THE UNITED STATES CONFERENCE OF MAYORS

Statement on Behalf of The United States Conference of Mayors

The Honorable Steve Benjamin
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Virtual Hearing

The Fiscal Challenges Encountered by Local Governments Over the Past Year and How Federal Policies Can Be Improved to Provide Better Support

House Ways and Means Subcommittee on Select Revenue Measures

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Good afternoon everyone. I am Steve Benjamin, Mayor of Columbia and Past President of The United States Conference of Mayors. First a little background on my outstanding city. It is the capital city of South Carolina, a thriving and diverse city that is home to 134,309 people and the hub of a metropolitan area of 817,488 people. In addition to state government, Columbia serves as host for nearly 50,000 students attending the University of South Carolina, Columbia College, and two historically black colleges, Allen University and Benedict College. Columbia is also the proud home of Fort Jackson, the Army's largest basic training center, which trains approximately 45,000 soldiers per year.

Let me start by thanking you Chairman Thompson and Ranking Member Smith for holding this hearing. We appreciate the opportunity to share our concerns about the fiscal challenges local governments have encountered during the past year in response to the COVID-19 pandemic, and how federal tax policies can be improved to provide better support for our communities.

I would be remiss if I did not also extend our sincere thanks to all members of Congress who supported the passage of the American Rescue Plan. This is a great victory for the American people and state and local governments. Recent polls indicate that the overwhelming majority of Americans support this legislation. It provides badly needed assistance to help fight the coronavirus by:

- expanding vaccinations and testing.
- supporting workers who have lost their jobs.
- assisting communities with reopening schools.
- helping our residents with childcare, food and expanded rental assistance.
- increasing aid to state and local governments that have employees on the front lines every day responding to the demands stemming from the COVID-19 pandemic.

For over a year now, we have faced a health and economic crisis that continues to demand a bold response. As Mayors, we believe President Biden's American Rescue Plan is a bold first step towards rescuing our people and our local communities from this destructive pandemic. We also support the second step in the President's economic plan, which is his blueprint for infrastructure recovery or his "Build Back Better" plan.

A recent analysis by Moody's estimates that the American Rescue Plan will create

7.5 million jobs this year alone and a total of 18.6 million jobs over the next four years once the President's Build Back Better Recovery Plan is fully implemented. These are jobs that our residents need as we strive to move back to full employment.

Let's be clear, the nation's mayors believe this crisis is far from over. The $360 billion for state and local assistance in the American Rescue Plan is desperately needed at the local level. It will help us maintain critical public services during these challenging times. Our health care workers, police officers, firefighters, teachers, bus drivers and many others are still working long hours every day to save lives, provide transportation, educate our children, keep our residents safe and end this pandemic as soon as possible so we can return to some level of normalcy.

While the unemployment rate continues to show signs of gradual improvements, the Labor Department reported last week that a total of 780,000 American workers filed first-time claims for unemployment benefits the last week of February. This is 32,000 higher than the previous week. In addition to first-time claims, another 437,000 filed new claims for Pandemic Employment Assistance, a federal program covering freelancers, part-timers and others who do not routinely qualify for benefits. This is 9,000 higher than the previous month. Also, for the month of February, the Labor Department reported that state and local governments lost an additional 83,000 jobs; and a total of nearly 1.4 million jobs since February of last year. These numbers clearly demonstrate the heighten need for additional local assistance.

Now that the American Rescue Plan has been enacted, the nation's mayors welcome the opportunity to move to step two of the President's economic plan and we stand ready to work with the White House and Congress in putting together and passing the President's Build Back Better Infrastructure Recovery Plan. Under this plan, the President is planning to make historic investments in infrastructure, manufacturing, innovation, research and development, clean energy and so much more. As I said earlier, this plan is expected to create millions of good paying jobs over the next four years.

As you develop an infrastructure package, we encourage you to keep in mind the following principles and recommendations.

Enact Legislation to Promote a "Green" Infrastructure

As Mayors, we believe investing in the nation's infrastructure can play a critical role in our nation's economic recovery and putting people back to work. While investment is desperately needed to maintain, replace and expand the nation's infrastructure, mayors also see the need to "green" our infrastructure with an eye on building more resilient and lower-carbon infrastructure options. The need to dramatically reduce greenhouse gas emissions is a world-wide imperative not only to maintain our ecosystems but to also protect our most vulnerable citizens who will be the most severely impacted by a changing climate.

