community resources in order to really bring the local community to bear around the needs of children and families.

I believe that we can set a tone from the Federal level, as well as supporting States in encouraging innovation and strategies to support youth and families at the community level.

The CHAIRMAN. Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman.

Dr. Faulkender, Ms. Darling, welcome.

Now, Dr. Faulkender, if you are confirmed, is it correct that Secretary Mnuchin will be your boss and you will report directly to him?

Dr. FAULKENDER. Yes, Senator, I would report directly to him.

Senator WYDEN. Okay.

Now your boss, if you are confirmed, said last September, “Not only will this tax plan”—the bill that was passed—“pay for itself, but it will pay down debt.” Now as you know, we have the official Joint Committee on Taxation which does the scorekeeping, and they said even after taking into consideration dynamic scoring, the tax cuts will cost more than a trillion dollars. In other words, the official scorekeeper said that the tax cuts will put a trillion dollars—over a trillion dollars—on the national credit card. That does
not even include the cost of debt service. And virtually all mainstream economists have dismissed the notion that the tax cuts will pay for themselves, let alone also pay down debt.

So do you agree with Secretary Mnuchin’s statement that the tax plan will pay for itself and even pay down the debt, thereby disagreeing with our official scorekeeper and the overwhelming number of mainstream economists?

Dr. Faulkender. Senator, I have not personally run the forecasts on the tax bill. If confirmed, I look forward to working with the economists at the Office of Economic Policy to generate a robust analysis of the revenue implications of the tax bill.

Senator Wyden. So have you read the Joint Committee on Taxation review? Is there anything—I cannot believe that you have not. But is there anything that would cause you to disagree with their analysis?

Dr. Faulkender. Senator, I have not read it thoroughly. I have certainly skimmed the report, but I have not thoroughly read through it.

Where there is disagreement among economists is the extent to which the changes and incentives that we discussed will generate additional economic activity.

Senator Wyden. Respectfully, that is not my question. What I am trying to do—and I am struck here. Senator Cardin came in and said you were a nice guy, and I am sure that is the case. I have always heard that too.

But in your opening statement, you say the decisions made in Washington have economic consequences. So it is critical that the proposals are subject to rigorous and thoughtful assessment before being enacted and implemented. So we cannot give you a pass because we think you are a nice guy. We have seen one flawed economic analysis after another in connection with this.

So you have said, I think, that you have not reviewed everything. But I cannot believe that you have not reviewed the Joint Committee on Taxation report. I think you said you skimmed it.

Is there anything you saw there that you think is flawed in terms of exactly what you are talking about—rigorous analysis?

Dr. Faulkender. Senator, one of the things that we are looking to do at the Office of Economic Policy is to update the models to include more information about how the incentives in the tax bill will change the willingness of businesses to engage in economic activity.

Senator Wyden. I think it is unfortunate, respectfully, that you are not answering the question. We all know that there is debate about incentives. I am one who believes that the use of responsible incentives is a good idea. I wrote a bipartisan tax bill, and I thought that it would generate the kind of behavior-changing activity that would be good for our economy. But you are not answering the question.

So I am going to ask one more question to see if we can get you to respond to what you have stated in your own opening statement is the heart of your obligations. Now, the President’s Chair of the Council of Economic Advisers said repeatedly the tax cut will raise average wages by $4,000. Yet to date, in terms of real wages, they are basically flat like pancakes.
Do you agree with the President and the Council of Economic Advisers’ Chairman that American workers are going to see a $4,000 wage increase due to the tax cuts?

Dr. Faulkender. Senator, I think as a result of the improved incentives in the tax bill, we will see higher wages and lower unemployment than we otherwise would have seen.

Senator Wyden. Okay.

So you still are not responding to the question. But you are certainly not saying you agree with the Chairman of the Council of Economic Advisers. You said that wages are going to go up. Well, nobody is disputing that people—because I talk to middle-class folks. They have had a bit of an increase, but they always say, well it is something where maybe we can buy some groceries and take care of something once, but it is not resembling the $4,000 pay raise we were told. And it is light-years away from the massive amount of relief that went to the folks at the top.

Among the middle class, I have folks who say “we got a little bit, hardly notice it.” And you have not indicated to me in just what I have asked you that you see what Mr. Hassett is saying is accurate. But you think somehow that workers are going to get these additional benefits.

I am going to ask you this in writing as well. Maybe you will have additional detail, but I cannot give you a pass on these questions because, by dint of what you have described as your duties and what we think the office is all about, you are going to be front and center in making recommendations. And they come after this parade of flawed economic assessments that really misrepresented to the American people what they were going to get.

Folks at the top got what they thought they were going to get. Folks in the middle clearly did not get what they thought they were going to get.

Mr. Chairman, I note other colleagues have questions. I am going to have some additional questions for a second round.

The CHAIRMAN. Senator Whitehouse?

Senator Whitehouse. Thank you very much.

Dr. Faulkender, there have been an array of economic warnings about a potential crash in the coastal property value market. I am from Rhode Island. It is pretty important to us what coastal property values do.

These warnings have come from diverse sources, including Freddie Mac—the Federal agency—the Union of Concerned Scientists, insurance trade publications, and Nobel Prize-winning economists. And some of our States—Senator Cassidy’s, for instance, has declared its coast in a state of emergency.

So there are a lot of signals out there about a coastal property value crash. Here is what Freddie Mac wrote: “Rising sea levels and spreading flood plains appear likely to destroy billions of dollars in property and to displace millions of people. The economic losses and social disruptions may happen gradually, but they are likely to be greater in total than those experienced in the housing crisis and Great Recession.”

Are those warnings worthy of attention at the Treasury Department, and will you give them attention at the Treasury Department?
Dr. Faulkender. Senator, certainly any type of economic risk that rises to the level that you have described will certainly receive attention from the Office of Economic Policy.

Senator Whitehouse. Great. I will follow up with you, because the warnings are increasingly widespread.

Relatedly in some respect, but separately, many economists are also warning of the risk of a carbon bubble, a sudden rapid deflation of the fossil fuel economy that has considerable and fairly alarming support in very well-sourced economic papers.

You are familiar, I am sure, with the Bank of England.

Dr. Faulkender. I am.

Senator Whitehouse. And you are familiar with the fact that the Bank of England is not just a bank, but it is also the lead financial regulator for the United Kingdom for insurance and other industries. Correct?

Dr. Faulkender. Yes.

Senator Whitehouse. Yes.

So when the Bank of England speaks, is that something to pay attention to in its capacity as financial regulator?

Dr. Faulkender. Certainly paying attention to the significant financial regulators around the world is a voice we should listen to.

Senator Whitehouse. What the Bank of England has warned is that “investments in fossil fuels and related technologies may take a huge hit.” That is a quote from them. They also codify the “huge hit” as so significant that it creates what they call “systemic risks.” What does “systemic risks” mean in economics jargon?

Dr. Faulkender. Systemic risk indicates that it has the potential to bring down the entire financial system.

Senator Whitehouse. Specifically with respect to the U.S., there are models suggesting that should this happen, the U.S. would see a greater than 5-percent decline in GDP and millions of lost jobs. I think that is largely because the change in cartel behavior in the oil industry is propping up prices by limiting supply.

If that reverses to a flood-the-market strategy, the prices from the low-cost providers would fall so low that it would virtually eliminate overnight the higher-cost producers in the United States, Russia, and other places.

What effect on the economy would a 5-percent decline in GDP and millions of lost jobs have for America?

Dr. Faulkender. So certainly, qualitatively there would be a number of—long-term unemployment rates would certainly be of concern, impacts on tax revenue, and required Federal expenditures would also come into play. If confirmed, that is certainly something the Office of Economic Policy has the capacity to model.

Senator Whitehouse. Great. We will follow up on that as well.

Finally, Nobel Prize-winning economist Joseph Stiglitz has recently testified the following: “The transition to a low-carbon economy is potentially a powerful, attractive, and sustainable growth story marked by higher resilience, more innovation, more livable cities, robust agriculture, and stronger ecosystems.”

Do you agree that a transition to a low-carbon economy could be potentially a powerful, attractive, and sustainable growth story?
Dr. FAULKENDER. Senator, my academic career has mostly been in the area of financial economics, not as much in energy economics. So I would be happy to research it and get back to you.

Senator WHITEHOUSE. I will leave it at that.

My time is expired. I thank the chairman.

The CHAIRMAN. Senator Cassidy?

Senator WYDEN. Senator Cassidy, I have to be in the Energy Committee. Would it be possible to ask one question? I appreciate my colleague’s courtesy.

The CHAIRMAN. We will turn to you.

Senator WYDEN. Thank you, Mr. Chairman.

Just as a matter for the record, Ms. Darling, I need to know—and you can get this in writing for the record. The chairman will announce the number of days you have. I need to know whether you support proposals that would cap Federal funding for foster care services. The issue here is the block grant issue.

I remain very concerned that there are some in the administration who want these block grants. I think that would work a tremendous burden on trying to make sure we carried out Family First as the chairman and I, and conservatives and liberals in the House, agreed. So that will be for the record.

My question for you—and I thank Senator Cassidy for his courtesy—is, there has been bipartisan concern about this whole effort of guidance from the Children's Bureau as it relates to Family First. I am not going to get into all of this wonky stuff about the difference between a guidance and a regulation.

But there is a concern that the guidance is moving away from what Chairman Hatch and I had in mind, particularly as it relates to getting support for things that have to be done, accrediting the facilities, and trying to make sure that people get in the queue for accreditation, all of this kind of thing. It is really a dollars and cents and priorities issue.

What I would like is to have you tell us, if you are confirmed—and as I indicated, I have heard good things about you—that you will commit to reviewing the guidance so that we address some of these concerns of Democrats and Republicans. So I hope that will be just a simple “yes” and then Senator Cassidy can get his questions in and I can get out the door.

Ms. DARLING. Yes, Senator, I will do that.

The CHAIRMAN. That takes care of that.

Senator WYDEN. Okay.

Senator Cassidy, thank you. Thank you, Mr. Chairman.

Senator Cassidy? Senator Cassidy. Thank you.

Hello, sir. I am going to speak to you and give kind of a long prologue just to create context. But it is context that we have to have to get your thoughts.

I am concerned about Social Security and Medicare. Clearly we have to preserve the benefits for those who have been promised these benefits. But the actuaries tell us that both funds are in an incredible duress.

If we do nothing, the benefits must be cut significantly. And this is not something kind of on the by-and-by. Medicare goes bankrupt
within 8 years. Social Security goes bankrupt in 2034. But I am told if we are to address it, we must address it now, because that window is rapidly closing—again, for context.

And some say because we do not look at the 10-year window, we look at the 75-year window for Social Security, that that is not as bad. But as was explained to me quite convincingly, it is not just that we get through 75 years and we are okay, rather we have to have a balance at the end of that 75 years that can continue to pay benefits beyond. And I think that fact is often ignored.

So we have to have the till full, if you will. It has to have an actuarial balance.

So that said, what thoughts do you have about the correct methodology and data as we look at policy options to preserve these benefits? And what other thoughts do you have as to how we preserve these programs, because I do think that is something that you will be directly involved with in this position?

Dr. FAULKENDER. Thank you, Senator.

You are absolutely correct that the changing demographics in this Nation are creating some long-term stability concerns for Social Security and for Medicare. And the sooner that we address those challenges, the more flexibility that we have in retaining the promise that has been made to our seniors.

So what we can offer at the Office of Economic Policy is, there are a number of proposals in the academic community, and a number of models that have been utilized in order to estimate what the 10-year and 75-year implications are as we consider modifications.

Senator CASSIDY. Now what in the academic literature, what are the options as to what we can do to not just get through the 10-year window or the 75-year window, but actually to leave our descendants in better shape?

Dr. FAULKENDER. Essentially, to bring them into perpetual balance, we need to have over the entire life of the program, greater equality between the current revenue steam and the current benefits that are being offered.

Senator CASSIDY. Now, do I understand that European nations have grandfathered in, if you will, changes in eligibility?

Dr. FAULKENDER. Generally speaking, the changes in eligibility are brought in over time, much as we over time have been raising the retirement age in Social Security from 65 to 67.

Senator CASSIDY. Now, Medicare. I have a white paper, “Making Health Care Affordable Again,” on my website. And our goal is to make Medicare more sustainable by lowering the cost of health care.

Is there any academic literature on what rate of decrease in the cost of health care would be required to make Medicare more sustainable, because that is the one that is empty in 8 years?

Dr. FAULKENDER. Right, so the more immediate concern, as you indicated, is Medicare. There are models out there that would allow us to estimate what kind of decrease in medical inflation we would
have to realize in order to bring that program into actuarial balance.

Senator CASSIDY. Now there has been a little bit of a decrease in medical inflation over the last—I think beginning in 2007, I saw that there was a downward inflection. But clearly that has not been sufficient to push out significantly Medicare's bankruptcy.

Do you have an off-the-top-of-your-head sense of what we would have to do to health-care costs or to Medicare payments for health-care costs to further lower——

Dr. FAULKENDER. I do not have a specific number, but I would be happy to get that back to you.

Senator CASSIDY. And then lastly, there are a couple of aspects to health care. It is the volume. It is the price per unit, but also the number of units. Correct? And the makeup of the units themselves. You can have a lower price, but if it is of a more intense unit, then it is going to cost more.

Dr. FAULKENDER. Right.

Senator CASSIDY. Any thoughts how all that factors in beyond saying that that is part of it?

Dr. FAULKENDER. So there are some interesting experiments across various States about modifying the fee-for-service model in order to reduce quantities.

Senator CASSIDY. Now, I do not have a sense that the ACOs have actually significantly lowered costs, and indeed to the degree that they have contributed to consolidation of health-care systems—and there is data showing that once you have any kind of consolidated health-care system, on average, costs are up about 12 percent.

So again, any thoughts upon that statement, either to debunk, or to disagree, or to agree?

Dr. FAULKENDER. So, if confirmed, I certainly will spend more time familiarizing myself with some of the latest research coming out about ACOs. As I mentioned before, I have been an associate dean for the last year, more worried about my MBAs. But I will certainly provide you with an assessment of the literature on how those ACOs are doing.

Senator CASSIDY. That was a nice sidestep, but thank you very much.

I yield back.

The CHAIRMAN. Senator Cantwell?

Senator CANTWELL. Thank you, Mr. Chairman.

I would like to ask Ms. Darling about—you might know our State has a title IV–E waiver that has enabled our State to do a lot of preventative child welfare programs, and I certainly appreciate Senator Hatch's efforts in this area. The program was designed to prevent foster care placements when possible.

A study done by the Washington Institute for Public Policy found that these families who received this prevention were significantly less likely to have children removed to foster care. So I am glad that we have been able to get a larger awareness on this federally, and that other States, hopefully, will take up these same kinds of innovations. Knowing that States have been very innovative, what will you do to take into account these lessons and try to help transition other States to these ideas?
Ms. DARLING. Senator, thank you for that question. And I think you are absolutely on target. When I think of all the amazing work that is happening around the country, such as in your State, real movement in outcomes for children using prevention services, I think we need to lift those up and use them as examples of how it can work in those States that need to be moving more toward the prevention end to keep congregate care down and to also move children towards reunification.

I am excited about the Family First Act and the potential that it has to help us do that.

Senator CANTWELL. I understand that guidance has not been put out yet on that. Will you be transparent and open to making sure this new guidance is out there and for a rulemaking and public comment?

Ms. DARLING. Senator, if confirmed, I will do that and work with the committee to better understand the legislative intent of everything that we put out as far as guidance so that we can work with States to make the transition, especially for those States with waivers.

Senator CANTWELL. Thank you.

Well, I want to thank, again, the chairman for his work in this area as well. I think we are showing that we are putting a little bit of an ounce of prevention into the situation and giving us much better results. So I hope that we can encourage other States to do the same thing.

Dr. Faulkender, you spent a good deal of time researching the complications of financial instruments and derivatives, which is very important. Obviously, we have been very involved in a lot of laws related to energy markets and oversights.

Will you work with the Commodities Future Trading Commission, the Securities and Exchange Commission, and the Department of Energy in making sure that we look at different analytical tools on making sure that hedging and speculation—my point is, we had to use in the Enron case a lot of research from people who basically could tell you there were anomalies, that the market was not price and demand.

And as we get into more complexity, will you work with those agencies to make sure that we are evaluating information that might give us data on the fact that markets are not functioning the way that they should function?

Dr. FAULKENDER. Senator, yes.

If confirmed, I will work with economists at the Securities and Exchange Commission, the CFTC, the Office of Financial Research to ensure that we have a robust set of regulations and capital requirements to ensure stability in those markets.

Senator CANTWELL. Okay.

And just lastly on affordable housing—obviously, this has been a big priority for both the chairman and myself. We were successful in getting some things done on affordable housing, but we need to do much more.

Obviously, the tax bill created some challenges for us in that. So given the importance of housing, what do you think are some of the major economic benefits of promoting more affordable housing?
Dr. Faulkender, Senator, there is literature that suggests that the investments that people make in their neighborhoods and in their communities are greater when they have a financial stake in the neighborhood through their home. And so those are some of the primary benefits that we realize: there is greater engagement in civic life as a result of home ownership.

Senator Cantwell. Well, we are facing this as a crisis through not just major urban areas, but rural areas as well. And I think that the actual—well, we have a couple of things going on here. Definitely more demand, less supply. But this issue of keeping pace with wage productivity is also causing a problem. But I guarantee you, if you do not have a roof over your head, you are not going to do much about wage productivity.

So I just hope that in your new position, you could take a look at this. There is legislation that some of my colleagues on the other side of the aisle are also doing to further analyze this issue.

But I would just say that we have to do much, much more than we are doing as a Nation to get under this problem or else we will just continue to see these kinds of—it is almost that the problem becomes harder for us to deal with because of the large-scale populations that are in demand of affordable housing.

Dr. Faulkender. Senator, if confirmed, I look forward to working with you and your team to see what we can do to make housing more affordable and increase home ownership.

Senator Cantwell. Thank you.

Thank you, Mr. Chairman.

The Chairman. Well, thank you, Senator Cantwell.

I do not see any other Senators here.

I would like to thank you, everybody here for their attendance and participation today. I would, once more, like to thank Dr. Faulkender and Ms. Darling for their willingness to serve in these roles. We really appreciate it.

We here at the committee appreciate the new tasks that you will have before you, should you be confirmed. And we trust that you will serve your agencies well.

So anyway, I ask that any member who wishes to submit questions for the record, please do so by noon Friday, August 31st.

With that, we are grateful to you. We wish you the best. We are going to move ahead as fast as we can, and we will call this hearing adjourned.

Thank you.

[Whereupon, at 10:36 a.m., the hearing was concluded.]
Thank you, Mr. Chairman, Ranking Member Wyden, and members of the committee, for the opportunity to appear before you as President Trump’s nominee to be the Commissioner for the Administration on Children, Youth, and Families, serving those who are in greatest need of hope and assurance that there can be a brighter future.

I am proud to have my family and many friends and colleagues across the country watching this hearing today, including my two sons and their wives, my daughter and her husband, my two grandchildren, and my 93-year-old mother. My father, who passed away 4 years ago, just before my parent’s 68th anniversary, is with me in spirit. Also watching are members of the Gilpatrick family, who took my father into their home in 1940. Their benevolence has shaped the course of my life.

My youth was filled with opportunity. My parents modeled a strong work ethic and an unwavering sense of personal responsibility. I was keenly aware from an early age that others did not have the same advantages that a loving family can bring. My dad was orphaned at age 8, grew up in a children’s home, and found a foster family just as he was aging out of care. He was a living example of the hope that a stable, loving foster family can bring to the life of a child. Almost 80 years later, this foster family is still a large part of my life.