Mayors also believe greenhouse gas emissions can be reduced while growing the economy and creating well-paying jobs. We have taken a national and global leadership role in climate protection by:

- investing in carbon-reducing and resilient infrastructure, including lower-carbon transportation options and smart water systems.
- expanding the use of renewable and alternative energy sources.
- investing in energy conservation programs.
- designing more resilient communities, and
- establishing carbon reduction goals.

Cities have begun many of these measures, but national action is needed. We need to have a partnership with the federal government.

Given the scale of the pandemic's impact, cities must take new and bold action to accelerate an economic recovery that recognizes our looming climate crisis and the threats to public health and well-being that it will cause. A green recovery can put cities at the forefront of ending the age of fossil fuels and pursuing a just transition to a clean energy economy by realigning federal incentives to expedite clean energy development and investing in climate solutions like renewable energy, resilient infrastructure, and energy efficiency.

Divesting from fossil fuels is not only the right thing for the planet but can also deliver better financial returns and underscores the opportunities to better manage and reduce environment and climate-related risks for our cities and pension funds. This will also help us build more resilient, sustainable cities that grow the green economy and jobs, create better public health outcomes, address environmental injustices, and drive equitable development while reducing the harmful effects and risks of climate disaster.

Increase Support for Transportation and Other Infrastructure

Cities are ground zero as the nation struggles to adjust to the impact of COVID-19, particularly its significant effects on the transportation sector. The fallout can be measured by record revenue losses and steep declines in use and ridership across all modes, most notably for public transit, intercity passenger rail and air travel. As local and state governments struggle to maintain and adjust existing capital investment plans to advance needed improvements, we call on the Administration and Congress to provide additional federal support to sustain these vital systems and services.

For too many years, federal underinvestment in public airports, bridges, roads, ports, transit systems, and other facilities has resulted in additional deterioration or delayed maintenance which translates into huge losses for local taxpayers, hurt our economic growth, and make some of our infrastructure unsafe. Although many cities have taken bold steps to increase local and regional commitments to transportation, the Administration and Congress now need to invest more in these networks, as well as partner with, incentivize, and reward cities for taking action.

To guide new investment going forward, the nation's mayors – through The U.S. Conference of Mayors – have developed a Mayors' Infrastructure Agenda, where we are urging the Administration and Congress to embrace proposals that "localize" more of the available federal funding. Our key priorities include:

- Substantially increasing funding to the **Community Development Block Program (CDBG)** – at least triple current annual funding to $10 billion. This commitment would help initiate thousands of community infrastructure projects, advancing economic recovery and provide more resources to cities for public works, housing and social services, among other uses, targeted to low- and moderate-income people and their neighborhoods, including minority owned businesses.

- Providing new funding to the **Energy Efficiency & Conservation Block Grant Program (EECBG)** – invest $3.5 billion annually in city-based strategies to promote clean energy and reduce carbon use. This would accelerate local energy and climate action, through direct funding to cities which will support small businesses that provide clean energy engineering and technology and create jobs. This commitment will build public support for further action on energy and climate infrastructure.

- Directing a larger share of available federal highway dollars to “local areas,” specifically by allocating all **Surface Transportation Block Grant Program (STBG) f**unds to “local areas” – shift more of the nearly $50 billion in federal highway dollars apportioned annually to the states over to local areas and local decision-makers. This change would empower mayors and other local officials at a time when the pandemic and other challenges are changing transportation behaviors, practices and systems in so many ways, allowing local decision-makers to respond to changing travel patterns, embedded racism, climate protection and economic recovery. In this pandemic-impacted world, greater local empowerment recognizes to support local elected officials in matching available federal transportation dollars to locally identified priorities.

Reinstate the Tax Exemption for Advance Refunding of Municipal Bonds

As you develop and consider an infrastructure recovery proposal, we first encourage you to maintain the tax-exempt status of municipal bonds and reinstate the tax exemption for advance refunding of municipal bonds. We urge you to keep in mind the importance of tax-exempt municipal bonds to local and state governments. Together state and local governments are responsible for building and maintaining 75 percent of the nation’s infrastructure, which in many cases is financed by tax-exempt municipal bonds. For over one hundred years tax-exempt bonds have been the primary financing tool state and local governments use to access capital markets to address the infrastructure needs of their citizens.

Tax-exempt bonds have been used effectively by state and local governments to finance some of the nation’s most critical infrastructure including schools, hospitals, water and sewer facilities, roads and bridges, mass transit systems, and public power projects. Let me provide one example of how Columbia uses municipal bonds. In the coming decade, our capital improvement plan will require the city to issue well in excess of $500 million in bonds to make critical investments in water, sewer and stormwater infrastructure. These investments will ensure the continuity of the most basic and most important local government service, one that is critical to the public health and safety.

Removing or caping the exemption for municipal bonds would significantly increase our borrowing costs, an increase that impact our taxpayers and utility ratepayers directly. On the other hand, the savings from affordable financing through tax-exempt bonds allows for greater infrastructure investments and savings which are passed directly on to our taxpayers and ratepayers in the form of reduced taxes and fees. Keeping infrastructure costs low is critical to job creation and infrastructure investments that are the backbone of our economy.

In the 2017 Tax Cut and Jobs Act (PL 1115-97), Congress maintained the tax exemption for municipal bonds, including private activity bonds. But the tax exemption for advance refunding of municipal bonds, was repealed effective December 31, 2017. Before the repeal, state and local governments were permitted to advance refund each new issue of bonds only once on a tax-exempt basis. Consequently, state and local governments were very careful about how they used that one opportunity for an advance refunding. According to a recent report by the Government Finance Officers Association, there were over 12,000 tax-exempt advance refunding issuances nationwide between 2007 and 2017, which generated over $18 billion in savings for local taxpayers and ratepayers.

We want to express our appreciation to our friends in both houses of Congress who have introduced bipartisan bills to reinstate advance refunding of tax-exempt municipal bonds. These proposals will free up much-needed capital for state and local governments to invest in critical infrastructure and assist them in the long-term economic recovery as we move past the COVID-19 crisis. In the House we want to thank Representatives Dutch Ruppersberger (MD) and Steve Stivers (OH), the Co-Chairs of the House Municipal Finance Caucus, for taking the lead in introducing the Investing in Our Communities Act. In the Senate, we want to thank Senators Debbie Stabenow (MI) and Roger F. Wicker for taking the lead in introducing the LOCAL Infrastructure Act. We urge all members to cosponsor and support the passage of these two bills.

I understand that the Subcommittee is looking at another round of Build America Bonds or something similar. Let me be clear: tax credit bonds and direct subsidy bonds are an excellent complement to traditional tax-exempt municipal bonds. But they would be a poor replacement for many reasons:

- They have a narrower market than traditional municipal bonds.
- Programs to date have been far too small to meet infrastructure needs.
- Their underwriting costs are more expensive than traditional municipal bonds.
- Sequestration has eaten into the subsidy, creating mid-year budget difficulties for many issuers.

Repeal the Cap on SALT Deductions

Another concern of mayors is the $10,000 cap on federal income tax deductions for state and local taxes (SALT), which went into effect following the enactment of the 2017 Tax Cut and Jobs Act. Before the cap, taxpayers could deduct the full amount paid for state and local real estate and personal property taxes, as well as the full amount for either their state and local income or general sales taxes. We urge members of Congress to move immediately to repeal this cap, which subjects taxpayers to double taxation, increases taxes for many middle-class families, and undermines the autonomy of state and local tax systems.

We urge support for bipartisan legislation introduced by Representative Tom Suozzi (NY), the SALT Deductibility Act (HR 613), which would repeal the $10,000 cap on SALT and restore the full deductibility of state and local taxes. This bipartisan legislation currently has over 100 cosponsors in 18 different states and the support of numerous national organizations that represent state and local governments.

Permanently Extend the New Markets Tax Credits Program

We would also urge Congress to permanently extend the New Markets Tax Credit program. It was authorized in the Community Renewal Tax Relief Act of 2000 (PL 106-554) as part of a bipartisan effort to stimulate investment and economic growth in low-income urban neighborhoods and rural communities that lack access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies. Since 2003, this program has generated over $42 billion nationwide in direct investments to businesses, which have leveraged nearly $80 billion in total capital investments to businesses and revitalization projects in communities with high rates of poverty and unemployment.

This program has also:

- created approximately 750,000 jobs, at a cost to the federal government of less than $20,000 per job.
- supported the construction of 84.6 million square feet of manufacturing space; 62.7 million square feet of office space; and 42.7 million square feet of retail space, with many projects catalyzing additional investments in underserved communities.

We want to thank Representatives Terri Sewell (AL) and Tom Reed (NY) in the House and Senators Roy Blunt (MO) and Ben Cardin (MD) in the Senate for taking the lead in introducing this bipartisan legislation. Once enacted, the New Markets Tax Credit Extension Act (HR 1680/S 750), will permanently extend the program, and annually increase its volume cap at the rate of inflation. We urge all members to support this legislation.