No doubt their magnanimity influenced the decision my husband and I made at the age of 28 to adopt a 16-year-old from a group foster home sponsored by our church. In many ways, our son served as a social service proving ground. He came to us after years of unimaginable abuse, and over the next 10 years as he sought to overcome its effects, we stood firm in our love—and plenty of it was tough love and enforced consequences—as he learned to take responsibility for the man he chose to be. I am very proud of who he is today, as I am of all three of my children.

I’ve had the privilege of working for many years in State and Federal Government, including at HHS, on family and child welfare policies and priorities. I believe my success has been due in large part to an understanding of how government partners with faith-based and community organizations to get its work done, and how policies can either help or hinder service delivery and client outcomes.

ACYF spans two bureaus—the Family and Youth Services Bureau and the Children’s Bureau—which address a range of issues: child abuse and neglect, foster care and adoption, homeless and runaway youth, trafficked youth, adolescent pregnancy, and domestic violence. But these issues are connected. To address any one of these concerns in isolation is to ignore the underlying factors that characterize the complexity of each.

With the recent passage of the Family First Prevention Services Act, I am energized and optimistic about its potential to be a catalyst for systemic change for those who support families experiencing challenges. And with today’s knowledge and understanding of the effects of adverse childhood experiences and the resulting trauma that presents in a myriad of ways, I feel a sense of urgency to support and encourage all systems of care to deliver services through a multidisciplinary, trauma-informed lens.
I have seen what hope can do to change a life. I believe the families that require our services do not just benefit from “best practices” or from a “continuum of care” or from “prevention services.” At the core of my being I know it is about relationships, being in relationship with others, the human element, that one-on-one supportive dynamic that is difficult for government to provide but can often come through extended family, a place of worship, a community center, a school, a teacher, a coach, a pastor, a mentor.

I bring to this position a deep understanding of the nonprofit sector and its capacity to do what government can’t. If I am confirmed, I will be a tireless advocate for children, youth, and families in crisis, and all caregivers and service providers who seek to help and heal. Across this vast land, communities are coming together around issues they have identified and seek to address together, drawing on the strengths and resources of many to improve the health of their communities. Whether the issue is opioid abuse, teen suicide, cyber-bullying, teen pregnancy, sex trafficking, domestic violence, or child abuse, I have seen that when communities come together, name a problem, and own it, the power of relationships and the human element can overcome many obstacles. And imagine if all were educated on the effects of trauma and understood the possibility of healing the deepest of wounds.

I thank President Trump for the opportunity to serve as the Commissioner for ACYF, and I thank each of you for your consideration of my nomination.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name (include any former names used): My name is Elizabeth Marie Darling; this is both my current and maiden name. Previous married names include Elizabeth Darling Seale and Elizabeth Seale-Scott.
2. Position to which nominated: The position to which I have been nominated is Commissioner, Administration for Children, Youth, and Families within the Administration for Children and Families at HHS.
4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: I was born December 7, 1955 in Fort Worth, TX.
6. Marital status (include maiden name of wife or husband’s name):
7. Names and ages of children:
8. Education (list secondary and higher education institutions, dates attended, degree received, and date degree granted):
   - Saint Mary’s University, San Antonio, TX, January 1978–May 1978 (6 credit hours).
   - Baylor University, Waco, TX, 1974–1978, BS elementary education (May 1978).
9. Employment record (list all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment):
   - March 2009–present: CEO, OneStar Foundation, Austin, TX (appointed by former Governor Rick Perry and currently serving under Governor Greg Abbott).
March 2001–March 2003: Director, Center for Faith-Based and Community Initiatives, U.S. DHHS, Washington, DC (appointed by President George W. Bush) and Advisor on Presidential Initiatives to the Commissioner, ACYF, Washington, DC.


March 1980–May 2000: Full-time parent and volunteer board member and fundraiser, various local and State nonprofits including gubernatorial appointment as member and Vice-Chair, Texas Human Services Board, Austin, TX (1997–2001).

February 1978–March 1980: Classroom teacher, Coke Stevenson and Hobby Middle Schools in Northside ISD, San Antonio, TX.

10. Government experience (list any advisory, consultative, honorary, or other part-time service or positions with Federal, State, or local governments, other than those listed above):

1997–2001: Board member and Vice-Chair, Texas Human Services Board, Austin, TX (appointed by Governor George W. Bush).

1996: Member, Governor’s Advisory Task Force for Faith-Based Community Service Programs. Strategic advisor during development of publication, “Faith in Action . . . A New Vision for Church-State Cooperation in Texas” (appointed by Governor George W. Bush), Austin, TX.

11. Business relationships (list all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution):

June 2007–present: Co-trustee, Family Revocable Living Trust.
July 2013–present Managing member/CEO, Onion Creek Press, LLC.
March 2009–present: CEO, OneStar Foundation, Austin, TX.
October 2017–present: Chair, America’s Service Commissions (ASC).
April 2011–December 2016: Chair, Camp Fire National Board of Trustees.

12. Memberships (list all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations):

Current
Chair, America’s Service Commissions (ASC).
Member, Association of Fundraising Professionals (AFP).
Member, Texas Society of Association Executives (TSAE).
Member, American Society of Association Executives (ASAE).
Member, National Rifle Association (NRA).
Member, Texas State Rifle Association (TSRA).
Member Airplane Owners and Pilots Association (AOPA).
Member, Ninety-Nines International Organization of Women Pilots.
Member, Baylor Alumni Association.
Member, Heritage Foundation.
Member Republican National Committee.
Member, Republican Party of Texas.

Past
Chair, Camp Fire National Board of Trustees.
Member, Board Texas Association of Business (TAB).
Member, Women’s Fund Grants Committee Austin Community Foundation.
Member, Texas State Society.
Member, Board of Trustees Buckner Baptist Benevolences: Executive Committee, Budget and Development Committees.
Member, Board Bexar County Detention Ministries.
Vice Chair, Kendall County Republican Women’s Club.

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.
   I have never been a candidate for public office.

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.
Member, Republican National Committee (donor).
Member, Republican Party of Texas (donor).

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.

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<td>Texans for Greg Abbott</td>
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<td>Donald J. Trump for President, Inc.</td>
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<td>Donald J. Trump for President, Inc.</td>
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<tr>
<td>Texans for Greg Abbott</td>
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14. Honors and awards (list all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement):
   1974 Red Cross Certificate of Merit.
   2009 Woman of the Year in Nonprofit and Social Services by National Association of Professional and Executive Women.
   2017 America’s Service Commissions (ASC) named to the ASC 20.

15. Published writings (list the titles, publishers, and dates of all books, articles, reports, or other published materials you have written):

<table>
<thead>
<tr>
<th>Title</th>
<th>Publisher</th>
<th>Date(s) of Publication</th>
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<tbody>
<tr>
<td>OneStar Inaugural Newsletter</td>
<td>OneStar Website</td>
<td>December 2017</td>
</tr>
<tr>
<td>Re-Envisioning for Continued Percussion</td>
<td>NonProfit Times</td>
<td>December 2016</td>
</tr>
<tr>
<td>Rebalancing Public Partnership—Innovative Practice Between Government and Nonprofits From Around the World (Chapter 3)</td>
<td>Gower</td>
<td>August 2015</td>
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<tr>
<td>An Army of Good</td>
<td>Austin Business Journal</td>
<td>September 2014</td>
</tr>
<tr>
<td>Parallax: Death and Deceit in Texas</td>
<td>Self Published (Onion Creek Press, LLC)</td>
<td>January 2014</td>
</tr>
<tr>
<td>Commentary: Make Service Part of our Texan Identity</td>
<td>The Monitor News, McAllen, TX</td>
<td>February 2014</td>
</tr>
<tr>
<td>Member Profile OneStar Foundation—Building a Stronger Nonprofit Sector for a Better Texas</td>
<td>Texas Association of Business Report</td>
<td>March 2013, Vol. 28, Issue 3</td>
</tr>
<tr>
<td>Is Grant-making Getting Smarter?</td>
<td>Grantmakers for Effective Organizations (GEO)</td>
<td>June 2011</td>
</tr>
<tr>
<td>No Time for Ostriches</td>
<td>Greenlights for Nonprofit Success</td>
<td>January 2011</td>
</tr>
<tr>
<td>HHS Center for Faith-Based and Community Initiatives Barrier Report</td>
<td>The White House</td>
<td>July 2001</td>
</tr>
<tr>
<td>Down the Long Road Up</td>
<td>Flight Training Magazine</td>
<td>June 1996</td>
</tr>
</tbody>
</table>

16. Speeches (list all formal speeches you have delivered during the past 5 years which are on topics relevant to the position for which you have been nominated):
   I have delivered relatively few formal speeches in the last 5 years. Most required only skeletal talking points. The one exception was the testimony listed below.
March 28, 2017: Written and oral testimony before the Committee on Education and the Workforce Subcommittee on Higher Education and Workforce Training, “Examining the Corporation for National and Community Service and its Failed Oversight of Taxpayer Dollars.”

June 2012: Speech for the dedication of the new dining hall at Camp El Tesoro, Granbury, TX. This was in my capacity as chair of the national board of trustees for Camp Fire. This was a short informal speech about my childhood experiences at this camp and the promise for Camp Fire camp programs to enrich and teach young people. These were informal talking points.

July 2012: Round Rock Chamber of Commerce Power Luncheon, “The Nonprofit Sector and its Effect on the Economy.” These are talking points that include statistics on national, State and local nonprofits, foundations, charitable giving, volunteering, and social innovation.

March 2012: Camp Fire Promise to Practice. These are talking points drafted for local Camp Fire Council CEOs related to the new Camp Fire logo, branding, curriculum and methodology for engaging young people and their families.

17. Qualifications (state what, in your opinion, qualifies you to serve in the position to which you have been nominated):

My qualifications to serve as Commissioner of the Administration on Children, Youth, and Families are in alignment with the stated requirements and competencies in the position description.

Twenty-seven years advancing child welfare and family policies (related to child abuse and neglect, foster care, adoption, family violence, teen pregnancy prevention, child and youth development) through service on the Texas Human Services Board; Advisor to the Commissioner for the Administration on Children, Youth, and Families; Deputy Secretary of the Maryland Department of Human Resources; COO of the Corporation for National and Community Service; and CEO of OneStar Foundation (the National Service Commission for AmeriCorps in Texas); as well as decades of volunteer service on numerous nonprofit boards related to child and family welfare.

Five years national leadership as chair of the board for Camp Fire, a 106 year-old youth development organization using research-based methodologies for curriculum and service delivery in councils across the country serving almost 185,000 youth.

Extensive State and Federal management and budgeting experience with oversight for hundreds of employees dispersed throughout the country.

Deep knowledge of the nonprofit and philanthropic sectors and their capacity to partner with government.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

I will sever all connections with my present employers, business firms, associations, and organizations if I am confirmed by the Senate.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

I have no plans, commitments, or agreements to pursue outside employment, with or without compensation, during my service with the government.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No person or entity has made a commitment or agreement to employ my services in any capacity after I leave government service.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next presidential election, whichever is applicable? If not, explain.

If confirmed by the Senate, I expect to serve out my full term or until the next presidential election, whichever is applicable.
C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

My interest in BlackRock Health Sciences Opps Svc held within my 401(k), posed a potential conflict of interest, therefore, even though it appears on the OGE278e, please note that I divested my interest in it on December 20, 2017, the date I finalized the OGE278e.

My co-trusteeship of the Ralph and Adelaide Darling Family Revocable Living Trust poses a potential conflict of interest.

My position as Managing Member/CEO of Onion Creek Press, LLC, a vehicle for self-publishing, poses a potential conflict of interest.

My position as chair of the board of America’s Service Commissions poses a potential conflict of interest.

My current employment as CEO/president of OneStar Foundation poses a potential conflict of interest.

2. Describe any business relationship, dealing, or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

June 2007–present: Co-trustee, Family Revocable Living Trust, Austin, TX.

July 2013–present: Managing member, Onion Creek Press, LLC, a vehicle for self-publishing.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

In March 2017, I provided the Texas congressional delegation with information on the impact of national service (AmeriCorps and Senior Corps) in our State in response to proposed elimination of the Corporation for National and Community Service.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

To avoid potential conflict of interest, I will resign as co-trustee of the Ralph and Adelaide Darling Family Revocable Living Trust, upon confirmation.

To avoid potential conflict of interest, I will resign as managing member/CEO of Onion Creek Press, LLC, a vehicle for self-publishing, upon confirmation.

To avoid potential conflict of interest, I will resign as chair of the board of America’s Service Commissions, upon confirmation.

To avoid potential conflict of interest, I will resign as CEO/president of OneStar Foundation, upon confirmation.

5. Two copies of written opinions should be provided directly to the committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

(Please see copies from OGE).

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

I have never been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group.
2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

I have never been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than a minor traffic offense.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

- **Month/year:** December 1984
  - Adoption of Jon Matthew Lewis
  - By Daniel and Elizabeth Seale
  - Dallas County Courthouse
  - 600 Commerce Street
  - Dallas, TX 75202

- **Month/year:** May 2000
  - Uncontested divorce for irreconcilable differences
  - *Elizabeth Darling Seale v. Daniel Kyle Seale*
  - Bexar County Court House
  - 100 Doloresa
  - San Antonio, TX 78205

- **Month/year:** December 2003
  - Contested divorce ultimately resolved by agreement
  - *Elizabeth Seale-Scott v. George Robert Scott, III*
  - Fairfax County Circuit Court
  - 4110 Chain Bridge Road
  - Fairfax, VA 22030

- **Month/year:** October 2011
  - Post-divorce contempt action against Mr. Scott to register Virginia contempt order in Florida (where Mr. Scott was then living) and enforce Virginia orders.
  - *Elizabeth Darling v. George Robert Scott III*
  - Circuit Court 16th Judicial Circuit Monroe County, Florida
  - 302 Fleming Street
  - Key West, FL 33040

The final judgment of March 2012 found Mr. Scott in violation of both Virginia orders and found that he took the actions to post an offensive website and send disparaging materials through the mail “anonymously” from Florida. He was ordered to remove all webpages and social media postings. The court also named a forensic attorney and granted her the authority to “take any and all measures to remove such content or material immediately upon discovery of it and to further instruct the host entities not to allow the same or any like or similar content or material to be restored or to be re-established.” Mr. Scott was ordered to pay attorney’s fees.

- **Month/year:** January 2015
  - Frivolous lawsuit filed by Mr. Scott alleging a conspiracy
  - *George R. Scott III v. James Richard Perry, Elizabeth M. Darling, The Texas Governor’s Office, and The OneStar Foundation of Texas*
  - U.S. District Court for the Western District of Texas
  - 501 West Fifth Street, Suite 1100
  - Austin, TX 78701

The case was dismissed on all counts by the court and sanctions were awarded against Mr. Scott for having filed it. Further, the court barred Mr. Scott from filing anything similar in the future without going through the judge first.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details.

I have never been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense.
5. Please advise the committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

I believe I have had the opportunity above to share with the committee information pertinent to my nomination. I am honored and eager to serve.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

If I am confirmed by the Senate, I am willing to appear and testify before any duly constituted committee of the Congress on such occasions as I may be reasonably requested to do so.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

If I am confirmed by the Senate, I am willing to provide such information as is requested by such committees.

QUESTIONS SUBMITTED FOR THE RECORD TO ELIZABETH DARLING

QUESTIONS SUBMITTED BY HON. JOHN THUNE

Question. While feedback on the passage of the Family First Act has been positive, one thing that continues to concern those working on the front lines in South Dakota is the shortage of foster families. In particular, we are in the greatest need of homes for Native American children, groups of siblings, and kids with medical needs. When kids cannot be placed with families, what ideas will you bring to this position to help empower states to find more qualified foster families?

Answer. Foster parent recruitment is an ongoing challenge, and with the FFPSA, there is still great need as we look to foster parents to care for some of the higher-needs children. If confirmed, I will look to the States to find those with the most effective recruitment and retention practices. All children deserve a loving home and the best possible chance for successful adulthood. I believe that communities must come together to provide culturally relevant, ACE and trauma-informed, integrated systems of care for all children and youth in care and their biological and foster parents as well. I also believe that the best recruitment often comes from within the culture itself, speaking in familiar terms and setting norms that are often more easily embraced than if approached by a government entity or even a well-intended but culturally insensitive caseworker or volunteer.

Question. As you know, both the Children’s Bureau and the Family and Youth Services Bureau at the Administration on Children, Youth, and Families fund important programs to support tribal child welfare programs and family violence prevention efforts. If confirmed, will you commit to working to understand the unique needs of Indian country and finding culturally appropriate solutions to address challenges on the reservations?

Answer. If confirmed, I commit to working to understand the needs of Indian country and working with you and your staff to address their unique issues.

QUESTIONS SUBMITTED BY HON. RON WYDEN

Question. Family First is being implemented through guidance and not regulations, which means there is no formal process for the public, States, and stakeholders to comment.

Members on both sides of the aisle have expressed concerns about elements of the recent guidance coming from the Children’s Bureau, which you would oversee. It’s my view that elements of that guidance are not consistent with congressional intent.

If confirmed, would you commit to revisiting and revising this guidance?

Answer. If confirmed, I will commit to working to ensure the Family First Prevention Services Act is fully implemented, as adopted by Congress, and will be taking a close look at current and proposed guidance from within ACYF.
Question. Do you support proposals that would cap Federal funding for foster care services?

Answer. If confirmed, I commit to learning more about various funding strategies, including capped allocation strategies. I support maximum flexibility to allow States to be innovative and collaborative across systems, both public and private, to address local needs in the most effective way possible. The FFPSA gives States the opportunity to bring communities together to provide preventive and supportive services for families, youth, and children with the goal of reducing the number of child removals and the need for ever-increasing State and Federal funding.

Question. Do you believe taxpayer-funded child welfare agencies should be allowed to refuse to serve children and families on the basis of their faith background, sexual orientation, or gender identity?

Answer. All young people in foster care, including those who face unique challenges, need the support of a nurturing family to help them negotiate adolescence and grow into healthy adults. I will work to ensure all children in out-of-home care will find a loving and respectful home. Should I be confirmed, I will commit that all ACYF-funded programs will treat all children and youth fairly and with compassion and respect for their human dignity. Should I have the opportunity to serve as Commissioner of ACYF, I will be committed to seeing that the agency supports the well-being of all the children and youth its programs touch. I will promote positive youth development for all young people to increase their chances for success as healthy adults.

QUESTIONS SUBMITTED BY HON. ROBERT MENENDEZ

Question. During your hearing, you spoke about your support for a multidisciplinary community-based trauma-informed integrated system of care.

As Commissioner, how will you work to ensure the trauma-informed care uses up-to-date evidence-based best practices?

Answer. If confirmed, I will work with the HHS Secretary and ACF Assistant Secretary to build the body of evidence-based practices. I would promote the most efficient system changes to facilitate the implementation of the most up-to-date, evidence-based, and trauma-informed care for families, youth, and children.

Question. How will you ensure all partners adhere to the highest standards of care and hold them accountable to ensure the safety and well-being of all children under your care regardless of where they are located?

Answer. I believe that, by investing in recruitment and retention strategies that include community-based, trauma-informed, multidisciplinary, integrated services that foster parents and foster family homes will have a greater chance of success in caring for children and youth who are in their care. Accountability can be reinforced and facilitated through the gathering of timely, appropriate and accurate data for tracking and monitoring the safety and well-being of all children in care.

Question. How will you work to leverage existing Federal resources and coordinate across HHS to provide consistent trauma-informed care?