Reauthorize the Energy Efficiency and Conservation Block Grant

In my earlier comments on the Mayors' Infrastructure Agenda, I discussed the need to "localize" more of the available federal infrastructure funding, supporting mayors and other local officials directly. A key priority of this Agenda is the Energy Efficiency and Conservation Block Grant (EECBG) program, which was modeled after the Community Development Block Grant program, to provide direct funding for all cities with a population of 35,000 or more. These annual grants can be used to improve energy efficiency in all sectors of the local economy and for a wide variety of activities, granting us considerable flexibility to fund projects and programs that best address local needs.

Legislation, HR 425, reauthorizing the EECBG program has been reintroduced by Representatives Greg Stanton (AZ), Brian Fitzpatrick (PA), and Marc Veasey (TX). I want to thank my former mayoral colleague, Rep. Greg Stanton, for helping to lead this bipartisan effort. I was also pleased to testify before the House Energy and Commerce Committee in the last Congress, urging support for this EECBG reauthorization legislation. I want to recognize the Committee Chairman, Representative Frank Pallone, for making this a legislative priority in this Congress. In fact, the EECBG program was included in the House's comprehensive climate change package, the Climate Leadership and Environmental Action for Our Nation's Future (CLEAN Future Act). Mayors urge all Representatives to support this important legislation as we work to promote green infrastructure development in our communities.

Climate Change and the Use of EECBG in Columbia--as with so much of what mayors and cities do, our leadership on climate change has been pragmatic. Mayors and cities have been pragmatic because we have no choice. Climate change is already impacting our communities and testing our infrastructure. We have acted because our constituents expect us to tackle challenges and fix problems, while delivering a balanced budget on time each year.

In Columbia, we unfortunately witnessed firsthand how climate change is already impacting cities and testing our infrastructure. Over three days in October 2015, the remnants of Hurricane Joaquin stalled over central South Carolina, inundating Columbia with nearly 30 inches of rain. Hurricane Joaquin's impact on Columbia was dire, taking the lives of many precious South Carolinians.

The storm nearly wiped out the Columbia Canal, which serves our main drinking water treatment plant, ruptured dozens of water and sewer mains, closed over 100 streets, flooded one fire station and our primary fire training facility, breached multiple dams, and damaged nearly 400 homes and 60 businesses. Since then, we have had several other major rain events; though Joaquin was a "500-year" event, heavy rain events are apparently becoming the new normal. In the aftermath of Joaquin, it became clear to us that recovery, resilience, and mitigation against future storms will be costly and will require detailed local knowledge of conditions on the ground and the City's infrastructure.

The 2015 floods were a call to action. However, like cities throughout the nation, the city of Columbia has been addressing climate change on several fronts for over a decade. Hurricane Joaquin led us to redouble our efforts.

In 2009, with assistance from the Energy Efficiency and Conservation Block Grant, we conducted an energy audit and implemented several of the audit's recommendations, including upgrading lighting systems, HVAC upgrades on City buildings, and installing solar panels on fire stations. These projects reduced our greenhouse gas emissions and energy consumption and saved Columbia taxpayers approximately $337,000 per year.

In addition, one of my first priorities when I took office was to upgrade and rationalize our regional transit system to increase ridership, including successfully asking our voters to approve a penny tax dedicated to transportation, including transit. I have also built on and accelerated the efforts of my predecessor to improve pedestrian and bicycle infrastructure in Columbia, completing several streetscapes and extending and opening several trails. Combined with thousands of new units of housing in Downtown Columbia and other central Columbia neighborhoods, these efforts have set the stage for truly giving Columbia residents a meaningful option to the car, with the added bonus of a vibrant, lively and beautiful Downtown. Two years ago, Columbia took the next step, setting a target of powering our community with 100 percent clean, renewable energy by 2035.

We believe this legislation will be a strong companion to the “greening of the tax code”--the realignment of tax incentives to encourage more rapid adoption of energy efficiency technologies in the commercial and residential building sectors, the more rapid shift to zero-carbon transportation systems, the adoption of low carbon utility sector, and the shift away from fossil fuels used by key industrial sectors.

Mr. Chairman that ends my statement. Again, thank you for the opportunity to testify on behalf of the nation’s mayors. I would be delighted to answer any questions you and other members may have at the appropriate time.