Answer. Through many HHS agencies, including SAMHSA, ACF, and ACYF, the Department has been intentional about integrating the concept of trauma-informed care throughout their programs. HHS provides resources for States and providers in the successful implementation of trauma-informed methodologies. If confirmed, I will support and work to augment the body of learning around successful trauma-informed practices.

Question. As Family First prepares to go live, will you commit to providing States the resources and guidance to achieve Family First’s goals of prevention and keeping families together?

What specific ideas do you have to help States extract maximum value from the flexibility Family First provides them in meeting the needs of children?

Answer. If confirmed, I will commit to providing States with the information and resources available to achieve the goals of FFPSA. Family First has brought the concept of true prevention to the forefront of the discussion within child welfare. Successfully reducing the numbers of children and youth entering care will require a whole-community, person-centered approach that engages multiple systems of care.
QUESTIONS SUBMITTED BY HON. THOMAS R. CARPER

Question. One of the challenges facing our Nation’s foster care system is the risk of improper prescribing of psychotropic drugs to foster children.

I’m a firm believer in addressing root causes, and oftentimes, the underlying causes of foster children’s trauma are brushed aside in favor of prescribing these mind-altering medications, which are simply not the solution for some of their problems.

As a senior member of the Homeland Security and Governmental Affairs Committee, I’ve been pleased to work with colleagues on both sides of the aisle—including members on this committee: Senator Wyden and Senator Grassley—on the best ways we can work with HHS, States, and stakeholders to help curb this difficult issue.

How do you believe States and Medicaid managed care organizations can play a role in ensuring appropriate oversight of improper psychotropic prescriptions?

If confirmed, how would you work with Congress, States, and stakeholders to help address this ongoing problem?

Answer. I am concerned about safe, appropriate, and effective use of psychotropic medications among children in foster care. I look forward to working with Administrator Verma and the CMS team to promote coordination for behavioral health care that is evidence-based and trauma-informed to ensure that children in out-of-home care receive high-quality health care when entering the child welfare system and that their needs are reassessed in an appropriate and timely manner. I am specifically excited to work with CMS on the new Integrated Care for Kids (InCK) model that is aimed at reducing expenditures and improving the quality of care for children covered by Medicaid and the Children’s Health Insurance Program (CHIP).

Question. In your testimony, you indicated that stakeholders in the child welfare system can learn a lot when they look at care through a trauma-informed lens.

And as you know, LGBT children face difficulties in the foster care system because of discrimination or poor treatment based on their sexual orientation or gender identity.

Do you believe that a child welfare provider should be allowed to deny services to same-sex couples or LGBT children based on their religious or moral convictions?

If confirmed, in what ways would you and ACYF work with religious affiliated foster care providers who choose to deny services to LGBT couples and children in order to help these children find a loving and respectful home?

Answer. All young people in foster care, including those who face unique challenges, need the support of a nurturing family to help them negotiate adolescence and grow into healthy adults. I will work to ensure all children in out-of-home care will find a loving and respectful home.

Should I be confirmed, I will commit that the programs within ACYF will treat all children and youth fairly and with compassion and respect for their human dignity. I am committed to seeing that the agency supports the well-being of all the children and youth its programs touch, and promotes positive youth development that includes quality care and nurturing for success as healthy adults.

Question. If confirmed, one of your responsibilities would be to oversee adolescent pregnancy programs in child welfare.

When I was Governor of Delaware, I helped establish the Family Services Cabinet Council to help address issues like unintended pregnancies.

In Delaware, which has one of the highest unintended pregnancy rates in the country, one of the things we’ve been doing is to help increase access to contraception, specifically LARCs (long-acting reversible contraceptives).

But some studies have indicated foster youth have trouble accessing contraception. In your experience, what are the barriers to foster youth getting full access to contraception?

If confirmed, how would you work with States and child welfare providers to lower these barriers to contraception?

Answer. If confirmed, I will work to ensure that the programs within the Family and Youth Services Bureau promote the prevention of pregnancy and the spread of sexually transmitted diseases by providing the information and skills needed for
sexual risk avoidance and to increase the protective factors needed to promote optimal health, as well as medically accurate information on contraception.

QUESTIONS SUBMITTED BY HON. SHERROD BROWN

SUPPORTING CASEWORKERS

Question. As you know, children are entering the child welfare system at alarming rates and the child welfare workforce is struggling to meet their needs. Child welfare workers play a critical role in ensuring children have safe and healthy homes. We must ensure workers are properly trained to navigate complex cases of child abuse and neglect and are equipped with the proper resources to support our children. This will help keep our children safe, reduce staff turnover rates, and retain a qualified workforce.

If confirmed, how will you work to ensure States maintain the supports necessary to properly train and retain a high-quality child welfare workforce?

Answer. I believe that, by investing in ACE and trauma-informed recruitment, training and retention strategies, child welfare workers will be better equipped for the challenging role they play in working with biological, foster, and adoptive families. Child welfare workers are often overlooked and their own care and welfare neglected. If confirmed, I will promote a philosophy of care and healing for child welfare workers based on a multidisciplinary, community-based system that promotes and supports these front-line workers. I will also promote the importance of sound, up-to-date interoperable technology systems that ensure timely, appropriate, accurate data to inform policy and practice. Such systems also have the promise of reducing unnecessary and redundant data entry that affects the amount of time case-workers can actually respond to, and interact with, children, families, and youth.

PREVENTING CHILD FATALITIES

Question. In my State, there have been a number of tragic child abuse-related deaths, which is unacceptable. It is critical that we do more to support State efforts to prevent these tragedies. It is particularly important to identify early risk factors of abuse and neglect to swiftly intervene before it is too late.

What role do you think the Administration on Children, Youth, and Families should play to support States in the development of child abuse prevention plans required by law? What impact do you think increased data sharing and cross-agency collaboration would have on preventing child abuse-related deaths? If confirmed, how would you prioritize the prevention of early risk factors to prevent future tragedies?

Answer. If confirmed, I commit to promoting the importance of increased data sharing and cross-agency collaboration to better understand the link between early warning signs, such as a call to a hotline, and child maltreatment and fatalities. I will also work within HHS and with States to better understand where common definitions might be employed to better aggregate fatality data so we can promote and encourage practices that we know can and do often prevent child fatalities.

IMPLEMENTING THE FAMILY FIRST PREVENTION SERVICES ACT (FFPSA)

Question. The Administration on Children, Youth, and Families will have a major role in implementing provisions from the Family First Prevention Services Act, which was signed into law as part of the Bipartisan Budget Act earlier this year.

As Congress considers the FY 2019 and FY 2020 appropriations bills, are there steps that can be taken to ensure States like Ohio have adequate resources to adjust to the new system under Family First so that States do not face the cliff effect of an immediate loss in funding? If confirmed, what will you do to advocate for adequate resources for States under the new system, and ensure States have the tools they need to be successful?

Answer. I will commit to ensuring the Family First Prevention Services Act is fully implemented, as adopted by Congress. The move to support families and children at imminent risk of removal is a bold step in addressing prevention services (mental health, substance abuse, parent skills training) to ideally slow the number of children and youth who are removed from their family and placed in out-of-home care. I believe that the proper resources are needed to implement FFPSA fully.
**Questions Submitted by Hon. Claire McCaskill**

**Question.** Children who have a history of interactions with the child welfare system are at increased risk of becoming trafficking victims. If confirmed, what specific actions would you plan on taking to reduce this risk? Additionally, what steps would you encourage State agencies to take to address this issue?

Answer. If confirmed, I will work with the Family and Youth Services Bureau and other pertinent offices to promote and support multidisciplinary, trauma and Adverse Childhood Experience (ACE)-informed, integrated systems of care for trafficked youth. Timely, appropriate and accurate data is critical to the successful implementation of such a system of care. I will work with ACF leadership and State agencies to enhance the ease of, and access to, background checks and to ensure timely follow up with sponsors after placement to ensure that adequate supports are in place to for child and youth safety, in order to reduce the risk that such children become trafficking victims.

**Question.** In your opening statement, you mentioned that you have an understanding of “how policies can either help or hinder service delivery and client outcomes.” Can you provide examples of policies that have hindered service delivery within the child welfare system?

Answer. Most, if not all, States require that every child-placing agency certify and train respite caregivers and babysitters, which is critical to the safety and well-being of children and youth in care. When multiple child placing agencies have different certification and training standards, individuals who want to help support foster parents by providing respite care must go through each different agency’s protocols, which can be costly and time intensive. One solution I am aware of was agreed to by over a dozen child-placing agencies in partnership with the State’s child welfare agency. This collaborative created a common certification and training program that increased exponentially the number of respite caregivers available to foster parents. This State policy was a barrier; however, working with the community, the issue was effectively addressed.

**Question.** The Family First Prevention Services Act was signed into law in February. Please explain how, if confirmed, you plan to approach oversight of the implementation of this act.

Answer. If confirmed, I will work to improve child welfare accountability and oversight at all levels through effective monitoring and appropriate oversight by the Children’s Bureau. I will work to achieve the goals of promoting family placements, improved caseworker training, annual State reviews, reporting of child maltreatment fatalities, promoting the importance and relevance of Child and Family Service Reviews and ensuring the process leads to meaningful improvement and reform. I will also work within ACF to better understand where common definitions are needed to ensure data integrity.
QUESTIONS SUBMITTED BY HON. SHELDON WHITEHOUSE

**Question.** You have talked about your interest in expanding the pool of available foster families to ensure that all foster children can be placed with safe, loving families. I am concerned about efforts in some States to allow child welfare organizations to refuse to work with certain potential adoptive families, citing their religious beliefs. Do you agree that child welfare organizations should be prohibited from discriminating against potential adoptive families if they receive Federal funding? Specifically, do you believe child welfare organizations should be prohibited from discriminating against LGBTQ families?

**Answer.** All young people in foster care, including those who face unique challenges, need the support of a nurturing family to help them negotiate adolescence and grow into healthy adults. If confirmed, I will work to ensure all children in out-of-home care will find a loving and respectful home.

**Question.** Organizations in my home State of Rhode Island have been working to expand the number of foster parents in Rhode Island with an eye toward recruiting diverse foster parents. For example, Foster Forward in Rhode Island has partnered with organizations like the NAACP to offer Spanish language training courses for prospective foster parents. If confirmed, how will you work to improve Federal support for initiatives to recruit diverse foster parents?

**Answer.** Foster parent recruitment is an ongoing challenge, and with the FFPSA, the need is still greater as we look to foster parents to care for some of the highest need children. If confirmed, I will look to the states to find those with the most effective recruitment and retention practices. All children deserve a loving home and the best possible chance for successful adulthood. I believe that communities must come together to provide culturally relevant, ACE- and trauma-informed, integrated systems of care for all children and youth in out-of-home care and their biological and foster parents as well.

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PREPARED STATEMENT OF MICHAEL FAULKENDER, PH.D., NOMINATED TO BE ASSISTANT SECRETARY FOR ECONOMIC POLICY, DEPARTMENT OF THE TREASURY

Chairman Hatch, Ranking Member Wyden, and distinguished committee members, I am honored to be with you this morning as the nominee for Assistant Secretary for Economic Policy at the Department of Treasury. I am extremely grateful to Secretary Mnuchin and the President for selecting me for this position.

I would like to take a moment to introduce the members of my family who are here with me today: my wife Maria of 14 years, our two children Lauren (12) and Catherine (8), and my dad and step-mom William and Connie Faulkender. I would not be here today without the unwavering support of my family members who are here with me today and those who were not able to attend but are watching from home.

For the last 16 years, I have served as a finance professor, the last 10 years at the University of Maryland. I have also taught at Washington University in St. Louis, Northwestern University, and the University of Pennsylvania.

My research examines the major factors behind firm financial decision-making such as investment, capital raising, capital distribution, risk management, and executive compensation. I have documented, written about, and taught to others how firms respond to the various incentives and frictions that exist in our economy. I have seen some of the intended results, but also some of the unintended consequences, of regulation.

For the last year and a half, I have also had the privilege of serving as an associate dean, leading the faculty and staff in the delivery of our MBA and specialty masters programs and ensuring that our graduates have the applied technical and leadership skills that will propel them in their careers.

As a career academic, my perspective on public policy has always been from outside the government, documenting the outcomes after the changes in law or regulation have been implemented. I am honored and incredibly excited by the opportunity to advise and participate in the crafting of those laws and rules.

I believe that the academic community has an enormous depth of knowledge and rigor to bring to policy discussions and debates about the structure of our economy. As we continue to transition towards a more information-based economy and update
the way that our economy is taxed and regulated, I believe that I can make a strong contribution to the important leadership role of the Department of the Treasury. Based on my conversations with people who have previously held this role, I know that the Department is home to a strong career staff of economists. If confirmed, I look forward to leveraging their substantial experience and expertise to serve the American people and address the economic opportunities and challenges confronting our Nation. The decisions made here in Washington have enormous consequences, so it is critical that proposals are subjected to rigorous and thoughtful assessment before being enacted and implemented. That is the approach I have taken to all of my academic work, and, if I am confirmed, that is the same standard I pledge to you will be generated by the Office of Economic Policy.

It is an enormous privilege to appear before you today, and I look forward to your questions.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name (include any former names used): Michael (Mike) William Faulkender.
2. Position to which nominated: Assistant Secretary for Economic Policy for the Department of the Treasury.
3. Date of nomination: April 9, 2018.
4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: September 25, 1974, Sacramento, CA.
6. Marital status (include maiden name of wife or husband's name):
7. Names and ages of children:
8. Education (list secondary and higher education institutions, dates attended, degree received, and date degree granted):
   - University of California, Davis; BS managerial economics, 1992 to 1994.
   - Northwestern University, Evanston, IL; Ph.D. finance, 1997 to 2002.
9. Employment record (list all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment):
   - First Interstate Bank.
   - Customer service supervisor, Roseville and Sacramento, CA, 1995 to 1996.
   - Wells Fargo Bank.
   - Agent officer, Sacramento, CA, 1996.
   - Kellogg School of Management, Northwestern University.
   - Lecturer, 2001 to 2002.
   - Olin School of Business, Washington University, St. Louis.
   - Robert H. Smith School of Business, University of Maryland.
   - Assistant professor of finance, 2008 to 2012.
   - Director of master of finance program, 2012 to 2017.
   - Professor of finance, 2017 to present.
   - Associate dean of masters programs, 2017 to present.
   - The Wharton School, University of Pennsylvania.
Bureau of Economic Analysis.
Special sworn researcher, 2013 to present.

10. Government experience (list any advisory, consultative, honorary, or other part-time service or positions with Federal, State, or local governments, other than those listed above):
Bureau of Economic Analysis.
Special sworn researcher, 2013 to present.

11. Business relationships (list all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution):
Associate dean, Robert H. Smith School of Business, University of Maryland.

12. Memberships (list all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations):
Board member, Midwest Finance Association, 2016 to present.
Member, American Finance Association, 2002 to present.
Clarksville Overlook Homeowners Association:
Member, 2008 to 2015.
Treasurer, 2011 to 2012.
President, 2013 to 2014.

13. Political affiliations and activities:
   a. List all public offices for which you have been a candidate.
      None.
   b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.
      I am a registered Republican and have previously donated to the party in small amounts.
   c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.
      None that I can recall. I believe the last donation was in the mid-2000s.

14. Honors and awards (list all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement):
Krowe Teaching Award, 2016.
S.M.I.T.H. Faculty Award, voted by MBA students, 2016.
Most Engaged Professor Award, 2014, 2015, and 2017.
Reid Teaching Award, Olin Business School, January 2007.
Reid Teaching Award, Olin Business School, September 2006.
Doctoral Teaching Award, Kellogg School of Management, 2001–2002 academic year.

15. Published writings (list the titles, publishers, and dates of all books, articles, reports, or other published materials you have written):


“Understanding Precautionary Cash at Home and Abroad” (with Kristine Hankins and Mitchell Petersen), 2018, working paper.

16. Speeches (list all formal speeches you have delivered during the past 5 years which are on topics relevant to the position for which you have been nominated):
Not applicable. I have given a few graduation speeches in my capacity as associate dean.

17. Qualifications (state what, in your opinion, qualifies you to serve in the position to which you have been nominated):
For the past 20 years, I have been studying and researching economics and finance. My recent research has been at the intersection of finance and public policy. That work analyzing how corporations have responded to various laws and regulations will serve me well in advising the administration and the Congress on how pending legislation or regulation may impact corporate and individual decision-making. In addition, I have held administrative roles that will prepare me to lead a team of economists in the mission of the office.
B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

I will take an unpaid leave of absence from the University of Maryland. I will resign from my position as associate dean of masters programs at the Smith School of the University of Maryland. I have resigned from the Midwest Finance Association board of directors.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

I will not pursue outside employment during my service.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

I will retain my tenured professor of finance position at the University of Maryland and expect to return there upon completion of my service.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next presidential election, whichever is applicable? If not, explain.

I expect to serve until the next presidential election, subject to maintaining my tenure status at the University of Maryland (I must renew my leave annually).

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

My father-in-law is managing director of Apollo Enterprises, a privately held conglomerate engaged in engineering, construction, manufacturing, and farming in Zambia. His business partner is Alexander Chikwanda, formerly the Minister of Finance of Zambia.

2. Describe any business relationship, dealing, or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

During the course of the nomination process, I have engaged in discussions with career ethics staff and the Office of Government Ethics regarding potential issues arising out of my financial holdings, past income, and past employment relationships. These have been addressed in my ethics agreement. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

Much of my research has public policy implications, and some of it has been cited in white papers that advocate particular legislative outcomes. In addition, I have been interviewed by numerous journalists over time regarding a variety of legislation and regulation.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

I have executed an ethics agreement following discussions with career staff in the Treasury Department and the Office of Government Ethics and will abide by the terms of such agreement. In addition, I am committed to following all applicable ethics laws. If I identify a potential conflict of interest, I will consult with ethics counsel.

5. Two copies of written opinions should be provided directly to the committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

I was sued over a traffic accident that occurred in June 2010. The civil lawsuit was filed in 2013 and settled by State Farm in 2014 for 2014. The civil claim was dismissed. The case was filed in Prince George’s County, MD as Porter v. Faulkender, case number CAL13–03328.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.

QUESTIONS SUBMITTED FOR THE RECORD TO MICHAEL FAULKENDER, PH.D.

QUESTIONS SUBMITTED BY HON. ORRIN G. HATCH

Question. The tax cuts and reform bill that President Trump signed into law last December includes significant incentives for capital investment through full expensing, or what’s known as 100-percent “bonus” depreciation. The effects of strong capital investment include higher productivity and higher wages. My friends on the other side of the aisle like to point at current data suggesting that the tax bill is a failure because we aren’t yet seeing enormous upticks in those measures. Dr. Faulkender, do you believe that it may take a period of time for such increased capital investment to provide the intended results—sustained higher productivity and wages? Do you think that these are the types of incentives needed to build a strong foundation for further and higher sustained economic growth?

Answer. Incoming economic data show a notable rise in business investment in the first half of this year, likely in part due to the new tax law. Meanwhile, business survey data and other forecasts provide preliminary signs that manufacturing and small businesses have raised expectations of capital expenditures over at least the next year.

The full effects of the tax bill on the real economy will take a few years to be fully realized. First, companies often make their large capital expenditure decisions as part of their strategic planning process that occurs over a number of months, if not the entire fiscal year. Once those decisions are made, sizable capital improve-
ments will require planning, contracting, and potentially raising outside capital. All of those take time. Then the actual building of the new facilities must take place. Only then will the employees of that new facility start working and the productivity improvements be realized.

The economics literature argues that tax incentives like bonus depreciation are worthwhile because they are only realized by companies if they do new activities. Tax incentives are part of the menu of Federal actions that facilitate economic growth. Smart and efficient regulation, reliable infrastructure, an educated workforce, and improved access to capital are others. If confirmed, I look forward to working with policymakers to analyze how all of these can be deployed to improve economic growth and wages.

Question. Several of the provisions in the tax cuts and reform bill are scheduled to expire or phase out, including the 100-percent bonus depreciation provision. Do you think that such expirations and phase-outs lead to uncertainty in the markets and dampens the intended incentive effects? Would you recommend that to provide the strongest incentive effect and long-term economic benefits, these provisions should be made permanent as soon as possible?

Answer. Many corporate activities, particularly those arising from large capital expenditures, have operational effects that last decades. The greater certainty there is regarding what the economic, tax, and regulatory environment will look like, the greater willingness there is by investors and companies to fund long-term investments. In my experience and in my reading of the economic literature, temporary provisions and phase-outs often alter when investment takes place and is not as beneficial for raising long-term investment levels. Higher investment is more likely when lower rates and greater incentives are permanent.

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QUESTION SUBMITTED BY HON. PATRICK J. TOOMEY

Question. I disagree with the premise that a trade deficit with another nation indicates a harmful economic relationship and could be better managed by government officials who impose tariffs and other trade restrictions. The notion that trade deficits are harmful or counterproductive fails to recognize that both exports and imports are beneficial to the United States, since unrestricted access to imports provides consumers with a larger selection of affordable goods and services. Moreover, a trade deficit indicates a capital surplus; dollars sent abroad to purchase goods and reinvested in the United States. As such, trade deficits are an inappropriate measure of economic success between two countries, and trade balances are a function of long-term saving and investment, not trade policies.

When the United States experiences strong economic growth and low unemployment, its trade deficit with another country tends to increase, as American consumers have more disposable income to purchase goods and services. By restricting trade in order to reduce our trade deficit, American consumers, employers, and businesses lose out and the economy cannot achieve its full potential.

Should policymakers measure the success of a trading relationship solely based on whether a country runs a trade surplus or deficit? Do you believe that a country is "stealing" or engaged in illicit activities if it maintains a trade surplus with another country?

Answer. Over extended periods of time, economic theory would argue that the aggregate trade of a country must come into balance. Extended periods of deficits or surpluses cannot go forever and will either be reversed by changes in trade behavior or significant changes in currency valuations. Note that this result is at the country level regarding its total external trade; it is not a statement about a particular bilateral trading arrangement. A range of factors—economic and otherwise—can contribute to policymakers considering a bilateral trading relationship as successful. If confirmed, I would be happy to work with you on this issue.

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QUESTION SUBMITTED BY HON. JOHN THUNE

Question. It has been 10 years since the Federal Government entered into a conservatorship with Fannie Mae and Freddie Mac. These government-sponsored enterprises are vitally important to the secondary mortgage market and to mortgage lenders across the Nation, including to community banks. While Congress must make reforms to the conservatorship of Fannie Mae and Freddie Mac legislatively,
what additional reforms, if any, do you believe are appropriate for the Federal Housing Finance Agency (FHFA) and the Department of the Treasury to continue pursuing at the administrative level? Additionally, what are your views on the proposed rulemaking that FHFA recently initiated to revise certain capital requirements for Fannie Mae and Freddie Mac?

Answer. It is my understanding that the objective of policymakers is for Fannie Mae and Freddie Mac to continue their mission of generating liquidity in the consumer mortgage market and borrower access to 30-year mortgages without requiring Federal funding or impairment of financial markets. To do that, we must ensure that the mortgages they securitize meet minimum quality requirements, that originators are held accountable for the veracity of the information generated on the loans, that their loan portfolios not needlessly take on excess risk, that the FHFA have the necessary authority and wherewithal to ensure compliance, and that the two GSEs maintain sufficient capital buffers. Financial economists such as myself can support policymakers by modeling the likely impact of specific policy proposals on such a goal. I defer to others on which of these things can be done under existing authority and which require new legislation.

As a financial economist, I support strong required levels of capital. Sufficient skin in the game curbs unnecessarily risky activity arising because of implicit or explicit guarantees (moral hazard) and ensures that private investors take most, if not all, of the losses that arise from poor investments. Risk taking is necessary to a thriving private economy. However, if the benefits of that risk-taking behavior are going to flow to private investors than so too must the losses be borne by the private investors.

If confirmed, I would be happy to work with you on this issue.

QUESTIONS SUBMITTED BY HON. RON WYDEN

Question. Administration’s economic claims about the Republican tax cuts. Mr. Faulkender, at your nominations hearing, I asked you whether you agreed with the administration’s frequently repeated claims about the economic effects of the Republican tax cuts. You responded by saying you had only skimmed the Joint Committee on Taxation’s dynamic estimates of H.R. 1’s effect on economic growth, so you were unable to offer an opinion. In the policy meeting with Finance Committee staff, you similarly responded to a question on the administration’s claims about the tax cuts effects on wage growth that you had not read materials by Council of Economic Advisers Chairman Kevin Hassett, and so could not weigh in. In that policy meeting, you were also advised that questions on the administration’s economic claims regarding the tax cuts would likely come from me and others at the hearing.

This nominations hearing is essentially a job interview for the position of Treasury Assistant Secretary for Economic Policy. My guess is that if a private-sector employer asked you to familiarize yourself with key materials ahead of your interview, you would ensure that you mastered the content so as to be properly prepared. I am asking you to do the same thing now in responding to this question for the record. To be precise, this is the third time you are being asked to weigh in on the administration’s key claims about the tax bill’s economic impacts.

Treasury Secretary Steven Mnuchin, who will be your boss if you are confirmed, said last fall that, “Not only will this tax plan pay for itself, but it will pay down debt.” The official Joint Committee on Taxation report has said that, even taking dynamic scoring into effect, the tax cuts will cost over $1 trillion before debt service. Virtually all mainstream economists have dismissed the notion that these tax cuts will pay for themselves, let alone also pay down the debt.

Do you agree with Secretary Mnuchin’s statement that the tax plan will pay for itself and even pay down the debt? Please provide a substantive explanation why or why not.

Answer. On the corporate side, the reduction in the corporate tax rate will make it more attractive for multinationals to locate economic activity in the United States for many years to come. In addition, there is reason to believe that provisions in

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the bill will reduce the effectiveness of some of the transfer pricing activities of multinationals that shielded income from U.S. taxation and previously resulted in those activities being recognized in an offshore tax jurisdiction. These supply-side actions plus provisions like bonus depreciation indicate that economic activity in the United States will be higher than it otherwise would have been. These are structural changes that make the U.S. economy more competitive in the long run to ensure that technological innovations are more likely to occur here, and the benefits realized here, rather than abroad. Also, limits to interest deductions and other deduction eliminations will increase the tax base. The possibility does exist that these tax changes coupled with reductions in burdensome regulation may increase the corporate tax base enough to offset the reduction in the tax rate applied to corporate income.

On the individual side, much of the differing views among economists on the overall revenue implications of the tax bill arise from different forecasts of how the Federal Reserve will respond to the current economic climate, where the U.S. economy is near full employment, consumers do not appear to be confronting difficulties borrowing, and consumer confidence is high. Given the position for which I have been nominated and the independence of the Federal Reserve, I do not want to speculate about potential future actions by the Fed.

If confirmed, I look forward to leading the Office of Economic Policy in monitoring changes in economic behavior and estimating the overall impact on Federal revenue, employment, the use of social services, wages, and ultimately the Federal deficit. I would be happy to discuss these issues with you further.

*Question.* Second, President Trump, his Council of Economic Advisers Chairman Kevin Hassett, and others in the administration have said repeatedly that the Republican tax cuts will raise average wages by $4,000. Yet, to date, real wages have remained pancake flat.3

Do you agree with the President and the CEA Chairman that American workers will see a $4,000 wage increase due to the tax cuts? Please provide a substantive explanation why or why not.

*Answer.* I have not spoken to Chairman Hassett about this matter or personally modeled and estimated the impacts of tax reform on average wages in the coming years. The benefit of tax reform is that multinationals are more likely to locate operations here in the United States rather than abroad. Absent tax reform, this offshoring of earnings would likely have continued, and the incentive to keep foreign profits abroad would have only continued to rise. Thus, I think we will see a higher pass-through to workers because of tax reform than we were seeing recently. There is also literature to suggest that much of the increased compensation employees are realizing is not going to wages but is instead paying for the costs of benefits.

As noted above, if confirmed, I look forward to leading the Office of Economic Policy in monitoring changes in economic behavior and estimating the overall impact on Federal revenue, employment, the use of social services, wages, and ultimately the Federal deficit. I would be happy to discuss these issues with you further.

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**QUESTIONS SUBMITTED BY HON. SHELDON WHITEHOUSE**

*Question.* Do you agree that carbon emissions produced by burning fossil fuels are the primary driver of climate change?

*Answer.* As a financial economist, my training is in the area of why and how firms raise capital, allocate capital, manage risk, and respond to various economic incentives. I have not done research, nor have I received training, in the area of climate science or energy generation. I will have to defer to researchers in those fields to provide expert analysis regarding the primary drivers of climate change and the environmental impacts of fossil fuels.

*Question.* Do you agree that carbon emissions are a negative externality of producing and consuming fossil fuels?

*Answer.* As my career has focused on financial economics, I have not conducted in-depth research into the positive or negative economic impacts of the production

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3For example, see the Bureau of Labor Statistics, Real Earnings for July 2018 (released August 10, 2018).
and consumption of fossil fuels. I defer to my colleagues who have given these issues the attention they deserve.

**Question.** Do you agree that implementing policies to ensure that the price of a good reflects its true cost is a broadly accepted principle among economists?

**Answer.** Yes, there is an appropriate role for policymakers to use regulation and taxation to address externalities such that the generator of those externalities incurs the costs of them. As an economist, I can help policymakers understand the likely economic impact of such policy choices.

**Question.** A 2015 survey of professional economists by the New York University School of Law revealed that 81 percent of the economists surveyed agreed that pricing carbon is the most efficient way to reduce carbon emissions. Do you agree with this consensus?

**Answer.** Although I have not conducted in-depth analysis of specific proposals to price carbon, pricing or taxing a product is generally an effective way to incentivize using less of that product.

**Question.** Recently, organizations as diverse as Freddie Mac, the Union of Concerned Scientists, and the insurance industry trade publication *Risk and Insurance* have been warning of the risk of a collapse in coastal real estate values. For example, Freddie Mac writes, “While technical solutions may stave off some of the worst effects of climate change, rising sea levels and spreading flood plains nonetheless appear likely to destroy billions of dollars in property and to displace millions of people. The economic losses and social disruptions may happen gradually, but they are likely to be greater in total than those experienced in the housing crisis and the Great Recession.” Given these warnings, do you think that the administration should be pursuing policies to limit carbon emissions?

**Answer.** I have not conducted in-depth analysis of the economic impact of climate change. However, in serving as an associate dean at a major university, I have experience leading economists and other faculty and staff working across a range of fields. If confirmed, I look forward to better understanding how the work of the Office of Economic Policy and other relevant agencies can support policymakers in these areas.

**Question.** Many academic economists are also warning of the risk of a “carbon bubble.” The Bank of England is concerned, warning that “investments in fossil fuels and related technologies . . . may take a huge hit.” Some economic modeling also suggests that should the carbon bubble burst, the U.S. economy would take a particularly big hit, as our oil and gas industry is composed of high-cost producers. These models suggest that the U.S. might see a greater than 5 percent decline in GDP and millions of lost jobs. Given these warnings, do you think that the administration should be pursuing policies to limit carbon emissions?

**Answer.** The economic impact of a shift to an alternative energy source would depend upon who creates that alternative source. If it is U.S. companies that create and expand that alternative, the decline in impacted industries would be offset by the gains in the U.S. companies providing the substitute form of energy. As long as American companies are the ones fulfilling U.S. energy needs, the impact from shifting from one source to another on the U.S. economy as a whole should be negligible. This will indeed most likely happen if the U.S. continues to lead other nations in the areas of research and innovation. However, there may be other implications outside of the macro-economic impact that policymakers may wish to consider.

**Question.** Nobel Prize-winning economist Joseph Stiglitz recently supplied testimony in a case in which several children are suing the U.S. government for its failure to reduce carbon emissions. Stiglitz warns of the economic risks of climate change, but also states that “[R]etrofitting the global economy for climate change would help to restore aggregate demand and growth. [C]limate policies, if well designed and implemented, are consistent with growth, development, and poverty reduction. The transition to a low-carbon economy is potentially a powerful, attractive, and sustainable growth story, marked by higher resilience, more innovation, more livable cities, robust agriculture, and stronger ecosystems.” Given Stiglitz’s testimony, do you think that the administration should be pursuing policies to limit carbon emissions?

**Answer.** While I am familiar with some of Stiglitz’s economic publications, I am not familiar with this testimony. I am also not familiar with the low-cost form of energy that Professor Stiglitz recommends that we transition to. As Stiglitz appears
to imply in the excerpt above, the specifics of such policies would have bearing on
their economic impact.

Question. A Government Accountability Office (GAO) report found that the eco-
nomic costs of climate change in the U.S. in 2017 exceeded $300 billion. This report
also estimated that taxpayers would be on the hook for more than $1 trillion in cli-
mate change-related costs through 2039. Given GAO’s conclusions, do you think that
the administration should be pursuing policies to limit carbon emissions?

Answer. As noted above, I have not conducted in-depth analysis of the economic
impact of climate change but have experience leading economists and other faculty
and staff working across a range of fields. If confirmed, I look forward to better un-
derstanding how the work of the Office of Economic Policy and other relevant agen-
ties can support policymakers in these areas.

PREPARED STATEMENT OF HON. ORRIN G. HATCH,
A U.S. SENATOR FROM UTAH

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R–Utah) today
delivered the following opening statement at a hearing to consider Michael
Faulkender to be Treasury Assistant Secretary for Economic Policy and Elizabeth
Darling to be Health and Human Services (HHS) Commissioner on Children, Youth,
and Families.

This morning we are meeting to discuss the nominations of Michael Faulkender,
to be Treasury Assistant Secretary for Economic Policy, and Elizabeth Darling, to
be Commissioner on Children, Youth, and Families at the Department of Health
and Human Services.

If confirmed, Dr. Faulkender will support the Secretary of the Treasury directly
as one of the foremost economic officials in our government. That role is an impor-
tant one. And with the important changes from tax reform just starting to take ef-
fect, Dr. Faulkender’s economic analysis will be key. The Office of Economic Policy
in the Department of Treasury analyzes and reports on both current and prospective
economic developments in the United States and world economies.

In his role, Dr. Faulkender would lead that office, as well as assist in determining
appropriate economic policies and participate in creating the administration’s budg-
et. This is a brief overview of a rather complex job, one with serious and critical
duties. But I believe Dr. Faulkender is up to the task.

As you will hear in a few minutes when we introduce both of our witnesses, Dr.
Faulkender has had a distinguished career in academia, where he has risen to the
level of an associate dean at the University of Maryland’s Robert H. Smith School
of Business and won many teaching awards as well.

But as mentioned, we are also here today to consider Ms. Darling. Ms. Darling
has a broad range of experience at the Federal, State, and local levels, especially
in areas fostering collaboration between government and community-based organi-
zations. If confirmed, Ms. Darling will oversee two important child welfare agencies
within HHS.

First is the Children’s Bureau, which manages the multibillion-dollar child wel-
fare entitlement programs, including foster care, a program that recently received
a significant bipartisan overhaul from Congress. Ms. Darling will also lead the Fam-
ily and Youth Services Bureau, the office serving runaway or homeless youth and
supporting victims of domestic violence.

These are important programs that directly affect the lives of millions of Ameri-
cans each year. And the work ahead will not be easy. However, I am confident that
Ms. Darling’s prior experience at HHS under the Bush administration, and her
work in Maryland and Texas, make her a qualified candidate for this important po-

tion.

Together, the nominations of both Dr. Faulkender and Ms. Darling represent an
example of two well-qualified candidates being nominated to key positions within
the executive branch, and confirming these two nominees will help us ensure our
government can fulfill the promises we have made to the American people.
PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

The gods have a way of dropping Earth-shaking news right before Finance Committee hearings. This morning’s hearing is no different, and the news that broke last night about the prosecutions of two Trump associates now has ramifications for one of the nominations before the committee today.

The President’s personal lawyer and his former campaign chairman are confessed or convicted felons. They join a long and growing list of Trump associates who’ve broken the law. Mr. Manafort, relevant to this committee, stole from every American taxpayer when he committed tax fraud. Mr. Cohen’s crimes are also relevant to our investigative work in multiple areas. But the Trump Treasury Department is continuing to stonewall this committee’s attempts to investigate these matters of criminal tax evasion, corruption, and foreign influence in our elections. That is why I am maintaining holds on all Treasury nominations.

Yesterday’s news makes one issue clear: by refusing to answer our questions, the Trump Treasury Department is helping to cover up criminal activity. This stonewalling has gone on far too long. When the Treasury decides to play ball and provide satisfactory answers to the questions Democratic members of this committee are asking—not just Republicans—then it will no longer be necessary to hold nominees.

Onto the two nominations before the committee this morning. If confirmed, Dr. Michael Faulkender will head up the Office of Economic Policy at the Treasury Department. He’ll be in charge of some of the most important economic analysis that comes out of the executive branch.

It’s a significant job, in no small part because the Trump administration—particularly when it comes to tax—has proven to be a purveyor of economic fiction. And you don’t have to take my word for it. You can ask any typical American worker if they’ve gotten the $4,000 raise they were promised they’d get as a result of the Trump tax law. You can also ask any respected, mainstream economist whether tax handouts to the wealthy and corporations pay for themselves.

A lot of these rainbow and unicorn tax fantasies came straight from the White House. But during the debate on the tax bill, Secretary Mnuchin also fabricated a story about Treasury, and the Office of Economic Policy in particular, putting out a comprehensive analysis that would prove these fantasy claims to be true. But what Treasury did release wasn’t a full report—it was a single page, and it failed to meet the middle-school math-class standard of “showing your work.”

So first of all, I hope that if Dr. Falkender is confirmed, he’ll get the office back in the game on these big legislative issues. And second, I hope he will give the Congress and the public reason to believe Treasury’s economic analysis is trustworthy.

That won’t be an easy job, because this administration often seems to be allergic to facts. But given how vital a role this office plays at the Treasury—and not just on tax policy, but on international trade, financial markets, and much more—this is an important post.

Second, Ms. Elizabeth Darling is nominated to serve as Commissioner of the Administration on Children, Youth, and Families. Over the last few years, the Finance Committee worked extensively on a bipartisan basis to pass the largest overhaul of our child welfare system in decades. If confirmed, Ms. Darling will have a big role to play in implementing that legislation, so both sides of this committee will look forward to working with her on that front.

But in the meantime, I’m concerned that the Trump administration is turning its attention toward proposals that would undo much of the progress that’s been made with respect to child welfare. First, there is an effort by this administration to slash child welfare funding in the long run. It’s the same type of hit job the President’s budget-crunchers want to inflict on Medicaid—capping funding and crippling the ability of States to serve many of the most vulnerable youngsters and families out there.

There’s also an attempt underway to allow child welfare providers to discriminate against potential foster parents simply because they are LGBTQ Americans or people of particular faith backgrounds. The acting head of the Administration for Children and Families says he wants to move further in that direction.
Colleagues, this is wrong. Not only is it a discriminatory policy based on nothing but intolerance, it would almost certainly deny a lot of children the opportunity to grow up in safe and loving homes.

I'll have questions for Ms. Darling on these issues, and I hope she will stand up against these policies if she's confirmed.